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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO

- (1) OEM SERVICES MASTER AGREEMENT**
- (2) OBM PRODUCTS PURCHASE MASTER AGREEMENT AND**
- (3) SALES AND SERVICES FRAMEWORK AGREEMENT**

OEM SERVICES MASTER AGREEMENT

References are made to the announcement of the Company dated 29 October 2020 and the circular of the Company dated 30 November 2020 in relation to, among other things, the Previous OEM Services Master Agreement entered into between LTO (a direct wholly-owned subsidiary of the Company) and LTE (a connected person of the Company) in relation to the provision of OEM Services by the LTO Group to the LTE Group.

The Previous OEM Services Master Agreement will expire on 31 December 2023. On 8 December 2023 (after trading hours), LTO entered into the OEM Services Master Agreement with LTE in relation to the provision of OEM Services by the LTO Group to the LTE Group from time to time.

The proposed annual caps for the aggregate fees to be paid by the LTE Group to the LTO Group under the OEM Services Master Agreement will amount to US\$110,000,000 (approximately HK\$858,000,000), US\$160,000,000 (approximately HK\$1,248,000,000) and US\$220,000,000 (approximately HK\$1,716,000,000) for each of the years ending 31 December 2024, 2025 and 2026, respectively. The OEM Services Master Agreement and the proposed annual caps are subject to the approval of the Independent Shareholders.

OBM PRODUCTS PURCHASE MASTER AGREEMENT

On 8 December 2023 (after trading hours), LTO also entered into the OBM Products Purchase Master Agreement with LTE in relation to the purchase of OBM Products by the LTE Group from the LTO Group from time to time.

The proposed annual caps for the aggregate amount of consideration to be paid by the LTE Group to the LTO Group under the OBM Products Purchase Master Agreement will amount to US\$6,000,000 (approximately HK\$46,800,000), US\$10,000,000 (approximately HK\$78,000,000) and US\$16,000,000 (approximately HK\$124,800,000) for each of the years ending 31 December 2024, 2025 and 2026, respectively. The OBM Products Purchase Master Agreement and the proposed annual caps are subject to the approval of the Independent Shareholders.

SALES AND SERVICES FRAMEWORK AGREEMENT

On 8 December 2023 (after trading hours), LTO has also entered into the Sales and Services Framework Agreement with LTE in relation to the design, manufacturing, sales and distribution of Authorized Products by the LTO Group and the provision of the Sales Services by the LTE Group to the LTO Group in relation to such Authorized Products from time to time.

The proposed annual caps for the aggregate service fees to be paid by the LTO Group to the LTE Group under the Sales and Services Framework Agreement will amount to US\$1,500,000 (approximately HK\$11,700,000), US\$4,500,000 (approximately HK\$35,100,000) and US\$8,000,000 (approximately HK\$62,400,000) for each of the years ending 31 December 2024, 2025 and 2026, respectively. The Sales and Services Framework Agreement and the proposed annual caps are subject to the approval of the Independent Shareholders.

LISTING RULES IMPLICATIONS

LTE is an indirect wholly-owned subsidiary of LTG. LTG is ultimately owned as to 30% by a discretionary family trust founded by Dr. Tan Siu Lin, being an executive Director of the Company and he controls the composition of the board of directors of the discretionary trustee of the said family trust. Therefore, LTG is a connected person of the Company. LTE is a deemed associate of LTG, and hence a connected person of the Company. No other connected person of the Company holds any interest in the shares of LTG. As a result, the transactions contemplated under the OEM Services Master Agreement, the OBM Products Purchase Master Agreement and the Sales and Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Despite the relevant transactions contemplated under the OEM Services Master Agreement and the OBM Products Purchase Master Agreement on one hand and the Sales and Services Framework Agreement on the other are of income nature and expense nature respectively, the transactions under the Agreements are required to be aggregated pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules on the basis that the transactions are entered into with the associates of the same connected person i.e. LTG.

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 for the transactions contemplated under the Agreements for each of the years ending on 31 December 2024, 2025 and 2026 is more than 5% and more than HK\$10,000,000 on an annual basis, the transactions contemplated under the Agreements will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

EGM

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

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

A circular containing details of the Agreements, a letter from the Independent Board Committee to the Independent Shareholders, a letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and a notice of the EGM is expected to be despatched to the Shareholders on or before 3 January 2024.

A. OEM SERVICES MASTER AGREEMENT

References are made to the announcement of the Company dated 29 October 2020 and the circular of the Company dated 30 November 2020 in relation to, among other things, the Previous OEM Services Master Agreement entered into between LTO (a direct wholly-owned subsidiary of the Company) and LTE (a connected person of the Company) in relation to the provision of OEM Services by the LTO Group to the LTE Group.

The Previous OEM Services Master Agreement will expire on 31 December 2023. On 8 December 2023 (after trading hours), LTO entered into the OEM Services Master Agreement with LTE in relation to the provision of OEM Services by the LTO Group to the LTE Group from time to time.

Principal Terms

The principal terms of the OEM Services Master Agreement are as follows:

- Date:** 8 December 2023
- 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 OEM Services Master Agreement and the transactions contemplated thereunder, the term of the OEM Services Master Agreement shall commence on 1 January 2024 and shall end on 31 December 2026, 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:** The LTO Group shall provide the OEM Services to the LTE Group pursuant to the OEM Order(s) to be placed by the LTE Group with the LTO Group from time to time during the term.
- OEM Orders:** Each OEM Order should set out, among other things, the specifications, quantity and price of the products, payment terms, delivery time and place of delivery as shall be agreed by both parties provided always that:
- (a) the prices for the OEM Products under each OEM Order shall be negotiated on an arm's length basis and charged on a similar basis as the LTO Group transacts business with other independent third party customers;
 - (b) each OEM Order shall be on normal commercial terms, negotiated on an arm's length basis between the LTO Group and LTE Group, and the terms and conditions shall be no less favourable to the LTO Group than those provided to independent third party customers for similar products in terms of specifications, particulars and complexity; and
 - (c) each OEM Order shall be in compliance with the provisions of the OEM Services Master Agreement.

Payment Terms: For each OEM 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 relevant OEM Products.

Pricing Policy

As per the terms of the OEM Services Master Agreement, the general pricing principles in respect of the provision of the OEM 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 pricing principles disclosed above, the service fee for the provision of OEM manufacturing service will 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 customers for similar products; (iii) specifications, particulars and complexity of products; and (iv) urgency of the delivery schedule of the products.

Historical Figures and Proposed Annual Caps

As mentioned in the announcement of the Company dated 29 October 2020, the annual caps for the aggregate fees payable by the LTE Group to the LTO Group under the Previous OEM Services Master Agreement were US\$115,000,000 (approximately HK\$897,000,000), US\$160,000,000 (approximately HK\$1,248,000,000) and US\$200,000,000 (approximately HK\$1,560,000,000) for each of the years ended 31 December 2021 and 2022 and the year ending 31 December 2023, respectively.

For the years ended 31 December 2021, 2022 and the ten months ended 31 October 2023, the aggregate fees received or receivable by the LTO Group for its provision of OEM Services to the LTE Group under the Previous OEM Services Master Agreement amounted to approximately US\$93,611,000 (approximately HK\$730,165,800), US\$55,252,000 (approximately HK\$430,965,600) and US\$57,642,000 (approximately HK\$449,607,600), respectively.

The proposed annual caps for the fees to be received by the LTO Group from the LTE Group under the OEM Services Master Agreement will be US\$110,000,000 (approximately HK\$858,000,000), US\$160,000,000 (approximately HK\$1,248,000,000) and US\$220,000,000 (approximately HK\$1,716,000,000) for each of the years ending 31 December 2024, 2025 and 2026, respectively.

The determination of the above proposed annual caps in respect of the OEM Services under the OEM Services Master Agreement is based on: (i) 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; (ii) the historical transaction amount for the two years ended 31 December 2022 and the ten months ended 31 October 2023; (iii) payment and credit terms for the potential transactions under the OEM Services Master Agreement; (iv) expected delivery schedules for the potential transactions under the OEM Services Master Agreement provided by the LTE Group, which also provides an indicative amount of the purchase to be made by LTE Group for the three years ending 31 December 2026; (v) production capacity of the Group in the PRC; and (vi) future market trends forecasted by the Company.

Reasons for and Benefits of entering into the OEM Services Master Agreement

LTE Group's past experience and success in the retail of footwear and apparel products has been an instrumental factor for the LTO Group to enter into the OEM Services Master Agreement, as it is expected that the apparel business will continue to be the growth driver of the LTE Group. LTE Group has been identified as one of the strategic customers of the Group and the continued collaboration between the LTO Group and 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 "mutual growth with customers".

Over the past years of collaboration, 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 for OEM Services earned from the LTE Group has remained relatively steady and continued to form part of the recurring income stream of the Group. By conducting the transactions contemplated under the OEM Services Master Agreement, it will enable the Group to secure the existing business and revenue stream.

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 continued cooperation with the LTE Group is vital to the business development of the Group in the PRC market and should be maintained beyond the expiry of the Previous OEM Services Master Agreement.

The OEM Services Master Agreement sets out a framework to allow the Group to continue providing OEM Services to the LTE Group for the three years ending 31 December 2026. This continuing relationship is expected to bring synergy effect to both parties, as the OEM Services Master Agreement will enable the LTO Group to continue the optimization of productivity in the PRC.

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 OEM Services Master Agreement are and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the OEM Services Master Agreement 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. In addition, the Directors are also of the view that the proposed annual caps were fairly and reasonably determined.

Dr. Tan Siu Lin, an executive Director, has a material interest in the transactions contemplated under the OEM Services Master Agreement and has therefore abstained from voting on the Board resolutions approving the same. Mr. Tan Cho Lung, Raymond, son of Dr. Tan Siu Lin and an executive Director, has also voluntarily abstained from voting on the relevant Board resolutions.

B. OBM PRODUCTS PURCHASE MASTER AGREEMENT

On 8 December 2023 (after trading hours), LTO also entered into the OBM Products Purchase Master Agreement with LTE in relation to the purchase of OBM Products by the LTE Group from the LTO Group from time to time.

Principal Terms

The principal terms of the OBM Products Purchase Master Agreement are as follows:

- Date:** 8 December 2023
- 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 OBM Products Purchase Master Agreement and the transactions contemplated thereunder, the term of the OBM Products Purchase Master Agreement shall commence on 1 January 2024 and shall end on 31 December 2026, 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: The LTE Group shall purchase OBM Products from the LTO Group pursuant to OBM Purchase Order(s) to be placed by the LTE Group with the LTO Group from time to time during the term.

OBM Purchase Orders: Each OBM Purchase Order should set out, among other things, the quantity and price of the products, payment terms, delivery time and place of delivery as shall be agreed by both parties provided always that:

- (a) the prices for the OBM Products shall be negotiated on an arm's length basis and shall be charged on a similar basis as the LTO Group sells such OBM Products to other independent third party customers;
- (b) each OBM Purchase Order shall be on normal commercial terms, negotiated on an arm's length basis between the LTO Group and LTE Group, and the terms and conditions shall be no less favourable to the LTO Group than those offered to independent third party customers for such OBM Products; and
- (c) each OBM Purchase Order shall be in compliance with the provisions of the OBM Products Purchase Master Agreement.

Payment Terms: For each OBM Purchase 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 relevant OBM Products.

Pricing Policy

As per the terms of the OBM Products Purchase Master Agreement, the general pricing principles in respect of the sale of the OBM Products 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 sells such OBM Products to 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 pricing principles disclosed above, the price for the OBM Products under each OBM Purchase Order will be charged at 25% of the suggested retail price of the relevant OBM Products as determined by the LTO Group, or otherwise on terms no more favourable than those terms offered to independent

third party customers. In this connection, the suggested retail price of the OBM Products shall be determined with gross profit margin of not less than 30.0% and take into account the following factors: (i) the prevailing market prices of similar products obtained through internal checks; (ii) production costs; and (iii) complexity of design and production.

Proposed Annual Caps

There is no historical transaction amounts with respect to the sale of OBM Products by the LTO Group to the LTE Group.

The proposed annual caps for the amounts to be received by the LTO Group from the LTE Group under the OBM Products Purchase Master Agreement will be US\$6,000,000 (approximately HK\$46,800,000), US\$10,000,000 (approximately HK\$78,000,000) and US\$16,000,000 (approximately HK\$124,800,000) for each of the years ending 31 December 2024, 2025 and 2026, respectively.

The determination of the above proposed annual caps in respect of the sale of OBM Product under the OBM Products Purchase Master Agreement is based on: (i) the estimated demand of the LTE Group for OBM Products taking into account the retail network expansion plan of the LTE Group in the coming years; (ii) the costs and estimated suggested retail price of the range of OBM Products to be offered by the LTO Group; (iii) payment and credit terms for the potential purchase orders under the OBM Products Purchase Master Agreement; (iv) production capacity of the Group in the PRC; and (v) future market trends forecasted by the Company.

Reasons for and Benefits of entering into the OBM Products Purchase Master Agreement

The Group has been proactively seeking for opportunities to broaden its revenue streams and has recently started engaging in the design, manufacturing and/or sale of OBM Products. Given the proven track record of the production quality of the LTO Group and the continued successful collaboration between the LTO Group and the LTE Group over the past years, the LTE Group has expressed its interest and intention to purchase OBM Products from the LTO Group from time to time in accordance with retail network expansion plan of the LTE Group.

By entering into the OBM Products Purchase Master Agreement, it would provide the flexibility for the LTE Group to purchase OBM Products from the LTO Group in the form of OBM Purchase Orders within the boundaries of the Listing Rules considering the potential bulk purchase volume of the LTE Group. Such arrangement will also further strengthen the cooperative relationship between the LTO Group and the LTE Group, bringing new growth potential for the Group.

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 OBM Products Purchase Master Agreement are and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the OBM Products Purchase Master Agreement 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. In addition, the Directors are also of the view that the proposed annual caps were fairly and reasonably determined.

Dr. Tan Siu Lin, an executive Director, has a material interest in the transactions contemplated under the OBM Products Purchase Master Agreement and has therefore abstained from voting on the Board resolutions approving the same. Mr. Tan Cho Lung, Raymond, son of Dr. Tan Siu Lin and an executive Director, has also voluntarily abstained from voting on the relevant Board resolutions.

C. SALES AND SERVICES FRAMEWORK AGREEMENT

On 8 December 2023 (after trading hours), LTO has also entered into the Sales and Services Framework Agreement with LTE in relation to the design, manufacturing, sales and distribution of Authorized Products by the LTO Group and the provision of the Sales Services by the LTE Group to the LTO Group in relation to such Authorized Products from time to time.

Principal Terms

The principal terms of the Sales and Services Framework Agreement are as follows:

- Date:** 8 December 2023
- 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 Sales and Services Framework Agreement and the transactions contemplated thereunder, the term of the Sales and Services Framework Agreement shall commence on 1 January 2024; and shall end on 31 December 2026, 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: The LTE Group shall (i) authorize the LTO Group to design, manufacture, sell and distribute Authorized Products through online or offline sales channels of the LTO Group to customers within the PRC from time to time and (ii) provide Sales Services in respect of such Authorized Products pursuant to Sales and Services Agreements to be entered into between LTE Group and the LTO Group from time to time during the term.

Sales and Services Agreements: Each Sales and Services Agreement shall provide that the LTE Group shall (i) authorize the LTO Group to design, manufacture, sell and distribute specified Authorized Products through online or offline sales channels of the LTO Group to customers within the PRC from time to time; and (ii) set out the detailed scope of the Sales Services to be provided by the LTE Group in respect of such Authorized Products, provided always that:

- (a) the term of each Sales and Services Agreement shall not exceed the term of the Sales and Services Framework Agreement and shall be terminated automatically upon the expiry or termination of the Sales and Services Framework Agreement;
- (b) under each Sales and Services Agreement, the LTO Group shall pay to the LTE Group a service fee equivalent to 15% of the sales proceeds of the LTO Group's sales of Authorized Products within the PRC in each quarter of the term of the Sales and Services Agreement;
- (c) the terms and conditions shall be on normal commercial terms, negotiated on an arm's length basis between the LTO Group and LTE Group, and the terms and conditions shall be no less favourable to the LTO Group than those offered by independent third party service providers; and
- (d) each Sales and Services Agreement shall be in compliance with the provisions of the Sales and Services Framework Agreement.

Payment Terms: The service fee shall be settled on a quarterly basis. The settlement date falls on the 20th day of the month after the end of each quarter. Provided that, in the event that the Authorized Products are sold at a price lower than 25% of their marked price mutually agreed by both parties in any quarter of the term, no service fee shall be payable for the relevant quarter.

Pricing Policy

As per the terms of the Sales and Services Framework Agreement, the LTO Group shall pay to the LTE Group a service fee equivalent to 15% of the sales proceeds of the LTO Group's sales of Authorized Products within the PRC in each quarter of the term. However, LTE agreed that, in the event that the Authorized Products are sold at a price lower than 25% of their marked price mutually agreed by both parties in any quarter of the term, no service fee shall be charged by the LTE Group in respect of the relevant quarter.

The rate of the service fee and the payment terms were determined among the parties on normal commercial terms after arm's length negotiations, taking into consideration (i) the value of the rights to be granted by the LTE Group to the LTO Group under each Sales and Services Agreement for the design, manufacturing, sale and distribution of the Authorized Products, (ii) the value of the Sales Services to be provided by LTE Group, and (iii) the prevailing market rate for similar services offered by independent third party service providers if available.

Proposed Annual Caps

There is no historical transaction amounts with respect to the rights to be granted to the LTO Group under Sales and Services Agreements and/or the Sales Services to be provided by the LTE Group to the LTO Group thereunder.

The proposed annual caps for the aggregate service fees to be paid by the LTO Group to the LTE Group under the Sales and Services Framework Agreement will amount to US\$1,500,000 (approximately HK\$11,700,000), US\$4,500,000 (approximately HK\$35,100,000) and US\$8,000,000 (approximately HK\$62,400,000) for each of the years ending 31 December 2024, 2025 and 2026, respectively.

The determination of the above proposed annual caps in respect of the service fees payable by the LTO Group to the LTE Group under the Sales and Services Framework Agreement is based on: (i) the expected range and estimated sales quantity of the Authorized Products; (ii) the estimated marked price of the expected range of Authorized Products; and (iii) future market trends forecasted by the Company.

Reasons for and Benefits of entering into the Sales and Services Framework Agreement

In light of the keen competition in the apparel products manufacturing industry, the Group has recently made a decision to enter the apparel retail industry in the PRC in its search for new opportunities to expand its income streams.

As mentioned above, as the LTE Group has been identified as one of the strategic customers of the Group, the Group has been exploring new business opportunities and collaboration with the LTE Group that align with the Group's strategic goals and values. In view of the Group's recent decision to engage in the business of apparel retailing, the LTE Group has expressed its interest and intention to grant rights to the LTO Group to design, manufacture, sale and distribute various Authorized Products for brand(s) owned or licensed by the LTE Group in the PRC.

In order to capture the business potential offered by the LTE Group and seize the opportunities to widen our revenue base, the Group decided to enter into the Sales and Services Framework Agreement with the LTE Group. By entering into the Sales and Services Framework Agreement, it would provide the flexibility for the LTO Group to enter into Sales and Services Agreement with the LTE Group for different ranges of Authorized Products from time to time within the boundaries of the Listing Rules.

In addition, as the Group has only recently engaged in the new business of apparel retailing, the LTE Group has offered to provide the Sales Services to the LTO Group to advise and assist the LTO Group the sales and promotion of the Authorized Products. As the LTE Group possesses abundant knowledge and experience in the retail industry, through collaborating with the LTE Group, the LTO Group will be better positioned to engage in the apparel retailing business under the guidance and assistance of the LTE Group. Such value-added Sales Services will not only potentially boost the sale of Authorized Products by the LTO Group but also help to facilitate a more efficient and expeditious management mode, thereby strengthening the sales capabilities of the LTO Group in the long run.

This cooperation model will further strengthen the cooperative relationship between the LTO Group and the LTE Group, which will also enable the Group to strengthen its business footprint beyond the manufacturing industry and potentially create a new growth driver for the Group.

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 Sales and Services Framework Agreement are and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Sales and Services Framework Agreement 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. In addition, the Directors are also of the view that the proposed annual caps were fairly and reasonably determined.

Dr. Tan Siu Lin, an executive Director, has a material interest in the transactions contemplated under the Sales and Services Framework Agreement and has therefore abstained from voting on the Board resolutions approving the same. Mr. Tan Cho Lung, Raymond, son of Dr. Tan Siu Lin and an executive Director, has also voluntarily abstained from voting on the relevant Board resolutions.

D. INTERNAL CONTROL MEASURES

The Company has established various internal control measures in order to ensure that the transactions under the Agreements are in accordance with the pricing policies, and the terms of the OEM Orders, the OBM Purchase Orders and the Sales and Services Agreements are and will be on normal commercial terms or on terms no more favourable than those terms offered by the Group to independent third parties in its ordinary and usual course of business.

Such internal control measures mainly include the following:

- Designated staff will oversee the transactions under the Agreements 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 Agreements to ensure the OEM Orders, the OBM Purchase Orders and the Sales and Services Agreements are on normal commercial terms and no more favourable than those offered to independent third parties or no less favourable than those offered by independent third parties.
- The finance department of the relevant business units will also review annually the pricing policies of the transactions under the Agreements to ensure that the transactions are charged on the same bases and the same rates for similar services rendered to/by independent third parties.
- The finance department of the Company is responsible for collecting data and statistics of the continuing connected transactions under the Agreements 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 Agreements 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.
- All abovementioned personnel involved in the Group's internal control procedures are independent of LTE Group and its associates.
- 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 Agreements) of the Company conducted during the preceding financial year pursuant to the Listing Rules.
- In addition, the independent non-executive Directors will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm on the transactional amounts and terms of the continuing connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that the transactions are entered into 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 and in the interest of the Shareholders as a whole.

E. IMPLICATIONS UNDER THE LISTING RULES

LTE is an indirect wholly-owned subsidiary of LTG. LTG is ultimately owned as to 30% by a discretionary family trust founded by Dr. Tan Siu Lin, being an executive Director of the Company and he controls the composition of the board of directors of the discretionary trustee of the said family trust. Therefore, LTG is a connected person of the Company. LTE is a deemed associate of LTG, and hence a connected person of the Company. No other connected person of the Company holds any interest in the shares of LTG. As a result, the transactions contemplated under the Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Despite the relevant transactions contemplated under the OEM Services Master Agreement and the OBM Products Purchase Master Agreement on one hand and the Sales and Services Framework Agreement on the other are of income nature and expense nature respectively, the transactions under the Agreements are required to be aggregated pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules on the basis that the transactions are entered into with the associates of the same connected person i.e. LTG.

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 for the transactions contemplated under the Agreements for each of the years ending on 31 December 2024, 2025 and 2026 is more than 5% and more than HK\$10,000,000 on an annual basis, the transactions contemplated under the Agreements will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

F. EGM

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

Save and except for Dr. Tan Siu Lin and Mr. Tan Cho Lung, Raymond and their respective associates, who hold 30,539,382 Shares in aggregate, representing approximately 2.95% of the issued share capital of the Company as at the date of the announcement, will abstain from voting on the resolutions in relation to the transactions and the proposed annual caps under the Agreements at the EGM as a result of having material interests therein. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of the announcement, no other Shareholder has a material interest in the Agreements and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

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

G. DESPATCH OF CIRCULAR

A circular containing further details of the Agreements, a letter from the Independent Board Committee to the Independent Shareholders, a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and a notice of the EGM is expected to be despatched to the Shareholders on or before 3 January 2024.

H. INFORMATION ON THE PARTIES

LTO is an investment holding company and a direct wholly-owned subsidiary of the Company. The Group is principally engaged in the manufacturing and trading of apparel and accessories.

LTE is an investment holding company and an indirect wholly-owned subsidiary of LTG. 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.

LTG is an investment holding company and is ultimately owned as to 30% by a discretionary family trust founded by Dr. Tan Siu Lin, an executive Director of the Company. No other connected person of the Company holds any interest in the shares of LTG. Dr. Tan Henry (son of Dr. Tan Siu Lin and an independent third party) ultimately owns 49% of the interests in LTG. No other person holds 30% or more of the voting power of LTG. The remaining interests are ultimately owned as to 15% and 6%, respectively, by Mr. Tan Willie (son of Dr. Tan Siu Lin) and Mr. Tan Jeffrey Shaw Ying who are both independent third parties.

I. DEFINITIONS

“Agreements”	the OEM Services Master Agreement, the OBM Products Purchase Master Agreement and the Sales and Services Framework Agreement
“Authorized Products”	apparel products under brand names owned by the LTE Group or brand name(s) which the LTE Group is so authorized or otherwise licensed to use
“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 transactions”	shall have the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the Agreements and the transactions contemplated thereunder
“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 PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders in connection with the transactions contemplated under the Agreements and the proposed annual caps thereof
“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreements
“Independent Shareholders”	Shareholders other than those who have a material interest in the Agreements and the transactions contemplated thereunder
“independent third party(ies)”	third party(ies) which, together with its beneficial owner(s) (if any) and to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, are independent of the Company and its connected persons
“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
“LTG”	Luen Thai Group Ltd, a company incorporated in the Bahamas
“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

“OBM”	original brand manufacturing, a type of manufacturing under which the manufacturer develops and owns the design of products which are sold under such manufacturer’s own or licensed brand names
“OBM Products”	apparel products developed, designed and/or manufactured under brand name(s) owned or to be owned by the LTO Group and/or brand name(s) which the LTO Group is authorized or otherwise licensed to use
“OBM Products Purchase Master Agreement”	the OBM Products Purchase Master Agreement dated 8 December 2023 entered into between LTO and LTE, the principal terms of which are set out in the section headed “B. OBM Products Purchase Master Agreement — Principal Terms” of this announcement
“OBM Purchase Order(s)”	purchase order(s) to be placed by LTE Group with LTO Group from time to time for the purchase of OBM Products in accordance with the OBM Products Purchase Master Agreement
“OEM”	original equipment manufacturing, a type of manufacturing under which products are manufactured, in whole or in part, in accordance with the design and specifications of the customer
“OEM Order(s)”	purchase order(s) to be placed by LTE Group with LTO Group from time to time for OEM Services of OEM Products in accordance with the OEM Services Master Agreement
“OEM Products”	apparel products to be manufactured by the LTO Group for the LTE Group from time to time pursuant to OEM Orders on an OEM basis
“OEM Services”	OEM manufacturing service of apparel
“OEM Services Master Agreement”	the OEM Services Master Agreement dated 8 December 2023 entered into between LTO and LTE, the principal terms of which are set out in the section headed “A. OEM Services Master Agreement — Principal Terms” of this announcement
“percentage ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules

“PRC”	the People’s Republic of China
“Previous OEM Services Master Agreement”	the master agreement dated 29 October 2020 entered into between LTO and LTE in relation to the provision of OEM Services by the LTO Group to the LTE Group
“Sales and Services Agreement(s)”	the individual agreement(s) that may be entered into between the relevant member(s) of the LTE Group and the LTO Group from time to time in accordance with the principles and terms of the Sales and Services Framework Agreement
“Sales and Services Framework Agreement”	the Sales and Services Framework Agreement dated 8 December 2023 entered into between LTO and LTE, the principal terms of which are set out in the section headed “C. Sales and Services Framework Agreement — Principal Terms” of this announcement
“Sales Services”	sales coaching services and promotion services to be provided by the LTE Group to the LTO Group in respect of Authorized Products
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

For illustration purpose, in this announcement, amounts in US\$ have been translated into HK\$ at the exchange rate of US\$1.00 to HK\$7.80. Such translations do not constitute a representation that any amount has been, could have been or may be exchanged at such rates.

By order of the Board
Luen Thai Holdings Limited
Chiu Chi Cheung
Company Secretary

Hong Kong, 8 December 2023

As at the date hereof, the Board comprises the following Directors:

Executive Directors:

Wang Weimin (*Chairman*)

Tan Siu Lin (*Honorary Life Chairman*)

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

Zhang Min

Jin Xin

Non-executive Director:

Mok Siu Wan, Anne

Independent Non-executive Directors:

Chan Henry

Wang Ching

Lee Cheuk Yin, Dannis

Website: www.luenthai.com