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LUEN THAI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 311)

CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 16 June 2008 and the circular of the Company dated 30 June 2008 both in relation to, inter alia, the acquisition of the Sale Shares in Trinew by Fortune Investment, a wholly-owned subsidiary of the Company, from Ospella pursuant to the Sale and Purchase Agreement. Completion has taken place on 8 August 2008.

The Board announces that: (a) the parties to the Sale and Purchase Agreement have entered into the Supplemental Agreement dated 29 December 2008 to vary the terms of the Sale and Purchase Agreement concerning the amounts charged under the Charge over Account; (b) Ospella and Fortune Investment have entered into the Supplemental Charge dated 29 December 2008 for variation of the terms of the Charge over Account; (c) Fortune Investment, Ospella and Desk Top have entered into the Shareholders' Loan Agreement dated 29 December 2008 concerning the provision of the Shareholders' Loans to Desk Top, a direct 99.967%-owned subsidiary of Trinew; and (d) Ospella and Fortune Investment have entered into the Charge over Account Receivables dated 29 December 2008 under which the Account Receivables were charged by Ospella as security for the obligations of Ospella and Mr. Inglis under the Sale and Purchase Agreement concerning the settlement of the Trade Receivables.

The principal reasons for the Transactions are: (a) to facilitate the provision of further working capital to Desk Top, a subsidiary of the Company, in the form of shareholders' loan; and (b) to continue to secure the obligations of Ospella and Mr. Inglis under the Sale and Purchase Agreement in respect of the settlement of the Trade Receivables by the creation of the Charge over Account Receivables after the partial release of the charged amounts under the Charge over Account for the specific purpose of providing Ospella with the required finance for the Shareholders' Loan.

The terms of the Transactions (including the terms of the Supplemental Agreement, the Supplemental Charge, the Shareholders' Loan Agreement and the Charge over Account Receivables) were respectively negotiated on an arm's length basis and the Directors consider that the Transactions are made on normal commercial terms and in the interests of the Group and the Company's shareholders as a whole.

Ospella is a substantial shareholder of Trinew. Trinew in turn is a 60%-owned subsidiary of the Company. Therefore Ospella is a Connected Person of the Company. Hence the entering into of the Supplemental Agreement and the Supplemental Charge constitute a non-exempt connected transaction for the Company according to the applicable Percentage Ratios, and is therefore subject to the disclosures requirements and independent shareholders' approval under the Listing Rules.

No shareholder of the Company is required to abstain from voting on the entering of the Supplemental Agreement and the Supplemental Charge. Capital Glory Limited, being the controlling shareholder of the Company holding 614,250,000 shares of the Company and representing approximately 61.89% of all shareholders' voting rights, has on 24 December 2008 given an irrevocable and unconditional written confirmation to the Company that it approves the entering into of the Supplemental Agreement and the Supplemental Charge by the Company and the transactions contemplated thereunder.

The Company has applied to the Stock Exchange for a waiver from strict compliance of the requirement for holding a general meeting to seek independent shareholders in respect of the Transactions under the Supplemental Agreement and the Supplemental Charge pursuant to Rule 14A.43 of the Listing Rules on the basis that no shareholder of the Company is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transactions under the Supplemental Agreement and the Supplemental Charge and Capital Glory Limited has given such an irrevocable and unconditional written confirmation. Pursuant to Rule 14A.43 of the Listing Rules, the independent shareholders' approval requirement is deemed to have been fulfilled and hence no separate general meeting will need to be convened for approval of the Transactions under the Supplemental Agreement and the Supplemental Charge.

A circular containing, among other things, further details of the Supplemental Agreement and the Supplemental Charge, and the transactions contemplated thereunder, the Independent Board Committee and the recommendations of the Independent Financial Adviser will be despatched to the shareholders of the Company in accordance with the requirements under the Listing Rules as soon as practicable.

A. BACKGROUND

Reference is made to the announcement of the Company dated 16 June 2008 and the circular of the Company dated 30 June 2008 both in relation to, inter alia, the acquisition of the Sale Shares in Trinew by Fortune Investment, a wholly-owned subsidiary of the Company, from Ospella pursuant to the Sale and Purchase Agreement. Completion has taken place on 8 August 2008. After the Completion, Trinew is owned as to 60% by Fortune Investment and as to 40% by Ospella.

Notwithstanding the Completion, certain terms of the Sale and Purchase Agreement survive the Completion. Such terms include but not limited to the following: (a) Ospella and Mr. Inglis have jointly and severally guaranteed to Fortune Investment that the Trade Receivables of the Target Group shall be fully settled within a certain period of time after Completion; (b) As security for the settlement of the Trade Receivables, Ospella had executed the Charge over Account upon Completion, under which certain cash deposits were charged by Ospella in favour of Fortune Investment. The total original amount of the principal sum charged under the Charge over Account was HK\$62,320,000.

Since Desk Top, a subsidiary of Trinew, intends to raise further finance for its working capital requirement, Fortune Investment and Ospella have agreed to provide the Shareholders' Loans in the aggregate sum of HK\$60,000,000 to Desk Top in the agreed proportion, i.e 60% of the Shareholders' Loans which amounts to HK\$36,000,000 shall be provided by Fortune Investment, while the remaining 40% which amounts to HK\$24,000,000 shall be provided by Ospella.

Fortune Investment has agreed that the Released Amount, being part of the charged amounts under the Charge over Account, be released from the Charge over Account for the specific purpose of providing Ospella with the required finance for its own portion of the Shareholders' Loans. After Ospella's injection of its own portion of the Shareholders' Loans in the sum of HK\$24,000,000, Desk Top shall repay the Shareholders' Loan to Ospella as account payable. In turn, Ospella shall charge the Account Receivables from Desk Top in respect of the Shareholders' Loan in favour of Fortune Investment as security for the full settlement of the Trade Receivables.

To implement the above arrangement, the following documents were executed by the parties concerned:

- (a) the Supplemental Agreement;
- (b) the Supplemental Charge;
- (c) the Shareholders' Loan Agreement; and
- (d) the Charge over Account Receivables.

B. THE TRANSACTIONS

1. The Supplemental Agreement

Date: 29 December 2008

Parties: (1) Ospella
(2) Fortune Investment (a wholly-owned subsidiary of the Company)
(3) Mr. Inglis, the guarantor of Ospella
(4) Luen Thai Overseas Limited (a wholly-owned subsidiary of the Company), the guarantor of Fortune Investment
(5) Desk Top

Pursuant to the Supplemental Agreement, the terms of the Sale and Purchase Agreement are varied to the extent that the Released Amount be released from the Charge over Account for the specific purpose of providing Ospella with the required finance for the Shareholders' Loan, and the creation of the Charge over Account Receivables as security for the full settlement of the Trade Receivables.

2. The Supplemental Charge

Date: 29 December 2008

Parties: (1) Ospella
(2) Fortune Investment

Pursuant to the Supplemental Charge, the terms of the Charge over Account are varied to provide for the early release of the Released Amount from the Charge over Account only for the specific purpose of providing Ospella with the required finance for the Shareholder's Loan.

3. The Shareholders' Loan Agreement

Date: 29 December 2008

Parties: (1) Fortune Investment
(2) Ospella
(3) Desk Top

Pursuant to the Shareholders' Loan Agreement, Fortune Investment and Osepella have agreed to provide the Shareholders' Loans in the aggregate sum of HK\$60,000,000 to Desk Top in the agreed proportion, i.e 60% of the Shareholders' Loans which amounts to HK\$36,000,000 shall be provided by Fortune Investment, while the remaining 40% which amounts to HK\$24,000,000 shall be provided by Ospella. The maturity date for repayment of the Shareholders' Loan will fall on 8 August 2011.

4. The Charge over Account Receivables

Date: 29 December 2008

Parties: (1) Ospella
(2) Fortune Investment

Pursuant to the Charge over Account Receivables, Ospella has charged the Account Receivables in favour of Fortune Investment as security for the full settlement of the Trade Receivables.

C. REASONS FOR THE TRANSACTIONS

The principal reasons for the Transactions are: (a) to facilitate the provision of further working capital to Desk Top, a subsidiary of the Company, in the form of shareholders' loan; and (b) to continue to secure the obligations of Ospella and Mr. Inglis under the Sale and Purchase Agreement in respect of the settlement of the Trade Receivables by the creation of the Charge over Account Receivables after the partial release of the charged amounts under the Charge over Account for the specific purpose of providing Ospella with the required finance for the Shareholders' Loan.

In view of the current market condition, the cost of financing the working capital requirement of the Group by external borrowings will be relatively higher. The Directors are also of the view that the commercial benefits in releasing the Released Amount from the Charge over Account for the specific purpose of providing Ospella with the required finance for the Shareholders' Loan and the creation of the Charge over Account Receivables as security for the full settlement of the Trade Receivables outweigh the benefit of maintaining the Released Amount as cash deposits charged under the Charge over Account. Under such circumstances and on the basis that the Transactions were negotiated on arm's length basis, the Directors (including the independent non-executive Directors) consider that the Transactions (including the terms of the Supplemental

Agreement, the Supplemental Charge, the Shareholders' Loan Agreement and the Charge over Account Receivables) were respectively negotiated on an arm's length basis and are made on normal commercial terms, that their terms are fair and reasonable, and that the Transactions and their terms are in the interests of the Group and the Company's shareholders as a whole.

D. LISTING RULE IMPLICATIONS

1. The Supplemental Agreement and the Supplemental Charge

The Supplemental Agreement constitutes a material variation of the terms of the Sale and Purchase Agreement, and is therefore subject to the disclosure requirement pursuant to Rule 14.36 of the Listing Rules.

Ospella is a substantial shareholder of Trinew. Trinew in turn is a 60%-owned subsidiary of the Company. Therefore Ospella is a Connected Person of the Company. Hence the entering into of the Supplemental Agreement and the Supplemental Charge, and the release of the Released Amount in the sum of HK\$24,000,000 from the Charge over Account pursuant to the Supplemental Charge constitute a non-exempt connected transaction for the Company according to the applicable Percentage Ratios, and is therefore subject to the disclosures requirements and independent shareholders' approval under the Listing Rules.

Under Rule 14A.43 of the Listing Rules, independent shareholders' approval for the Transactions under the Supplemental Agreement and the Supplemental Charge may be obtained by written shareholders' approval in lieu of convening a general meeting if (i) no shareholder of the Company is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transactions under the Supplemental Agreement and the Supplemental Charge; and (ii) written approval has been obtained from one or a closely allied group of independent shareholders who in aggregate hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at the general meeting to approve the transactions.

No shareholder of the Company is required to abstain from voting on the entering of the Supplemental Agreement and the Supplemental Charge. Capital Glory Limited, being the controlling shareholder of the Company holding 614,250,000 shares of the Company and representing approximately 61.89% of all shareholders' voting rights, has on 24 December 2008 given an irrevocable and unconditional written confirmation to the Company that it approves the entering into of the Supplemental Agreement and the Supplemental Charge by the Company and the transactions contemplated thereunder.

The Company has applied to the Stock Exchange for a waiver from strict compliance of the requirement for holding a general meeting to seek independent shareholders in respect of the Transactions under the Supplemental Agreement and the Supplemental Charge pursuant to Rule 14A.43 of the Listing Rules on the basis that no shareholder of the Company is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transactions under the Supplemental Agreement and the Supplemental Charge and Capital Glory Limited has given such an irrevocable and unconditional written confirmation. Pursuant to Rule 14A.43 of the Listing Rules, the independent shareholders' approval requirement is deemed to

have been fulfilled and hence no separate general meeting will need to be convened for approval of the Transactions under the Supplemental Agreement and the Supplemental Charge.

The Independent Board Committee, whose members do not have any material interest in the transactions as contemplated under the Supplemental Agreement and the Supplemental Charge, has been set up to advise the independent shareholders of the Company in relation to the Supplemental Agreement and the Supplemental Charge and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the independent shareholders of the Company in relation to the Supplemental Agreement and the Supplemental Charge and the transactions thereunder.

A circular containing, among other things, further details of the Supplemental Agreement and the Supplemental Charge, and the transactions contemplated thereunder, the Independent Board Committee and the recommendations of the Independent Financial Adviser will be despatched to the shareholders of the Company in accordance with the requirements under the Listing Rules as soon as practicable.

2. The Shareholders' Loan Agreement

The Shareholders' Loan Agreement constitutes a connected transaction pursuant to Rule 14A.13(2) of the Listing Rules, under which financial assistance is provided by Ospella, a Connected Person of the Company, to Desk Top, a subsidiary of the Company. This connected transaction is exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules, as the Shareholders' Loan Agreement and the transactions thereunder are for the benefit of the Group and on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance.

3. The Charge over Account Receivables

The Charge over Account Receivables constitutes a connected transaction pursuant to Rule 14A.13(2) of the Listing Rules, under which financial assistance is provided by Ospella to Desk Top. This connected transaction is exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules, as the Charge over Account Receivables and the transactions thereunder are for the benefit of the Group and on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance.

E. GENERAL

The Group is principally engaged in the manufacture and trading of garment, textile products and laptop bags and the provision of freight forwarding and logistics service.

Ospella is an investment holding company.

F. DEFINITIONS

“Account Receivables”	the Shareholders’ Loan repayable by Desk Top to Ospella pursuant to the Shareholders’ Loan Agreement;
“Charge over Account”	a charge over account dated 8 August 2008 executed by Ospella in favour of Fortune Investment, under which certain cash deposits (including the Released Amount) were charged as security for the obligations of Ospella and Mr. Inglis under the Sale and Purchase Agreement concerning the settlement of the Trade Receivables;
“Charge over Account Receivables”	a charge over account receivables dated 29 December 2008 executed by Ospella in favour of Fortune Investment, under which the Account Receivables were charged as security for the obligations of Ospella and Mr. Inglis under the Sale and Purchase Agreement concerning the settlement of the Trade Receivables;
“Company”	Luen Thai Holdings Limited, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the acquisition of the Sale Shares by Fortune Investment under the Sale and Purchase Agreement in accordance with its terms;
“Connected Person”	shall have the meaning as ascribed to it under the Listing Rules;
“Desk Top”	Desk Top Limited, a company incorporated under the laws of Hong Kong and a direct 99.967%-owned subsidiary of Trinew;
“Directors”	directors of the Company for the time being;
“Fortune Investment”	Fortune Investment Overseas Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of each of the Company and Luen Thai Overseas Limited;
“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, a licensed corporation to carry out regulated activities Type 1 (dealing in securities) and Type 6 (advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and the independent shareholders of the Company in relation to the Supplemental Agreement and the Supplemental Charge and the transactions thereunder;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Inglis”	Mr. Owen John Inglis;
“Ospella”	Ospella International Limited, a company incorporated under the laws of the British Virgin Islands which is wholly-owned by Mr. Inglis;
“Percentage Ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules;
“Released Amount”	the sum of HK\$24,000,000, which is released from the cash deposits charged under the Charge over Account;
“Sale and Purchase Agreement”	a sale and purchase agreement dated 10 June 2008 and entered into among Ospella as the vendor, Fortune Investment as the purchaser, Mr. Inglis as the guarantor of Ospella and Luen Thai Overseas Limited as the guarantor of Fortune Investment in relation to the sale and purchase of the Sale Shares in Trinew, as supplemented by a supplemental letter agreement dated 16 June 2008;
“Sale Shares”	600 shares of Trinew, representing 60% in the issued and fully paid-up share capital of Trinew;
“Shareholders’ Loans”	the shareholders’ loans in the aggregate sum of HK\$60,000,000 provided by Fortune Investment and Ospella to Desk Top pursuant to the Shareholders’ Loan Agreement, and as to 60% thereof by Fortune Investment which amounts to HK\$36,000,000, and as to 40% thereof which amounts to HK\$24,000,000 by Ospella, and a “Shareholder’s Loan” shall refer to any one of them, as the context may require;
“Shareholders’ Loan Agreement”	the shareholders’ loan agreement dated 29 December 2008 entered into among Ospella, Fortune Investment and Desk Top for the provision of the Shareholders’ Loans to Desk Top;
“Supplemental Agreement”	the second supplemental agreement dated 29 December 2008 entered into among Ospella, Fortune Investment, Mr. Inglis, Luen Thai Overseas Limited and Desk Top for variation of the terms of the Sale and Purchase Agreement;

“Supplemental Charge”	the supplemental deed 29 December 2008 entered into between Ospella and Fortune Investment for variation of the terms of the Charge over Account;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Group”	Trinew and its subsidiaries;
“Trade Receivables”	certain account receivables of the Target Group payable by certain trade debtors to the Target Group;
“Transactions”	the respective transactions under the Supplemental Agreement, the Supplemental Charge, the Shareholders’ Loan Agreement and the Charge over Account Receivables; and a “Transaction” refers to any one of them, as the context may require;
“Trinew”	Trinew Limited, a company incorporated in the British Virgin Islands and a 60%-owned subsidiary of the Company.

Dated 29 December 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