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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 311)

CONTINUING CONNECTED TRANSACTIONS

On 9 September 2015, LTO, a direct wholly-owned subsidiary of the Company, entered into the Master Agreement with LTE in relation to the provision of the Services by the LTO Group to the LTE Group.

The transactions made pursuant to the Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Directors currently expect that the aggregate fees to be paid by the LTE Group to the Group in respect of the Services under the Master Agreement for each of the three years ending on 31 December 2015, 2016 and 2017 will amount to approximately US\$3,950,000 (approximately HK\$30,613,000), US\$7,800,000 (approximately HK\$60,450,000) and US\$8,000,000 (approximately HK\$62,000,000), respectively.

As each of the applicable percentage ratios under the Listing Rules in respect of the annual caps of the fees to be paid by the LTE Group to the Group in respect of the transactions under the Master Agreement for each of the three years ending on 31 December 2015, 2016 and 2017 is more than 0.1% but less than 5%, the transactions under the Master Agreement will be subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Between July 2015 and immediately prior to the date of this announcement, the LTO Group and the LTE Group have entered into an arrangement with respect to the provision of Services by LTO Group to the LTE Group on a trial basis. The aforementioned arrangement, whether on a stand-alone or aggregate basis, merely constituted fully exempted de minimis transactions under Rule 14A.76(1) of the Listing Rules and accordingly were not subject to any disclosure requirement under the Listing Rules.

In order to allow room for potential expansion of the transactions with LTE Group and to maximize the Company's revenue generated from such transactions, LTO, a direct wholly-owned subsidiary of the Company, entered into the Master Agreement with LTE in relation to the provision of the Services by the LTO Group to the LTE Group on 9 September 2015. The details of the Master Agreement are as follows:

- Date:** 9 September 2015
- Parties:** (i) LTO (a direct wholly-owned subsidiary of the Company), for itself and on behalf of the LTO Group
- (ii) LTE, for itself and on behalf of the LTE Group
- Services:** The LTO Group shall provide the Services to the LTE Group pursuant to the Orders at a price to be determined by both parties on a case by case basis and on normal commercial terms, and the Orders should set out, among other things, the identity of the products, specifications, quantity, price, payment terms, delivery time and place of delivery.
- Pricing Basis:** The prices for the products under each Order shall be determined by the parties from time to time on an arm's length basis and the pricing policies of the LTO Group, which are based on the industry practice, and are comparable to the prevailing market rates or at rates similar to those offered by the LTO Group to independent third parties, having regard to the cost involved and the actual amount of work done.
- The products to be delivered by the LTO Group to LTE Group under each Order will be at FOB (free on board) price. In respect of each Order, a credit period of 30 days (or such other credit period as the parties may agree on a case by case basis) will be granted to LTE Group after shipment of the products concerned.
- Term:** The term of the Master Agreement shall commence retrospectively from 1 July 2015 and expire on 31 December 2017.

PROPOSED ANNUAL CAPS

The Directors currently expect that the aggregate fees to be paid by the LTE Group to the Group in respect of the Services under the Master Agreement for each of the three years ending on 31 December 2015, 2016 and 2017 will amount to approximately US\$3,950,000 (approximately HK\$30,613,000), US\$7,800,000 (approximately HK\$60,450,000) and US\$8,000,000 (approximately HK\$62,000,000), respectively.

There is no historical amount of any similar previous transactions available for the purpose of determining the proposed annual caps. The determination of the above annual caps in respect of the Services under the Master Agreement is based on: (a) the economic indicators which are applicable to the garment manufacturing industry, (b) the business plans of the relevant members of the Group in response to the current economic condition; (c) the anticipated

organic growth of the business under the Master Agreement; (d) payment and credit terms for the potential transactions under the Master Agreement; and (e) delivery schedules for the potential transactions under the Master Agreement.

The Company has established various internal control measures in order to ensure that the transactions under the Master Agreement are in accordance with the pricing policies and the terms of the Master Agreement are on normal commercial terms or on terms no less favorable than those terms offered by the Group to independent third parties for similar products in its ordinary and usual course of business. Such internal control measures mainly include the following:

- The managers overseeing the transactions under the Master Agreement will regularly review the terms of such transactions to ensure that the fees charged for such transactions will reflect the pricing policies of the Group.
- The corporate finance department of the Company will also review annually the pricing policies of the transactions under the Master Agreement to ensure that the transactions 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 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 transactions under the Master Agreement) 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 the transactions 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.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Retail and distribution of footwear is one of the key businesses of the LTE Group. Since July 2015, LTE Group commenced to test the market's receptivity by selling small quantity of branded apparels. In order to seize the opportunities of this new business, the Group decided to enter into the Master Agreement with the LTE Group. The Directors believe that the transactions contemplated under the Master Agreement will enhance the revenue streams of the Group and will help optimize the productivity of the design, sourcing and manufacturing workforce of the Group, which is beneficial to the long term development of the Group.

In addition, the Directors believe that the transactions with the LTE Group under the Master Agreement would be a less risky option for the Group to take part in the retail business, as the Group may otherwise need to incur additional time and cost in due diligence exercise.

The Directors (including all the independent non-executive Directors) are of the opinion that the continuing connected transactions with the LTE Group contemplated under the Master Agreement: (i) were entered into in the ordinary and usual course of business of the Company; (ii) were on normal commercial terms and were negotiated on arm's length basis or on terms no less favorable than those terms offered by the Group to independent third parties for similar products in its ordinary and usual course of business; and (iii) the terms of the Master Agreement and the proposed annual caps are fair and reasonable. The Directors (including all the independent non-executive Directors) are also of the view that the continuing connected transactions and the proposed annual caps pursuant to the Master Agreement are in the interests of the Group and the Company's shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

LTE is controlled by Dr. Tan Henry, an executive Director and the chief executive officer of the Company. Hence LTE is a connected person of the Company for the purpose of the Listing Rules and the transactions contemplated under the Master Agreement will constitute continuing connected transactions of the Company pursuant to the Listing Rules.

As each of the applicable percentage ratios under the Listing Rules in respect of the annual caps of the fees to be paid by the LTE Group to the Group in respect of the transactions under the Master Agreement for each of the three years ending on 31 December 2015, 2016 and 2017 is more than 0.1% but less than 5%, the transactions under the Master Agreement will be subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Dr. Tan Siu Lin, together with his sons Dr. Tan Henry, Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Master Agreement. Accordingly, they have abstained from voting on the board resolution of the Company approving the entering into of the Master Agreement and the transactions contemplated thereunder.

GENERAL INFORMATION

LTO is an investment holding company and the Group is principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding and logistics services.

LTE is an investment holding company and the LTE Group is principally engaged in the industries of fishing and distribution of tuna, travel and tours services, air and ocean cargo services, real estate, wholesale distribution and retail businesses.

DEFINITIONS

“Board”	board of Directors
“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
“Director(s)”	the director(s) 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, 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
“LTE”	Luen Thai Enterprises Limited, a company incorporated under the laws of the British Virgin Islands
“LTO”	Luen Thai Overseas Limited, a company incorporated in the Bahamas and a direct wholly-owned subsidiary of the Company
“LTE Group”	LTE together with its subsidiaries, associated companies, affiliates as well as joint ventures of such subsidiaries, associated companies and affiliates
“LTO Group”	LTO and its subsidiaries
“Master Agreement”	the master agreement dated 9 September 2015 entered into between LTO and LTE in relation to the provision of the Services by the LTO Group to the LTE Group
“Order(s)”	the purchase order(s) to be placed by the LTE Group with the LTO Group pursuant to the Master Agreement
“Services”	the provision of design, sourcing and manufacturing of apparels and/or the related advance payment of expenses by the LTO Group to the LTE Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America

For illustration purpose, in this announcement, amounts in US\$ have been translated into HK\$ at the exchange rate of US\$1.00 to HK\$7.75. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rates.

Dated 9 September 2015

As at the date of this announcement, the Board comprises Dr. Tan Siu Lin, Dr. Tan Henry, Mr. Tan Cho Lung, Raymond and Ms. Mok Siu Wan, Anne as executive Directors; Mr. Tan Willie and Mr. Lu Chin Chu as non-executive Directors; Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie as independent non-executive Directors.

By order of the Board
Chiu Chi Cheung
Company Secretary

Website: www.luenthai.com