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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 311)

CLARIFICATION ANNOUNCEMENT

Non-exempt Continuing Connected Transactions Shipping Agency Services Freight Services

Reference is made to the announcement of Luen Thai Holdings Limited (“**Company**”) dated 22 December 2014 (“**Announcement**”). Capitalised terms used herein shall have the same meanings as defined in the Announcement, unless otherwise specified.

The Company would like to clarify the pricing policies and annual caps of the MELL Shipping Transactions and CTSI Transactions in the Announcement.

A. MELL SHIPPING TRANSACTIONS

Pricing policies

In relation to the MELL Shipping Transactions, the fees paid and to be paid by MELL to the Group shall be determined after arm’s length negotiations on normal commercial terms 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 fees for the MELL Shipping Transactions will be determined with reference to the market prices of the same or similar types of services provided by Independent Third Parties in the shipping agency industry in the local markets. Based on the industry practice and depending on the actual amount of work done and the various types of services rendered, shipping agency fees will be charged at the market rates by the Group for the different types of services rendered in the MELL Shipping Transactions, including 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 the rates charged by the Group for the MELL Shipping Transactions will be determined with reference to the market prices of the same or similar types of services provided to Independent Third Parties, the Group will charge on the same bases and at the same rates for similar services rendered to Independent Third Parties.

The Company's prevailing pricing policies in relation to the MELL Shipping Transactions will be reviewed regularly and if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles.

Annual caps

The determination of the annual caps in respect of the MELL Shipping Transactions for each of the three years ending on 31 December 2017 as disclosed in the Announcement is based on: (a) the actual historical performance, (b) the economic indicators which are applicable to the logistics industry, and (c) the business plans of the relevant members of the Group in response to the current economic condition.

In determining the annual caps in respect of the MELL Shipping Transactions, the Company will use the actual historical performance as the first reference point and then will make the internal projection of the fees to be received from the MELL Shipping Transactions after taking into account the business plan of MELL, the economic indicators and the organic growth of the shipping agency business.

The Board believes that it is reasonable to set the annual caps in respect of the MELL Shipping Transactions as disclosed in the Announcement so as to allow room for potential expansion of the transaction amounts and to maximise the Company's revenue generated from the MELL Shipping Transactions.

B. CTSI TRANSACTIONS

Pricing policies

In relation to the CTSI Transactions, the fees paid and to be paid by the Private Group to the Group shall be determined after arm's length negotiations on normal commercial terms with reference to the prevailing rates in the logistics industry, and are charged on the same bases as those for Independent Third Parties.

The fees for the CTSI Transactions will be determined with reference to the market prices of the same or similar types of services provided by Independent Third Parties in the logistics industry in the local markets. Based on the industry practice and depending on the actual amount of work done and the various types of services rendered, fees for CTSI Transactions will be charged at the market rates by the Group for the different types of services rendered in the CTSI Transactions, including but not limited to providing freight services and booking of freight space with third party airlines as well as other trucking and warehousing services.

As the rates charged by the Group for the CTSI Transactions will be determined with reference to the market prices of the same or similar types of services provided to Independent Third Parties, the Group will charge on the same bases and at the same rates for similar services rendered to Independent Third Parties.

The Company's prevailing pricing policies in relation to the CTSI Transactions will be reviewed regularly and if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles.

Annual caps

The determination of the annual caps in respect of the CTSI Transactions for each of the three years ending on 31 December 2017 as disclosed in the Announcement is based on: (a) the actual historical performance, (b) the economic indicators which are applicable to the logistics industry, and (c) the business plans of the relevant members of the Group in response to the current economic condition.

In determining the annual caps in respect of the CTSI Transactions, the Company will use the actual historical performance as the first reference point and then will make the internal projection of the fees to be received from the CTSI Transactions after taking into account the business plan of relevant subsidiaries of the Private Group, the economic indicators, the organic growth of the business for the provision of freight services and the potential expansion plans of the relevant members of the Group in response to the current economic condition.

The Board believes that it is reasonable to set the annual caps in respect of the CTSI Transactions as disclosed in the Announcement so as to allow room for potential expansion of the transaction amounts and to maximise the Company's revenue generated from the CTSI Transactions.

C. INTERNAL CONTROL MEASURES

The Company has established various internal control measures in order to ensure that the MELL Shipping Transactions and the CTSI Transactions are in accordance with the pricing policies and the terms of each of the MELL Shipping Transactions and the CTSI Transactions are on normal commercial terms and no less favourable to the Group than terms quoted to Independent Third Parties. Such internal control measures mainly include the following:

- The managers overseeing the MELL Shipping Transactions and the CTSI Transactions will regularly review the terms of such transactions to ensure that the fees charged for the MELL Shipping Transactions and the CTSI Transactions respectively will reflect the prevailing market rates and will be on an arm's length basis under normal commercial terms. The corporate finance department of the Company will also review annually the pricing policies of the MELL Shipping Transactions and the CTSI Transactions to ensure they are charged on the same bases and the same rates for similar services rendered to Independent Third Parties.
- The corporate finance department of the Company is responsible for collecting data and statistics of the continuing connected transactions under the Shipping Master Agreement and Freight Master Agreement on a monthly basis to ensure the annual caps approved are not exceeded.
- The external auditors of the Company will report by issuing a letter to the Board every year on the continuing connected transactions of the Company in relation to the pricing policies and annual caps of the continuing connected transactions (including the MELL Shipping Transactions and the CTSI Transactions) of the Company conducted during the preceding financial year pursuant to the Listing Rules.

- In addition, the independent non-executive Directors of the Company will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm on the transactional amounts and terms of the continuing connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that they are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the relevant agreements governing the continuing connected transactions.

By implementing the above procedures and measures, the Directors consider that the Company has established an adequate internal control system to ensure the relevant continuing connected transactions under the Shipping Master Agreement and Freight Master Agreement are conducted in accordance with the terms of such agreements, on normal commercial terms (or terms no less favourable to the Group than terms available to Independent Third Parties) and in accordance with the pricing policies of the Company, which are fair and reasonable and in the interest of the Company and its shareholders as a whole.

Dated 5 January 2015

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 Cho Lung, Raymond
Mok Siu Wan, Anne

Non-executive Directors:

Tan Willie
Lu Chin Chu

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