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## **LUEN THAI HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 311)**

### **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS RENEWAL OF ANNUAL CAPS**

As disclosed in the Announcement, the Group had a number of continuing connected transactions with the Tan Private Group. Certain categories of continuing connected transactions as referred to in the Announcement have since been terminated, while other continuing connected transactions as referred thereto will continue beyond 31 December 2012. The Company will therefore continue to comply with the applicable requirements in accordance with the Listing Rules for the relevant continuing connected transactions.

In compliance with Rule 14A.35(1) of the Listing Rules, the Company has entered into Master Agreements with the relevant Connected Persons of the Company for each category of Continuing Transactions. Each Master Agreement has a fixed term of 3 years and shall expire on 31 December 2015.

Based on current projections for the coming three years ending on 31 December 2015, the Group has a number of Continuing Transactions that are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, but are exempt from the requirements of independent shareholders' approval under the Listing Rules. A description of these Continuing Transactions is set out in this announcement.

The terms of the Continuing Transactions are determined after arm's length negotiations. The Directors (including the independent non-executive Directors) consider that the Continuing Transactions and their respective terms are fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

## **A. INTRODUCTION**

As disclosed in the Announcement, the Group had a number of continuing connected transactions with the Tan Private Group. Certain categories of continuing connected transactions as referred to in the Announcement have since been terminated, while other continuing connected transactions as referred thereto will continue beyond 31 December 2012. The Company will therefore continue to comply with the applicable requirements in accordance with the Listing Rules for the relevant continuing connected transactions.

## **B. TECHNOLOGICAL SUPPORT SERVICES**

### **1. Background**

IST BVI has been providing technological support services to the Group (including but not limited to software and system development and maintenance services such as process mapping, analysis and design, process reengineering, scheduling, management reporting and analysis) since the Listing. Fees for such technological support services have been and will continue to be charged by IST BVI against the Group on normal commercial terms determined by arm's length negotiations.

The aggregate fees paid by the Group to IST BVI in respect of the technological support services during each of the two years ended 31 December 2011 and ten months period ended 31 October 2012 amounted to approximately US\$2,105,000 (or approximately HK\$16,376,900), approximately US\$2,100,000 (or approximately HK\$16,338,000) and approximately US\$1,710,000 (or approximately HK\$13,303,800) respectively, all of which were within the relevant maximum caps as disclosed in the Announcement.

In compliance with Rule 14A.35(1) of the Listing Rules, Luen Thai Overseas has entered into the Master Agreement for Technological Support Services with Helmsley on 14 December 2012, pursuant to which Helmsley and its subsidiaries (including IST BVI) will provide technological support services to the Group as may be required from time to time for a term of 3 years from 1 January 2013 and expiring on 31 December 2015. Payments for transactions under the Master Agreement for Technological Support Services will be effected usually within 30 days when the invoices are issued.

### **2. Connected Person**

IST BVI is an indirectly wholly-owned subsidiary of Helmsley. Helmsley wholly owns Capital Glory Limited, the controlling shareholder of the Company. Helmsley is owned as to 70% by Mr. Tan Henry, an executive Director and the chief executive officer of the Company. As such, Helmsley is a Connected Person of the Company. IST BVI is therefore deemed an Associate, and hence a Connected Person, of the Company.

IST BVI is principally engaged in the provision of information technology services.

### **3. Reasons for entering into the transactions**

IST BVI has been providing technological support services to the Group since the Listing. While the fees for such technological support services reflect normal commercial terms negotiated on an arm's length basis and are comparable to the terms given by Independent Third Parties, the Directors believe that the Group will benefit from the continuation of such technological support services by IST BVI, which has a better understanding of the Group's existing systems due to its long-term service and has been providing smooth and efficient technological support services to the Group. Therefore, such transactions are beneficial to the Group as a whole as the Group is able to leverage on its long-established relationship with IST BVI. The Directors further believe that IST BVI's expertise and knowledge of the Group's operations, coupled with its development of various software and systems for the Group, should also warrant the continued engagement of IST BVI for provision of technical support services to the Group.

Given the quality services offered by IST BVI to the Group in the past and the benefits of continuity, the Directors (including the independent non-executive Directors) consider that such technological support services and their respective terms are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

### **4. Implications under the Listing Rules**

The technological support services constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Based on the historical figures for the fees paid by the Group to IST BVI in respect of the technological support services and the Group's estimation of the increased needs for the enhancement and technological support of the existing systems due to the Group's expanded business operations, the Directors currently expect that the aggregate fees in respect of such technological support services to be paid by the Group pursuant to the Master Agreement for Technological Support Services for the three financial years ending on 31 December 2015 will not exceed a maximum annual cap of US\$2,400,000 (or approximately HK\$18,672,000), US\$2,400,000 (or approximately HK\$18,672,000) and US\$2,400,000 (or approximately HK\$18,672,000) respectively. As each of these maximum caps are more than 0.1% but less than 5% under the applicable Percentage Ratios, such technological support services are therefore expected to continue to be subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules, but are exempt from the requirements of independent shareholders' approval under the Listing Rules.

Mr. Tan Siu Lin, together with his sons Mr. Tan Henry, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny, who are all Directors, have a material interest in the transactions contemplated under the Master Agreement for Technological Support Services. Accordingly, they have abstained from voting on the board resolution of the Company approving the entering into the Master Agreement for Technological Support Services and the transactions contemplated thereunder.

## C. LEASING ARRANGEMENTS

### 1. Background

As disclosed in the Announcement, the Tan Private Group has leased certain office and warehouse space to the Group since the Listing. Rental for each of such leasing arrangements was negotiated between the parties by reference to prevailing market rates at the time.

For operational needs, the Group has also leased certain office and warehouse space to the Tan Private Group. Rental for each of such leasing arrangements was negotiated between the parties by reference to prevailing market rates at the time.

As disclosed in the Announcement, the annual caps for these leasing arrangements will expire on 31 December 2012. The aggregate rentals paid by the Group to the Tan Private Group in respect of leasing arrangements during each of the two financial years ended 31 December 2011 and ten months period ended 31 October 2012 amounted to approximately US\$1,458,000 (or approximately HK\$11,343,240), approximately US\$1,512,000 (or approximately HK\$11,763,360) and approximately US\$1,206,000 (or approximately HK\$9,382,680) respectively, all of which were within the relevant projected maximum caps as disclosed in the Announcement.

The aggregate rentals paid by the Tan Private Group to the Group in respect of leasing arrangements during each of the two financial years ended 31 December 2011 and ten months period ended 31 October 2012 amounted to approximately US\$66,000 (or approximately HK\$513,480), approximately US\$66,000 (or approximately HK\$513,480) and approximately US\$55,000 (or approximately HK\$427,900) respectively, all of which were within the relevant projected maximum caps as disclosed in the Announcement.

Lease arrangements between the relevant members of the Group and the Tan Private Group respectively which are subject to compliance with Rule 14A.35 of the Listing Rules are as follows:

<b>Landlord</b>	<b>Tenant</b>
L&T Group ( <i>Tan Private Group</i> )	Consolidated Transportation Services Inc. ( <i>Group</i> )
L&T (Guam) ( <i>Tan Private Group</i> )	Consolidated Transportation Services Inc. (Guam) ( <i>Group</i> )
Quanzhou Luen Thai Real Estate Development Co Ltd ( <i>Tan Private Group</i> )	Hongquan Consulting Services (Shenzhen) Co., Ltd. ( <i>Group</i> )
LTID ( <i>Tan Private Group</i> ) ( <i>note 1</i> )	LTIG ( <i>Group</i> )

*Note 1:* Apart from being a landlord, LTID will also enter into sub-leasing arrangement as a tenant with LTIG as a landlord in respect of portion of the premises leased out to LTIG at the same rates.

In compliance with Rule 14A.35(1) of the Listing Rules, Luen Thai Overseas has entered into the Master Agreement for Leasing Arrangements with Tan Holdings and Helmsley on 14 December 2012 in relation to the leasing of properties between the Group and the Tan Private Group, pursuant to which such leasing arrangements will be for a term of 3 years from 1 January 2013 and rentals for each of the premises to be leased shall be determined at the prevailing market rates. Rentals payable under the Master Agreement for Leasing Arrangements will be effected on a monthly basis and payable in advance on the first day of each calendar month.

## **2. Connected Persons**

L&T Group is a wholly-owned subsidiary of Tan Holdings. In turn, Tan Holdings is owned as to 35% by Mr. Tan Henry, an executive Director and the chief executive officer of the Company. Tan Holdings is therefore deemed an Associate, and hence a Connected Person, of the Company. Tan Holdings is an investment holding company.

L&T Group is therefore an Associate and hence Connected Person of the Company. L&T Group is principally engaged in realty management.

L&T (Guam) is a wholly-owned subsidiary of Tan Holdings. It is therefore an Associate and hence Connected Person of the Company. L&T (Guam) is an investment holding company.

Consolidated Transportation Services Inc. is a wholly-owned subsidiary of the Company. It is principally engaged in the provision of freight forwarding and logistics services in the Commonwealth of Northern Mariana Islands.

Consolidated Transportation Services Inc. (Guam) is a wholly-owned subsidiary of the Company. It is principally engaged in the provision of freight forwarding and logistics services in Guam.

Quanzhou Luen Thai Real Estate Development Co Ltd is a subsidiary of Luen Thai Enterprises Limited, which is in turn wholly-owned by Helmsley. It is therefore an Associate and hence Connected Person of the Company. It is principally engaged in property investments.

Hongquan Consulting Services (Shenzhen) Co., Ltd. is a wholly-owned subsidiary of the Company. It is principally engaged in the provision of consultancy services in The People's Republic of China.

LTIG is a wholly-owned subsidiary of the Company. It is principally engaged in sourcing, manufacturing and trading of apparel products.

LTID is indirectly owned by Mr. Tan Siu Lin, a Director of the Company. It is therefore an Associate and hence Connected Person of the Company. It is principally engaged in property investment holding.

## **3. Reasons for entering into the transactions**

The Tan Private Group, with a diverse and wide business network, has been leasing properties to the Group since the Listing. The Directors believe that such transactions are beneficial to the Group as a whole as the Group is able to leverage on its long-established relationship with the Tan Private Group.

As disclosed in the Announcement, the Group had historically rented warehouse facilities from L&T (Guam). The Directors believe that the Group would be able to enjoy better service quality, greater flexibility and certainty of tenure with L&T (Guam).

For the other leasing arrangements under the Master Agreement for Leasing Arrangements, the Directors believe that the Group will benefit from such leasing arrangements for cost efficiency and better utilisation of the Group's office premises, which is beneficial to the Group as a whole.

While the rentals payable by or to the Group pursuant to the Master Agreement for Leasing Arrangements reflect normal commercial terms negotiated on an arm's length basis and are comparable to the terms given to or by Independent Third Parties, the Directors (including the independent non-executive Directors) therefore consider that the Group will benefit from the continuity of the leasing arrangements and will save the relocation costs which may otherwise have to be incurred due to any discontinuation of the existing leasing arrangements. The Directors (including the independent non-executive Directors) further believe that all the above leasing arrangements and their respective terms are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

#### **4. Implications under the Listing Rules**

The above leasing arrangements under the Master Agreement for Leasing Arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Based on the estimated and pre-agreed rental rates, the Directors currently expect that the aggregate fees to be paid by the Group to the Tan Private Group in respect of the leases and tenancies entered into pursuant to the Master Agreement for Leasing Arrangements for the three years ending on 31 December 2015 will not exceed US\$1,700,000 (or approximately HK\$13,226,000), US\$1,700,000 (or approximately HK\$13,226,000) and US\$1,700,000 (or approximately HK\$13,226,000) respectively. The applicable Percentage Ratio(s) in respect of the Master Agreement for Leasing Arrangements would be more than 0.1% but less than 5%. Such transactions under the Master Agreement for Leasing Arrangements are therefore expected to be subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules, but are exempt from the requirements of independent shareholders' approval under the Listing Rules.

Based on the estimated and pre-agreed rental rates, the Directors currently expect that the aggregate fees to be paid by the Tan Private Group to the Group in respect of the leases and tenancies entered into pursuant to the Master Agreement for Leasing Arrangements for the three years ending on 31 December 2015 will not exceed US\$100,000 (or approximately HK\$778,000), US\$100,000 (or approximately HK\$778,000) and US\$100,000 (or approximately HK\$778,000) respectively. The applicable Percentage Ratio(s) in respect of the Master Agreement for Leasing Arrangements would be less than 0.1%. Such transactions under the Master Agreement for Leasing Arrangements are therefore exempt from reporting, announcement and independent shareholders' approval requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

Mr. Tan Siu Lin, together with his sons Mr. Tan Henry, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny, who are all Directors, have a material interest in the transactions contemplated under the Master Agreement for Leasing Arrangements. Accordingly, they have abstained from voting on the board resolution of the Company approving the entering into the Master Agreement for Leasing Arrangements and the transactions contemplated thereunder.

#### **D. GENERAL**

The Group is principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding and logistics services.

#### **E. DEFINITIONS**

<b>“Announcement”</b>	the announcement of the Company dated 22 December 2009
<b>“Associate”</b>	shall have the meaning as ascribed to it under the Listing Rules
<b>“Company”</b>	Luen Thai Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
<b>“Connected Person”</b>	shall have the meaning as ascribed to it under the Listing Rules
<b>“Continuing Transactions”</b>	the continuing connected transactions of the Company as described in this announcement
<b>“Director(s)”</b>	the director(s) of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“Helmsley”</b>	Helmsley Enterprises Limited, a company incorporated in the Bahamas
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Independent Third Party”</b>	a third party which, together with its beneficial owner(s) (if any) and to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, is independent of the Company and its Connected Persons
<b>“IST BVI”</b>	Integrated Solutions Technology Limited, a company incorporated in the British Virgin Islands and a Connected Person of the Company
<b>“Listing”</b>	the listing of the shares of the Company on the Stock Exchange
<b>“Listing Rules”</b>	The Rules Governing the Listing of Securities on the Stock Exchange
<b>“L&amp;T Group”</b>	L&T Group of Companies, Ltd., a company incorporated under the laws of the Commonwealth of Northern Mariana Islands and a Connected Person of the Company

<b>“L&amp;T (Guam)”</b>	L&T (Guam) Corporation, a company incorporated under the laws of Guam and a wholly-owned subsidiary of Tan Holdings
<b>“LTID”</b>	Luen Thai International Development Limited, a company incorporated under the laws of Hong Kong and a Connected Person of the Company
<b>“LTIG”</b>	Luen Thai International Group Limited, a company incorporated under the laws of Hong Kong and a subsidiary of the Company
<b>“Luen Thai Overseas”</b>	Luen Thai Overseas Limited, a company incorporated in the Bahamas and a wholly-owned subsidiary of the Company
<b>“Master Agreements”</b>	the Master Agreement for Technological Support Services and the Master Agreement for Leasing Arrangements
<b>“Master Agreement for Leasing Arrangements”</b>	a master agreement dated 14 December 2012 entered into between Luen Thai Overseas, Tan Holdings and Helmsley in relation to the leasing of properties between the Group and the Tan Private Group
<b>“Master Agreement for Technological Support Services”</b>	a master agreement dated 14 December 2012 entered into between Luen Thai Overseas and Helmsley, pursuant to which Helmsley and its subsidiaries agreed to provide technological support services to the Group
<b>“Percentage Ratios”</b>	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Tan Holdings”</b>	Tan Holdings Corporation, a company incorporated in the Commonwealth of Northern Mariana Islands
<b>“Tan Private Group”</b>	Helmsley and Tan Holdings and their respective Associates and subsidiaries (other than the Group)
<b>“US\$”</b>	United States dollars, the lawful currency of the United States of America

By order of the Board  
**Chiu Chi Cheung**  
*Company Secretary*

Dated 14 December 2012

*As at the date hereof, the Board of Directors of the Company comprises the following Directors:*

*Executive Directors:*

Tan Siu Lin (*Chairman*)  
Tan Henry  
Tan Cho Lung, Raymond  
Tan Sunny  
Mok Siu Wan, Anne

*Non-executive Directors:*

Tan Willie  
Lu Chin Chu

*Independent Non-executive Directors:*

Chan Henry  
Cheung Siu Kee  
Seing Nea Yie

Website: [www.luenthai.com](http://www.luenthai.com)

*For illustration purpose, in this announcement, amounts in US\$ have been translated into HK\$ at the exchange rate of US\$1.00 to HK\$7.78. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rate.*