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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to
the Independent Board Committee and Independent Shareholders**



A letter from the Board is set out on pages 4 to 12 and a letter from the Independent Board Committee is set out on pages 13 to 14 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 32 of this circular.

A notice convening the EGM of the Company to be held at the Boardroom, 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Friday, 2 February 2018 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned thereof (as the case may be) should you so wish.

17 January 2018

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DEFINITIONS

“Announcement”	the announcement dated 20 December 2017 issued by the Company
“Board”	board of Directors
“Capital Glory”	Capital Glory Limited, a company incorporated in 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 (stock code: 311)
“Connected Person(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Continuing Connected Transaction(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Double Joy”	Double Joy Investments Limited, a company incorporated in the British Virgin Islands, being a Shareholder
“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 thereunder and the proposed annual caps thereof
“Flying Base”	Flying Base Limited, a company incorporated in Hong Kong, being a Shareholder controlled by Mr. Tan Cho Lung, Raymond, an executive Director and the chief executive officer of the Company
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie, being all the independent non-executive Directors

DEFINITIONS

“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, 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 Parties”	third parties which, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, are 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
“Latest Practicable Date”	15 January 2018, being the latest practicable date for ascertaining certain information contained in this circular
“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 Eagle”	New Eagle Enterprises Limited, a company incorporated in the British Virgin Islands, being a Shareholder
“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

DEFINITIONS

“Percentage Ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region
“Services”	the provision of design, sourcing and manufacturing of apparel
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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
“substantial shareholder”	shall have meaning as ascribed to it under the Listing Rules
“TSL Foundation”	Tan Siu Lin Foundation Limited, a company incorporated in Hong Kong, being a Shareholder
“US\$”	US dollars, the lawful currency of the United States of America
“Wincare International”	Wincare International Company Limited, a company incorporated in the British Virgin Islands, being a Shareholder
“%”	per cent

For illustration purpose, in this circular, 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.



LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

Executive Directors:

Mr. Shen Yaoqing (*Chairman*)
Dr. Tan Siu Lin (*Honorary Life Chairman*)
Mr. Tan Cho Lung, Raymond
(Chief Executive Officer)
Mr. Qu Zhiming
Ms. Mok Siu Wan, Anne

Non-executive Director:

Mr. Huang Jie

Independent non-executive Directors:

Mr. Chan Henry
Mr. Cheung Siu Kee
Mr. Seing Nea Yie

Registered Office:

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-1111 Cayman Islands

*Head office and Principal place of
business in Hong Kong:*

Rooms 1001–1005, 10/F,
Nanyang Plaza,
57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

17 January 2018

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the Announcement in respect of the New Master Agreement and the transactions contemplated thereunder.

The Original Master Agreement expired 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.

LTE 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. LTE is controlled by Dr. Tan Henry, who was a substantial shareholder of the Company as at the date of the

LETTER FROM THE BOARD

Announcement by virtue of his interests in Capital Glory, which held approximately 16.82% of the issued share capital of the Company as at the date of the Announcement. On 11 and 12 January 2018, Capital Glory disposed its shareholding in the Company and as a result of the disposals, Capital Glory ceased to be a Shareholder and Dr. Tan Henry ceased to be a substantial shareholder of the Company.

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 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.

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. The Independent Financial Adviser has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide the Shareholders further information in respect of the New Master Agreement and the proposed annual caps thereof; set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of the Independent Financial Adviser in respect of the New Master Agreement and the proposed annual caps thereof; and give the Shareholders the notice of the EGM and other information as required under the Listing Rules.

THE NEW MASTER AGREEMENT

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 price of sourced raw materials will generally be the same as the costs 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 in respect of the manufacturing of products bearing similarities with respect to the design, raw materials used or workmanship involved including the prices that the LTO Group offers to third parties for manufacturing similar products and the retail prices of similar products in the market, 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 more favourable 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 AND BASIS OF THE 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 the 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 JV is a joint venture of the LTO Group, being a company incorporated in the PRC and owned as to 50% by the LTO Group. It is principally engaged in the provision of the Services. It is expected that for the three years ending 31 December 2020, the Services previously provided by the JV to the LTE Group

LETTER FROM THE BOARD

will be undertaken by the LTO Group pursuant to the New Master Agreement. As such, when determining the proposed annual caps as set out below, the Directors have taken into account the amount of the historical transactions between the JV and 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.

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 and the JV pursuant to the Original Master Agreement and the Individual Agreements as mentioned above; (ii) the anticipated organic growth of the business with the LTE Group (including the expected growth in purchase amounts indicated by LTE Group for the three years ending 31 December 2020 as supported by the historical growth of the apparel business of the LTE Group, the retail network expansion plan of the LTE Group in the PRC, the apparel style development plan of the LTE Group in the coming years, and the secured orders received from the LTE Group for the Services as at the Latest Practicable Date) with the support from the positive outlook of the apparel market in the PRC (as shown by the increasing trends of the statistics provided by the National Bureau of Statistics of PRC (中華人民共和國國家統計局) and in the PRC's garment market research of Hong Kong Trade Development Council in relation to nationwide expenditure per capita on clothing, retail sales of garment market of the PRC and the adult garment and sportswear market of the PRC and the regulatory support on the sports industry by the PRC government such as "The Thirteenth "Five-Year Plan" for the development of the Sports Industry (《體育產業發展「十三五」規劃》)" issued in July 2016 by the General Administration of Sports of China which strives to optimise the market environment of sports industry and to guide sports consumption including exploration of popular sports events and inspiring day-to-day sporting consumption demand); (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. In particular, the indicative purchase amounts pursuant to the excepted delivery schedules for products that LTE Group requires to be supplied by LTO Group for the three years ending 31 December 2020 represented approximately 84.1%, 91.1% and 87.9% of the proposed annual caps for each of the years ending 31 December 2018, 2019 and 2020, respectively.

LETTER FROM THE BOARD

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 (the “**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

LETTER FROM THE BOARD

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.

IMPLICATIONS UNDER THE LISTING RULES

LTE 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. LTE is controlled by Dr. Tan Henry, who was a substantial shareholder of the Company as at the date of the Announcement by virtue of his interests in Capital Glory, which held approximately 16.82% of the issued share capital of the Company as at the date of the Announcement. On 11 and 12 January 2018, Capital Glory disposed its shareholding in the Company and as a result of the disposals, Capital Glory ceased to be a Shareholder and Dr. Tan Henry ceased to be a substantial shareholder of the Company.

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 resolutions of the Board approving the entering into of the New Master Agreement and the transactions contemplated thereunder.

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.

LETTER FROM THE BOARD

EGM

A notice convening the EGM which will be held at the Boardroom, 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Friday, 2 February 2018 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular for the Shareholders to consider and, if thought fit, pass the ordinary resolutions to approve the New Master Agreement and the transactions thereunder and the proposed annual caps thereof.

Under the Listing Rules, the New Master Agreement and the transactions thereunder constitute non-exempt Continuing Connected Transactions of the Company and requires the approval of the Independent Shareholders at the EGM by vote to be taken by poll. Any Shareholder with a material interest in the New Master Agreement and the transactions contemplated thereunder, shall not vote on the resolutions in relation to the New Master Agreements proposed at the EGM. To the best of the Directors' knowledge and belief having made all reasonable enquiries, as at the Latest Practicable Date, save for Hanium Industries, Double Joy, TSL Foundation, Wincare International, Hampton Asset, Mr. Tan Jason Shaw Tse, New Eagle, Flying Base, Mr. Sunny Tan and Ms. Lily Tan, no other Shareholder is required to abstain from voting on the resolution for approving the New Master Agreement, the transactions contemplated thereunder and the proposed annual caps thereof at the EGM.

As at the Latest Practicable Date, Hanium Industries, Double Joy, TSL Foundation, Wincare International, Hampton Asset, Mr. Tan Jason Shaw Tse, New Eagle, Flying Base, Mr. Sunny Tan and Ms. Lily Tan hold an aggregate of 204,953,292 Shares, representing approximately 19.82% of the share capital of the Company. Each of Hanium Industries, Double Joy, TSL Foundation, Wincare International, Hampton Asset, Mr. Tan Jason Shaw Tse, New Eagle, Flying Base, Mr. Sunny Tan and Ms. Lily 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.

A form of proxy for use at the EGM is also enclosed herewith. Whether or not you intend to attend the EGM, you are advised to read the notice and complete the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and return the form of proxy to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investors Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 13 to 14 of this circular which contains its recommendations to the Independent Shareholders on the terms of the New Master Agreement, the transactions contemplated thereunder and the proposed annual caps thereof; and (ii) the letter from the Independent Financial Adviser set out on pages 15 to 32 of this circular which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the New Master Agreement, the transactions contemplated thereunder and the proposed annual caps thereof together with the principal factors and reasons considered by it in concluding its advice.

Having considered the factors mentioned above, the Directors (excluding the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) are of the view that the terms of the New Master Agreement, the transactions contemplated thereunder and the proposed annual caps thereof are on normal commercial terms and in the ordinary course of business of the Company, and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (excluding the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) recommends that the Independent Shareholders vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the New Master Agreement and the transactions contemplated thereunder and the proposed annual caps thereof.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in Appendix I to this circular and the notice of the EGM.

Yours faithfully,
For and on behalf of the Board
Tan Cho Lung, Raymond
*Chief Executive Officer and
Executive Director*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in relation to the New Master Agreement and the transactions thereunder and the proposed annual caps thereof for inclusion in this circular:



LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

17 January 2018

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 17 January 2018 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to give a recommendation to the Independent Shareholders in respect of the terms of the New Master Agreement and the transactions thereunder and the proposed annual caps thereof, details of which are set out in the letter from the board set out on pages 4 to 12 of the Circular.

Having considered the terms of the New Master Agreement and the transactions thereunder and the proposed annual caps thereof, and the advice of Independent Financial Adviser in relation thereto as set out on pages 15 to 32 of the Circular, the Independent Board Committee considers that the terms of the New Master Agreement and the transactions thereunder and the proposed annual caps thereof are on normal commercial terms and in the ordinary course of business of the Company, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to approve the New Master Agreement and the transactions thereunder and the proposed annual caps thereof.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Master Agreement and the transactions contemplated thereunder (including the proposed annual caps).



17 January 2018

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Master Agreement and the transactions contemplated thereunder (including the proposed annual caps), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated 17 January 2018 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The LTO Group has been providing the Services to the LTE Group pursuant to the Original Master Agreement. As the Original Master Agreement expired on 31 December 2017, on 20 December 2017 (after trading hours), LTO (a directly wholly-owned subsidiary of the Company) entered into the New Master Agreement with LTE in relation to the ongoing provision of the Services by the LTO Group to the LTE Group.

LTE 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. LTE is controlled by Dr. Tan Henry, who was a substantial shareholder of the Company as at the date of the New Master Agreement by virtue of his interests in Capital Glory, which held approximately 16.82% of the issued share capital of the Company as at the date of the New Master Agreement. On 11 and 12 January 2018, Capital Glory disposed its shareholding in the Company and as a result of the disposals, Capital Glory ceased to be a Shareholder and Dr. Tan Henry ceased to be a substantial shareholder of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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 subjected to the annual reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Hanium Industries, Double Joy, TSL Foundation, Wincare International, Hampton Asset, Mr. Tan Jason Shaw Tse, New Eagle, Flying Base, Mr. Sunny Tan and Ms. Lily Tan hold an aggregate of 204,953,292 Shares, representing approximately 19.82% of the share capital of the Company. Each of Hanium Industries, Double Joy, TSL Foundation, Wincare International, Hampton Asset, Mr. Tan Jason Shaw Tse, New Eagle, Flying Base, Mr. Sunny Tan and Ms. Lily 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, comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the New Master Agreement were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, whether the terms of the New Master Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable so far as the Company and the Shareholders are concerned and whether such terms are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the New Master Agreement and the transactions contemplated thereunder (including the proposed annual caps). As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, there was no engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other party to the transactions. Accordingly, we are qualified to give independent advice in respect of the New Master Agreement and the transactions contemplated thereunder (including the proposed annual caps).

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Company and/or Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or LTE Group or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

1. Background of and reasons for the entering into of the New Master Agreement

Information on the Group

The Group was principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding and logistics services and real estate development before the disposal (the “**Disposal**”) of its non-core businesses (including (i) retail sales and trading of apparel and accessories; (ii) footwear manufacturing; (iii) freight forwarding and logistics; and (iv) real estate development) to a connected person of the Group which was completed on 31 December 2016. After the completion of the Disposal, the Group is principally engaged in the manufacturing and trading of apparels and accessories. The main

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products of the Group are casual and fashion apparel, sweaters and accessories and the Group mainly exports its products to Europe and the United States of America (“USA”). The Group has entered into strategic partnership with some global brands. The Group has manufacturing plants primarily in the People’s Republic of China (“PRC”), Cambodia, the Philippines and Vietnam.

Below is the summary of the financial information of the Group for each of the two years ended 31 December 2016 extracted from the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”) and for the six months ended 30 June 2016 and 2017 extracted from the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”):

	Year ended		Six months ended	
	31 December		30 June	
	2015	2016	2016	2017
	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue				
— Casual and fashion apparel	671,788	562,488	294,106	229,528
— Sweaters	106,569	94,955	29,220	20,798
— Accessories	268,929	251,322	115,130	102,987
Discontinued operation (<i>Note</i>)	<u>66,165</u>	<u>84,042</u>	<u>35,154</u>	<u>—</u>
Total revenue	1,113,451	992,807	473,610	353,313
Profit for the year from continuing operations	15,316	9,055	11,664	8,914
Profit for the year	13,462	18,581	8,292	8,914
			As at	30 June
			2015	2016
			<i>US\$’000</i>	<i>US\$’000</i>
			(audited)	(unaudited)
Total assets		684,078	641,867	435,261
Total liabilities		301,511	363,271	250,775
Total equity		382,567	278,596	184,486

Note: As the disposed businesses are considered as separate major lines of businesses, the corresponding operations had been classified as discontinued operations as a result of the completion of the Disposal.

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For the years ended 31 December 2015 and 2016

According to the 2016 Annual Report, revenue of the Group decreased from approximately US\$1,113.5 million for the year ended 31 December 2015 to approximately US\$992.8 million for the year ended 31 December 2016 mainly due to reduction of certain non-profitable orders. Net profit of the Group for the year ended 31 December 2016 was approximately US\$18.6 million, which included the net loss after tax of approximately US\$6.7 million from discontinued operation (excluding the gain on Disposal of approximately US\$16.2 million). Such result was mainly due to (i) the write-off of intangible asset under the casual and fashion apparel segment due to the elimination of certain non-profitable orders from one of the Group's customers; and (ii) the impairment loss and write-off of intangible assets under the sweaters segment due to the unexpected deterioration in certain of the customers' performance.

The Group recorded net assets of approximately US\$382.6 million and US\$278.6 million as at 31 December 2015 and 2016, respectively.

For the six months ended 30 June 2016 and 2017

According to the 2017 Interim Report, revenue of the Group decreased from approximately US\$473.6 million for the six months ended 30 June 2016 to approximately US\$353.3 million for the six months ended 30 June 2017 mainly due to the challenging operation environment owing to the poor consumer sentiment in the USA and continuous demand from customers for shorter lead time and re-direction of sourcing outside China. Revenue of the casual and fashion apparel business segment of the Group decreased by approximately 22.0% for the six months ended 30 June 2017 as compared to the six months ended 30 June 2016 mainly due to the shrinking demand from certain customers of the Group who were struggling with their traditional brick & mortar business model. Profit from the continuing operation of the Group decreased from approximately US\$11.7 million for the six months ended 30 June 2016 to approximately US\$8.9 million for the six months ended 30 June 2017 which was generally in line with the decrease in revenue.

The Group recorded net assets of approximately US\$184.5 million as at 30 June 2017.

Information on the LTE Group

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.

As disclosed in the Letter from the Board, a joint venture of the LTE Group, being recognised as one of the most successful distributors of footwear products, commenced retailing of branded apparel (the “**Apparel Business**”) since July 2015. As advised by the management of the Company, the LTE Group is the distributor of one of the famous footwear brands (the “**Brand**”) in the USA and the PRC and has formed joint venture companies with the Brand in Asia, including the PRC, since 2007. As further advised by the management of the Company, the Services provided and to be provided by the LTO Group to the LTE Group under the Original Master Agreement and the New Master Agreement, respectively, are related to the sales of apparel products under the Brand by the LTE Group in the PRC.

Information on the Brand

The Brand is one of the famous footwear brands in the USA and the PRC. According to the website and press release of the Brand, the Brand was awarded the “Brand of the Year” at the 2017 Footwear Industry Awards. The Brand designs, develops and markets a diverse range of lifestyle footwear for men, women and children, with its lines of sports and casual apparel products. Based on the annual report of the Brand for the year ended 31 December 2016, the Brand had approximately 500 free-standing stores and approximately 2,000 points of sale in the PRC. Total revenue of the Brand amounted to approximately US\$2.4 billion, US\$3.1 billion and US\$3.6 billion for the years ended 31 December 2014, 2015 and 2016, respectively. Although its revenue by geographical segment was not publicly disclosed by the Brand, the Brand’s earnings before income tax attributable to the PRC market were approximately US\$15.2 million, US\$49.0 million and US\$72.6 million for the years ended 31 December 2014, 2015 and 2016, respectively.

Reasons for and benefits of entering into the New Master Agreement

The Group has been providing design, sourcing and manufacturing of apparels to the LTE Group under the Original Master Agreement since 2015 and the Original Master Agreement expired on 31 December 2017. Accordingly, on 20 December 2017, LTO (a directly wholly-owned subsidiary of the Company) entered into the New Master Agreement with LTE, pursuant to which the Group will continue to provide the Services to LTE Group for the three years ending 31 December 2020. The New Master Agreement is subject to the approval of the Independent Shareholders in the EGM.

According to the Letter from the Board, 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. The Apparel Business of the LTE Group was expanding rapidly and the growth potential of the Apparel Business remained largely untapped. Taking into consideration of (i) the dramatic growth of the Apparel Business of LTE Group in the past three years; (ii) the expected

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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) the strategic relationship between the LTO Group and the LTE Group to capture such business opportunities and continue the strategic relationship with LTE Group, the Group decided to enter into the New Master Agreement with the 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 optimise the productivity of the design, sourcing and manufacturing workforce of the Group, which would be beneficial to the long-term development of the Group. As advised by the management of the Company, some of the Group's customers have shifted their orders from the Group's PRC factories to the Group's factories in other countries, such as the Philippines and Cambodia, in recent years due to cost and duties considerations, resulting in a reduction in orders placed with the Group's PRC factories. The Directors consider that the opportunity to carry on the transactions contemplated under the New Master Agreement, which involve the manufacturing of the Brand's apparel products by the Group's PRC factories with larger quantity than those under the Original Master Agreement, would help optimise the productivity of the design, sourcing and manufacturing workforce of the Group as a whole by achieving a more balanced mix in the utilisation of the Group's production capacities in the PRC and other countries.

As referred under the paragraph headed "Information on the Group" above, the Group generated majority of its revenue from the segment of manufacturing of casual and fashion apparel in its recent financial years. Accordingly, the provision of the Services to the LTE Group under the New Master Agreement are in the ordinary and usual course of business of the Group. In addition, having considered (i) that the ongoing provision of the Services by the LTO Group to the LTE Group will enable the Group to maintain the strategic business relationship with the LTE Group which is expected to generate additional revenue for the Group; (ii) that the background information of the LTE Group and the products manufacturing under the New Master Agreement are under the Brand which is regarded as one of the recognised brands in the USA and the PRC. It is considered that the established brand name and market penetration of the Brand have facilitated market receptivity on the Brand's apparel products, which have in turn contributed to the positive market response and facilitated the continued development of the Brand's apparel products as evidenced by the historical growth in transaction amounts relating to the provision of the Services; and (iii) the continued growth in sales transaction amounts with the LTE Group under the Original Master Agreement as discussed under the paragraph headed "Review of historical transaction amount" below, we are of the view that it is reasonable and is in the interest of the Company and the Shareholders as a whole to enter into the New Master Agreement to continue the provision of the Services to the LTE Group following the expiration of the Original Master Agreement.

2. Outlook of the PRC apparel market

Continued growth of the PRC apparel market

The economy of the PRC has expanded rapidly in the past years. According to National Bureau of Statistics of the PRC (中華人民共和國國家統計局), the gross domestic products of the PRC increased from approximately RMB48.9 trillion in 2011 to approximately RMB68.9 trillion in 2015, representing a compound annual growth rate (“CAGR”) of approximately 8.9%. Nationwide disposable income per capita increased from approximately RMB18,311 in 2013 to approximately RMB21,966 in 2015 with a CAGR of approximately 9.5%, while nationwide expenditure per capita on clothing increased from approximately RMB1,027 in 2013 to approximately RMB1,164 in 2015 with a CAGR of approximately 6.5%. Furthermore, the retail sales of garment market also increased from approximately RMB131.7 billion in 2011 to approximately RMB307.0 billion in 2015, representing a CAGR of approximately 23.6%.

We further noted from the PRC’s garment market research of Hong Kong Trade Development Council (“HKTDC”) that (i) the adult garment market of the PRC recorded a year-on-year growth of approximately 6.4% from approximately RMB1,075.6 billion in 2015 to approximately RMB1,144.4 billion in 2016; and (ii) the sportswear market of the PRC posted rapid market growth of approximately 12% year-on-year from approximately RMB166.6 billion in 2015 to approximately RMB186.6 billion in 2016. Going forward, the PRC’s adult garment market is expected to reach approximately RMB1,370.4 billion by 2019, according to the PRC’s garment market research of HKTDC.

Regulatory support on the sports industry by the PRC government

Policies and directions such as “Opinions on speeding up the development of sports industry and promoting sports consumption” (《國務院關於加快發展體育產業促進體育消費的若干意見》) issued in October 2014 by the State Council, “The Thirteenth “Five-Year Plan” for the Development of the Sports Industry” (《體育產業發展「十三五」規劃》) issued in July 2016 by the General Administration of Sports of China and the “National Fitness Program (2016–2020)” (《全民健身計劃(2016–2020)》) issued in June 2016 by the State Council have provided clear directions on the development and supportive measures to encourage citizens’ participation in the sports industries. In the Five-Year Plan, it sets out five missions such as (i) optimisation of the market environment of sports industry; (ii) expanding public infrastructure to provide convenient locations for physical exercises; and (iii) guiding sports consumption including exploration of popular sports events and inspiring day-to-day sporting consumption demand. With the above supportive measures of the PRC government, it is expected that more business opportunities will be created for the sports apparel market in the PRC.

In light of the foregoing, the Company is expected to benefit from the growth of apparel market, particularly sportswear, in the PRC through the continued provision of the Services to the LTE Group.

3. Terms of the New Master Agreement

Principal terms of the New Master Agreement

The principal terms of the New Master Agreement are set out below.

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.

The Services include the provision of design, sourcing and manufacturing of apparel.

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.

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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.

We have further reviewed other major terms of the New Master Agreement and are not aware of any terms which are exceptional to normal market practice. We also noted that the principal terms of the New Master Agreement are similar to those of the Original Master Agreement.

Basis of pricing

According to the Letter from the Board, 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 price of sourced raw materials will generally be the same as the costs 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

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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 in respect of the manufacturing of products bearing similarities with respect to the design, raw materials used or workmanship involved including the prices that the LTO Group offers to third parties for manufacturing similar products and the retail prices of similar products in the market, 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 more favourable than those terms offered by the LTO Group to independent third parties for similar products in its ordinary and usual course of business.

As advised by the management of the Company, the above pricing basis for the Services is in line with industry practice and is consistent with that for orders from independent third parties for similar services. We noted that such pricing basis under the New Master Agreement is also consistent with that under the Original Master Agreement.

In order to assess the fairness and reasonableness of the pricing basis under the New Master Agreement, we have obtained and reviewed (i) seven samples of purchase orders and sales invoices in respect of the historical transactions between the LTO Group and the LTE Group under the Original Master Agreement; and (ii) seven samples of purchase orders and sales invoices entered into between the Group and independent third parties during the term of the Original Master Agreement with products of similar categories and quality for the years ended 31 December 2015 and 2016 and the ten months ended 31 October 2017. Based on our review of the sample purchase orders and sales invoices, we noted that the gross profit margins of the orders placed by the LTE Group to the LTO Group were no less favourable to the Group than the gross profit margins of the orders placed by independent third parties, and were in line with the pricing basis under the Original Master Agreement. We also noted that the payment terms under the New Master Agreement are no less favourable to the Group than those under the aforesaid sample orders entered into with independent third parties.

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4. Proposed annual caps under the New Master Agreement

Review of historical transaction amount

Set out below are the historical transaction amounts under the Original Master Agreement and the Individual Agreements for the two years ended 31 December 2015 and 2016 and the ten months ended 31 October 2017, and the existing annual caps under the Original Master Agreement for each of the three years ended 31 December 2017:

	Year ended 31 December 2015			Year ended 31 December 2016			Ten months ended 31 October 2017		
	Annual cap (US\$)	Actual Utilisation		Annual cap (US\$)	Actual Utilisation		Annual cap (US\$)	Actual Utilisation	
		amount (US\$) (Note)	rate (%)		amount (US\$) (Note)	rate (%)		amount (US\$) (Note)	rate (%)
Provision of the Services	3,950,000	2,847,000	72.1	13,000,000	11,747,000	90.4	20,300,000	13,640,000	67.2

Note: As disclosed in the Letter from the Board, the historical transaction amounts represented 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 the Individual Agreements. The JV is a joint venture of the LTO Group, being a company incorporated in the PRC and owned as to 50% by the LTO Group. It is principally engaged in the provision of the Services. It is expected that for the three years ending 31 December 2020, the Services previously provided by the JV to the LTE Group will be undertaken by the LTO Group pursuant to the New Master Agreement. As such, when determining the proposed annual caps, the Directors have taken into account the amount of the historical transactions between the JV and the LTE Group.

As illustrated in the above table, the historical transaction amount under the Original Master Agreement and Individual Agreements increased significantly by approximately 312.6% from approximately US\$2.8 million for the year ended 31 December 2015 to approximately US\$11.7 million for the year ended 31 December 2016, representing approximately 72.1% and 90.4% of the annual cap of the respective year. Based on the actual orders placed by the LTE Group, the aggregate transaction amount for the ten months ended 31 October 2017 further increased to approximately US\$13.6 million, representing approximately 67.2% of the annual cap for the year ended 31 December 2017. Based on the records of the Group, majority of revenue generated under the Original Master Agreement and the Individual Agreements were attributable to the manufacturing of apparels, representing approximately 97.9%, 98.8% and 99.9% of the total revenue generated from the provision of the Services. As advised by the management of the Company, the substantial increase in the sales to the LTE Group was mainly attributable to the rapidly expanding Apparel Business of the LTE Group. The LTE Group focused on the sales of footwear under the Brand in the past until 2015 during which the LTE Group commenced the Apparel Business to test the market receptivity by selling small number of apparel style under the Brand. The commencement of the Apparel Business by the LTE Group has received positive market response and thus recorded substantial growth in the historical transaction amount under the Original Master Agreement. However, as

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the Apparel Business required different infrastructure and product development skills compared to footwear products, it took time for the LTE Group to develop new apparel products and renovate the existing points of sale and warehouses to accommodate for the sales and storage of apparel products under the Brand, which in turn limited the growth rate for the Apparel Business for the year ended 31 December 2017. In order to further expand the Apparel Business, the LTE Group focused on products innovation and development and renovation of existing points of sale in 2017 with an aim to eliminate the hurdle limiting the growth of the Apparel Business. The number of points of sale under the Brand increased from approximately 1,700 in 2015 to approximately 2,500 in 2016 and further increased to approximately 3,400 in October 2017.

Assessment of the proposed annual caps

Set out below are the proposed annual caps under the New Master Agreement for each of the three years ending 31 December 2020:

	Year ending 31 December		
	2018	2019	2020
	<i>(US\$)</i>	<i>(US\$)</i>	<i>(US\$)</i>
Proposed annual caps under the New Master Agreement	<u>70,000,000</u>	<u>120,000,000</u>	<u>200,000,000</u>

In assessing the reasonableness of the proposed annual caps for the years ending 31 December 2018, 2019 and 2020, we have considered the following principal factors:

1. Historical transaction amounts and growth

As stated under the paragraph headed “Review of historical transaction amount” above, the Group recorded a substantial increase in actual transaction amount under the Original Master Agreement and the Individual Agreements by approximately 312.6% from the year ended 31 December 2015 to the year ended 31 December 2016. For the ten months ended 31 October 2017, the transaction amount continued to increase and amounted to approximately US\$13.6 million. The annualised transaction amount based on the actual transaction amount under the Original Master Agreement and the Individual Agreements for the ten months ended 31 October 2017 was approximately US\$16.4 million, representing an increase of approximately 39.3% as compared to the actual transaction amount for the year ended 31 December 2016. The Group also recorded satisfactory utilisation rate of the annual caps for each of the three years ended 31 December 2017 of approximately 72.1%, 90.4% and 80.6% (annualised), respectively.

We further noted from the previous announcements of the Company that the initial annual caps under the Original Master Agreement were US\$3,950,000, US\$7,800,000 and US\$8,000,000 for the years ended 31 December 2015, 2016 and 2017, respectively. Subsequently, due to the continuous increase in demand for the Services and the actual transaction amounts for the provision of the Services received by the LTO Group under the Original Master Agreement and the Individual Agreements, the annual caps under the Original Master Agreement for the years ended 31 December 2016 and 2017 were revised to US\$13,000,000 and US\$20,300,000, respectively.

2. *Market outlook*

We noted that the management of the Company has also taken into account the anticipated organic growth of the business with the LTE Group in determining the proposed annual caps. In this regard, we noted that, according to the press release and annual report of the Brand, the Brand has been actively expanding its international exposure. From 2014 to 2016, the Brand has recorded a CAGR of approximately 42.1% in international wholesale net sales (which represented the Brand's revenue generated outside the United States and covered footwear and non-footwear products) and in its latest annual report, the Brand has expressed its continuous effort to grow their international business and it believed that international distribution of its products represents a significant opportunity to increase net sales and profits. Based on the annual reports of the Brand, the Brand's earnings before income tax attributable to the PRC market were approximately US\$15.2 million, US\$49.0 million and US\$72.6 million for the years ended 31 December 2014, 2015 and 2016, respectively, representing a strong growth momentum over its recent financial years.

As discussed in the section headed "2. Outlook of the PRC apparel market" in this letter, it is expected that the PRC apparel market will continue to grow and with the supportive measures of the PRC government, it is expected that more business opportunities will be created for the sports apparel market in the PRC.

We were also advised by the management of the Company that the joint venture of the LTE Group commenced its Apparel Business since 2015 and plans to expand its retail networks to capture the potentials of the PRC apparel market by opening an additional of approximately 1,300 points of sale in the PRC for the sales of apparels under the Brand in the coming years. Such expansion is expected to act as the main driver for the increase in estimated demand for the Services by the LTE Group in the coming years.

3. *Delivery schedules provided by the LTE Group*

We noted that the proposed annual caps for each of the three years ending 31 December 2020 were primarily determined based on the expected delivery schedules for products that the LTE Group requires to be supplied by the LTO Group by the provision of the Services for each of the three years ending 31 December 2020 (the “**Three-year Delivery Schedules**”).

We have obtained and reviewed the Three-year Delivery Schedules and noted that the LTE Group has indicated the expected purchase volume and unit price for each major category of apparel products required for each quarter during each of the three years ending 31 December 2020. The indicated total purchase amount under the Three-year Delivery Schedules amounted to approximately US\$58.9 million, US\$109.3 million and US\$175.8 million for the years ending 31 December 2018, 2019 and 2020, respectively. Such indicative purchase amount represented approximately 84.1%, 91.1% and 87.9% of the proposed annual caps for the corresponding years. As at the Latest Practicable Date, the LTO Group received secured orders from the LTE Group for the Services of approximately US\$5.3 million with expected delivery in early 2018. As advised by the management of the Company, it is the usual purchase pattern of the LTE Group to have more orders delivered in the second half year than the first half year mainly due to (i) the long public holiday during the Chinese New Year in the PRC; and (ii) the higher sales from the delivery of autumn and winter products generally with higher selling price in the second half of the year. For instance, for the years ended 31 December 2016 and 2017, approximately 37.0% and 36.0% (based on annualised transaction amount for the ten months ended 31 October 2017) of the annual transaction amount under the Original Master Agreement and the Individual Agreements was generated in the first half of the year. Taking into consideration the seasonality of the historical transaction amount under the Original Master Agreement and the Individual Agreements, it is estimated that the proposed annual cap attributable to the first half of 2018 will be approximately US\$25.2 million, being 36.0% of the proposed annual cap for the year ending 31 December 2018 of US\$70 million. The amount of secured orders from the LTE Group for the Services to be delivered in early 2018 represents approximately 21.0% of the proposed annual cap attributable to the first half of 2018.

We noted from the Three-year Delivery Schedules that the expected growth in purchase amount by the LTE Group is mainly driven from the expected increase in purchase volume. In such regard, we have discussed with the management of the Company regarding the reasonableness of such expected growth in purchase volume by the LTE Group. As advised by the management of the Company, they considered that such expected growth in purchase volume by the LTE Group is supported by (i) the expected continued growth of the Apparel Business of the LTE Group in the coming

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

years given that the joint venture of the LTE Group only commenced the Apparel Business in 2015, which continued to grow since then as reflected by the continued growth in historical transaction amount for the Services during the term of the Original Master Agreement; (ii) the expansion plan of the LTE Group to expand its retail networks to capture the potentials of the PRC apparel market by renovation of approximately 1,000 existing points of sale for selling apparel under the Brand and opening an additional of approximately 1,300 points of sale in the PRC in the coming years; (iii) the development plan of the LTE Group to increase the number of apparel style from approximately 120 to approximately 900 in the coming three years; and (iv) the positive market outlook of the PRC apparel market.

Having considered:

- (i) the continued growth in the demand for the Services by the LTE Group as reflected by the growth in historical transaction amount under the Original Master Agreement and the Individual Agreements in the last three years;
- (ii) the relatively high utilisation rate of the historical annual caps under the Original Master Agreement;
- (iii) the expected growth in purchase amounts indicated by the LTE Group for the years ending 31 December 2018, 2019 and 2020 is supported by the historical growth of the Apparel Business of the LTE Group, the retail network expansion plan of the LTE Group in the PRC, the apparel style development plan of the LTE Group in the coming years, the secured orders received from the LTE Group for the Services as at the Latest Practicable Date and the positive outlook of the PRC apparel market;
- (iv) the indicative purchase amounts by the LTE Group pursuant to the Three-year Delivery Schedules represented approximately 84.1%, 91.1% and 87.9% of the proposed annual caps for the years ending 31 December 2018, 2019 and 2020, respectively;
- (v) the proposed annual caps are of revenue nature and additional buffer will enable flexibility for the Group to accommodate any further growth in revenue to be generated under the New Master Agreement;
- (vi) that the Company has various internal control measures in place 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; and

(vii) the benefits of entering into the New Master Agreement,

we consider that the proposed annual caps under the New Master Agreement to be acceptable.

5. Annual review of the continuing connected transactions

According to the Letter from the Board, 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. Details of the relevant internal control measure are disclosed under the paragraph headed “Internal control” in the Letter from the Board.

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the transactions contemplated under the New Master Agreement are subject to the following requirements:

- (i) the independent non-executive Directors must confirm in the annual reports and accounts whether the continuing connected transaction has been entered into:
 - in the ordinary and usual course of business of the Group;
 - on normal commercial terms or better; and
 - according to the agreement governing it on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the continuing connected transaction for each financial year of the Company and that the Company’s auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transaction:
 - has not been approved by the Board;
 - was not, in all material respects, in accordance with the pricing policy of the Group if the transactions involve the provision of goods or services by the Group;
 - was not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; and
 - has exceeded the annual caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the continuing connected transactions under the New Master Agreement will be subject to annual review of the independent non-executive Directors and the auditors of the Company, we are of the view that appropriate measures will be in place to govern the conduct of the continuing connected transactions and safeguard the interests of the Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the New Master Agreement has been entered into in the ordinary and usual course of the Group's business based on normal commercial terms, and the terms thereof together with the proposed annual caps are fair and reasonable so far as the Company and the Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to approve the New Master Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the EGM.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Gary Mui
Chief Executive Officer

Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited 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). He has over 19 years of experience in the finance and investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations which were required to be notified to the Company and the Stock Exchange (a) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares:

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding in the Company (Note 4)
Tan Siu Lin	Trustee (Note 1)	1,840,757	0.18%
	Interest of corporation controlled by the director (Note 1)	7,447,986	0.72%
Tan Cho Lung, Raymond	Interest of corporation controlled by the director (Note 2)	15,655,639	1.51%
Mok Siu Wan, Anne	Beneficial owner (Note 3)	2,000,000	0.19%

Notes:

- Dr. Tan Siu Lin as a trustee indirectly controls the entire issued capital of Wincare International, which in turn holds directly 1,840,757 Shares. Dr. Tan Siu Lin also controls and is a subscriber and founding member of TSL Foundation, which in turn owns directly 7,447,986 Shares.
- Mr. Tan Cho Lung, Raymond controls the Flying Base, which in turns own directly 15,655,639 Shares.

3. Ms. Mok Siu Wan, Anne owns 2,000,000 Shares through the exercise of share options granted by the Company on 21 April 2008 and none of the 2,000,000 Shares were disposed of up to the date of this circular.
4. The percentage has been compiled based on the total number of the Shares in issue (i.e. 1,034,112,666) as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and Stock Exchange.

(ii) Interests of Substantial Shareholders under the SFO

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity	Number of ordinary shares	Approximate percentage of shareholding in the Company (Note 4)
Shangtex (Hong Kong) Limited	Beneficial owner (Note 1)	770,461,936	74.50%
Shangtex Holding Co., Ltd.* 上海紡織(集團)有限公司	Interest of controlled corporation (Note 1)	770,461,936	74.50%
Double Joy	Beneficial owner (Note 2)	71,975,726	6.96%
Ms. Tan Chiu Joise	Interest of controlled corporation; interest of spouse (Note 2, 3)	89,179,725	8.62%
Dr. Tan Henry	Interest of controlled corporation (Note 2, 3)	89,179,725	8.62%

* For identification purpose only

Notes:

1. Shangtex (Hong Kong) Limited (“**Shangtex HK**”), a company incorporated in Hong Kong with limited liability, is a wholly owned subsidiary of Shangtex Holding Co., Ltd. (“**Shangtex**”). Shangtex is therefore deemed to be interested in the interests of Shangtex HK held in the Company. Shangtex, a company incorporated in the PRC with limited liability.

2. Double Joy is a company incorporated in the British Virgin Islands with limited liability and is owned by Ms. Tan Chiu Joise and Dr. Tan Henry in equal shares. Each of Ms. Tan Chiu Joise and Dr. Tan Henry is deemed to be interested in the 71,975,726 Shares held by Double Joy.
3. Dr. Tan Henry directly controls Hanium Industries and Double Joy. Hanium Industries directly owns 17,203,999 Shares and Double Joy directly owns 71,975,726 Shares. Dr. Tan Henry is therefore deemed to be interested in a total of 89,179,725 Shares. Ms. Tan Chiu Joise is the spouse of Dr. Tan Henry and is deemed to be interested in the Shares which are interested by Dr. Tan Henry under the SFO.
4. The percentage has been compiled based on the total number of the Shares in issue (i.e. 1,034,112,666) as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person, other than the Directors and the chief executives of the Company, who had, or was deemed to have, interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES AND ASSETS DISPOSED OR ACQUIRED

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or any of their respective close associates had a controlling interest in a business which competes or is likely to compete, either directly or indirectly with the business of the Group.

Save as disclosed in this circular concerning the Original Master Agreements and the New Master Agreement, in which Dr. Tan Siu Lin and Mr. Tan Cho Lung, Raymond have a material interest, there are no contracts or arrangements subsisting as at the Latest Practicable Date in which a Director is materially interested and which is significant in relation to the business of the Group.

As at the Latest Practicable Date, no Director has any interest, direct or indirect, in any assets which have been, since 31 December 2016, acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group, except that Dr. Tan Siu Lin and Mr. Tan Cho Lung, Raymond were interested in the sale and purchase agreement dated 25 October 2016 in respect of the disposal of Wisely Global Limited, Shiny New Limited, Luen Thai Industrial Company Limited and CTSI Holdings Limited and their respective subsidiaries (where applicable) by the Group at the total consideration of approximately US\$110 million, which details were disclosed in the circular of the Company dated 14 December 2016. The said disposal was completed on 31 December 2016, as announced by the Company on 3 January 2017.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract/appointment letter or has an unexpired service contract/appointment letter with any member of the Group which is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. EXPERT QUALIFICATION AND CONSENT

The following is the qualification of the expert who has made statement in this circular:

Name	Qualification
Lego Corporate Finance Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Lego Corporate Finance Limited, the Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, recommendation, opinion and/or references to its name in the form and context in which they are included.

6. EXPERT'S INTERESTS

As at the Latest Practicable Date,

- (a) the Independent Financial Adviser did not have any direct or indirect interest in any assets which have been, since 31 December 2016, being the date to which the latest published audited consolidated accounts of the Company were made up, acquired, disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) the Independent Financial Adviser did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group was made up.

9. MISCELLANEOUS

- (a) The registered head office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.
- (b) The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.
- (c) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (d) The company secretary of the Company is Mr. Chiu Chi Cheung.
- (e) In the event of any inconsistency, the English text of this Circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company’s principal place of business in Hong Kong at Rooms 1001–1005, 10/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong for a period of 14 days (except public holidays) from the date of this circular:

- (a) the letter from the Board dated 17 January 2018, the text of which is set out on pages 4 to 12 of this circular;
- (b) the letter from the Independent Board Committee dated 17 January 2018, the text of which is set out on pages 13 to 14 of this circular;
- (c) the letter from the Independent Financial Adviser dated 17 January 2018 to the Independent Board Committee, the text of which is set out on pages 15 to 32 of this circular;
- (d) the written consent from the Independent Financial Adviser referred to under the section headed “Expert Qualification and Consent” of this Appendix I;
- (e) this circular;
- (f) the New Master Agreement; and
- (g) the Original Master Agreement.



LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Luen Thai Holdings Limited (the “**Company**”) will be held at the Boardroom, 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Friday, 2 February 2018 at 3:00 p.m. for the shareholder of the Company to consider, and if thought fit, pass the following resolutions as ordinary resolutions of the Company. Capitalised terms used in this notice shall have the meanings as defined in the circular of the Company dated 17 January 2018, unless otherwise specified.

ORDINARY RESOLUTIONS

“THAT:

- (1) the New Master Agreement (as defined and described in the circular of the Company dated 17 January 2018) and the transactions contemplated thereunder be and are approved, confirmed and ratified;
- (2) the execution and delivery of the New Master Agreement and all documents in connection therewith for and on behalf of the Company be and are approved, confirmed and ratified;
- (3) the proposed annual caps in respect of the New Master Agreement for each of the years ending 31 December 2018, 2019 and 2020 as set out in the Circular be and are approved, confirmed and ratified; and
- (4) any one or more directors of the Company be and are authorised to take all steps necessary or expedient in his/their opinion to implement and/or to give effect of the New Master Agreement and the transactions thereunder.”

Yours faithfully,
By Order of the Board
Luen Thai Holdings Limited
Chiu Chi Cheung
Company Secretary

Hong Kong, 17 January 2018

NOTICE OF THE EGM

Registered Office:
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-1111 Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*
Rooms 1001–1005, 10/F,
Nanyang Plaza,
57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Notes:

1. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy or by representative, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register. Several executors or administrators of a deceased member in whose name any share stands shall for such purpose be deemed joint holders thereof.
5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the websites of the Company at www.luenthai.com and the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the rescheduled meeting.

NOTICE OF THE EGM

6. A form of proxy for use at the EGM is enclosed herewith.

As at the date of this notice, the Board comprised five executive Directors, namely, Mr. Shen Yaoqing (Chairman), Dr. Tan Siu Lin (Honorary Life Chairman), Mr. Tan Cho Lung, Raymond (Chief Executive Officer), Mr. Qu Zhiming and Ms. Mok Siu Wan, one non-executive Director, namely Mr. Huang Jue and three independent non-executive Directors, namely, Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie.