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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Directors announce that on 26 November 2008, the Group, through Partner Joy, has entered into a conditional New Master Agreement with AMI for a term of three years commencing on 1 January 2009 and expiring on 31 December 2011.

Reference is made to the Previous Announcement in which the Company announced that the Group, through TMS Fashion and Best Uni, had engaged AMI as its sub-contractor for the provision of garment manufacturing services pursuant to the Old Master Agreements.

AMI has in the past provided garment manufacturing services to the Group and offered specialized garment manufacturing techniques required by the Group pursuant to the Old Master Agreements. Since the merchandising division of AMI is expected to close down in early 2009, certain customers of AMI, who are Independent Third Parties, now cannot directly place orders with AMI. The Group has, therefore, seized the opportunity to widen its sales network and to secure the orders from such customers, who historically placed orders with AMI in respect of the manufacturing of sweaters. Under such circumstances, the Group, through Partner Joy, has entered into the conditional New Master Agreement which will supersede the Old Master Agreements upon the New Master Agreement coming into force in accordance with its terms. The Old Master Agreements will expire on 31 December 2009 and the current annual cap for the transactions under the Old Master Agreements, which will expire on 31 December 2009 as well, will be revised accordingly to take into account the projected increase of the transactions under the New Master Agreement.

Pursuant to the New Master Agreement, the Group, through Partner Joy, will engage AMI as its sub-contractor for the provision of garment manufacturing services. The sub-contracting services under the New Master Agreement will be performed by AMI and its affiliated companies and subsidiaries. Furthermore, as a quality-assurance measure, under the New Master Agreement, the Subsidiaries shall be entitled (but are not obliged) on a case by case basis to require AMI to place Purchase Orders for the purchase of the relevant manufacturing raw materials from the relevant Subsidiary each time after AMI receives the Service Orders so as to fulfill the relevant Service Orders placed by such Subsidiary. The transactions to be effected pursuant to the Service Orders and (in case AMI is required to place Purchase Orders upon the request by the Subsidiaries) the transactions to be effected pursuant to the Purchase Orders will respectively be on normal commercial terms and on a contract basis, and the prices for the respective Service Orders and the Purchase Orders will be negotiated on an arm's length basis. The Directors (including the independent non-executive Directors) considered that the terms and the transactions under the New Master Agreement are fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

AMI is a wholly owned company of Kardon, which is a 42%-owned company of LTDI. LTDI is wholly owned by Admirable Investment Holdings Limited, which in turn is indirectly owned by Mr. Tan Siu Lin, a Director. AMI is, therefore, an Associate, and hence a Connected Person, of the Company.

According to the applicable percentage ratios, the estimated annual consideration of the transactions under the New Master Agreement exceeds 2.5%, the New Master Agreement and the transactions contemplated thereunder will constitute non-exempt continuing connected transactions of the Company under the Listing Rules, and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Capital Glory, which is indirectly controlled by Mr. Tan Siu Lin, has a material interest in the transactions as contemplated under the New Master Agreement. Accordingly, Capital Glory and its Associates will abstain from voting in respect of the approval of the New Master Agreement and the transactions contemplated thereunder at the SGM.

A circular containing, among others, details of the New Master Agreement and the transactions thereunder, the advice of the Independent Board Committee, the recommendations of the Independent Financial Adviser and the notice of the SGM will be dispatched to the shareholders of the Company as soon as practicable.

A. THE NEW MASTER AGREEMENT

1. Background and reasons for entering into the transactions

Reference is made to the Previous Announcement in which the Company announced that the Group, through TMS Fashion and Best Uni, had engaged AMI as its sub-contractor for the provision of garment manufacturing services pursuant to the Old Master Agreements.

AMI has in the past provided garment manufacturing services to the Group and offered specialized garment manufacturing techniques required by the Group pursuant to the Old Master Agreements. Since the merchandising division of AMI is expected to close down in early 2009, certain customers of AMI, who are

Independent Third Parties, now cannot directly place orders with AMI. The Group has, therefore, seized the opportunity to widen its sales network and to secure the orders from such customers, who historically placed orders with AMI mainly for the manufacturing of sweaters. As AMI possesses the specialized garment manufacturing techniques to manufacture sweaters for such customers and it is not viable to find alternative manufacturers elsewhere who are willing to perform sub-contracting services to manufacture sweaters with terms acceptable to the Group or with qualities comparable to or better than those manufactured by AMI, the Directors considered that it would be beneficial for and in the commercial interest of the Group as a whole to sub-contract the garment manufacturing services to AMI, its affiliated companies and subsidiaries in respect of the orders for manufacturing sweaters which were historically placed by such customers with AMI.

Under such circumstances, the Group, through Partner Joy, has entered into the conditional New Master Agreement which will supersede the Old Master Agreements upon the New Master Agreement coming into force in accordance with its terms. The Old Master Agreements will expire on 31 December 2009 and the current annual cap for the transactions under the Old Master Agreements, which will expire on 31 December 2009 as well, will be revised accordingly to take into account the projected increase of the transactions under the New Master Agreement.

The conditional New Master Agreement is for a term of three years commencing on 1 January 2009 and expiring on 31 December 2011. Pursuant to the New Master Agreement, the Group, through Partner Joy, will engage AMI as its sub-contractor for the provision of garment manufacturing services. The sub-contracting services under the New Master Agreement will be performed by AMI and its affiliated companies and subsidiaries. Furthermore, as a quality-assurance measure, under the New Master Agreement, the Subsidiaries shall be entitled (but are not obliged) on a case by case basis to require AMI to place Purchase Orders for the purchase of the relevant manufacturing raw materials from the relevant Subsidiary each time after AMI receives the Service Orders so as to fulfill the relevant Service Orders placed by such Subsidiary. The prices for the Service Orders will be determined on a case by case basis and a comparison with an order placed by the Group with an Independent Third Party will be made before an actual Service Order is placed to AMI to ensure that the prices under each Service Order will at least not be favourable to AMI. Since the principal purpose of requiring AMI to place a Purchase Order on a case by case basis is for quality assurance and timely delivery of the finished products under the corresponding Service Order, the prices under the Purchase Orders will be determined on the basis of actual cost incurred by the Group in respect of the raw manufacturing materials concerned with no mark-up element. The New Master Agreement further stipulates that in respect of each Service Order, the relevant Subsidiary will only pay to AMI after AMI has delivered to such Subsidiary the products manufactured pursuant to such Service Order. In respect of each Service Order, a credit period of 45 days will be granted to the relevant Subsidiary by AMI after shipment of the products concerned. Such credit term is similar to those offered by the Group to other sub-contractors for the provision of garment manufacturing services for the Group. In case AMI is required to place a Purchase Order upon the request by the relevant Subsidiary in respect of a Service Order, the credit period and payment date under the Purchase Order will coincide with the relevant corresponding Service Order, and the

sum payable under the Service Order will only be the net amount after deducting the sum payable by such Subsidiary to AMI under the relevant corresponding Purchase Order.

2. Annual caps and basis of annual caps

The transactions to be effected pursuant to the Service Orders and (in case AMI is required to place Purchase Orders upon the request by the Subsidiaries) the transactions to be effected pursuant to the Purchase Orders will respectively be on normal commercial terms and on a contract basis, and the prices for the respective Service Orders and the Purchase Orders will be negotiated on an arm's length basis.

Based on the projection provided by the Group with the projected maximum amount of the Service Orders that it shall place with AMI under the New Master Agreement, the Directors expect that: (a) the aggregate fees to be paid by the Group to AMI in respect of the transactions under the Service Orders for each of the three financial years ending on 31 December 2011 will not exceed a maximum cap of US\$23,000,000 (approximately HK\$179,400,000), US\$25,760,000 (approximately HK\$200,928,000) and US\$27,600,000 (approximately HK\$215,280,000) respectively; while in case AMI is required to place Purchase Orders upon the request by the Subsidiaries (b) the aggregate fees to be paid by AMI to the Group in respect of the transactions under the corresponding Purchase Orders for each of the three financial years ending on 31 December 2011 will not exceed a maximum cap of US\$14,950,000 (approximately HK\$116,610,000), US\$16,750,000 (approximately HK\$130,650,000) and US\$17,940,000 (approximately HK\$139,932,000) respectively.

The estimation of the above proposed annual caps for the Service Orders is based on the projected growth in the sales of the Group for the coming three years ending 31 December 2011, having regard to: (i) the expected substantial increase in sales attributable to the orders which the Group may secure from customers who historically placed orders with AMI for manufacturing of sweaters before the anticipated close down of the merchandising division of AMI; (ii) other new Service Orders which the Group may place with AMI in respect of other customers under the New Master Agreement; and (iii) the historical amounts of the service orders placed with AMI under the Old Master Agreements for the year 2008. For the orders placed with AMI by its customers mainly for the manufacturing of sweaters, it is estimated that the total historical amount for such orders for the year 2008 is in the sum of about US\$12,600,000 (approximately HK\$98,280,000). For the Service Orders which the Group may place with AMI in respect of other customers under the New Master Agreement, it is estimated that the total amount for such Service Orders for the year 2009 is in the sum of about US\$7,000,000 (approximately HK\$54,600,000). Such Service Orders in the said sum of about US\$7,000,000 are expected from the orders placed with the Group by its existing customers other than those being sub-contracted to AMI under the Old Master Agreements. The criteria of arriving at the amount of such Service Orders in the said sum of about US\$7,000,000 include the capability of AMI's factories in offering specialized manufacturing skills in the production of sweaters, the customers' acceptance level of products manufactured by AMI's factories which are located in Indonesia and the delivery lead time. For the service orders placed with AMI under the Old Master Agreements, it is estimated that the total historical amount for such orders for the year 2008 is in the sum of about US\$3,400,000 (approximately HK\$26,520,000).

In respect of the above proposed annual caps for the Purchase Orders, it is based on: (i) the actual costs of the raw manufacturing materials, having regard to the projected growth in the sales of the Group for the coming three years ending 31 December 2011; and (ii) the amount of the Purchase Orders which the Group may on a case by case basis require AMI to place from the Group. Since the principal purpose of requiring AMI to place a Purchase Order is for quality assurance and timely delivery of the finished products under the corresponding Service Order, it is intended that AMI may be required to place Purchase Orders for all the Service Orders, subject to the determination by the Subsidiaries on a case by case basis. Accordingly, the above proposed annual caps for the Purchase Orders are based on the estimated total amount of the Service Orders which the Subsidiaries may place with AMI under the New Master Agreement.

The Directors (including the independent non-executive Directors) considered that the terms and the transactions under the New Master Agreement are fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

3. Implications under the Listing Rules

AMI is a wholly owned company of Kardon, which is a 42%-owned company of LTDI. LTDI is wholly owned by Admirable Investment Holdings Limited, which in turn is indirectly owned by Mr. Tan Siu Lin, a Director. AMI is, therefore deemed an Associate, and hence a Connected Person, of the Company.

According to the applicable percentage ratios, the estimated annual consideration of the transactions under the New Master Agreement exceeds 2.5%, the New Master Agreement and the transactions contemplated thereunder will constitute non-exempt continuing connected transactions of the Company under the Listing Rules, and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Capital Glory, which is indirectly controlled by Mr. Tan Siu Lin, has a material interest in the transactions as contemplated under the New Master Agreement. Accordingly, Capital Glory and its Associates will abstain from voting in respect of the approval of the New Master Agreement and the transactions contemplated thereunder at the SGM.

The Company will comply with the independent shareholders' approval requirements under the Listing Rules in relation to the New Master Agreement. The Independent Board Committee of the Company, whose members do not have any material interest in the transactions as contemplated under the New Master Agreement, has been set up to advise the Independent Shareholders of the Company in relation to the New Master Agreement and the Independent Financial Adviser has been appointed to advise the Independent Board Committee of the Company and the Independent Shareholders in relation to the New Master Agreement and the transactions thereunder.

A circular containing, among others, details of the New Master Agreement and the transactions thereunder, the advice of the Independent Board Committee, the recommendations of the Independent Financial Adviser and the notice of the SGM will be dispatched to the shareholders of the Company as soon as practicable.

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.

AMI is principally engaged in the manufacturing of garment products.

C. DEFINITIONS

“AMI”	A. M. International Manufacturing Company Limited, a company incorporated in Hong Kong and a Connected Person of the Company
“Associate”	shall have the meaning as ascribed to it under the Listing Rules
“Best Uni”	Best Uni Limited, a member of the On Time Group incorporated in Hong Kong
“Board”	board of Directors
“Capital Glory”	Capital Glory Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company holding approximately 61.89% of all shareholders’ voting rights
“Company”	Luen Thai Holdings Limited, 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”	directors of the Company for the time being
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising Chan Henry, Cheung Siu Kee and Seing Nea Yie, being all the independent non-executive Directors
“Independent Financial Adviser”	Partners Capital International Limited
“Independent Third Parties”	the third parties which, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, are independent of the Company and its Connected Persons
“Independent Shareholders”	shareholders of the Company who are not required to abstain from voting at the SGM

“Kardon”	Kardon International Worldwide Ltd., a company incorporated in the British Virgin Islands and a Connected Person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LTDI”	Luen Thai Direct Investment Limited, a company incorporated in the British Virgin Islands and a Connected Person of the Company
“New Master Agreement”	the master agreement dated 26 November 2008 entered into between AMI and Partner Joy in relation to the provision of garment manufacturing services to the Group
“Old Master Agreements”	collectively the master agreement dated 30 June 2007 between AMI and TMS Fashion and the master agreement dated 30 June 2007 between AMI and Best Uni, both in relation to the provision of garment manufacturing services to the Group
“On Time Group”	On Time International Limited (a 60%-owned subsidiary of the Company) and its subsidiaries
“Partner Joy”	Partner Joy Group Limited, a company incorporated in the British Virgin Islands, and an indirect 90%-owned subsidiary of the Company
“Previous Announcement”	the announcement made by the Company dated 5 July 2007 concerning, among other things, the non-exempt continuing connected transactions in respect of sub-contracting services under which the Group, through TMS Fashion and Best Uni, had engaged AMI as its sub-contractor for the provision of garment manufacturing services.
“Purchase Orders”	the purchase orders to be made by AMI to the Subsidiaries pursuant to the New Master Agreement under which AMI will purchase the relevant manufacturing raw materials from the relevant Subsidiaries each time after AMI receives the Service Orders so as to fulfill the relevant Service Orders placed by such Subsidiaries, and a “Purchase Order” will be construed accordingly
“Service Orders”	the service orders to be made by the relevant Subsidiaries to AMI pursuant to the New Master Agreement under which AMI will provide garment manufacturing services to the Group, and a “Service Order” will be construed accordingly
“SGM”	the special general meeting of the shareholders of the Company to be convened for the purpose of considering and, if thought fit, approving the New Master Agreement and the transactions thereunder

“Subsidiaries”	the subsidiaries of the Company and a “Subsidiary” shall refer to any one of them, as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TMS Fashion”	TMS Fashion (HK) Limited, a member of the On Time Group incorporated in Hong Kong
“US\$”	US dollars, the lawful currency of United States of America

Dated 26 November 2008

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

Executive Directors:

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

Independent Non-executive Directors:

Chan Henry
Cheung Siu Kee
Seing Nea Yie

Non-executive Directors:

Tan Willie
Lu Chin Chu

By order of the Board
Chiu Chi Cheung
Company Secretary

Website: www.luenthai.com

For illustration purpose, in this announcement, amounts in US\$ have translated into HK\$ at the exchange rate of US\$1.00 to HK\$7.8. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rates.