
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 5 to 14 and a letter from the Independent Board Committee is set out on pages 15 to 16 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 17 to 35 of this circular.

A notice convening the EGM of the Company to be held at the Boardroom, Rooms 1001–1005, 10th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Friday, 18 December 2020 at 11:00 a.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.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page 1 of this document for measures being taken to try to prevent and control the spread of the coronavirus disease 2019 ("COVID-19") at the EGM, including:

- **compulsory temperature checks**
- **recommended wearing of surgical face masks**
- **no distribution of corporate gifts and refreshments**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company encourages attendees to wear face masks and reminds Shareholders that they may appoint the Chairman of the meeting as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

In case of inconsistency between the Chinese version and the English version of this circular, the English version will prevail.

30 November 2020

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue.
- (ii) The Company encourages attendees to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats.
- (iii) No refreshments will be served, and there will be no corporate gifts.
- (iv) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or to their best of knowledge had physical contact with any person who has recently travelled to, any affected countries or areas outside of Hong Kong (as per guidelines issued by the Hong Kong government at www.chp.gov.hk/en/features/102742.html) at any time in the preceding 14 days. Any person who does not comply with this requirement may be denied entry into the EGM venue or be required to leave the EGM venue.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and return the proxy form attached to this document.

If Shareholders choosing not to attend the EGM in person have any questions about the relevant resolutions, or about the Company or any matters for communication with the Board, they are welcome to contact the Company as follows:

Email: corporate_communications@lumenthai.com

DEFINITIONS

“2nd Master Agreement”	the master agreement dated 20 December 2017 entered into between LTO and LTE in relation to the provision of the Previous Services by the LTO Group to the LTE Group
“Announcement”	the announcement dated 29 October 2020 issued by the Company
“Board”	board of Directors
“Company”	Luen Thai Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange (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
“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
“Group”	the Company and its subsidiaries
“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. Seing Nea Yie and Dr. Wang Ching, being all the independent non-executive Directors
“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

DEFINITIONS

“independent third party(ies)”	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
“Latest Practicable Date”	25 November 2020, 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 Master Agreement”	the master agreement dated 29 October 2020 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 Previous Services by the LTO Group to the LTE Group
“Percentage Ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region
“Previous Services”	the provision of design, sourcing and manufacturing of apparel
“Services”	the 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

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	shall have meaning as ascribed to it under the Listing Rules
“US\$”	US dollars, the lawful currency of the United States of America
“%”	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. Qu Zhiming (*Chairman*)
Dr. Tan Siu Lin (*Honorary Life Chairman*)
Mr. Tan Cho Lung, Raymond
(Chief Executive Officer)
Mr. Huang Jie
Mr. Zhang Min

Non-executive Director:

Ms. Mok Siu Wan, Anne

Independent non-executive Directors:

Mr. Seing Nea Yie
Mr. Chan Henry
Dr. Wang Ching

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

30 November 2020

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 2nd Master Agreement will expire on 31 December 2020. On 29 October 2020 (after trading hours), LTO (a direct wholly-owned subsidiary of the Company) entered into the New Master Agreement with LTE in relation to the provision of Services by the LTO Group to the LTE Group. The terms of the New Master Agreement will be substantially the same as the 2nd Master Agreement, except the scope of service will only cover manufacturing of apparel, as no design and sourcing services were provided in previous years. In other words, the scope of service will be adjusted from the Previous Services to the Services.

LETTER FROM THE BOARD

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.

As one or more of the applicable Percentage Ratios 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 2021, 2022 and 2023 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 requirement 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: 29 October 2020
- 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 2021; and shall end on 31 December 2023, 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

Subject matter: Pursuant to the New Master Agreement, the LTO Group shall provide the Services to the LTE Group. The transactions shall be conducted on normal commercial terms and subject to the terms and conditions contained in the orders. The orders should also set out the specifications, quantity and price of the products, payment terms, delivery time and place of delivery as agreed by both parties.

PRICING POLICY

The general pricing principles in respect of the provision of Services will be charged on normal commercial terms, negotiated on an arm's length basis between the LTO Group and LTE Group, on similar basis as the LTO Group transacts business with other independent third party customers and shall be on terms which are no less favourable to the LTO Group than those provided to independent third party customers.

Subject to the general principles disclosed above, the fee for the provision of Services shall be charged on a cost-plus basis, representing the actual costs plus an average gross profit margin of not less than 12% or on terms no more favourable than those terms offered to independent third party customers for similar products in terms of specifications, particulars and complexity. In determining the costs, the Company will take into account the actual costs incurred (including, among others, the cost of raw materials, the cost of labour and other costs directly attributable to the manufacturing of the apparel). In determining the margin, LTO Group will take into account the following factors: (i) the prevailing market prices of similar products obtained through internal checks; (ii) the service fee charged to other independent third party customer for similar products; (iii) specifications, particulars and complexity of products; and (iv) urgency of the delivery schedule of the products.

Separate agreements will be entered into by the LTO Group and the LTE Group in respect of specific model of the apparel pursuant to the New Master Agreement, in which the price of the products shall be determined on an order-by-order basis taking into account the factors mentioned above based on the above pricing policy.

PAYMENT TERMS

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.

PROPOSED ANNUAL CAPS AND BASIS OF THE PROPOSED ANNUAL CAPS

As mentioned in the announcement of the Company dated 20 December 2017, the annual caps for the aggregate fees payable by the LTE Group to the LTO Group under the 2nd Master Agreement were US\$70,000,000 (approximately HK\$542,500,000),

LETTER FROM THE BOARD

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 ended 31 December 2018 and 2019 and the year ending 31 December 2020, respectively.

For the years ended 31 December 2018, 2019 and the nine months ended 30 September 2020, the aggregate fees received or receivable by the LTO Group for its provision of the Previous Services to the LTE Group under the 2nd Master Agreement amounted to approximately US\$27,488,000 (approximately HK\$213,032,000), US\$29,774,000 (approximately HK\$230,748,500) and US\$38,110,000 (approximately HK\$295,352,500), respectively.

As disclosed above, the historical utilization rate of the annual caps for the years ended 31 December 2018, 2019 and the nine months ended 30 September 2020 was only approximately 39.3%, 24.8% and 19.1% respectively. The low utilization rate for the annual cap in relation to the provision of Previous Services under the 2nd Master Agreement was mainly due to unexpected delay in the business development plan of the LTE Group as a result of: (a) strategic adjustment prior to the commencement of bulk sales into the sport activewear market in the PRC; (b) limited space of most of the original stores to display and store the apparel products; and (c) continuous fine-tuning of the category and style of the products taking into consideration of the market response.

In addition, the transaction with LTE Group for the first half of 2020 has been inevitably affected by the outbreak of the COVID-19 epidemic owing to suspension of the Group's factory operation in the PRC and postponement of launch of new products by LTE Group. The outbreak of the COVID-19 epidemic has been gradually contained in May 2020, the Group's transaction with LTE Group under the 2nd Master Agreement has resumed to normal as expected since July 2020, with the historical transaction amount for July 2020 to September 2020 amounted to approximately US\$22.8 million. Despite the low utilization rate for the annual cap in relation to the provision of Previous Services under the 2nd Master Agreement for the said years and period, the Directors would like to highlight that the transaction amount with LTE Group for 2020 will be approximately US\$91.2 million by annualizing the said transaction amount with LTE Group for July 2020 to September 2020. Such annualized amount representing a substantial increase of 206.3% as compared with previous year and it also accounts for approximately 79.3% of the proposed annual cap of US\$115,000,000 for the year ending 31 December 2021.

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\$115,000,000 (approximately HK\$891,250,000), US\$160,000,000 (approximately HK\$1,240,000,000) and US\$200,000,000 (approximately HK\$1,550,000,000) for each of the years ending 31 December 2021, 2022 and 2023, respectively.

LETTER FROM THE BOARD

Basis of determination of the proposed annual caps

The proposed annual caps were determined by the Board after taking into consideration of the following factors:

- (i) the expected delivery schedules for products to be supplied for each of the years ending 31 December 2021, 2022 and 2023, which was projected and provided by the LTE Group to the LTO Group. LTE Group estimates that the purchase amounts will be approximately US\$99.0 million, US\$140.1 million and US\$192.0 million for each of the three years ending 31 December 2023 respectively on the basis that the demand of LTE Group's apparel products will keep increasing. The said amounts represented approximately 86.1%, 87.6% and 96.0% of the proposed annual caps for the corresponding years. The Directors hold the view that the said projected purchase amounts could be achieved in the next three years due to the LTE Group's effort on the implementation of their apparel style development plan and the retail network expansion plan. It is expected that the LTE Group will continuously develop and expand its existing product lines and a new product line with emphasis on comfort and casual will be launched in 2021. In addition, the number of megastores of the LTE Group in the PRC increased from 24 in October 2019 to around 100 in October 2020, and is expected to increase to about 400 by the end of 2023;
- (ii) a buffer has been included for the potential transactions under the New Master Agreement which provide flexibility for the LTO Group to accommodate any further growth in the provision of Services in the next three years, as the apparel market in the PRC is growing at a rapid rate;
- (iii) the historical growth and recent trend of the business with the LTE Group;
- (iv) payment and credit terms for the potential transactions under the New Master Agreement;
- (v) production capacity of the Group in the PRC; and
- (vi) future market trends.

As aforementioned, the low utilization rate for the annual cap in relation to the provision of Previous Services under the 2nd Master Agreement was primarily due to the unexpected delay in the business plan of the LTE Group. However, such unexpected delay has been resolved and the Board believes that the proposed annual caps under the New Master Agreement are reasonable and justifiable.

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:

- Designated staff will oversee the transactions under the New Master Agreement and review the terms of such transactions on a regular basis to ensure that the fees charged for such transactions will reflect the pricing policies of the Group.
- The management of the Company will regularly assess and discuss the terms and conditions and the pricing mechanism of the transactions contemplated under the New Master Agreement to ensure they are on normal commercial terms or on terms no more favourable than other terms offered by the Group to independent third parties.
- The finance department of the relevant business units 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 year-to-date actual transaction amounts will also be reported during the audit committee meeting of the Company as part of ongoing monitoring of the continuing connected transactions of the Group.
- The internal audit team of the Company will conduct regular review of the transactions in accordance with the established terms and the pricing policy under the New Master Agreement and perform sampling inspections to ensure the related internal control procedures were properly followed. The internal audit assessment on the adequacy and effectiveness of such internal control measures will be reported to the audit committee of the Company.
- 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.

LETTER FROM THE BOARD

- 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

LTE Group's past experience and success in the retail of footwear products has been an instrumental factor for the LTO Group to enter into the New Master Agreement, as it is expected that the apparel business could be another growth driver of the LTE Group. LTE Group has been identified as one of the strategic customers of the Group and the continued collaboration with the LTE Group could benefit the long term development of the Group, which is also in line with one of the key missions of the Company "growth together with customers".

The Directors (excluding the independent non-executive Directors who will provide their view after receiving the advices from the Independent Financial Adviser) believe that the cooperation with the LTE Group is vital to the business development of the Group in the PRC market and should maintain and beyond the expiry of the 2nd Master Agreement. The New Master Agreement sets out a framework to allow the Group to continue providing Services to the LTE Group for the three years ending 31 December 2023. This continuing relationship is expected to bring synergy effect to both parties, as the New Master Agreement will enable the LTO Group to continue the optimization of productivity in the PRC.

Besides, the LTO Group has become increasingly familiar with the standards and specifications of the products requested by the LTE Group and would be able to respond quickly and in a cost-effective manner to any new requirement, due to their long-term business relationship. Over the past several years, the service fee income earned from the LTE Group has also steadily increased. By conducting the transactions contemplated under the New Master Agreement, it will enable the Group to secure existing business and revenue stream which in turn will benefit the Group's revenue growth and future development.

Based on the above, the Directors (excluding the independent non-executive Directors who will provide their view after receiving the advices from the Independent Financial Adviser) are of the view that the transactions contemplated under the New Master Agreement are and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms. The terms of the New Master Agreement, including the proposed annual caps, were negotiated on an arm's length basis and are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

DIRECTORS' MATERIAL INTERESTS

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

IMPLICATIONS UNDER THE LISTING RULES

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

As one or more of the applicable Percentage Ratios 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 2021, 2022 and 2023 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.

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.

EGM

A notice convening the EGM which will be held at the Boardroom, Rooms 1001–1005, 10th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Friday, 18 December 2020 at 11:00 a.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 Dr. Tan

LETTER FROM THE BOARD

Siu Lin and Mr. Tan Cho Lung, Raymond, no other Shareholders 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.

Dr. Tan Siu Lin and Mr. Tan Cho Lung, Raymond and their respective associates, together holding 30,539,382 Shares (representing approximately 2.95% of the issued share capital of the Company as at the Latest Practicable Date). 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.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 15 to 16 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 17 to 35 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.

LETTER FROM THE BOARD

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)

30 November 2020

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 30 November 2020 (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 5 to 14 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 17 to 35 of the Circular, the Independent Board Committee considers that the terms of the New Master Agreement and the transactions contemplated thereunder and the proposed annual caps thereof are on normal commercial terms and in the ordinary and usual 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 contemplated thereunder and the proposed annual caps thereof.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Board Committee draws the attention of the Independent Shareholders to the Letter from the Board as set out in the Circular and the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out in the Circular which sets out the considerations and factors taken into account in arriving at its recommendations.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Seing Nea Yie
Independent Non-Executive Directors

Chan Henry **Wang Ching**

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).



30 November 2020

*To the Independent Board Committee and
the Independent Shareholders of
Luen Thai Holdings Limited*

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 30 November 2020 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 services of design, sourcing and manufacturing to the LTE Group pursuant to the Original Master Agreement and the 2nd Master Agreement. As the 2nd Master Agreement will expire on 31 December 2020, on 29 October 2020 (after trading hours), LTO (a direct wholly-owned subsidiary of the Company) entered into the New Master Agreement with LTE in relation to the 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.

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As one or more of the applicable percentage ratios (as defined 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 2021, 2022 and 2023 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 requirement under Chapter 14A of the Listing Rules.

Dr. Tan Siu Lin and Mr. Tan Cho Lung, Raymond and their respective associates, together holding 30,539,382 Shares (representing approximately 2.95% of the Company) as at the Latest Practicable Date. 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 (“**Management**”); 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 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 and the Management. 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 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, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or the 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

LTO is an investment holding company and the Group is principally engaged in the manufacturing and trading of apparel and accessories. The Group has manufacturing plants primarily in the PRC, Cambodia, the Philippines, Vietnam, India, Indonesia, Thailand and Myanmar.

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Below is the summary of the financial information of the Group for the years ended 31 December 2018 and 2019 extracted from the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”) and for the six months ended 30 June 2019 and 2020 extracted from the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”):

	Year ended		Six months ended	
	31 December		30 June	
	2018	2019	2019	2020
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	851,000	969,789	461,763	331,687
— <i>Apparel</i>	<i>530,958</i>	<i>513,156</i>	<i>238,074</i>	<i>187,700</i>
— <i>Accessories</i>	<i>320,042</i>	<i>456,633</i>	<i>223,689</i>	<i>143,987</i>
Gross profit	127,425	142,174	65,804	37,474
Profit/(Loss)				
for the year/period	23,303	25,165	6,572	(19,065)

For the years ended 31 December 2018 and 2019

According to the 2019 Annual Report, total revenue of the Group grew from approximately US\$851.0 million for the year ended 31 December 2018 to approximately US\$969.8 million for the year ended 31 December 2019, which was mainly attributable to the increase in revenue from the accessories division brought in from the newly acquired bags and small leather goods manufacturing business during the second half of 2018, namely Universal Elite Holdings Limited and its subsidiaries (the “**Universal Group**”).

Gross profit of the Group increased from approximately US\$127.4 million for the year ended 31 December 2018 to approximately US\$142.2 million for the year ended 31 December 2019, which was generally in line with the growth in revenue.

Net profit of the Group increased from approximately US\$23.3 million for the year ended 31 December 2018 to approximately US\$25.2 million for the year ended 31 December 2019. However, excluding a non-recurring gain on the disposal of all equity interest in Desk Top Bags (Mfg) Ltd of approximately US\$13.4 million, net profit of the Group would decrease to approximately US\$11.8 million for the year ended 31 December 2019. The decrease in net profit was mainly due to the increase in general and administrative expenses and the finance costs as a result of the consolidation of the full year expenses of the Universal Group.

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For the six months ended 30 June 2019 and 2020

For the six months ended 30 June 2020, the Group recorded decline in its total revenue and gross profit as compared to the same period in 2019. The Group also experienced a net loss of approximately US\$19.1 million for the six months ended 30 June 2020 as opposed to a net profit of approximately US\$6.6 million for the six months ended 30 June 2019.

According to the 2020 Interim Report, the significant deterioration of the financial performance of the Group for the six months ended 30 June 2020 was mainly attributable to the adverse impacts of COVID-19, which resulted in (i) the distortion of the production schedule and the orders allocations of the Group's factories in the PRC and the Philippines; (ii) the cancellation of orders and postponement of shipment of products due to the weak consumer sentiment amidst the global outbreak of the pandemic; and (iii) the impairment of certain overdue trade receivables, as some customers of the Group in the United States and the United Kingdom were in financial distress.

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 advised by the Management, the LTE Group is the distributor of one of the famous footwear brands (the "**Brand**") in the United States and the PRC, and has formed joint venture companies with the Brand in the PRC since 2007. As further advised by the Management, the Services provided and to be provided by the LTO Group to the LTE Group under the 2nd 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 United States and the PRC. According to the website of the Brand and press releases related to the Brand, it has been a perennial honoree at the Footwear Industry Awards, including Brand of the Year in 2015, 2016 and 2017. Additionally, the Brand won Ladies Brand of the Year in 2016 and 2018, Fashion Brand of the Year in 2014 and 2015, Sports Brand of the Year in 2012 and 2013, Leader in Customer Service for 2018, as well as Children's Brand of the Year in 2019.

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. The holding company of the Brand is listed on the New York Stock Exchange. Based on the annual report of the holding company of the Brand for the year ended 31 December 2019, total revenue of the Brand amounted to approximately

US\$4.2 billion, US\$4.6 billion and US\$5.2 billion for the years ended 31 December 2017, 2018 and 2019, respectively. Although the detailed revenue by geographical segment was not publicly disclosed by the Brand, the Brand's earnings before income tax attributable to the PRC and Hong Kong markets were approximately US\$113.4 million, US\$137.8 million and US\$171.8 million for the years ended 31 December 2017, 2018 and 2019, respectively. According to the quarterly results of the holding company of the Brand for the six months ended 30 June 2020, the Brand had a total of 3,615 points of sale as at 30 June 2020 globally.

Reasons for and benefits of entering into the New Master Agreement

The LTO Group has been providing services of design, sourcing and manufacturing in relation to products of the Brand to the LTE Group pursuant to the Original Master Agreement and the 2nd Master Agreement. As the 2nd Master Agreement will expire on 31 December 2020, LTO entered into the New Master Agreement with LTE in relation to the provision of Services by the LTO Group to the LTE Group.

As disclosed in the Letter from the Board, the LTE Group's past experience and success in the retail of footwear products has been an instrumental factor for the LTO Group to enter into the New Master Agreement, as it is expected that the apparel business could be another growth driver of the LTE Group. LTE Group has been identified as one of the strategic customers of the Group and the continued collaboration with the LTE Group could benefit the long term development of the Group, which is also in line with one of the key missions of the Company "growth together with customers".

The Directors believe that the cooperation with the LTE Group is vital to the business development of the Group in the PRC market and should maintain and beyond the expiry of the 2nd Master Agreement. The New Master Agreement sets out a framework to allow the Group to continue providing the Services to the LTE Group for the three years ending 31 December 2023. This continuing relationship is expected to bring synergy effect to both parties, as the New Master Agreement will enable the LTO Group to continue the optimization of productivity in the PRC. Besides, the LTO Group has become increasingly familiar with the standards and specifications of the products requested by the LTE Group and would be able to respond quickly and in a cost-effective manner to any new requirement, due to their long-term business relationship. Over the past several years, the service fee income earned from the LTE Group has also steadily increased. By conducting the transactions contemplated under the New Master Agreement, it will enable the Group to secure existing business and revenue stream which in turn will benefit the Group's revenue growth and future development.

As referred under the paragraph headed “Information on the Group” above, the Group generated majority of its revenue from apparel division and accessories division in its recent financial years and the Group has been providing apparel manufacturing services to the LTE Group. 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 continue generating revenue for the Group; and (ii) the background information of the LTE Group and the Brand which is regarded as one of the recognised brands in the United States and the PRC, we are of the view that it 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 in view of the expiration of the 2nd Master Agreement on 31 December 2020.

2. Outlook of the PRC apparel market

Continued growth of the PRC apparel market

According to the public information available from the 中華人民共和國國家統計局 (National Bureau of Statistics of China), the disposable income per resident increased from approximately RMB21,966.0 in 2015 to RMB30,733.0 in 2019, representing a compound annual growth rate (“CAGR”) of approximately 8.8%. The consumption level per resident increased from approximately RMB18,929.0 in 2015 to RMB27,563.0 in 2019, representing a CAGR of approximately 9.8%. In addition, the expenditure on clothing per resident increased from approximately RMB1,164 in 2015 to RMB1,338 in 2019, representing a CAGR of approximately 3.5%. The steady growth in consumption level reflected the continued growth of the PRC apparel market.

We further noted from the PRC’s garment market research of Hong Kong Trade Development Council issued in August 2019 that (i) the market value of the PRC adult garment market is expected to grow from approximately RMB1,571.7 billion in 2018 to approximately RMB1,725.8 billion by 2020; and (ii) the size of the PRC sportswear market recorded rapid growth of approximately 19.5% year-on-year to approximately RMB264.8 billion in 2018.

Regulatory support on the sports industry by the PRC government

According to 《推動體育產業高品質發展的意見》 (Suggestions on promoting the high-quality development of sports industry*) issued by the State Council of the PRC in September 2019, the State Council would promote sports industry as a pillar industry of the national economy and support sports goods manufacturing industry. All local government entities were encouraged to adopt flexible and diversified market measures to promote sports consumption, enrich sports events and optimise citizens’ participation. National pilot cities would be identified for promoting sports consumption and expanding the market.

In addition, according to 《北京市體育局關於積極開展促進體育消費活動的通知》 (Beijing Sports Bureau on the active promotion of sports consumption activities notice*) issued by the Beijing Sports Bureau in September 2020, the bureau introduced policies to develop the sports industry, including (i) launching more spots for sports and fitness consumption; (ii) strengthening integrated development of sports, tourism, culture and other forms of business; and (iii) encouraging sports celebrities to drive sports consumption.

Taking into consideration that (i) the consumption level per resident grows steadily; and (ii) the promotion on sports industry by the State Council of the PRC, the LTO Group is expected to benefit from the growth of the PRC apparel market, particularly sportswear, through the continued provision of the Services to the LTE Group.

3. Principal terms of the New Master Agreement

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

- Date:** 29 October 2020
- 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 2021; and shall end on 31 December 2023, 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.
- Subject matter:** Pursuant to the New Master Agreement, the LTO Group shall provide the Services to the LTE Group. The transactions shall be conducted on normal commercial terms and subject to the terms and conditions contained in the orders. The orders should also set out the specifications, quantity and price of the products, payment terms, delivery time and place of delivery as agreed by both parties.

Pricing policy

The general pricing principles in respect of the provision of Services will be charged on normal commercial terms, negotiated on an arm's length basis between the LTO Group and the LTE Group, on similar basis as the LTO Group transacts business with other independent third party customers and shall be on terms which are no less favourable to the LTO Group than those provided to independent third party customers.

Subject to the general principles disclosed above, the fee for the provision of Services shall be charged on a cost-plus basis, representing the actual costs plus average gross profit margin of not less than 12% or on terms no more favourable than those terms offered to independent third party customers for similar products in terms of specifications, particulars and complexity. In determining the costs, the Company will take into account the actual costs incurred (including, among others, the cost of raw materials, the cost of labour and other costs directly attributable to the manufacturing of the apparel). In determining the margin, LTO Group will take into account the following factors: (i) the prevailing market prices of similar products obtained through internal checks; (ii) the service fee charged to other independent third party customer for similar products; (iii) specifications, particulars and complexity of products; and (iv) urgency of the delivery schedule of the products.

Separate agreements will be entered into by the LTO Group and the LTE Group in respect of specific model of the apparel pursuant to the New Master Agreement, in which the price of the products shall be determined on an order-by-order basis taking into account the factors mentioned above based on the above pricing policy.

As advised by the Management, the above pricing basis for the Services is generally in line with industry practice. We noted that such pricing basis in respect of the Services under the New Master Agreement is in principle consistent with that under the 2nd Master Agreement.

In assessing the fairness and reasonableness of the pricing basis, we have obtained and reviewed (i) the gross profit margin analysis from the Management which sets out the Group's average gross profit margin for sales transactions with the LTE Group in respect of the Brand's products (the "**Historical LTE Transactions**") for each of the years ended 31 December 2018, 2019 and the nine months ended 30 September 2020; and (ii) the Group's average gross profit margin for sales transactions with an independent third party in respect of the products for another renowned brand of footwear and activewear (the "**Comparable Brand Transactions**") for the corresponding years/period. We noted that the Group's average gross profit margin for the Historical LTE Transactions for each of the years ended 31 December 2018, 2019 and the nine months ended 30 September 2020 was (a) not less than 12%; and (b) higher than the average gross profit margin for the Comparable Brand Transactions for the

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corresponding years/period. Further, we have obtained and reviewed (1) six samples of sales invoices in respect of the Historical LTE Transactions during the term of the 2nd Master Agreement; and (2) six samples of sales invoices in respect of the Comparable Brand Transactions during the same period. Based on our review of the sample sales invoices and our discussion with the Management, we are satisfied that the products concerned are of similar categories and complexity.

Payment terms

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.

Based on the samples of sales invoices in respect of the Comparable Brand Transactions that we have obtained and reviewed, we noted that the credit period thereof ranged from 30 days to 75 days. Accordingly, the payment terms under the New Master Agreement are no less favourable to the Group than those of the samples of Comparable Brand Transactions.

We have further reviewed other principal terms of the New Master Agreement and are not aware of any terms which are exceptional to normal market practice. We also noted that, save for the adjustment of the scope of service, the principal terms of the New Master Agreement are similar to those of the 2nd Master Agreement.

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4. Proposed annual caps under the New Master Agreement

Review of historical transaction amounts

Set out below are the historical transaction amounts under the 2nd Master Agreement for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, and the existing annual caps under the 2nd Master Agreement for each of the years ended/ending 31 December 2018, 2019 and 2020:

	Year ended/ending 31 December		
	2018	2019	2020
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Annual caps under the 2nd Master Agreement	70,000,000	120,000,000	200,000,000
Historical transaction amount	27,488,000	29,774,000	38,110,000 (for the nine months ended 30 September 2020)

For the years ended 31 December 2018 and 2019, the historical transaction amount under the 2nd Master Agreement was approximately US\$27.5 million and US\$29.8 million, respectively, representing relatively low utilisation rate of the annual caps for the corresponding years. As disclosed in the Letter from the Board, such relatively low utilisation rate of the annual caps for years ended 31 December 2018 and 2019 was mainly due to unexpected delay in the business development plan of the LTE Group as a result of: (a) strategic adjustment prior to the commencement of bulk sales into the sport activewear market in the PRC; (b) limited space of most of the original stores to display and store the apparel products; and (c) continuous fine-tuning of the category and style of the products taking into consideration of the market response. Moreover, as disclosed in the Letter from the Board, no design and sourcing services were provided by the LTO Group to the LTE Group in previous years. Notwithstanding the above, we noted that the historical transaction amounts for the years ended 31 December 2018 and 2019 under the 2nd Master Agreement represented continued growth as compared to those for years ended 31 December 2015 to 2017 under the Original Master Agreement.

For the nine months ended 30 September 2020, the historical transaction amount under the 2nd Master Agreement grew to approximately US\$38.1 million. As disclosed in the Letter from the Board, the transaction with the LTE Group for the first half of 2020 has been inevitably affected by the outbreak of the COVID-19 epidemic owing to suspension of the Group's factory operation in the

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PRC and postponement of launch of new products by the LTE Group. As the outbreak of the COVID-19 epidemic has been gradually contained in the second half of 2020, the Group's transaction with the LTE Group under the 2nd Master Agreement has resumed to normal as expected since July 2020, with the historical transaction amount for July 2020 to September 2020 amounted to approximately US\$22.8 million, representing an annualised amount of approximately US\$91.2 million.

We have discussed with the Management as to their bases of considering that the Group's transaction amount with the LTE Group for July 2020 to September 2020 was reflecting the expected normal situation. Based on our discussion with the Management and our observation on the historical trend of the Group's transaction amount with the LTE Group, it is noted that:

- (i) unlike the situations in 2018 and 2019, save for the outbreak of the COVID-19 pandemic in 2020, it appeared that there was no other material unexpected delay in the business development plan of the LTE Group in 2020 after the continuous fine-tuning of the category and style of the products by the LTE Group, as evidenced by the fact that the Group's transaction amount with the LTE Group for the first half of 2020 of approximately US\$15.3 million represented a growth of over 50% as compared to the same period in 2019 notwithstanding the impact of the COVID-19 pandemic;
- (ii) the Group's transaction amount with the LTE Group from January 2020 to September 2020 demonstrated a quarter-by-quarter upward trend, which suggested the sign of ongoing recovery and resumption of normal level of business activities during the period;
- (iii) following the outbreak of the COVID-19 pandemic in the PRC having been gradually contained in the second half of 2020, the Group recorded relatively stable monthly transaction amount with the LTE Group during July 2020 to September 2020, instead of a sharp rebound in July 2020 followed by declining transaction amount in August 2020 and September 2020; and
- (iv) the Group's relatively higher transaction amount with the LTE Group during the third quarter of 2020 as compared to the first half of 2020 also reflected the normal seasonality pattern as 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 the long public holiday during the Chinese New Year in the PRC and the delivery of autumn and winter products with generally higher selling prices. Such seasonality pattern is consistent with our understanding from our review of the Group's quarterly transaction amounts with the LTE

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Group for 2018 and 2019, and the disclosure in the circular of the Company dated 17 January 2018 in relation to the 2nd Master Agreement.

We also noted that the Group currently has already received secured orders of approximately US\$9.3 million from the LTE Group for the Services with expected delivery by the end of 2020, which suggested that the Group's level of business activities with the LTE Group in the fourth quarter of 2020 may continue at the expected normal level taking in account the existing economic conditions, the current business status with the LTE Group and the general seasonality pattern.

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 2023:

	Year ending 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Proposed annual caps under the New Master Agreement	115,000,000	160,000,000	200,000,000

As disclosed in the Letter from the Board, the proposed annual caps were determined by the Board after taking into consideration the following factors:

- (i) the expected delivery schedules for products to be supplied for each of the years ending 31 December 2021, 2022 and 2023, which was projected and provided by the LTE Group to the LTO Group. The LTE Group estimates that the purchase amounts will be approximately US\$99.0 million, US\$140.1 million and US\$192.0 million for each of the three years ending 31 December 2023, respectively. The said amounts represented approximately 86.1%, 87.6% and 96.0% of the proposed annual caps for the corresponding years. The Directors hold the view that the said projected purchase amounts could be achieved in the next three years due to the LTE Group's effort on the implementation of their apparel style development plan and the retail network expansion plan. It is expected that the LTE Group will continuously develop and expand its existing product lines and a new product line with emphasis on comfort and casual will be launched in 2021. In addition, the number of megastores of the LTE Group in the PRC increased from 24 in October 2019 to around 100 in October 2020, and is expected to increase to around 400 by the end of 2023;

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- (ii) a buffer has been included for potential transactions under the New Master Agreement which provide flexibility for the LTO Group to accommodate any further growth in the provision of Services in the next three years, as the apparel market in the PRC is growing at a rapid rate;
- (iii) the historical steady growth and recent trend of the business with the LTE Group;
- (iv) payment and credit terms for the potential transactions under the New Master Agreement;
- (v) production capacity of the Group in the PRC; and
- (vi) future market trends.

As further disclosed in the Letter from the Board, the low utilisation rate for the annual cap in relation to the provision of Previous Services under the 2nd Master Agreement was primarily due to the unexpected delay in the business plan of the LTE Group. However, such unexpected delay has been resolved and the Board believes that the proposed annual caps under the New Master Agreement are reasonable and justifiable.

In assessing the reasonableness of the proposed annual caps for the three years ending 31 December 2023, we have considered the following principal factors:

(i) Anticipated growth of business

When determining the proposed annual caps under the New Master Agreement, the Management has considered the anticipated growth of the business with the LTE Group based on the apparel style development plan and the retail network expansion plan of the LTE Group in the coming years. As advised by the Management, they understand from the LTE Group that (i) the LTE Group will continue to implement its apparel style development plan to further develop and expand its existing product lines which is expected to drive the future sales in the coming years; (ii) the LTE Group will be introducing new product line for comfort and casual wear in 2021 under its strategy of displaying more apparel products in megastores to cope with its successful implementation of online sales channel; and (iii) the number of megastores of the LTE Group in the PRC increased from 24 in October 2019 to around 100 in October 2020, and is expected to increase to around 400 by the end of 2023. Accordingly, the Management is confident that the demand of the LTE Group for the Services will be strengthened.

As discussed under the paragraph headed “Review of historical transaction amounts” above, the Group has recorded recovery in the transaction amount under the 2nd Master Agreement since July 2020, with the historical transaction amount for July 2020 to September 2020 amounted

to approximately US\$22.8 million. Such quarterly transaction amount translates into an annualised amount of approximately US\$91.2 million, which represents a significant growth of approximately 206% as compared to the historical transaction amount of approximately US\$29.8 million for the year ended 31 December 2019 and accounts for approximately 79.3% of the proposed annual cap of US\$115 million for the year ending 31 December 2021.

(ii) Market outlook

We noted that the Management has also taken into account the future market trends in determining the proposed annual caps. In this regard, we noted that, according to the press releases and annual reports of the holding company of the Brand, the Brand has been actively expanding its international exposure. From 2017 to 2019, the Brand has recorded continued growth in international sales (which represented the Brand's revenue generated outside the United States and Canada) from approximately US\$1.9 billion for the year ended 31 December 2017 to approximately US\$2.9 billion for the year ended 31 December 2019, and in its latest annual report, the Brand has expressed that they continue to believe international markets remain a leading long-term growth driver for the Brand. Based on the annual reports of the holding company of the Brand, the Brand's earnings before income tax attributable to the PRC and Hong Kong markets were approximately US\$113.4 million, US\$137.8 million and US\$171.8 million for the years ended 31 December 2017, 2018 and 2019, respectively, representing a strong growth momentum over its recent financial years.

We also noted that the Brand has been continuing to expand its points of sale globally from 2,570 as at 31 December 2017 to 3,615 as at 30 June 2020 according to the annual reports and quarterly results of the holding company of the Brand for the six months ended 30 June 2020.

As discussed in the paragraph 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 PRC sportswear market.

(iii) Purchase projections provided by the LTE Group

We noted that the proposed annual caps for the three years ending 31 December 2023 were primarily determined based on the expected delivery schedules for products to be supplied to the LTE Group for each of the years ending 31 December 2021, 2022 and 2023, which was projected and provided by the LTE Group to the LTO Group (the "**Three-year Purchase Projections**").

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We have reviewed the Three-year Purchase Projections and noted that the LTE Group has indicated the expected purchase volume and unit price for major categories of apparel products for each of the years ending 31 December 2021, 2022 and 2023. The indicative total purchase amounts under the Three-year Purchase Projections amounted to approximately US\$99.0 million, US\$140.1 million and US\$192.0 million for the years ending 31 December 2021, 2022 and 2023, respectively. Such indicative purchase amounts represented approximately 86.1%, 87.6% and 96.0% of the proposed annual caps for the corresponding years.

We noted from the Three-year Purchase Projections that the expected growth in purchase amount by the LTE Group is mainly driven by the expected increase in purchase volume. In such regard, we have discussed with the Management regarding the reasonableness of such expected growth in purchase volume by the LTE Group. As advised by the Management, 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 with regard to the products under the Brand in the coming years in view of the continued development and expansion of its existing product lines and introduction of new product line, as well as its successful implementation of online sales channel; (ii) the expansion plan of the LTE Group to expand its retail networks to capture the potentials of the PRC apparel market by increasing the number of its megastores during the term of the New Master Agreement; (iii) the business development plan of the LTE Group, which is expected to be stabilised and carried on as planned after its strategic adjustment and continuous fine-tuning of the category and style of the products taking into consideration of the market response in the prior years; and (iv) the positive outlook of the PRC apparel market.

Further, we noted that the indicative total purchase amounts under the Three-year Purchase Projections of approximately US\$99.0 million, US\$140.1 million and US\$192.0 million for the years ending 31 December 2021, 2022 and 2023, respectively, represent year-on-year growth of approximately 41.5% for 2021 to 2022 and approximately 37.0% for 2022 to 2023. Having taken into account (i) the positive outlook of the PRC apparel market and the supportive regulatory policies on the sports industry in the PRC; (ii) the continuous growth of the Brand's earnings before income tax attributable to the PRC and Hong Kong markets in the recent years; (iii) that the Group's annualised transaction amount with the LTE Group of approximately US\$91.2 million (based on the actual transaction amount for July 2020 to September 2020) represents a significant growth of approximately 206% as compared to the historical transaction amount of approximately US\$29.8 million for the year ended 31 December 2019 and approximates to the indicative total purchase amount of US\$99.0 million for the year ending 31 December 2021 under the Three-year Purchase Projections; (iv) the implementation of apparel style development plan and retail network expansion plan of the LTE Group which are expected to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

further drive the LTE Group's purchases with the Group during the term of the New Master Agreement, with the effects of which have not yet been reflected in historical data; and (v) that Three-year Purchase Projections were estimated and provided by the LTE Group, being the Group's downstream business partner and the Brand's business partner in the PRC, which is expected to have better understanding on the market demand for its products, we are satisfied with the representativeness and reasonableness of the Three-year Purchase Projections from the perspective of determining of the proposed annual caps.

Having considered:

- (i) the expected growth in purchase amounts indicated by the LTE Group for the years ending 31 December 2021, 2022 and 2023, which is supported by the LTE Group's implementation of its apparel style development plan with further development and expansion of its existing product lines and the launch of new product line, the retail network expansion plan of the LTE Group in the PRC in the coming years, as well as the positive outlook of the PRC apparel market;
- (ii) that the indicative purchase amounts of the LTE Group pursuant to the Three-year Purchase Projections represent approximately 86.1%, 87.6% and 96.0% of the proposed annual caps for the years ending 31 December 2021, 2022 and 2023, respectively;
- (iii) the proposed annual caps are of revenue nature and additional buffer will provide flexibility for the Group to accommodate any further growth in revenue to be generated under the New Master Agreement;
- (iv) that the Company has various internal control measures in place to ensure that the transactions contemplated 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;
- (v) that 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; and
- (vi) the benefits of and reasons for 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 20 years of experience in the finance and investment banking industries.

* *for identification purpose only*

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)	10,992,986	1.06%
Tan Cho Lung, Raymond	Interest of corporation controlled by the director (Note 2)	15,655,639	1.51%
	Interest of spouse (Note 2)	2,050,000	0.20%
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 10,992,986 Shares.

2. Mr. Tan Cho Lung, Raymond controls the Flying Base, which in turns own directly 15,655,639 Shares.

A total of 2,050,000 Shares was held by an associate of Mr. Tan Cho Lung, Raymond. Mr. Tan is therefore deemed under Part XV of the SFO to be interested in all of the 2,050,000 Shares acquired by his associate.

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)	730,461,936	70.64%
Shangtex Investment Co., Ltd.	Interest of controlled corporation (Note 1)	730,461,936	70.64%
Shangtex Holdings Co., Ltd	Interest of controlled corporation (Note 1)	730,461,936	70.64%
Orient International (Holding) Co., Ltd.	Interest of controlled corporation (Note 1)	730,461,936	70.64%
Shanghai Guosheng Group Co., Ltd.	Interest of controlled corporation (Note 1)	730,461,936	70.64%
Double Joy Investments Limited	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:

- Based on the information recorded in the register required to be kept under section 336 of the SFO, Shangtex (Hong Kong) Limited (“Shangtex HK”) directly holds 730,461,936 Shares. Shangtex HK is 100% directly owned by Shangtex Investment Co., Ltd (“Shangtex Investment”). Shangtex Investment is 100% directly owned by Shangtex Holding Co., Ltd (“Shangtex”). Orient International (Holding) Co., Ltd (“Orient International”) directly holds 76.33% in Shangtex. Shanghai Guosheng Group Co., Ltd directly holds 34% in Orient International.

2. Double Joy Investments Limited (“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. Both Dr. Tan Henry and Ms. Tan Chiu Joise are deemed to be interested in the 71,975,726 Shares held by Double Joy as mentioned in note 2 above; and

Dr. Tan Henry wholly owns Hanium Industries Limited, which directly owns 17,203,999 Shares. Ms. Tan Chiu Joise is the wife of Dr. Tan Henry and is deemed to be interested in the shares which are interested by Dr. Tan Henry under Part XV of 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. COMPETING INTERESTS

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.

4. INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, save as disclosed in the Company’s announcements dated 29 October 2020 and in this circular, and the Company’s annual report for the year ended 31 December 2019:

- (a) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Group; and
- (b) none of the Directors had any interest, either direct or indirect, in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. 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).

6. 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.

7. 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 2019, 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.

8. 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.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial position or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group was made up.

10. 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.

11. 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 30 November 2020, the text of which is set out on pages 5 to 14 of this circular;
- (b) the letter from the Independent Board Committee dated 30 November 2020, the text of which is set out on pages 15 to 16 of this circular;
- (c) the letter from the Independent Financial Adviser dated 30 November 2020 to the Independent Board Committee, the text of which is set out on pages 17 to 35 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;
- (g) 2nd Master Agreement; and
- (h) 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, Rooms 1001–1005, 10th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Friday, 18 December 2020 at 11:00 a.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 30 November 2020, unless otherwise specified.

ORDINARY RESOLUTIONS

“THAT:

- (1) the New Master Agreement (as defined and described in the circular of the Company dated 30 November 2020) 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 2021, 2022 and 2023 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, 30 November 2020

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. In view of the travelling restrictions imposed by various jurisdictions including Hong Kong to prevent the spread of the COVID-19, certain Director(s) of the Company may attend the EGM through video conference or similar electronic means.

NOTICE OF THE EGM

6. If Typhoon Signal No. 8 or above is hoisted, or “black” rainstorm warning is on the date of the meeting, shareholders are advised to visit the Company’s website (www.luenthai.com) or to contact the Company’s share registrar at (852) 2862 8555 for arrangement of the meeting.

Shareholders should make their own decision as to whether they would attend the EGM under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

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

As at the date of this notice, the Board comprises Mr. Qu Zhiming, Dr. Tan Siu Lin, Mr. Tan Cho Lung, Raymond, Mr. Huang Jie and Mr. Zhang Min as executive Directors; Ms. Mok Siu Wan, Anne as non-executive Director; Mr. Chan Henry, Mr. Seing Nea Yie and Dr. Wang Ching as independent non-executive Directors.