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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 AND SHIPPING AGENCY SERVICES

The Directors announce that both the Group's provision of shipping agency services to MELL and MELL's provision of freight services to the Group (together to be referred to as the "Transactions") have become subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

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, also a Connected Person of the Company.

Shipping Agency Services

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\$1,177,000 (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%. Such transactions with MELL are therefore subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

Freight Services

The Directors currently expect that the aggregate fees to be paid by the Group to MELL for each of the three years ending on 31 December 2008 in respect of the provision of freight services will amount to approximately US\$1,150,000 (approximately HK\$8,970,000), US\$1,276,000 (approximately HK\$9,953,000) and US\$1,391,000 (approximately HK\$10,850,000) respectively, resulting in the applicable Percentage Ratios being more than 0.1% but less than 2.5%. Such transactions with MELL are therefore 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 to the Group by MELL and vice versa in relation to the Transactions are respectively determined after arm's length negotiations with reference to the prevailing rates in the shipping agency and shipping industries, 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.

TRANSACTIONS WITH MELL

1. Nature of the Connected Transactions

Prior to MELL becoming a Connected Person of the Company, the Group had 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. Written agreements in respect of such arrangements have been entered into between MELL and the relevant Group companies between 2002 and 2004, each having been supplemented on 20 March 2006 by a 3-year fixed duration commencing from such date unless terminated by either party giving 30 days' written notice. In consideration of such provision of shipping agency services, MELL would pay fees to the Group charged as a percentage on net freight (being total freight received less costs of carriage). Such fees were determined after arm's length negotiations and are charged on the same basis as that for Independent Third Parties. For each of the three years ended 31 December 2005, such fees amounted to approximately US\$648,000 (approximately HK\$5,054,000), US\$927,000 (approximately HK\$7,231,000) and US\$998,000 (approximately HK\$7,784,000) respectively. The Directors believe that fees charged by the Group to all its customers for the shipping agency services are competitive, and that the increases in fees paid by MELL over the three years ended 31 December 2005 can be attributed to the quality of the Group's services and MELL's continued expansion in operations. On the basis that no discount has been given to MELL, the Directors (including the independent non-executive Directors) believe that fees charged by the Group to MELL in respect of shipping agency services are fair and reasonable.

Separately, MELL had also been providing freight services to the Group. The principal nature of freight services involves MELL, being the Group's shipping operator, in shipping the Group's products to various jurisdictions, including Saipan and Micronesia. The Group has entered into a master agreement with MELL for the freight services on 16 March 2006, for a fixed duration of 3 years commencing from such date unless terminated by either party by giving 30 days' written notice. Each shipment is also governed by the terms of carriage which are contained in the relevant bill of lading and these terms are consistent with international shipping practices. Generally, freight is determined on a case-by-case basis by a number of factors, including type of commodity being shipped, size and type of container, as well as point of origin and destination. Freight charged by MELL to the Group is determined on the same basis as that for Independent Third Parties and, for each of the three years ended 31 December 2005 amounted to approximately US\$631,000 (approximately HK\$4,922,000), US\$1,514,000 (approximately HK\$11,809,000) and US\$1,059,000 (approximately HK\$8,260,000) respectively. The Directors believe that the increase in freight paid by the Group since 2003 can be attributed to the Group's increase in usage of MELL's freight services and the general increase in bunker fuel and freight charges worldwide. The Directors (including the independent non-executive Directors) believe that freight charged by MELL is fair and reasonable in view of MELL's exclusive shipping routes and the fact that the same freight rates are offered to other Independent Third Party customers of MELL.

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.

REASONS FOR ENTERING INTO THE TRANSACTION

Shipping Agency Services

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.

Freight Services

The Group currently engages MELL for the provision of freight services for the Group's products to various jurisdictions, including Saipan and Micronesia. The fact that MELL is the sole shipping line operating in the geographical region of CNMI, which includes Saipan and Micronesia, would mean lower delivery costs for the Group as compared to the delivery of its products by air.

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

IMPLICATIONS UNDER LISTING RULES

The Transactions

The Transactions constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Shipping Agency Services

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\$1,177,000 (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%. The increases in fees to be paid for shipping agency services are projected on the basis of historical increases as described above and MELL's continuing business growth both in respect of its current routes as well as other planned routes. Such transactions with MELL are therefore subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

Freight Services

The Directors currently expect that the aggregate freight to be paid by the Group to MELL for each of the three years ending on 31 December 2008 will amount to approximately US\$1,150,000 (approximately HK\$8,970,000), US\$1,276,000 (approximately HK\$9,953,000) and US\$1,391,000 (approximately HK\$10,850,000) respectively, resulting in the applicable Percentage Ratios being more than 0.1% but less than 2.5%. The increases in freight are projected on a number of bases, the more important of which is the expected continuing rise in freight charges worldwide and bunker fuel prices. Such transactions with MELL are therefore subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

GENERAL

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

DEFINITIONS

“Associate”	shall have the meaning as ascribed to it under the Listing Rules
“CNMI”	the Commonwealth of North 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
“Directors”	the directors of the Company
“Financial Year”	1 January to 31 December (both dates inclusive)
“Group”	the Company and its subsidiaries
“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
“MELL”	Mariana Express Lines Ltd., a company incorporated in the British Virgin Islands
“Percentage Ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules

“Stock Exchange” The Stock Exchange of Hong Kong Limited
“US\$” United States dollars, the lawful currency of the United States of America

Dated 23 March 2006

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

<i>Executive Directors:</i>	<i>Independent Non-executive Directors:</i>
Tan Siu Lin (<i>Chairman</i>)	Chan Henry
Tan Henry	Cheung Siu Kee
Tan Willie	Seing Nea Yie
Tan Cho Lung, Raymond	
Mok Siu Wan, Anne	

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.