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LUENTHAI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

Non-exempt Continuing Connected Transactions

As disclosed in the Company's announcement dated 16 March 2006 and circular dated 3 April 2006, the Group had acquired a 50% equity interest in the Acquired Company from the Vendor pursuant to a sale and purchase agreement dated 10 March 2006. Immediately after completion of such sale and purchase, the Acquired Company was a jointly controlled entity of the Company and its financial results were not consolidated into those of the Group.

As a transitional arrangement, the Acquired Group had also entered into the Transition Services Agreement dated 10 March 2006 with the Vendor and his Service Companies in respect of the provision of certain Transition Services by the latter to facilitate a smooth transition of the Acquired Group's Indonesian operations. Such Transition Services are currently expected to continue until around mid-2007.

The Directors announce that from the accounting perspective, by virtue of the vesting of the Group's rights under the First Option Agreement, the financial results of the Acquired Group became consolidated into those of the Group with effect from 10 September 2006. As a result of such consolidation of financial results, the Acquired Company became a subsidiary of the Company as defined under the Listing Rules and the Vendor became a connected person of the Company. The provision of Transition Services by the Vendor and/or his Service Companies therefore became continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Directors currently expect that the aggregate fees to be paid by the Acquired Group to the Service Companies for each of the two years ending on 31 December 2007 in respect of the Transition Services will amount to approximately US\$3,240,000 (approximately HK\$25,272,000) and US\$600,000 (approximately HK\$4,680,000) respectively, resulting in the applicable Percentage Ratios remaining to be more than 0.1% but less than 2.5%. The Transition Services will therefore be subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

The fees paid and to be paid by the Acquired Group to the Service Companies in relation to the Transition Services are determined after arm's length negotiations with reference to the turnover and expenses of the Indonesian Operations. The Directors (including the independent non-executive Directors) consider that the Transition Services and the terms of the Transition Services Agreement are fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

1. Background

As disclosed in the Company's announcement dated 16 March 2006 and circular dated 3 April 2006, the Group had acquired a 50% equity interest in the Acquired Company from the Vendor pursuant to a sale and purchase agreement dated 10 March 2006. Immediately after completion of such sale and purchase, the Acquired Company was a jointly controlled entity of the Company and its financial results were not consolidated into those of the Group.

As a transitional arrangement, the Acquired Group had also entered into the Transition Services Agreement dated 10 March 2006 with the Vendor and his Service Companies in respect of the provision of certain Transition Services by the latter to facilitate a smooth transition in the Acquired Group's Indonesian operations. Such Transition Services are currently expected to continue until around mid-2007, upon which the Transition Services Agreement shall expire or be terminated.

The Directors announce that in accordance with Hong Kong Financial Reporting Standards, by virtue of the vesting of the Group's rights under the First Option Agreement and hence the Group's entitlement to exercise the underlying option to purchase a further 10% equity interest in the Acquired Company from the Vendor with effect from 10 September 2006, the financial results of the Acquired Group became consolidated into those of the Group with effect from 10 September 2006. As a result of such consolidation of financial results, the Acquired Company became a

subsidiary of the Company as defined under the Listing Rules and the Vendor became a connected person of the Company. The provision of Transition Services by the Vendor and/or his Service Companies therefore became continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As at the date of this announcement, the underlying option under the First Option Agreement has not been exercised.

The fees paid and to be paid by the Acquired Group to the Service Companies in relation to the Transition Services are determined after arm's length negotiations with reference to the turnover and expenses of the Indonesian Operations. The Directors (including the independent non-executive Directors) consider that the Transition Services and the terms of the Transition Services Agreement are fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

2. Connected Persons

By reason of the consolidation of the Acquired Group's financial results into those of the Group, the Vendor became a Connected Person of the Company. The Services Companies are wholly-owned by the Vendor and are hence his Associates and also Connected Persons of the Company pursuant to Chapter 14A of the Listing Rules. Based on information provided by the Vendor, the Service Companies are principally engaged in the Transition Services.

3. Reasons for entering into the Transition Services Agreement

The Directors consider that it is in the interests of both the Group and the Acquired Group to minimise any potential business interruptions as a result of the Group's acquisition of interests in the Acquired Group and to ensure that there is a smooth transition in bringing the operations of the Acquired Group in line with those of the Group. The Transition Services Agreement was concluded in the light of such intentions and its terms were negotiated on an arm's length basis. The Directors (including the independent non-executive Directors) consider that the Transition Services and the terms of the Transition Services Agreement 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 Transition Services constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Directors currently expect that the aggregate fees to be paid by the Acquired Group to the Service Companies for each of the two years ending on 31 December 2007 in respect of the Transition Services will amount to approximately US\$3,240,000 (approximately HK\$25,272,000) and US\$600,000 (approximately HK\$4,680,000) respectively, resulting in the applicable Percentage Ratios remaining to be more than 0.1% but less than 2.5%. The Transition Services will therefore be subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

B. 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.

C. DEFINITIONS

“Acquired Company”	On Time International Limited, a private company incorporated under the laws of the British Virgin Islands
“Acquired Group”	the Acquired Company and its subsidiaries
“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
“Service Companies”	companies wholly-owned by the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transition Services”	the services to be provided by the Service Companies under the Transition Services Agreement, which include (without limitation) the following up on orders received from the Acquired Group for the manufacture of garment and apparel and other accessories by a number of third party factories in Indonesia and exporting the same to the end-customers of the Acquired Group
“Transition Services Agreement”	the transition services agreement entered into between, inter alia, the Acquired Group, the Vendor and his Service Companies
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Mr. Frank Fleischer

Dated 20 November 2006

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.