

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **LUEN THAI HOLDINGS LIMITED**

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

**(Stock Code: 311)**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS WITH SHANGTEX**

Reference is made to the Announcement in relation to the continuing connected transactions between Shangtex Group and the Group for the Existing Sale and Purchase Framework Agreement in relation to the purchase of textile and apparel related products by the LTO Group from Shangtex Group and the Existing Services Framework Agreement in relation to the provision of certain services by the LTO Group to Shangtex Group. The Existing Sale and Purchase Framework Agreement and the Existing Services Framework Agreement will expire on 31 December 2019.

The Board announces that LTO and Shangtex entered into the New Sale and Purchase Framework Agreement in relation to the purchase of textile and apparel related products by the LTO Group from Shangtex Group and the New Services Framework Agreement in relation to provision of certain services by the LTO Group to Shangtex Group.

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

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

## **INTRODUCTION**

Reference is made to the Announcement in relation to the continuing connected transactions between Shangtex Group and the Group for the Existing Sale and Purchase Framework Agreement in relation to the purchase of textile and apparel related products by the LTO Group from Shangtex Group and the Existing Services Framework Agreement in relation to the provision of certain services by the LTO Group to Shangtex Group.

## **NEW SALE AND PURCHASE FRAMEWORK AGREEMENT**

The Existing Sale and Purchase Framework Agreement will expire on 31 December 2019. The Directors expect that the Group will continue to purchase textile and apparel products from time to time. In this connection, LTO has entered into the New Sale and Purchase Framework Agreement with Shangtex.

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

- Date: 19 December 2019
- Parties: (i) LTO, for itself and on behalf of other members of the LTO Group  
(ii) Shangtex, for itself and on behalf of other members of the Shangtex Group
- Sale and purchase of textile and apparel related products: The Shangtex Group shall sell to the LTO Group, and the LTO Group shall purchase from the Shangtex Group, textile and apparel related products pursuant to the Orders at such prices to be determined by both parties on a case-by-case basis and on normal commercial terms. The Orders should set out, among other things, the specifications, quantities and prices of the textile and apparel related products, the payment terms and the time and place of delivery.
- Pricing basis: The prices for the textile and apparel related products under each Order shall be determined by the parties from time to time on an arm's length basis and in accordance with the pricing policies of the LTO Group, which are based on the industry practice and shall be comparable to the prevailing market prices or prices similar to those offered by independent third parties.
- Term: The term shall commence from 1 January 2020 and expire on 31 December 2022.

## **Proposed Annual Caps**

The Directors currently expect that the maximum aggregate fees payable by the LTO Group to the Shangtex Group under the New Sale and Purchase Framework Agreement for each of the three years ending on 31 December 2020, 31 December 2021 and 31 December 2022 will amount to approximately US\$4,500,000 (approximately HK\$35,100,000), US\$4,500,000 (approximately HK\$35,100,000) and US\$4,500,000 (approximately HK\$35,100,000), respectively.

The determination of the above annual caps in respect of the New Sale and Purchase Framework Agreement are based on: (a) the actual historical amount paid by the Group pursuant to the Existing Sale and Purchase Framework Agreement for the year ended 31 December 2017, 31 December 2018 and for the period from 1 January 2019 to 31 October 2019; (b) the economic indicators which are applicable to the garment manufacturing industry; (c) the business plans of the relevant members of the Group in response to the current economic condition; (d) payment and credit terms for the potential transactions under the New Sale and Purchase Framework Agreement; and (e) delivery schedules under the New Sale and Purchase Framework Agreement.

## **Historical Amount**

The aggregate fees paid by the LTO Group to Shangtex Group were approximately US\$537,000 (approximately HK\$4,189,000), US\$437,000 (approximately HK\$3,409,000), and US\$3,704,000 (approximately HK\$28,891,000) for the years ended 31 December 2017, 31 December 2018 and for the period from 1 January 2019 to 31 October 2019, respectively, all of which were within the relevant maximum caps as disclosed in the Announcement.

## **Reasons for and Benefits of Entering into the New Sale and Purchase Framework Agreement**

The Group is engaged in the manufacturing and trading of apparel and accessories and has a regular demand for the types of textile and apparel related products offered by the Shangtex Group. The Directors believe that the Shangtex Group, being a leading textile manufacturer and trader in the PRC, is able to offer quality textile and apparel related products that are suitable for the Group's business at competitive prices. The transactions under the New Sale and Purchase Framework Agreement will be on normal commercial terms or on terms no less favourable than those terms offered by independent third parties. Based on the above, the Directors are of the opinion that the entering into of the New Sale and Purchase Framework Agreement is in the interests of the Company and its Shareholders as a whole.

## **NEW SERVICES FRAMEWORK AGREEMENT**

The Existing Services Framework Agreement will expire on 31 December 2019. The Directors expect that the Group will continue to provide the Services from time to time. In this connection, LTO entered into the New Services Framework Agreement with Shangtex.

The terms of the New Services Framework Agreement will be substantially the same as the Existing Services Framework Agreement, except the scope of service will be expanded to cover design and manufacturing services. The principal terms of the New Service Framework Agreement are as follows:

- Date: 19 December 2019
- Parties: (i) LTO, for itself and on behalf of other members of the LTO Group
- (ii) Shangtex, for itself and on behalf of other members of Shangtex Group
- Services: The LTO Group shall provide services including design and manufacturing services, solicitation of customers for the Shangtex Group's apparel products as well as customs clearance and logistics arrangement to the Shangtex Group pursuant to the Definitive Agreements at such fees to be determined by both parties on normal commercial terms and on a case-by-case basis. Each transaction as contemplated under the New Services Framework Agreement shall be governed by provisions contained in the Definitive Agreement(s). The Definitive Agreements shall set out, among others, details of the services to be provided, service fees, payment terms and other details necessary for the LTO Group to provide the Services.
- Pricing: The fees for the Services shall be determined by the parties from time to time on an arm's length basis and the pricing policies of the LTO Group, which are based on the industry practice, and shall be comparable to the prevailing market rates having regard to the costs and the amount of work involved.
- Term: The term shall commence from 1 January 2020 and expire on 31 December 2022.

## **Proposed Annual Caps**

The Directors currently expect that the maximum aggregate fees payable by the Shangtex Group to the LTO Group under the New Services Framework Agreement for each of the three years ending on 31 December 2020, 31 December 2021 and 31 December 2022 will amount to approximately US\$2,000,000 (approximately HK\$15,600,000), US\$2,000,000 (approximately HK\$15,600,000) and US\$2,000,000 (approximately HK\$15,600,000), respectively.

The determination of the above annual caps in respect of the New Services Framework Agreement are based on: (a) the actual historical amount paid by the Group pursuant to the Existing Services Framework Agreement for the year ended 31 December 2017, 31 December 2018 and for the period from 1 January 2019 to 31 October 2019; (b) the economic indicators which are applicable to the textile manufacturing industry; (c) the business plans of the relevant members of the Group in response to the current economic condition; and (d) payment and credit terms for the potential transactions under the New Services Framework Agreement.

## **Historical Amount**

The aggregate fees paid by the Shangtex Group to LTO were approximately US\$102,000 (approximately HK\$796,000), US\$497,000 (approximately HK\$3,877,000), and US\$280,000 (approximately HK\$2,184,000) for the years ended 31 December 2017, 31 December 2018 and for the period from 1 January 2019 to 31 October 2019, respectively, all of which were within the relevant maximum caps as disclosed in the Announcement.

## **Reasons for and Benefits of Entering into the New Services Framework Agreement**

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

## **GENERAL INFORMATION**

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

Shangtex is principally engaged in investment holding, manufacturing and trading of textile products and properties leasing and the Shangtex Group is principally engaged in textile manufacturing and trading business in the PRC.

## **IMPLICATIONS UNDER THE LISTING RULES**

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

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

Messrs. Shen Yaoqing, Qu Zhiming and Huang Jie, who are Directors, have a material interest in the transactions contemplated under the New Sale and Purchase Framework Agreement and the New Services Framework Agreement. Accordingly, they have abstained from voting on the board resolution of the Company approving the entering into of the New Sale and Purchase Framework Agreement and the New Services Framework Agreement and the transactions contemplated thereunder.

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

## INTERNAL CONTROLS

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

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

## DEFINITIONS

“Announcement”	The announcement of the Company dated 7 July 2017
“associate”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	Board of Directors
“Company”	Luen Thai Holdings Limited (stock code: 311), a company in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	shall have the meaning as ascribed to it under the Listing Rules
“Definitive Agreements”	the definitive agreement(s) to be entered into by the relevant members of the LTO Group and the Shangtex Group
“Director(s)”	the director(s) of the Company
“Existing Sale and Purchase Framework Agreement”	the framework agreement dated 7 July 2017 entered into between LTO (for itself and on behalf of other members of the LTO Group) as purchaser and Shangtex (for itself and on behalf of other members of the Shangtex Group) as seller in relation to the sale and purchase of textile and apparel related products
“Existing Services Framework Agreement”	the framework agreement dated 7 July 2017 entered into between LTO (for itself and on behalf of other members of the LTO Group) and Shangtex (for itself and on behalf of other members of the Shangtex Group) in relation to the provision of Services by the LTO Group for the Shangtex Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“independent third parties”	persons who are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“LTO”	Luen Thai Overseas Limited, a company incorporated in the Bahamas, which is a direct wholly owned subsidiary of the Company
“LTO Group”	LTO and its subsidiaries
“New Sale and Purchase Framework Agreement”	the framework agreement dated 19 December 2019 entered into between LTO (for itself and on behalf of other members of the LTO Group) as purchaser and Shangtex (for itself and on behalf of other members of the Shangtex Group) as seller in relation to the sale and purchase of textile and apparel related products
“New Services Framework Agreement”	the framework agreement dated 19 December 2019 entered into between LTO (for itself and on behalf of other members of the LTO Group) and Shangtex (for itself and on behalf of other members of the Shangtex Group) in relation to the provision of Services by the LTO Group for the Shangtex Group
“Orders”	purchase orders to be placed by the LTO Group with Shangtex Group for textile and apparel related products
“PRC”	the People’s Republic of China
“Services”	design and manufacturing service, solicitation of customers for the Shangtex Group’s apparel products as well as customs clearance and logistics arrangement
“Shangtex”	Shangtex Holding Co., Ltd.* (上海紡織(集團)有限公司), a company incorporated in the PRC with limited liability
“Shangtex Group”	Shangtex and its subsidiaries (excluding the Group)
“Shangtex HK”	Shangtex (Hong Kong) Limited (上海紡織(香港)有限公司), a company incorporated in Hong Kong with limited liability
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	shall have the meaning as ascribed to it under the Listing Rules

\* For identification purpose only

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent

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

Hong Kong, 19 December 2019

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

*Executive Directors:*

Shen Yaoqing (*Chairman*)

Tan Siu Lin (*Honorary Life Chairman*)

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

Qu Zhiming

Mok Siu Wan, Anne

*Non-executive Director:*

Huang Jie

*Independent non-executive Directors:*

Chan Henry

Seing Nea Yie

Wang Ching

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

*For illustration purpose, in this announcement, amounts in US\$ have been translated into HK\$ at the exchange rate of US\$1.00 to HK\$7.8. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rate.*