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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 311)

Non-exempt Continuing Connected Transactions Shipping Agency Services Freight Services

Shipping Agency Services

As disclosed in the Company's announcement dated 23 March 2006, the Group has been providing shipping agency services to MELL, a Connected Person of the Company. The MELL Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Directors announce that, due to favourable market conditions, the Group's shipping agency operations have recorded an increase in revenue resulting in the need to revise the estimated fees to be paid by MELL to the Group for each of the three years ending on 31 December 2008 which were previously disclosed in such announcement. The Directors currently expect that the aggregate fees to be paid by MELL to the Group for each of the three years ending on 31 December 2008 in respect of shipping agency services will amount to approximately US\$1,750,000 (approximately HK\$13,650,000), US\$1,820,000 (approximately HK\$14,200,000) and US\$1,850,000 (approximately HK\$14,430,000) respectively, resulting in the applicable Percentage Ratios remaining to be more than 0.1% but less than 2.5%. The Transactions will therefore continue to 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 MELL to the Group in relation to the Transactions are determined after arm's length negotiations with reference to the prevailing rates in the shipping agency industry, and are charged on the same bases as those for Independent Third Parties. The terms of the Transactions were negotiated on an arm's length basis, and the Directors (including the independent non-executive Directors) consider that the 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.

Freight Services

As disclosed in the Prospectus, the Group has been providing freight services to certain members of the Private Group, which are Connected Persons of the Company. These freight services involved the booking of freight space with third party airlines, in return for commissions paid by the airlines and additional premium charged by the Group above the airline published rates. The Directors announce that the Group has also entered into similar arrangements to provide freight services (including the booking of freight space as well as other trucking and warehousing services) to other members of the Private Group which are also Connected Persons of the Company. These new CTSI Transactions therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Commission and premium are determined by reference to prevailing market rates and after arm's length negotiations.

The Directors currently expect that the aggregate fees to be paid by the Private Group to the Group (through the CTSI Group) for each of the three years ending on 31 December 2008 in respect of freight services will amount to approximately US\$350,000 (approximately HK\$2,730,000), US\$360,000 (approximately HK\$2,810,000) and US\$370,000 (approximately HK\$2,890,000) respectively, resulting in the applicable Percentage Ratios remaining to be more than 0.1% but less than 2.5%. The CTSI Transactions will therefore continue to be subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

A. SHIPPING AGENCY SERVICES

1. Background

Reference is made to the Announcement, in which it was announced that the Group has been providing shipping agency services to MELL on a continuing basis. Such services involved the Group providing cargo solicitation, market reports, preparation of shipping documentation, cargo loading and discharge, vessel husbanding, container monitoring and control, as well as customer services, as an agent for MELL in various jurisdictions, including Taiwan, the Philippines, Guam and the CNMI.

In the Announcement, it was stated the Directors had expected that the aggregate fees to be paid by MELL to the Group for each of the three years ending on 31 December 2008 in respect of shipping agency services would amount to approximately US\$1,177,000 (approximately HK\$9,181,000), US\$1,295,000 (approximately HK\$10,101,000) and US\$1,425,000 (approximately HK\$11,115,000) respectively, resulting in the applicable Percentage Ratios being more than 0.1% but less than 2.5%.

With a key competitor having withdrawn from servicing the freight routes between Hong Kong/Taiwan and Saipan/Guam towards the end of 2005, MELL has become the dominant shipping line to service these routes. With the increasing number of customers and increasing business volume, in May 2006, MELL decided to increase its freight capacity by upgrading its vessels and expand the geographical coverage of its operations in the Philippines. This, in turn, has led to an increase in business for the Group in its provision of shipping agency services to MELL. The estimated aggregate fees to be paid by MELL to the Group as stated in the Announcement are therefore in need of revision.

2. Connected Person

As stated in the Company's announcement dated 14 September 2005, MELL became a Connected Person of the Company on 3 September 2005, pursuant to a sale and purchase agreement under which the Group sold its 45% equity interests in MELL to Luen Thai Direct Investment Limited. The remaining 55% equity interests in MELL is held by Mr. Au Ah Yian, an Independent Third Party.

Luen Thai Direct Investment Limited is a wholly-owned subsidiary of Admirable Investment Holdings Limited, which in turn is a company wholly-owned by Mr. Chou Hsin Tung, Samuel. Mr. Chou Hsin Tung, Samuel is a director of Luen Thai International Group Limited, which is a wholly-owned subsidiary of the Company. He is also the son-in-law of Mr. Tan Siu Lin, the Chairman of the Group.

MELL is therefore deemed an Associate and hence a Connected Person of the Company for the purpose of the Listing Rules. MELL is principally engaged in the provision of ocean cargo service in Asia.

3. Reasons for entering into the MELL Transactions

The Group has been providing shipping agency services to MELL since and prior to its listing on The Hong Kong Stock Exchange Limited. The Directors believe that such transactions are beneficial to the Group as a whole as the Group is able to leverage on its relationship with MELL to establish new client contacts for its logistics business.

The terms of the MELL Transactions were negotiated on an arm's length basis, and the Directors (including the independent non-executive Directors) consider that the MELL 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.

4. Implications under the Listing Rules

The MELL Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Directors currently expect that the re-estimated aggregate fees to be paid by MELL to the Group for each of the three years ending on 31 December 2008 in respect of shipping agency services will amount to approximately US\$1,750,000 (approximately HK\$13,650,000), US\$1,820,000 (approximately HK\$14,200,000) and US\$1,850,000 (approximately HK\$14,430,000) respectively, resulting in the applicable Percentage Ratios remaining to be more than 0.1% but less than 2.5%. These revised projections represent an increase of approximately 48.7%, 40.5% and 29.8% from the projections previously stated in the Announcement, and are made on the basis of actual revenue recorded in 2006 as well as revised projections received from MELL. The MELL Transactions will therefore continue to be subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

B. FREIGHT SERVICES

1. Background

As disclosed in the Prospectus, the Group (through CTSI Guam and CTSI CNMI) has been providing freight services to Luen Thai Fishing and Cosmos Saipan (being members of the Private Group) respectively. These freight services involved the booking of freight space with third party airlines, in return for commissions paid by the airlines and additional premium charged by the Group above the airline published rates.

The Directors announce that the Group (through the CTSI Group) has also entered into similar arrangements to provide freight services (including the booking of freight space as well as other trucking and warehousing services) to Cosmos Guam, Marshall Island Fishing Venture, Zhong Thai Fisheries and Palau International Traders (all being members of the Private Group). Commission and premium are determined by reference to prevailing market rates and after arm's length negotiations. All of the CTSI Transactions are governed by provisions contained in written agreements (including airway bills and bills of lading). It is currently expected that such arrangements made between the Group and the Private Group will continue.

For the three years ended 31 December 2005, the aggregate fees received by the Group for its provision of freight services to the Private Group amounted to approximately US\$176,000 (approximately HK\$1,380,000), US\$231,000 (approximately HK\$1,800,000) and US\$134,000 (approximately HK\$1,050,000) respectively.

2. Connected Persons

As disclosed in the Prospectus, Luen Thai Fishing is a wholly-owned subsidiary of Luen Thai Direct Investment Limited, which is in turn wholly-owned by Admirable Investment Holdings Limited, a company wholly-owned by Mr. Chou, Hsin Tung Samuel, a director of Luen Thai International Group Limited which is a wholly-owned subsidiary of the Company. It is therefore an Associate of Mr. Chou Hsin Tung Samuel and hence a Connected Person of the Company. On the other hand, Cosmos Saipan and Cosmos Guam are subsidiaries and Associates of Tan Holdings Corporation, and hence Connected Persons of the Company. Luen Thai Fishing is principally engaged in investment holding whilst Cosmos Saipan and Cosmos Guam are principally engaged in the wholesale and retail of general merchandise.

Marshall Island Fishing Venture and Zhong Thai Fisheries are subsidiaries of Luen Thai Fishing and are therefore Connected Persons of the Company. They are principally engaged in fishery business.

Palau International Traders is a wholly-owned subsidiary of IASS Trading, Inc., which is in turn a wholly-owned subsidiary of Tan Holdings Corporation. It is therefore a Connected Person of the Company. It is principally engaged in fishery business.

3. Reasons for entering into the CTSI Transactions

The CTSI Group is principally engaged in the provision of freight forwarding and logistics services and has been providing such services to the Private Group even before the Company's listing on the Stock Exchange. In view of the high standard of quality service, reliability and experience of the CTSI Group, the Private Group considered that it is in its interests to continue retaining the services of the CTSI Group. The CTSI, on the other hand, also considers that it is in its interests to continue its business relationship with the Private Group as part of its strategy to increase its already dominating market shares.

The terms of the CTSI Transactions were negotiated on an arm's length basis, and the Directors (including the independent non-executive Directors) consider that the CTSI 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.

4. Implications under the Listing Rules

The CTSI Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Based on revenue recorded during 2006 and projected worldwide increase in freight volume, the Directors currently expect that the aggregate fees to be paid by the Private Group to the Group (through the CTSI Group) in respect of the CTSI Transactions (including both the ones disclosed in the Prospectus as well as the more recent ones as described above) for each of the three years ending on 31 December 2008 in respect of freight services will amount to approximately US\$350,000 (approximately HK\$2,730,000), US\$360,000 (approximately HK\$2,810,000) and US\$370,000 (approximately HK\$2,890,000) respectively, resulting in the applicable Percentage Ratios remaining to be more than 0.1% but less than 2.5%. The CTSI Transactions will therefore continue to be subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

C. 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.

D. DEFINITIONS

“Announcement”	the Company’s announcement dated 23 March 2006
“Associate”	shall have the meaning as ascribed to it under the Listing Rules
“CNMI”	the Commonwealth of Northern Mariana Islands, a commonwealth territory of the United States of America
“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
“Cosmos Guam”	Cosmos Distributing Co. Ltd., a company incorporated under the laws of Guam and a subsidiary of Tan Holdings Corporation
“Cosmos Saipan”	Cosmos Distributing Co., (Saipan) Ltd., a company incorporated under the laws of the CNMI and a subsidiary of Tan Holdings Corporation
“CTSI CNMI”	Consolidated Transportation Services Inc., a company incorporated under the laws of CNMI and a wholly-owned subsidiary of the Company
“CTSI Group”	CTSI CNMI, CTSI Guam, CTSI Palau and/or CTSI USA
“CTSI Guam”	Consolidated Transportation Services Incorporated (Guam), a company incorporated under the laws of Guam and a wholly-owned subsidiary of the Company
“CTSI Palau”	Consolidated Transportation Services Inc. (Belau), a company incorporated under the laws of Palau and a wholly-owned subsidiary of the Company
“CTSI Transactions”	the transactions between the CTSI Group and the Private Group as disclosed in this announcement
“CTSI USA”	CTSI Logistics Inc., a company incorporated under the laws of the state of California, United States of America and a wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guam”	a Pacific Island and an unincorporated territory of the United States of America
“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
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Luen Thai Fishing”	Luen Thai Fishing Venture Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Luen Thai Direct Investment Limited, which is in turn wholly-owned by Admirable Investment Holdings Limited, a company wholly-owned by Mr. Chou, Hsin Tung Samuel, a director of Luen Thai International Group Limited which is a wholly-owned subsidiary of the Company
“Marshall Island Fishing Venture”	Marshall Island Fishing Venture, Inc., a company incorporated in the Republic of the Marshall Islands and a wholly-owned subsidiary of Luen Thai Fishing
“MELL”	Mariana Express Lines Ltd., a company incorporated in the British Virgin Islands
“MELL Transactions”	the transactions between MELL and the Group as disclosed in this announcement
“Palau International Traders”	Palau International Traders, Inc., a company incorporated in the CNMI and a wholly-owned subsidiary of IASS Trading, Inc., which is in turn a wholly-owned subsidiary of Tan Holdings Corporation
“Percentage Ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
“Private Group”	Tan Holdings Corporation and Helmsley and their respective subsidiaries (other than the Company and its subsidiaries)
“Prospectus”	the Company’s prospectus dated 30 June 2004 and issued in connection with its listing on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tan Holdings Corporation”	Tan Holdings Corporation, a company incorporated in the CNMI and wholly-owned by the Tan Family Trust of 2004, a substantial shareholder of the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“Zhong Thai Fisheries”	Zhong Thai Fisheries Company Limited, a company incorporated in the British Virgin Islands and a subsidiary of Luen Thai Fishing

Dated 5 October 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.