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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

CONTINUING CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 9 September 2015, 12 October 2016 and 20 December 2016 regarding the provision of the Services by the LTO Group to the LTE Group pursuant to the Original Master Agreement and the revisions of annual caps for the transactions under the Original Master Agreement.

The Original Master Agreement will expire on 31 December 2017. On 20 December 2017 (after trading hours), LTO (a direct wholly-owned subsidiary of the Company) entered into the New Master Agreement with LTE in relation to the ongoing provision of Services by the LTO Group to the LTE Group.

The proposed annual caps for the aggregate fees to be paid by the LTE Group to the LTO Group under the New Master Agreement will amount to US\$70,000,000 (approximately HK\$542,500,000), US\$120,000,000 (approximately HK\$930,000,000) and US\$200,000,000 (approximately HK\$1,550,000,000) for each of the years ending 31 December 2018, 2019 and 2020, respectively.

LTE is controlled by Dr. Tan Henry, being a substantial shareholder of the Company, as at the date of this announcement and is ultimately owned by the family trust of Dr. Tan Siu Lin, being an executive Director. Hence LTE is a connected person of the Company and the transactions contemplated under the New Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the proposed annual caps for the aggregate fees to be paid by the LTE Group to the LTO Group for the transactions contemplated under the New Master Agreement for each of the years ending on 31 December 2018, 2019 and 2020 is more than 5% and more than HK\$10,000,000 on an annual basis, the transactions contemplated under the New Master Agreement will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Both Dr. Tan Siu Lin and Mr. Tan Cho Lung, Raymond have a material interest in the transactions contemplated under the New Master Agreement. Accordingly, they have abstained from voting on the Board resolutions approving the entering into of the New Master Agreement and the transactions contemplated thereunder.

The Company will hold an EGM for the Independent Shareholders to consider and, if thought fit, approve the New Master Agreement and the transactions contemplated thereunder, and the proposed annual caps thereof.

As of the date of this announcement, Capital Glory, Hanium Industries, Double Joy, TSL Foundation, Wincare International, Hampton Asset and Mr. Sunny Tan hold an aggregate of 204,953,292 Shares, representing approximately 19.82% of the share capital of the Company. Each of Capital Glory, Hanium Industries, Double Joy, TSL Foundation, Wincare International, Hampton Asset and Mr Sunny Tan has a material interest in the transactions contemplated under the New Master Agreement. Accordingly, each of them will abstain from voting on the resolutions relating to the New Master Agreement at the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders on the transactions contemplated under the New Master Agreement and the proposed annual caps thereof. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing details of the New Master Agreement, a letter from the Independent Board Committee to the Independent Shareholders, a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and a notice of the EGM is expected to be despatched to the Shareholders on or before 15 January 2018.

BACKGROUND

References are made to the announcements of the Company dated 9 September 2015, 12 October 2016 and 20 December 2016 regarding the provision of the Services by the LTO Group to the LTE Group pursuant to the Original Master Agreement and the revisions of annual caps for the transactions under the Original Master Agreement.

The Original Master Agreement will expire on 31 December 2017. On 20 December 2017 (after trading hours), LTO (a direct wholly-owned subsidiary of the Company) entered into the New Master Agreement with LTE in relation to the ongoing provision of Services by the LTO Group to the LTE Group.

The principal terms of the New Master Agreement are as follows:

- Date:** 20 December 2017
- Parties:** (i) LTO, for itself and on behalf of the LTO Group; and
(ii) LTE, for itself and on behalf of the LTE Group
- Term:** Subject to the Independent Shareholders' approval of the New Master Agreement and the transactions contemplated thereunder, the term of the New Master Agreement shall commence on 1 January 2018 with retrospective effect; and shall end on 31 December 2020, unless terminated earlier by an instrument signed by both parties or by either party by giving the other party not less than 30-day written notice.
- Provision of Services:** During the term of the New Master Agreement, the LTO Group shall provide the Services to the LTE Group pursuant to the orders to be placed by the LTE Group at a price to be determined by both parties on a case by case basis and on normal commercial terms. The orders should set out the specifications, quantity and price of the products, payment terms, delivery time and place of delivery as agreed by both parties.
- Pricing:** 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 shall be 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 the 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 in writing on a case by case basis) will be granted to the LTE Group after shipment of the products concerned.

BASIS FOR PRICING

In line with the industry practice, the Services to be provided by the LTO Group cover the design of apparel, sourcing of raw materials such as fabric and accessories (like lining and buttons) and manufacturing of the apparel in accordance with the specifications stipulated in the order placed by the customers. The LTO Group will assess the overall work required and then provide the price quotation for a unit price of a product under a particular order, having regard to the workmanship, quality of the products, cost involved and the actual amount of the work to be done.

While the LTO Group will assess the overall work required when providing a price quotation for a unit price of a product under an order, the LTO Group will also take into account the different types of Services involved in an order before arriving at the overall price quotation for producing a unit of a product. For the design of apparel, the LTO Group will take into consideration the workmanship and the complication of the work involved for producing a specific type of design required. The LTO Group will compare the quoted prices for a particular kind of design for a product in an Order with the quoted prices offered by the LTO Group to one or two independent third parties for manufacturing products with similar design.

For the work relating to sourcing of raw materials, the LTO Group will take into consideration the quality of the raw materials to be used for producing a particular type of product in accordance with the specifications required under an order and the cost involved in purchasing such raw materials. The pricing for sourcing of raw materials will be mainly based on the costs involved for purchasing such raw materials from raw material suppliers who are independent third parties.

For the work relating to the manufacturing of apparel, the LTO Group will take into consideration the workmanship, the cost and complication of the work involved and the size of an order. Similar to the pricing for the design of apparel and sourcing of raw materials, the LTO Group will also compare the quoted prices for manufacturing the quantity of products required in an Order with the quoted prices offered by the LTO Group to one or two independent third parties for manufacturing products with similar workmanship involved.

In addition, the LTO Group will also obtain information available in the market on the price quotations for manufacturing products bearing similarities with respect to the design, raw materials used or workmanship involved, so as to ascertain the prevailing market rates in determining the quoted prices in an order.

After assessing the overall work required for producing particular type(s) of products in an order and determining the price quotation of the unit price for producing such products, the quoted prices will be negotiated between the parties in an order based on normal commercial terms or on terms no less favorable than those terms offered by the LTO Group to independent third parties for similar products in its ordinary and usual course of business.

PROPOSED ANNUAL CAPS

As mentioned in the announcements of the Company dated 9 September 2015 and 20 December 2016, the annual caps for the aggregate fees payable by the LTE Group to the LTO Group under the Original Master Agreement were US\$3,950,000 (approximately HK\$30,613,000), US\$13,000,000 (approximately HK\$100,750,000) and US\$20,300,000 (approximately HK\$157,325,000) for each of the years ended 31 December 2015 and 2016 and the year ending 31 December 2017, respectively.

For the years ended 31 December 2015 and 2016 and the 10 months ended 31 October 2017, the aggregate fees received by the LTO Group and the JV for the provision of the Services to the LTE Group under the Original Master Agreement and Individual Agreements amounted to approximately US\$2,847,000 (approximately HK\$22,064,000), US\$11,747,000 (approximately HK\$91,039,000) and US\$13,640,000 (approximately HK\$105,710,000), respectively.

The proposed annual caps for the aggregate fees to be paid by the LTE Group to the LTO Group under the New Master Agreement will amount to US\$70,000,000 (approximately HK\$542,500,000), US\$120,000,000 (approximately HK\$930,000,000) and US\$200,000,000 (approximately HK\$1,550,000,000) for each of the years ending 31 December 2018, 2019 and 2020, respectively.

The determination of the above proposed annual caps in respect of the Services under the New Master Agreement is based on: (i) the historical amount of fees received by the LTO Group pursuant to the Original Master Agreement and Individual Agreements as mentioned above; (ii) the anticipated organic growth of the business with the LTE Group; (iii) payment and credit terms for the potential transactions under the New Master Agreement; and (iv) delivery schedules for the potential transactions under the New Master Agreement provided by the LTE Group.

INTERNAL CONTROL

The Company has established various internal control measures in order to ensure that the transactions under the New Master Agreement are in accordance with the pricing policies and the terms of the New Master Agreement are on normal commercial terms or on terms no more favourable 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 New 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 finance department of the Company will also review annually the pricing policies of the transactions under the New 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 finance department of the Company is responsible for collecting data and statistics of the continuing connected transactions under the New 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 New Master Agreement) of the Company conducted during the preceding financial year pursuant to the Listing Rules.
- In addition, the independent non-executive Directors 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 in the ordinary and usual course of business and on normal commercial terms or better, are fair and reasonable, and are carried out pursuant to the terms of the relevant agreements governing the continuing connected transactions and in the interest of the Shareholders as a whole.

REASONS FOR ENTERING INTO THE NEW MASTER AGREEMENT

A joint venture of the LTE Group, being recognised as one of the most successful distributors of footwear products, commenced retailing of branded apparel (“Apparel Business”) since July 2015. The Apparel Business was expanding rapidly and the growth potential of the Apparel Business remained largely untapped. Taking into consideration of the (i) dramatic growth of the Apparel Business in the past three years; (ii) the expected significant growth in demand for the Services from LTE Group as indicated by

the delivery schedules of potential transactions under the New Master Agreement; and (iii) strategic relationship between LTO Group and the LTE Group, the Group decided to enter into the New Master Agreement with the LTE Group to capture such business opportunities and continue the strategic relationship with LTE Group. The Directors believed that the transactions contemplated under the New Master Agreement would enhance the revenue streams of the Group and would help optimize the productivity of the design, sourcing and manufacturing workforce of the Group, which would be beneficial to the long term development of the Group.

The Group has maintained good business relationship with the LTE Group in the previous years in respect of the Original Master Agreement and wishes to continue its ongoing provisions of the Services to the LTE Group. Accordingly, the Directors believe that the entering into of the New Master Agreement is beneficial to the Group.

In light of the above, the Directors (excluding the independent non-executive Directors who will provide their views after receiving advice from the Independent Financial Adviser) consider that the New Master Agreement and the proposed annual caps thereof have been entered into/arrived at (i) in the ordinary and usual course of the business of the Company; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

DIRECTORS' MATERIAL INTERESTS

Both Dr. Tan Siu Lin and Mr. Tan Cho Lung, Raymond have a material interest in the transactions contemplated under the New Master Agreement. Accordingly, they have abstained from voting on the board resolutions of the Company approving the entering into of the New Master Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

LTE is controlled by Dr. Tan Henry, being a substantial shareholder of the Company, as at the date of this announcement and is ultimately owned by the family trust of Dr. Tan Siu Lin, being an executive Director. Hence LTE is a connected person of the Company and the transactions contemplated under the New Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the proposed annual caps for the aggregate fees to be paid by the LTE Group to the LTO Group for the transactions contemplated under the New Master Agreement for each of the years ending on 31 December 2018, 2019 and 2020 is more than 5% and more than HK\$10,000,000 on an annual basis, the transactions contemplated under the New Master Agreement will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The Company will hold an EGM for the Independent Shareholders to consider and, if thought fit, approve the New Master Agreement and the transactions contemplated thereunder, and the proposed annual caps thereof.

As of the date of this announcement, Capital Glory, Hanium Industries, Double Joy, TSL Foundation, Wincare International, Hampton Asset and Mr. Sunny Tan hold an aggregate of 204,953,292 Shares, representing approximately 19.82% of the share capital of the Company. Each of Capital Glory, Hanium Industries, Double Joy, TSL Foundation, Wincare International, Hampton Asset and Mr. Sunny Tan has a material interest in the transactions contemplated under the New Master Agreement. Accordingly, each of them will abstain from voting on the resolutions relating to the New Master Agreement at the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders on the transactions contemplated under the New Master Agreement and the proposed annual caps thereof. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF CIRCULAR

A circular containing details of the New Master Agreement, a letter from the Independent Board Committee to the Independent Shareholders, a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and a notice of the EGM is expected to be despatched to the Shareholders on or before 15 January 2018.

INFORMATION ON THE PARTIES

LTO is an investment holding company and the Group is principally engaged in the manufacturing and trading of apparel and accessories.

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
“Capital Glory”	Capital Glory Limited, a company incorporated in the British Virgin Islands, being a Substantial Shareholder (as defined in the Listing Rules)

“Company”	Luen Thai Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange (stock code: 311)
“connected person(s)”	shall have the meaning as ascribed to it under the Listing Rules
“continuing connected transaction”	shall have the meaning as ascribed to it under the Listing Rules
“Double Joy”	Double Joy Investments Limited, a company incorporated in the British Virgin Islands, being a Shareholder
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the New Master Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hampton Asset”	Hampton Asset Limited, a company incorporated in Samoa, being a Shareholder
“Hanium Industries”	Hanium Industries Limited, a company incorporated in the British Virgin Islands, being a Shareholder
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders in connection with the transactions contemplated under the New Master Agreement and the proposed annual caps thereof

“Independent Financial Adviser”	Lego Corporate Finance Limited, a licenced corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Master Agreement
“Independent Shareholders”	Shareholders other than those who have a material interest in the New Master Agreement and the transactions contemplated thereunder
“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
“Individual Agreements”	all individual agreements made between the JV and the LTE Group in relation to the provision of Services
“JV”	a joint venture of the LTO Group
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“LTE”	Luen Thai Enterprises Limited, a company incorporated in the British Virgin Islands
“LTE Group”	LTE together with its subsidiaries, associated companies, affiliates as well as joint ventures of such subsidiaries, associated companies and affiliates
“LTO”	Luen Thai Overseas Limited, a company incorporated in the Bahamas and a direct wholly-owned subsidiary of the Company
“LTO Group”	LTO and its subsidiaries
“New Master Agreement”	the master agreement dated 20 December 2017 entered into between LTO and LTE in relation to the provision of the Services by the LTO Group to the LTE Group
“Original 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

“percentage ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
“Services”	the provision of design, sourcing and manufacturing of apparel
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TSL Foundation”	Tan Siu Lin Foundation Limited, a company incorporated in Hong Kong, being a Shareholder
“US\$”	United States dollars, the lawful currency of the United States of America
“Wincare International”	Wincare International Limited, a company incorporated in the British Virgin Islands, being a Shareholder
“%”	per cent

For illustration purpose, in this announcement, amounts in US\$ have been translated into HK\$ at the exchange rate of (i) US\$1.00 to HK\$7.75 in respect of the historical annual caps; and (ii) US\$1.00 to HK\$7.75 in respect for the revised annual caps. Such translations do not constitute a representation that any amount has been, could have been or may be exchanged at such rates.

By order of the Board
Chiu Chi Cheung
Company Secretary

Hong Kong, 20 December 2017

As at the date hereof, 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

Independent Non-executive Directors:

Chan Henry
Cheung Siu Kee
Seing Nea Yie

Non-executive Directors:

Huang Jie

Website: www.luenthai.com