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## **LUEN THAI HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 311)**

### **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS WITH SHANGTEX**

Reference is made to the announcement of Luen Thai Holdings Limited (the “**Company**”) dated 19 December 2019 (the “**Announcement**”) in relation to, among others, the entering into of the New Sale and Purchase Framework Agreement and the New Services Framework Agreement. Unless otherwise specified, capitalised terms used herein shall have the same meaning ascribed to them in the Announcement.

This announcement intends to elaborate on the pricing policy and to provide additional information on the internal control procedures in relation to the New Sale and Purchase Framework Agreement and the New Services Framework Agreement.

#### **PRICING POLICY**

##### **(A) New Sale and Purchase Framework Agreement**

As a general principle, the price of the individual Order in respect of the purchase from Shangtex Group will be on normal commercial terms, negotiated on an arm’s length basis, on similar basis as the Group transaction business with other independent third party suppliers and shall be on terms which are no less favourable to the Group than those provided by independent third party supplier.

Subject to the general principle disclosed above, the Group will also take into account the following factors when determining the purchase price payable by the Group under the individual Orders in respect of the purchase from Shangtex Group: (i) costs of raw materials; (ii) size of Orders; (iii) technical production requirements; (iv) production lead time; (v) the prices and quality of the products offered by other independent third party suppliers; and (vi) the expected costs to be incurred by the Shangtex Group in providing such products.

## **(B) New Services Framework Agreement**

As a general principle, the price of the individual Services provided to Shangtex Group will be on normal commercial terms, negotiated on an arm's length basis, on similar basis as the Group transaction business with other independent third party customers and shall be on terms which are no more favourable to the Shangtex Group than those provided to independent third party customer.

Subject to the general principle disclosed above, the Group will also take into account the following factors when determining the selling price to be received by the Group under the individual Services provided to Shangtex Group: (i) product design; (ii) the actual services to be provided; (iii) frequency of Services; (iv) actual costs of production; and (v) the prices and quality of the Services offered to other independent third party customers.

## **INTERNAL CONTROLS**

The Company would like to supplement the following additional information in relation to the section headed "Internal Controls" in the Announcement:

To ensure that the continuing connected transactions contemplated under the New Sale and Purchase Framework Agreement and the New Services Framework Agreement are fair and reasonable and on normal commercial terms, the Company has adopted the following internal control procedures:

- (a) The management of the Company shall meet to discuss and assess the terms and conditions and the pricing mechanism of each transaction contemplated under the New Sale and Purchase Framework Agreement and the New Services Framework Agreement before entering into such transactions to ensure that they are on normal commercial terms;
- (b) The finance department of the Company also conducts monthly review on such transactions and will submit such information for the Board's review not less than three times annually, including but not limited to the historical and actual transaction amounts, to ensure that the relevant transactions are carried out in accordance with the terms of the New Sale and Purchase Framework Agreement and the New Services Framework Agreement and will not exceed the respective annual caps; and

(c) Other relevant internal control measures disclosed in the section headed “Internal Controls” in the Announcement.

By order of the Board  
**Chiu Chi Cheung**  
*Company Secretary*

Hong Kong, 27 December 2019

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

*Executive Directors:*

Shen Yaoqing (*Chairman*)

Tan Siu Lin (*Honorary Life Chairman*)

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

Qu Zhiming

Mok Siu Wan, Anne

*Non-executive Director:*

Huang Jie

*Independent non-executive Directors:*

Chan Henry

Seing Nea Yie

Wang Ching

Website: [www.luenthai.com](http://www.luenthai.com)