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## **LUEN THAI HOLDINGS LIMITED**

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

**(Stock Code: 311)**

### **Non-exempt Continuing Connected Transactions**

As disclosed in the Prospectus, the Group had a number of continuing connected transactions with the Tan Private Group. At the time of the Listing, relevant waivers had been sought and granted by the Stock Exchange in respect of strict compliance with the reporting, announcement and/or independent shareholders' approval requirements in accordance with the Listing Rules. Such waivers had been granted on the basis of, amongst other factors, the maximum aggregate annual caps for the three years ended 31 December 2006 in respect of each category of the relevant continuing connected transactions. A number of such categories of continuing connected transactions have since been terminated. With the lapse of time, all such waivers have now expired and, in respect of the Continuing Transactions, the Company should therefore comply with the applicable reporting, announcement and/or independent shareholders' approval requirements in accordance with the Listing Rules.

Based on current projections for the three years ending on 31 December 2009 or the three years ending on 31 December 2009 and six months ending on 30 June 2010 (as the case may be), the Group has a number of Continuing Transactions with the Tan Private Group and other Connected Persons of the Company that are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules. A description of these Continuing Transactions is set out in this announcement.

In compliance with Rule 14A.35(1) of the Listing Rules, the Company has entered into new Master Agreements with the Tan Private Group and the other relevant Connected Persons of the Company for each category of Continuing Transactions. Each Master Agreement has a term of less than or a maximum of 3 years.

The amounts paid and to be paid or received or to be received by the Group to or from (as the case may be) the Tan Private Group and other relevant Connected Persons of the Company in relation to the Continuing Transactions are determined after arm's length negotiations with reference to the prevailing market rates. 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 Prospectus, the Group had a number of continuing connected transactions with the Tan Private Group. At the time of the Listing, relevant waivers had been sought and granted by the Stock Exchange in respect of strict compliance with the reporting, announcement and/or independent shareholders' approval requirements in accordance with the Listing Rules. Such waivers had been granted on the basis of, amongst other factors, the maximum aggregate annual caps for the three years ended 31 December 2006 in respect of each category of continuing connected transactions. A number of such categories of continuing connected transactions have since been terminated. With the lapse of time and with the consummation of certain additional transactions within a number of such categories of continuing connected transactions, all such waivers have now expired and, in respect of the Continuing Transactions, the Company should therefore comply with the applicable reporting, announcement and/or independent shareholders' approval requirements in accordance with the Listing Rules.

Based on current projections for the three years ending on 31 December 2009 or the three years ending on 31 December 2009 and six months ending on 30 June 2010 (as the case may be), the Group has a number of Continuing Transactions with the Tan Private Group and other relevant Connected Persons of the Company that are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing

Rules. A description of these Continuing Transactions is set out in this announcement. As at the date of this announcement, the Group has no continuing connected transaction with the Tan Private Group or any other Connected Persons of the Company that is subject to the independent shareholders' approval requirement under the Listing Rules.

## **B. GENERAL AND ADMINISTRATIVE SERVICES**

### **B1. TRAVEL SERVICES**

#### **1. Background**

Based in Hong Kong, CTTA commenced operation of its travel agency business in 2003 and has been providing travel services to the Group prior to and since the Listing. These travel services include travel advisory services and the purchase of airline tickets, hotel reservations as well as packaged tours. Fees for such travel services have been and will continue to be charged by CTTA against the Group at a certain percentage above cost, which will reflect up to a 5% corporate discount to the standard rates applicable to Independent Third Parties. In compliance with the Listing Rules, a Master Agreement was entered into between CTTA and the Company pursuant to which CTTA shall provide travel services to the Company as may be required from time to time for a term of 3 years with effect from 27 June 2004. Subsequently, the Company assigned all of its rights and obligations under such Master Agreement to LTIG with effect from 28 June 2004.

The aggregate fees paid by the Group to CTTA in respect of the travel services during each of the three years ended 31 December 2006 amounted to approximately US\$386,000 (approximately HK\$3,011,000), approximately US\$327,000 (approximately HK\$2,551,000) and approximately US\$306,000 (approximately HK\$2,387,000) respectively, all of which were within the relevant maximum caps as disclosed in the Prospectus. As a result, although the relevant Percentage Ratios during the period were above 0.1% but below 2.5%, strict compliance with the reporting and announcement requirements under the Listing Rules were waived by virtue of the waiver granted by the Stock Exchange at the time of Listing.

In compliance with Rule 14A.35(1) of the Listing Rules, each of Dongguan Luen Thai, TellaS and CTSI Holdings Limited has entered into a new Master Agreement with CTTA on 5 May 2007, 4 May 2007 and 7 May 2007 respectively (each with retrospective effect as from 1 January 2007), pursuant to which CTTA will provide travel services to these Group Companies as may be required from time to time for a term of 3 years. LTIG has also entered into a new Master Agreement with CTTA on 28 May 2007 on substantially the same terms which shall take effect on the day immediately after the expiration of its existing Master Agreement on 26 June 2007 for another term of 3 years.

#### **2. Connected Person**

As disclosed in the Prospectus, CTTA is a wholly-owned subsidiary of LTDI, which is in turn wholly-owned by Admirable Investment Holdings Limited, a company indirectly owned by Mr. Tan Siu Lin, a Director. CTTA is therefore deemed an Associate, and hence a Connected Person, of the Company. CTTA is principally engaged in the provision of travel agency and other travel-related services.

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

CTTA has been providing travel services to the Group prior to and 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 CTTA.

Given the preferential rates offered by CTTA, the Directors (including the independent non-executive Directors) consider that such travel services and their respective terms are 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 travel services constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Based on (i) the estimated annual airfare increase of approximately 2% to 6% which is dictated by projected oil prices; (ii) a conservative estimated annual increase of 5% on rates charged by hotels on a worldwide basis, and (iii) the number of upcoming projects which would require members of the Group to travel for purposes of the Group's continuous geographical expansion, the Directors currently expect that the Group's projected needs for travel services will increase at an annual growth rate of approximately 6% in the amount paid or to be paid for engaging CTTA for such travel services in each of the three financial years ending on 31 December 2009.

On the above basis, the Directors currently expect that the aggregate fees paid or payable by the Group to CTTA pursuant to the four Master Agreements described in paragraph B1(1) above for each of the three financial years ending on 31 December 2009 and six months ending on 30 June 2010 in respect of such travel services will not exceed a maximum cap of US\$340,000 (approximately HK\$2,652,000), US\$360,000 (approximately HK\$2,808,000), US\$380,000 (approximately HK\$2,964,000) and US\$130,000 (approximately HK\$1,014,000) respectively. As each of these maximum caps is more than 0.1% but less than 2.5% under the applicable percentage ratios on an annual basis, such travel services are currently 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. The cumulative balance of the fees paid by the Company to the relevant Connected Persons of the Company for the period starting from 1 January 2007 up to and until the date of this Announcement only amount to a de minimis transaction and is therefore exempt from any reporting, announcement and shareholders' approval requirements required under Chapter 14 A of the Listing Rules.

## **B2. TECHNOLOGICAL SUPPORT SERVICES**

### **1. Background**

IST BVI has been providing technological support services to the Group including LTIG prior to and since the Listing. Fees for such technological support services have been and will continue to be charged by IST BVI against the Group at approximately 50% discount to the normal rates charged against Independent Third Parties until termination of the existing Master Agreements on 26 June 2007.

The aggregate fees paid by the Group to IST BVI in respect of the technological support services during each of the three years ended 31 December 2006 amounted to approximately US\$2,266,000 (approximately HK\$17,675,000), approximately US\$2,068,000 (approximately HK\$16,130,000) and approximately US\$2,018,000 (approximately HK\$15,740,000) respectively, all of which were within the relevant maximum caps as disclosed in the Prospectus. As a result, although the relevant Percentage Ratios during the period were above 0.1% but below 2.5%, strict compliance with the reporting and announcement requirements under the Listing Rules were waived by virtue of the waiver granted by the Stock Exchange at the time of Listing.

In compliance with Rule 14A.35(1) of the Listing Rules, LTIG has entered into a new Master Agreement with IST BVI on 28 May 2007 which shall take effect on the day immediately after expiration of its existing Master Agreement on 26 June 2007 for another term of 3 years. Save and except for the fact that IST BVI has been charging the Group at a rate below market rates for provision of such services, this new Master Agreement with IST BVI is on substantially the same terms as those of the existing Master Agreements.

### **2. Connected Person**

As disclosed in the Prospectus, IST BVI is a wholly-owned subsidiary of Helmsley which in turn is held by a number of trusts with Mr. Tan Siu Lin being the settlor and trustee of each of these trusts. It 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 prior to and 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 IST BVI. The Directors further believe that IST BVI's expertise and knowledge of the Group's operations, coupled with its development of various system software for the Group, should also warrant the continued engagement of IST BVI for provision of technological support services to the Group.

Given the preferential rates offered by IST BVI, the Directors (including the independent non-executive Directors) consider that such technological support services and their respective terms are 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 Group's projected needs for the technological support services, the Directors currently expect that the aggregate fees paid or payable by the Group to IST BVI pursuant to the existing Master Agreements and the new Master Agreement described in paragraph B2(1) above for each of

the three financial years ending on 31 December 2009 and six months ending on 30 June 2010 in respect of such technological support services will not exceed a maximum cap of US\$2,171,000 (approximately HK\$16,934,000), US\$2,200,000 (approximately HK\$17,160,000), US\$2,200,000 (approximately HK\$17,160,000) and US\$1,100,000 (approximately HK\$8,580,000) respectively. As each of these maximum caps is more than 0.1% but less than 2.5% under the applicable percentage ratios on an annual basis, such technological support services are currently 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.

### **B3. ADMINISTRATIVE AND SUPPORT SERVICES**

#### **1. Background**

As disclosed in the Prospectus, L&T Group and Micro Pacific, Inc. have historically been providing administrative and support services in Saipan to both the Group and the Tan Private Group. Such services are ancillary in nature and unrelated to the garment industry, and include office administration (such as personnel and administration services), accounting (such as book-keeping services) and transport services (such as chauffeur services). Fees for such services have been charged by L&T Group and Micro Pacific, Inc. respectively against the Group at cost.

The aggregate fees paid by the Group to the L&T Group and Micro Pacific, Inc. in respect of such administrative and support services during each of the three years ended 31 December 2006 amounted to approximately US\$9,024,000 (approximately HK\$70,387,000), approximately US\$5,206,000 (approximately HK\$40,607,000) and approximately US\$2,162,000 (approximately HK\$16,864,000) respectively, all of which were within the relevant maximum caps as disclosed in the Prospectus. As a result, although the relevant Percentage Ratios during the period were above 2.5%, strict compliance with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules were waived by virtue of the waiver granted by the Stock Exchange at the time of Listing.

With the cessation of the Group's manufacturing operations in Saipan, it is expected that such administrative and support services will significantly be wound down during 2007 with Micro Pacific, Inc. having already ceased to provide such services. In compliance with Rule 14A.35(1) of the Listing Rules, Concorde Garment Manufacturing Corporation, a subsidiary of the Company has entered into a new Master Agreement with L&T Group on 30 May 2007 which shall take effect on the day immediately after expiration of the existing Master Agreement on 26 June 2007 on substantially the same terms, pursuant to which L&T Group will continue to provide such administrative and support services to Concorde Garment Manufacturing Corporation as may be required from time to time for a term ending on 31 December 2007.

#### **2. Connected Person**

As disclosed in the Prospectus, L&T Group is a wholly-owned subsidiary of Tan Holdings which in turn is held by a number of trusts with Mr. Tan Siu Lin being the settlor and trustee of each of these trusts. It is therefore deemed an Associate, and hence a Connected Person, of the Company.

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

L&T Group has been providing administrative and support services to the Group since the Listing. The Directors believe that such transactions are beneficial to the Group as a whole as they facilitate the final proceedings on the cessation of the Group's manufacturing operations in Saipan.

Given that fees have been charged at cost, the Directors (including the independent non-executive Directors) consider that the provision of administrative and support services and its terms are 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 provision of administrative and support services by L&T Group to the Group constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Based on the Group's current needs for such administrative and support services, the Directors expect that the aggregate fees paid or payable by the Group to L&T Group for the year ending on 31 December 2007 in respect of such administrative and support services will not exceed a maximum cap of US\$540,000 (approximately HK\$4,212,000). As the maximum cap is more than 0.1% but less than 2.5% under the applicable percentage ratios on an annual basis, the provision of such administrative and support services is therefore currently expected to be subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

### **Aggregation of travel services, technological support services and administrative and support services pursuant to Rule 14A.25 of the Listing Rules**

On an aggregate level, the applicable Percentage Ratio(s) in respect of the sub-categories of services described in sub-paragraphs B1, B2 and B3 above would be more than 0.1% but less than 2.5% based on the current market price of the Shares. Such services are therefore expected to be, at most, subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

## **C. TENANCY ARRANGEMENTS**

### **1. Background**

As disclosed in the Prospectus, the Tan Private Group has leased certain office and warehouse space to the Group since the Listing. For details of these lease arrangements including the address of their respective properties and rental payments, please refer to the sections headed “Connected Transactions” and “Property Valuation” in the Prospectus. As disclosed in the Company’s announcements dated 30 September 2005 and 1 December 2005 respectively, further tenancy arrangements were made between the Group and other Connected Persons of the Company. Rental for each of such tenancy arrangements was negotiated between the parties by reference to prevailing market rates at the time.

The aggregate rental paid by the Group to the Tan Private Group in respect of tenancy arrangements during each of the three years ended 31 December 2006 amounted to approximately US\$881,000 (approximately HK\$6,872,000), approximately US\$1,001,000 (approximately HK\$7,808,000) and approximately US\$1,137,000 (approximately HK\$8,869,000) respectively, all of which were within the relevant maximum caps as disclosed in the Prospectus and in the Company’s announcement dated 1 December 2005. The aggregate rental paid by the Group to other Connected Persons of the Company (other than the Tan Private Group), namely Tien-Hu Enterprise, in respect of tenancy arrangements during each of the two years ended 31 December 2006 amounted to approximately US\$68,000 (approximately HK\$531,000) and approximately US\$409,000 (approximately HK\$3,191,000) respectively, all of which were within the relevant projected maximum caps as disclosed in the Company’s announcements dated 1 December 2005.

As at the date of this announcement, lease arrangements are subsisting between the following members of the Group and Connected Persons of the Company, all of which have been renewed during the financial year 2007:

<b>Landlord – Connected Person</b>	<b>Tenant – Group</b>
LTID	LTIG
L&T Group	Consolidated Transportation Services Inc.
L&T (Guam)	Consolidated Transportation Services Inc. (Guam)
Tien-Hu Enterprise	Tien-Hu Trading (Hong Kong) Limited
Tien-Hu Enterprise	Tien-Hu Knitting Factory (Hong Kong) Limited
Tien-Hu Enterprise	Tien-Hu Knitters Limited

In compliance with Rule 14A.35(1) of the Listing Rules (i) LTIG has entered into two new Master Agreements with LTID on 1 April 2007; and (ii) each of Tien-Hu Trading (Hong Kong) Limited, Tien-Hu Knitting Factory (Hong Kong) Limited and Tien-Hu Knitters Limited has entered into new Master Agreement with Tien-Hu Enterprise on 2 May 2007; (iii) Consolidated Transportation Services Inc. and Consolidated Transportation Services Inc. (Guam) have entered into new Master Agreements with L&T Group and L&T (Guam) respectively on 30 May 2007 which shall take effect on the day immediately upon expiration of their respective existing Master agreements on 26 June 2007 and 20 September 2008, pursuant to which the relevant Connected Persons of the Company has leased properties to the Group Companies as may be required from time to time for a term of less than or a maximum of 3 years.

### **2. Connected Persons**

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

L&T Group is a wholly-owned subsidiary of Tan Holdings. It is therefore an Associate and hence Connected Person of the Company. L&T Group is principally engaged in real estate development.

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 principally engaged in real property development.

Tien-Hu Enterprise is owned as to approximately 98% by Roots Investments Limited, which is in turn beneficially owned by a trust in which Mr. Chan Tim Shing (who is a director and substantial shareholder of Partner Joy) is one of the beneficiaries. It is therefore an Associate of Mr. Chan Tim Shing, and hence

a Connected Person of the Company. Tien-Hu Enterprise is principally engaged in investment holding as well as garment sales and manufacturing.

### **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 Company's announcement dated 30 September 2005, 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).

As disclosed in the Company's announcement dated 1 December 2005, the operations of the Partner Joy Group had historically occupied factory and office premises of Tien-Hu Enterprise. The Group has enjoyed a cordial relationship with Tien-Hu Enterprise and therefore the Directors believe that the Group should take the opportunity to build on such cordial relationships by continuing its tenancy arrangements with Tien-Hu Enterprise. The continued tenancy of such factory including warehouse premises is also more practical and efficient from the perspective of the Group's operations.

The Directors (including the independent non-executive Directors) therefore consider that all such tenancy arrangements and their respective terms are 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**

All the above-mentioned tenancy 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 expect that the aggregate fees to be paid or payable by the Group to the Tan Private Group in relation to the first three items in the table under paragraph C1 above for each of the three financial years ending on 31 December 2009 and six months ending on 30 June 2010 in respect of the respective tenancy arrangements will not exceed a maximum cap of US\$1,470,000 (approximately HK\$11,466,000), US\$1,470,000 (approximately HK\$11,466,000), US\$1,470,000 (approximately HK\$11,466,000) and US\$735,000 (approximately HK\$5,733,000) respectively. As each of these maximum caps is more than 0.1% but less than 2.5% under the applicable percentage ratios on an annual basis using the aggregated approach, such tenancy arrangements are currently expected to be, at most, subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

Based on the pre-agreed rental rates, the Directors currently expect that the aggregate fees to be paid or payable by the Group to Tien-Hu Enterprise for the three financial years ending on 31 December 2009 and six months ending on 30 June 2010 in respect of tenancy arrangements will not exceed a maximum cap of US\$211,000 (approximately HK\$1,646,000), US\$165,000 (approximately HK\$1,287,000), US\$165,000 (approximately HK\$1,287,000) and US\$82,500 (approximately HK\$643,500) respectively. As one of these maximum caps is more than 0.1% but less than 2.5% based under the applicable percentage ratios on an annual basis, such tenancy arrangements are currently expected to be subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

## **D. SUB-LEASING TO PARTNER JOY**

### **1. Background**

The Group has sub-leased certain office space to Partner Joy. As at the date of this announcement, sub-lease arrangements have been made between the relevant Group Company and Partner Joy.

Rental for such sub-lease arrangements was negotiated between the parties by reference to prevailing market rates at the time.

In compliance with Rule 14A.35(1) of the Listing Rules, LTIG has entered into a tenancy agreement with Partner Joy on 12 February 2007, pursuant to which LTIG will sub-lease certain properties to Partner Joy from time to time for a term of 3 years from 1 May 2007.

### **2. Connected Persons**

Partner Joy is the holding company within the Partner Joy Group and is a subsidiary of the Company. Mr. Chan Tim Shing is both a director and substantial shareholder of Partner Joy. It is therefore an Associate of Mr. Chan Tim Shing, and hence a Connected Person of the Company. Partner Joy is principally engaged in investment holding.

### 3. Reasons for entering into the transactions

Given that Partner Joy is a subsidiary of the Company with a principal place of business in Hong Kong, the Directors believe that it would be both practical and cost-efficient for Partner Joy to occupy administrative offices which are located in the same building as the head office of the Group.

Given that rental is charged at prevailing market rates, the Directors (including the independent non-executive Directors) consider that such sub-leasing arrangement and its terms are 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 sub-leasing arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Based on the agreed rental rates, the Directors expect that the aggregate rental received or receivable by LTIG from the Partner Joy for each of the three years ending on 31 December 2009 and six months ending on 30 June 2010 in respect of sub-lease arrangements will not exceed a maximum cap of US\$275,000 (approximately HK\$2,145,000), US\$409,000 (approximately HK\$3,190,200), US\$409,000 (approximately HK\$3,190,200) and US\$205,000 (approximately HK\$1,599,000) respectively. As each of these maximum caps is more than 0.1% but less than 2.5% under the applicable percentage ratios on an annual basis, such sub-lease arrangements are currently expected to be subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

## E. ADVANCE PAYMENTS

### 1. Background

As part of day-to-day operations, the Group will make certain regular advance payments for the Tan Private Group. These payments include transportation expenses, handling charges, agency commission, rental, and other administrative and general miscellaneous expenses. Such payments are reimbursed to the Group at cost, normally within 30 days of payment.

As at the date of this announcement, advance payment arrangements are subsisting between the following members of the Group and Luen Thai (Far East) Company Limited and members of the Tan Private Group respectively:

<b>Party to reimburse – Tan Private Group</b>	<b>Party being reimbursed – Group</b>
Majestic Wear, Inc.	TellaS
L&T Group of Companies, Ltd.	TellaS
Tango, Inc.	TellaS
Marshall Island Fishing Venture	TellaS
Luen Thai Fishing Ventures Limited	TellaS
Cosmos Distributing Co., Ltd.	Dongguan Luen Thai
IST BVI	LTIG
IST BVI	L&T International Group Phils., Inc.
Luen Thai (Far East) Company Limited	L&T International Group Phils., Inc.

In compliance with Rule 14A.35(1) of the Listing Rules, each of Luen Thai (Far East) Company Limited, Helmsley and Tan Holdings has entered into a Master Agreement with the Company between 5 May 2007 and 7 May 2007 (each with retrospective effect as from 1 January 2007), pursuant to which the Group will make such advance payments on behalf of Luen Thai (Far East) Company Limited and members of the Tan Private Group as may be required from time to time for a term of 3 years from 1 January 2007.

### 2. Connected Persons

Each of Majestic Wear, Inc., L&T Group, Tango, Inc., Marshall Island Fishing Venture, Luen Thai Fishing Ventures Limited, Cosmos Distributing Co., Ltd. and IST BVI is a member of the Tan Private Group. As disclosed in the Prospectus, members of the Tan Private Group are Associates, and hence Connected Persons, of the Company.

Luen Thai (Far East) Company Limited is beneficially and wholly-owned by a trust in which Mr. Tan Siu Lin is the settlor. It is therefore a Connected Person of the Company. Luen Thai (Far East) Company Limited is principally engaged in investment holding.

### 3. Reasons for entering into the transactions

Due to operational needs, it is more practical for the Group to make certain advance payments on behalf of relevant members of the Tan Private Group. In view of the continuing cordial relationship with the Tan Private Group, the Directors believe that the provision of such advances to the Tan Private Group is beneficial to the Group as a whole as the Group is able to maintain and enhance its long-established relationship with the Tan Private Group.

Given that reimbursement of such advance payments are made at cost and within a relatively short period of time as well as the relatively small value of such payments, the Directors (including the independent non-executive Directors) consider that the advance payment arrangements and their respective terms are 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 advance payment arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Based on the projected needs for such advance payments, the Directors currently expect that the cumulative amounts of actual payments to be made by the Group pursuant to the Master Agreements described in paragraph E1 above for each of the three financial years ending on 31 December 2009 in respect of such advance payment arrangements with the Tan Private Group will not exceed a maximum cap of US\$400,000 (approximately HK\$3,120,000), US\$400,000 (approximately HK\$3,120,000) and US\$400,000 (approximately HK\$3,120,000), respectively. As each of these maximum caps is more than 0.1% but less than 2.5% under the applicable percentage ratios on an annual basis, such advance payment arrangements are currently expected to be subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules. The cumulative balance of actual payments made by the Group to the relevant Connected Persons of the Company for the period starting from 1 January 2007 up to and until the date of this Announcement only amount to a de minimis transaction and is therefore exempt from any reporting, announcement and shareholders' approval requirements required under Chapter 14 A of the Listing Rules.

### **F. PURCHASE OF INVENTORIES**

#### **1. Background**

Since September 2006, the Group has been purchasing men and women's apparel and accessories from the On Time Group for sales in the US. Costs for such purchases are charged at LDP, which include a 6% mark-up margin based on FOB costs of the inventories. The aggregate costs paid by the Group to the On Time Group in respect of such purchases during the four months ended 31 December 2006 amounted to approximately US\$20,000 (approximately HK\$156,000), resulting in the applicable Percentage Ratio(s) to be less than 0.1%.

In compliance with Rule 14A.35(1) of the Listing Rules, TellaS has entered into a Master Agreement with On Time on 8 May 2007 (with retrospective effect as from 1 January 2007), pursuant to which the Company will purchase such inventories from On Time from time to time for a term of 3 years from 1 January 2007.

#### **2. Connected Persons**

Mr. Frank Fleischer is a director and a beneficial owner of more than 30% in the issued share capital of On Time, which is a non-wholly owned subsidiary of the Company. The On Time Group is therefore an Associate of Mr. Frank Fleischer and hence a Connected Person of the Company. The On Time Group is principally engaged in the design, sourcing and distribution on a worldwide basis of garments and other textile products.

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

These transactions have arisen due to the acquisition of interest in the On Time by the Group in the year 2006. Certain customer order requirements are now being served through the capabilities of the On Time Group.

The Directors (including the independent non-executive Directors) consider that such purchases and their respective terms are 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 purchase of inventories from the On Time Group constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

It is expected that there will be a significant increase in the aggregate costs to be paid or payable by the Group to the On Time Group for the three financial years ending 31 December 2009 from those paid for the four months ended 31 December 2006 due to the fact that (i) such transactions only started to take place in September 2006 while the expected cost represents aggregate amounts to be paid for the twelve months ending on 31 December 2007; and (ii) a high level of synergy is expected to be generated between the On Time Group and the Group which would dictate an increase in businesses.

The Directors currently expect that the aggregate costs for such purchases for each of the three financial years ending on 31 December 2009 will not exceed a maximum cap of US\$2,800,000 (approximately HK\$21,840,000), US\$2,800,000 (approximately HK\$21,840,000) and US\$2,800,000 (approximately HK\$21,840,000) respectively. As each of these maximum caps is more than 0.1% but less than 2.5% under the applicable percentage ratios on an annual basis, such purchases are currently expected to be subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules. Despite the expected increase in costs paid or payable by the Group for such purchases for the year 2007, the Directors currently cannot project any increase in costs for the years 2008 and 2009 from 2007 due to the fact that the Group is still developing its clientele in the United States market through the capabilities of On Time Group. The Directors confirm that the Company will comply with all applicable rules as prescribed under Chapter 14A of the Listing unless specifically exempted. The cumulative balance of the costs for such purchases paid by the Company to the On Time Group for the period starting from 1 January 2007 up to and until the date of this Announcement only amount to a de minimis transaction and is therefore exempt from any reporting, announcement and shareholders' approval requirements required under Chapter 14 A of the Listing Rules.

## **G. ADMINISTRATIVE & HANDLING SERVICES**

### **1. Background**

Since September 2006, TellaS, a wholly-owned subsidiary of the Company, has been providing administrative agency services, sales solicitation and design support services to the On Time Group. Commission for such agency services are charged at 4.5% of the total direct shipments to customer under the terms of the FOB (or 4.5% of the FOB costs of FOB shipments). The aggregate commission paid by the On Time Group to the Group in respect of such agency services during the year ended 31 December 2006 amounted to a minimal sum of less than US\$1,000 (approximately HK\$8,000), resulting in the applicable Percentage Ratio(s) to be less than 0.1%.

In compliance with Rule 14A.35(1) of the Listing Rules, TellaS has entered into a Master Agreement with On Time on 8 May 2007 (with retrospective effect as from 1 January 2007), pursuant to which the Group will provide such administrative agency services to the On Time Group from time to time for a term of 3 years from 1 January 2007.

### **2. Connected Persons**

Mr. Frank Fleischer is a director and a beneficial owner of more than 30% in the issued share capital of On Time, which is a non-wholly owned subsidiary of the Company. The On Time Group is therefore an Associate of Mr. Frank Fleischer and hence a Connected Person of the Company. The On Time Group is principally engaged in the design, sourcing and distribution on a worldwide basis of garments and other textile products.

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

Given that the On Time Group does not have an office in the United States, the Directors believe that by providing the necessary support services for sales solicitation and design support services for purposes of finalizing sales transactions with customers in the United States to the On Time Group, which has since become a subsidiary of the Company, it would be both beneficial and cost efficient for the Group as a whole.

The Directors (including the independent non-executive Directors) consider that such purchases and their respective terms are 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 provision of administrative agency services to the On Time Group constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

It is expected that there will be a significant increase in the aggregate fees to be paid by the On Time Group to the Group for the year ending 31 December 2007 from those paid for the four months ended 31 December 2006 due to the fact that (i) such transactions only started to take place in September 2006 while the expected fees represent fees to be paid for the twelve months ending on 31 December 2007; and (ii) a high level of synergy is expected to be generated between the On Time Group and the Group which would dictate an increase in the fees payable by the Group.

The Directors expect that the aggregate commission to be paid by the Group to the On Time Group in respect of such agency services for each of the three financial years ending on 31 December 2009 will not exceed a maximum cap of US\$600,000 (approximately HK\$4,680,000), US\$600,000 (approximately

HK\$4,680,000) and US\$600,000 (approximately HK\$4,680,000) respectively. As each of these maximum caps is more than 0.1% but less than 2.5% under the applicable percentage ratios on an annual basis, such agency services are therefore currently expected to be subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules. Despite the expected increase in the commission paid or payable by the Group for such services for the year 2007, the Directors currently cannot project any increase in the commission to be paid for the years 2008 and 2009 from 2007 due to the fact that such agency services would be dependent on the business performance of the On Time Group, whose clientele in the United States market is still undergoing development. The Directors confirm that the Company will comply with all applicable rules as prescribed under Chapter 14A of the Listing unless specifically exempted. The cumulative balance of the fees received by the Company from the On Time Group for the period starting from 1 January 2007 up to and until the date of this Announcement only amount to a de minimis transaction and is therefore exempt from any reporting, announcement and shareholders' approval requirements required under Chapter 14 A of the Listing Rules.

## H. GENERAL

The Group is principally engaged in the manufacturing and trading of garment and textile products, and the provision of freight forwarding and logistics services.

## I. DEFINITIONS

“Associate”	shall have the meaning as ascribed to it under the Listing Rules
“Company”	Luen Thai Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Connected Person”	shall have the meaning as ascribed to it under the Listing Rules
“Continuing Transactions”	the continuing connected transactions subsisting or expected to commence during the course of the financial year 2007 as at the date of this announcement and as described in this announcement
“CTTA”	Century Travel and Tour Agency Limited, a company incorporated under the laws of Hong Kong and a Connected Person of the Company
“Directors”	the directors of the Company
“Dongguan Luen Thai”	Dongguan Luen Thai Garment Co., Ltd., a company incorporated under the laws of People’s Republic of China and a subsidiary of the Company
“FOB”	“free on board”, whereby the seller is only responsible for transporting goods to the ports or airfields of the production country, after which point the buyer bears all costs and risks of loss of or damage to the goods
“Group”	the Company and its subsidiaries
“Group Company” or “Group Companies”	member or members of the Group
“Helmsley”	Helmsley Enterprises Limited, a company incorporated in the Bahamas and a substantial shareholder of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	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
“IST BVI”	Integrated Solutions Technology Limited, a Connected Person of the Company
“LDP”	“landed duty paid”, whereby the seller is responsible for transporting goods to named ports or airports in the country of importation and bears the risks and costs, including duties, taxes and other charges of delivering the goods thereto, cleared for importation
“Listing”	the listing of the Shares on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“L&T Group”	L&T Group of Companies, Ltd., a company incorporated under the laws of the Commonwealth of Northern Mariana Islands, a commonwealth territory of the United States, and a Connected Person of the Company
“L&T (Guam)”	L&T (Guam) Corporation, a company incorporated under the laws of Guam and a wholly-owned subsidiary of Tan Holdings
“LTDI”	Luen Thai Direct Investment Limited, a company incorporated under the laws of the British Virgin Islands and a Connected Person of the Company
“LTID”	Luen Thai International Development Limited, a company incorporated under the laws of Hong Kong and a Connected Person of the Company
“LTIG”	Luen Thai International Group Limited, a company incorporated under the laws of Hong Kong and a subsidiary of the Company
“Master Agreement”	a master agreement entered into between the Group and the Tan Private Group or otherwise the relevant Connected Person of the Company (as the case may be) as described in this announcement in relation to the Continuing Transactions
“On Time”	On Time International Limited, a company incorporated under the laws of the British Virgin Islands and a subsidiary of the Company
“On Time Group”	On Time and its subsidiaries
“Partner Joy”	Partner Joy Group Limited, a company incorporated under the laws of the British Virgin Islands and a non-wholly-owned subsidiary of the Company
“Partner Joy Group”	Partner Joy and its subsidiaries
“Percentage Ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
“Prospectus”	the Company’s prospectus dated 30 June 2004 and issued in connection with its listing on the Stock Exchange
“Shares”	shares of US\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tan Holdings”	Tan Holdings Corporation, a company incorporated in the Commonwealth of Northern Mariana Islands and wholly-owned by the Tan Family Trust of 2004, a substantial shareholder of the Company
“Tan Private Group”	Helmsley and Tan Holdings and their respective Associates and subsidiaries (other than the Group)
“TellaS”	TellaS Ltd., company incorporated in New Jersey, United States of America and a subsidiary of the Company
“Tien-Hu Enterprise”	Tien-Hu Enterprise Limited, a company incorporated under the laws of Hong Kong and a Connected Person of the Company
“US\$”	United States dollars, the lawful currency of the United States of America

Dated 1 June 2007

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  
Mok Siu Wan, Anne  
Tan Sunny

*Non-executive Director:*

Tan Willie

*Independent Non-executive Directors:*

Chan Henry  
Cheung Siu Kee  
Seing Nea Yie

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

*Website: www.luenthai.com*

Please also refer to the published version of this announcement in The Standard.