

  
**LUEN THAI HOLDINGS LIMITED**  
*(incorporated in the Cayman Islands with limited liability)*  
 (Stock Code: 311)

**Connected Transaction**  
**Disposal of equity interest in an associated company**

The Directors announce that the Vendor, a wholly-owned subsidiary of the Company, has entered into and completed the Sale and Purchase Agreement with the Purchaser on 3 September 2005, pursuant to which the Vendor has transferred to Purchaser its beneficial and legal interest in 225,000 Shares in (representing 45% of) the issued share capital of MELL.

The cash consideration of US\$661,140 (approximately HK\$5,157,000) paid by the Purchaser to the Vendor in respect of the Transaction was determined by reference to the 45% attributed interest of the Vendor in the unaudited net asset value of MELL as at 31 July 2005 of approximately US\$1,469,000 (approximately HK\$11,460,000).

The terms of the Sale and Purchase Agreement were negotiated on an arm's length basis, and the Directors (including the independent non-executive Directors) consider that the Transaction and its terms are fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

The Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As none of the applicable Percentage Ratios exceeds 2.5%, the Transaction is subject only to the disclosure and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

**THE CONNECTED TRANSACTION**

**1. Nature of the Connected Transaction**

Pursuant to the Sale and Purchase Agreement dated 3 September 2005, the Vendor sold, and the Purchaser purchased, 225,000 Shares in (representing 45% of) the issued share capital of MELL. The remaining 55% of the issued share capital of MELL is held by Mr. Au Ah Yian, an Independent Third Party.

The cash consideration of US\$661,140 (approximately HK\$5,157,000) paid by the Purchaser to the Vendor in respect of the Transaction was equivalent to the 45% attributed interest of the Vendor in the unaudited net asset value of MELL of approximately US\$1,469,000 (approximately HK\$11,460,000) as at 31 July 2005.

**Background information on MELL**

MELL was incorporated in the BVI on 21 January 1997. The Group acquired 450,000 shares (representing a 45% equity interest) in MELL from the Purchaser on 20 October 1999 at the par value of US\$1 each at the aggregate consideration of US\$450,000. Following a share repurchase by MELL, the Group's shareholding in MELL was reduced to 225,000 shares whilst its shareholding percentage remained at 45%.

For each of the two financial years ended 31 December 2004 and the seven months ended 31 July 2005,

- (a) MELL was exempted from or otherwise not under any obligation to pay income tax under all applicable laws; and
- (b) no extraordinary items were recorded in MELL's accounts; and
- (c) the net profit or loss (as the case may be) of MELL before and after taxation and extraordinary items were therefore the same.

The unaudited net profit of MELL before and after taxation and extraordinary items, for the two financial years ended 31 December 2004 and as attributed to the Vendor's 45% equity interest, were approximately US\$592,000 (approximately HK\$4,620,000) and approximately US\$498,000 (approximately HK\$3,880,000) respectively. The unaudited net loss of MELL before and after taxation and extraordinary items, for the seven months ended 31 July 2005 and as attributed to the Vendor's 45% equity interest, was approximately US\$1,874,000 (approximately HK\$14,620,000).

**2. Connected Person**

The Purchaser is an investment holding company and is a wholly-owned subsidiary of Admirable Investment Holdings Limited, which 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.

The Purchaser is therefore deemed an Associate and hence a Connected Person for the purpose of the Listing Rules.

**3. Completion**

Completion took place on 3 September 2005, simultaneously with the execution of the Sale and Purchase Agreement.

**REASONS FOR ENTERING INTO THE TRANSACTION**

With the elimination of the textile quota system by the United States of America resulting in the scaling-down of the Group's businesses in Micronesia, and the oil price increases which significantly contributed to current year losses being incurred by MELL (which was an associated company engaged in ocean cargo service in Asia), the Directors are of the view that MELL has become less important to the Group and that the Transaction is in the interests of the Group and the shareholders as a whole. Furthermore, the Directors expect that the Transaction will not affect the logistics operations of the Group on the basis that the size and scope of the Group's interest in MELL's operations represented less than 2.5% of the Group's total assets and aggregate revenue and profit respectively for the financial year ended 31 December 2004 and are hence insignificant when compared to those of the Group.

The terms of the Sale and Purchase Agreement were negotiated on an arm's length basis, and the Directors (including the independent non-executive Directors) consider that the Transaction and its terms are fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

**GENERAL**

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

The Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As none of the applicable Percentage Ratios exceeds 2.5%, the

Transaction is subject only to the disclosure and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

**DEFINITIONS**

|                               |                                                                                                                                                                                          |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| "Associate"                   | shall have the meaning as ascribed to it under the Listing Rules                                                                                                                         |
| "BVI"                         | the British Virgin Islands                                                                                                                                                               |
| "Company"                     | Luen Thai Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange                                                           |
| "Completion"                  | Completion of the Transaction in accordance with the terms of the Sale and Purchase Agreement                                                                                            |
| "Connected Person"            | shall have the meaning as ascribed to it under the Listing Rules                                                                                                                         |
| "Consideration"               | the cash consideration of US\$661,140 (approximately HK\$5,157,000) to be paid by the Purchaser to the Vendor in accordance with the Sale and Purchase Agreement                         |
| "Directors"                   | the directors of the Company                                                                                                                                                             |
| "Group"                       | the Company and its subsidiaries                                                                                                                                                         |
| "HK\$"                        | Hong Kong dollars, the lawful currency of Hong Kong                                                                                                                                      |
| "Independent Third Party"     | a third party which, 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                                                                                                           |
| "Purchaser"                   | Luen Thai Direct Investment Limited, a company incorporated in the British Virgin Islands and a Connected Person of the Company                                                          |
| "Sale and Purchase Agreement" | a sale and purchase agreement dated 3 September 2005 entered into between, inter alia, the Vendor and the Purchaser in relation to the Transaction                                       |
| "Share"                       | a share of US\$1.00 each in the capital of MELL                                                                                                                                          |
| "Stock Exchange"              | The Stock Exchange of Hong Kong Limited                                                                                                                                                  |
| "Transaction"                 | the transaction as contemplated under the Sale and Purchase Agreement                                                                                                                    |
| "US\$"                        | United States dollars, the lawful currency of the United States of America                                                                                                               |
| "Vendor"                      | CTSI Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company                                                                 |

By order of the Board  
**Chiu Chi Cheung**  
*Company Secretary*

Dated 14 September 2005

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 Willie  
 Tan Cho Lung, Raymond  
 Mok Siu Wan, Anne

*Independent Non-executive Directors:*  
 Chan Henry  
 Cheung Siu Kee  
 Seing Nea Yie

Website: www.luenthai.com