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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS WITH SHANGTEX

On 7 July 2017, LTO, a direct wholly-owned subsidiary of the Company, entered into two framework agreements with Shangtex, namely, the Sale and Purchase Framework Agreement in relation to the purchase of textile and apparel related products by the LTO Group from Shangtex Group and the Services Framework Agreement in relation to the provision of certain services by the LTO Group to Shangtex Group.

As at the date of this announcement, Shangtex HK is a substantial shareholder of the Company and Shangtex, being the holding company of Shangtex HK, is an associate of Shangtex HK and hence a connected person of the Company. Accordingly, the transactions under the Sale and Purchase Framework Agreement and the Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios under the Listing Rules in respect of the transactions under each of the Sale and Purchase Framework Agreement and the Services Framework Agreement is more than 0.1% but less than 5%, the transactions under each of the Sale and Purchase Framework Agreement and the Services Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Between February 2017 and immediately prior to the date of this announcement, the LTO Group and the Shangtex Group have entered into an arrangement with respect to the purchase of textile and apparel related products by the LTO Group from the Shangtex Group. 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 Shangtex Group and to maximize the Company's revenue generated from such transactions, LTO, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Framework Agreement with Shangtex in relation to the purchase of textile and apparel related products by the LTO Group from the Shangtex Group on 7 July 2017.

SALE AND PURCHASE FRAMEWORK AGREEMENT

The principal terms of the Sale and Purchase Framework Agreement are as follows:

- Date:** 7 July 2017
- Parties:** (i) LTO, for itself and on behalf of other members of the LTO Group
(ii) Shangtex, for itself and on behalf of other members of the Shangtex Group
- Sale and purchase of textile and apparel related products:** The Shangtex Group shall sell to the LTO Group, and the LTO Group shall purchase from the Shangtex Group, textile and apparel related products pursuant to the purchase orders to be placed by the LTO Group (“Orders”) at such prices to be determined by both parties on a case-by-case basis and on normal commercial terms. The Orders should set out, among other things, the specifications, quantities and prices of the textile and apparel related products, the payment terms and the time and place of delivery.
- Price:** The prices for the textile and apparel related products under each Order shall be determined by the parties from time to time on an arm’s length basis and in accordance with the pricing policies of the LTO Group, which are based on the industry practice and shall be comparable to the prevailing market prices or prices similar to those offered by independent third parties.
- Term:** The term shall commence retrospectively from 1 June 2017 and expire on 31 December 2019.

SERVICES FRAMEWORK AGREEMENT

On 7 July 2017, LTO entered into the Services Framework Agreement in relation to the provision of certain services by the LTO Group to the Shangtex Group.

The principal terms of the Services Framework Agreement are as follows:

- Date:** 7 July 2017
- Parties:** (i) LTO, for itself and on behalf of other members of the LTO Group
(ii) Shangtex, for itself and on behalf of other members of Shangtex Group

- Services:** The LTO Group shall provide services including solicitation of customers for the Shangtex Group's products as well as customs clearance and logistics arrangement ("**Services**") to the Shangtex Group pursuant to the definitive agreement(s) to be entered into by the relevant members of the LTO Group and the Shangtex Group ("**Definitive Agreements**") at such fees to be determined by both parties on normal commercial terms and on a case-by-case basis. Each transaction as contemplated under the Services Framework Agreement shall be governed by provisions contained in the Definitive Agreement(s). The Definitive Agreements shall set out, among others, details of the services to be provided, service fees, payment terms and other details necessary for the LTO Group to provide the Services.
- Price:** The fees for the Services 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 shall be comparable to the prevailing market rates having regard to the costs and the amount of work involved.
- Term:** The term shall commence retrospectively from 1 June 2017 and expire on 31 December 2019.

PROPOSED ANNUAL CAPS

The Directors currently expect that the maximum aggregate fees payable by the LTO Group to the Shangtex Group under the Sale and Purchase Framework Agreement for each of the three years ending on 31 December 2017, 2018 and 2019 will amount to approximately US\$10,500,000 (approximately HK\$81,375,000), US\$10,500,000 (approximately HK\$81,375,000) and US\$10,500,000 (approximately HK\$81,375,000), respectively.

The determination of the above annual caps in respect of the Sale and Purchase Framework 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) payment and credit terms for the potential transactions under the Sale and Purchase Framework Agreement; and (d) delivery schedules under the Sale and Purchase Framework Agreement.

In respect of the Services Framework Agreement, the Directors currently expect that the maximum aggregate fees payable by the Shangtex Group to the LTO Group for each of the three years ending on 31 December 2017, 2018 and 2019 will amount to approximately US\$500,000 (approximately HK\$3,875,000), US\$500,000 (approximately HK\$3,875,000) and US\$500,000 (approximately HK\$3,875,000), respectively.

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

The Company has established various internal control measures in order to ensure that the transactions under the Sale and Purchase Framework Agreement and the Services Framework Agreement will be conducted in accordance with the pricing policies of the Group and that the terms of each of the Sale and Purchase Framework Agreement and Services Framework Agreement are on normal commercial terms or on terms no less favorable than those terms offered by independent third parties for similar products or services (as the case may be) in the ordinary and usual course of business. Such internal control measures mainly include the following:

- The managers overseeing the relevant transactions will regularly review the terms of the relevant transactions to ensure that the prices payable or the fees charged (as the case may be) for the relevant transactions will reflect the pricing policies of the Group.
- The finance department of the Company will conduct annual review on the pricing in respect of the relevant transactions to ensure that (in the case of the Services Framework Agreement) the fees charged by the Group are on the same bases and at the same rates for similar services rendered to independent third parties and (in the case of the Sale and Purchase Framework Agreement) the prices payable by the Group are no less favorable than those offered by independent third parties.
- The finance department of the Company is responsible for collecting data and statistics of the relevant transactions on a monthly basis to monitor the transaction amounts to ensure compliance with the Listing Rules.
- The external auditors of the Company will report to the Board annually on the continuing connected transactions of the Company in relation to the pricing policies and annual caps of the continuing connected transactions of the Company (including the transactions under the Sale and Purchase Framework Agreement and the Services Framework Agreement) conducted during the preceding financial year pursuant to the Listing Rules.
- In addition, the independent non-executive Directors of the Company will conduct annual review with respect to the continuing connected transactions of the Company (including the transactions under the Sale and Purchase Framework Agreement and the Services Framework Agreement) 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 CONTINUING CONNECTED TRANSACTIONS

Sale and Purchase Framework Agreement

The Group is engaged in the manufacturing and trading of apparel and accessories and has a regular demand for the types of textile and apparel related products offered by the Shangtex Group. The Directors believe that the Shangtex Group, being a leading textile manufacturer and trader in the PRC, is able to offer quality textile and apparel related products that are suitable for the Group's business at competitive prices. The transactions under the Sale and Purchase Framework Agreement will be on normal commercial terms or on terms no less

favorable than those terms offered by independent third parties. Based on the above, the Directors are of the opinion that the entering into of the Sale and Purchase Framework Agreement is in the interests of the Company and its Shareholders as a whole.

Services Framework Agreement

The Group is engaged in the manufacturing and trading of apparel and accessories. Through the collaboration of efforts by the Group and Shangtex Group, the Directors believe that Shangtex Group can expand its customer base for its products and the Group can benefit by providing the related services to Shangtex Group. The transactions under the Services Framework Agreement will be on normal commercial terms or on terms no more favorable than those terms offered to independent third parties. Based on the above, the Directors are of the opinion that the entering into of the Services Framework Agreement is in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Shangtex HK is a substantial shareholder of the Company and Shangtex, being the holding company of Shangtex HK, is an associate of Shangtex HK and hence a connected person of the Company. Accordingly, the transactions under the Sale and Purchase Framework Agreement and the Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios under the Listing Rules in respect of the transactions under each of the Sale and Purchase Framework Agreement and the Services Framework Agreement is more than 0.1% but less than 5%, the transactions under each of the Sale and Purchase Framework Agreement and the Services Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the transactions contemplated under the Sale and Purchase Framework Agreement and the Services Framework Agreement, and none of the Directors was required to abstain from voting on the Board resolutions approving the entering into of the Sale and Purchase Framework Agreement and the Services Framework Agreement and the transactions contemplated thereunder.

The Directors (including all the independent non-executive Directors) are of the opinion that (i) the Sale and Purchase Framework Agreement and the Services Framework Agreement were entered into in the ordinary and usual course of business of the Company; (ii) the Sale and Purchase Framework Agreement was on normal commercial terms and was negotiated on arm's length basis or on terms no less favorable than those terms offered by independent third parties; (iii) the Services Framework Agreement was on normal commercial terms and was negotiated on arm's length basis or on terms no more favorable than those terms offered to independent third parties; and (iv) the terms of the Sale and Purchase Framework Agreement and the Services Framework Agreement and the proposed annual caps are fair and reasonable. The Directors (including all the independent non-executive Directors) are of the view that the entering into of the Sale and Purchase Framework Agreement and the Services Framework Agreement is in the interests of the Company and its Shareholders as a whole.

GENERAL INFORMATION

The Group is principally engaged in the manufacturing and trading of apparel and accessories.

The Shangtex Group is principally engaged in textile manufacturing and trading business in the PRC.

DEFINITIONS

“associate”	shall have the meaning as ascribed to it under the Listing Rules
“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
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“independent third parties”	persons who are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LTO”	Luen Thai Overseas Limited, a company incorporated in the Bahamas, which is a direct wholly owned subsidiary of the Company
“LTO Group”	LTO and its subsidiaries
“PRC”	the People’s Republic of China
“Sale and Purchase Framework Agreement”	the framework agreement dated 7 July 2017 entered into between LTO (for itself and on behalf of other members of the LTO Group) as purchaser and Shangtex (for itself and on behalf of other members of the Shangtex Group) as seller in relation to the sale and purchase of textile and apparel related products
“Services Framework Agreement”	the framework agreement dated 7 July 2017 entered into between LTO (for itself and on behalf of other members of the LTO Group) and Shangtex (for itself and on behalf of other members of the Shangtex Group) in relation to the provision of Services by the LTO Group for the Shangtex Group
“Shangtex”	Shangtex Holding Co., Ltd.* (上海紡織(集團)有限公司), a company incorporated in the PRC with limited liability
“Shangtex Group”	Shangtex and its subsidiaries (excluding the Group)

“Shangtex HK”	Shangtex (Hong Kong) Limited (上海紡織(香港)有限公司), a company incorporated in Hong Kong with limited liability
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	shall have the meaning as ascribed to it under the Listing Rules

By order of the Board
Chiu Chi Cheung
Company Secretary

Hong Kong, 7 July 2017

* *For identification purpose only*

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Shen Yaoqing (*Chairman*)

Tan Siu Lin (*Honorary Life Chairman*)

Tan Cho Lung, Raymond (*Chief Executive Officer*)

Qu Zhiming

Mok Siu Wan, Anne

Non-executive Director:

Huang Jie

Independent non-executive Directors:

Chan Henry

Cheung Siu Kee

Seing Nea Yie

Website: www.luenthai.com

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 rate.