



LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

6 October 2025

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FABRIC PURCHASE MASTER AGREEMENT

INTRODUCTION

Reference is made to the Announcements in respect of the Fabric Purchase Master Agreement and the transactions contemplated thereunder.

On 27 August 2025 (after trading hours), LTO (a direct wholly-owned subsidiary of the Company) and Shangtex (a connected person of the Company) entered into the Fabric Purchase Master Agreement in relation to the purchase of fabric by the LTO Group from the Shangtex Group from time to time from the Effective Date to 31 December 2027.

Shangtex, through its wholly owned subsidiary, Shangtex HK, holds approximately 70.64% of the issued share capital of the Company and is a substantial shareholder of the Company. Accordingly, Shangtex and its associates are connected person of the Company. Therefore, the transaction contemplated under the Fabric Purchase Master Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the highest proposed annual caps for the aggregate fees for the transactions contemplated under the Fabric Purchase Master Agreement for each of the years ending on 31 December 2025, 2026 and 2027 is more than 5% and more than HK\$10,000,000 on an annual basis, the transactions contemplated under the Fabric Purchase Master Agreement will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will hold the EGM for the Independent Shareholders to consider and, if thought fit, approve the Fabric Purchase Master Agreement 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 Fabric Purchase Master Agreement 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.

The purpose of this circular is to (i) provide the Shareholders with further information in respect of the Fabric Purchase Master Agreement and the proposed annual caps thereof; (ii) 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 Fabric Purchase Master Agreement and the proposed annual caps thereof; and (iii) give the Shareholders the notice of the EGM and other information as required under the Listing Rules.

FABRIC PURCHASE MASTER AGREEMENT

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

Date: 27 August 2025

Parties: (i) LTO, for itself and on behalf of the LTO Group; and
(ii) Shangtex, for itself and on behalf of the Shangtex Group

Term: Subject to the Independent Shareholders' approval of the Fabric Purchase Master Agreement and the transactions contemplated thereunder, the term of the Fabric Purchase Master Agreement shall commence on the Effective Date and shall end on 31 December 2027, 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.

Nature of Transactions: Pursuant to the Fabric Purchase Master Agreement, Shangtex has undertaken to supply, or procure its subsidiaries to supply, woven and knit fabrics required by the Group. These fabrics will be utilized by the Group for the manufacture of its apparel products.

The LTO Group and the Shangtex Group will enter into individual orders or purchase agreements setting out specific terms of the Purchase Transactions. The terms of the individual orders or purchase agreements will be consistent with the principles and the terms of the Fabric Purchase Master Agreement. If there is any conflict between the terms of an individual order or purchase agreement and the Fabric Purchase Master Agreement, the latter shall prevail.

Payment: The purchase price, payment time and method, and other specific terms or conditions (if any) for the Purchase Transactions shall be fixed by relevant parties in the individual agreements, individual contracts or purchase orders on a case-by-case basis. The Purchase Transactions will normally be settled in the form of cash payment on a monthly, quarterly or agreed period basis and shall be consistent with the payment terms in the market.

Pricing Policy

As per the terms of the Fabric Purchase Master Agreement, the general pricing principles and terms of the individual order in respect of the Purchase Transactions will be charged on normal commercial terms, negotiated on an arm's length basis, set with reference to the market price and on similar basis as the Group transacts business with other independent third party suppliers (which in any event shall not be higher than those charged by independent third party suppliers on the Group for comparable goods) and shall be on terms which are no less favourable to the Group than those provided by independent third party suppliers.

Subject to the general pricing principles disclosed above, the Group will also take into account the following factors when determining the purchase price payable by the Group under the individual orders in respect of the Purchase Transactions:

- The Company will obtain at least two written quotations from independent suppliers of similar products (where available), and/or reputable industry sources, with reference to the publicly available fabric prices on Alibaba's procurement and wholesale website (<http://www.alibaba.com/>), which is an e-commerce platform operated by Alibaba Group Holding Limited, to establish prevailing market prices. These quotations shall be in writing and specify key commercial terms and technical specifications (including unit price and lead time). For transactions involving connected persons, the Company will require such suppliers to provide a formal written quotation, which will be evaluated alongside at least two quotations from independent third parties. In cases where a customer nominates a sole supplier for the required fabric, the requirement for multiple quotations may be waived, and the procurement department of the Company will compare the prices of fabric as quoted from Alibaba's procurement and wholesale website (<http://www.alibaba.com/>), such process shall be properly documented as a part of comparative assessment.
- The Company will evaluate the suppliers' quotations based on the following factors:
 - o comparison of quoted prices against those of independent suppliers for identical or substantially similar fabric products;
 - o compliance with the technical requirements and industry standards specified by the Company and its customers;
 - o reliability of the supplier's supply chain, timeliness of delivery, and transport costs;
 - o whether the payment and credit terms granted by the supplier align with standard industry practices; and
 - o the supplier's history of compliance, reliability, and after-sales service.
- The Company's procurement department will prepare a comparative assessment to summarize the above criteria for each order. This assessment will be submitted for final review and approval by the merchandising manager or a more senior officer;
- Taking into account the above, the Company will ensure that the Purchase Transactions are entered into on normal commercial terms that are fair and reasonable, and at terms not less favourable than those offered by independent third parties for supply of similar products. The Company will retain all relevant documentation for audit trail and corporate governance purposes.

For the avoidance of doubt, such pricing mechanism should apply to any orders issued during the term of the Fabric Purchase Master Agreement and each order shall be conducted in compliance with the provisions of the Fabric Purchase Master Agreement.

Historical Transaction Value and Proposed Annual Caps

There is no historical transaction amounts with respect to the purchase of fabric by the LTO Group from the Shangtex Group.

The proposed annual caps for the transactions contemplated under the Fabric Purchase Master Agreement for the period from the Effective Date to 31 December 2025 and the two years ending 31 December 2026 and 2027 are US\$5,000,000 (or approximately HK\$39,250,000), US\$20,000,000 (or approximately HK\$157,000,000) and US\$20,000,000 (or approximately HK\$157,000,000), respectively.

The proposed annual caps in respect of the purchase of fabric under the Fabric Purchase Master Agreement as set out above were determined by the Board after considering the following factors and taking into account (i) the volume of fabric purchased by the Group from the existing suppliers during the 7-month period from 1 January 2025 to 31 July 2025; (ii) the current market price of fabric; and (iii) the expected volume of fabric required by the LTO Group for its production during the term of the Fabric Purchase Master Agreement based on the sales forecasts and fabric requirements of the LTO Group.

Prior to the entering into of the Fabric Purchase Master Agreement, the LTO Group made reference to the projection of the production and development of LTO Group's apparel business for the period from 1 October (i.e. the estimated and target commencement date of the term of the Fabric Purchase Master Agreement) to 31 December 2025 and each of the two years ending 31 December 2027. Based on the projections, it is estimated that the Group's total fabric purchase amounts from all of the Company's fabric suppliers (including existing and new suppliers) will be approximately US\$20,000,000, US\$80,000,000 and US\$80,000,000 for the period from 1 October to 31 December 2025 and the two years ending 31 December 2026 and 2027 respectively. After taking into account the Group's business plan, projected demand for fabrics and historical fabric purchase volumes from existing suppliers, the Group estimates that the annual caps for the Purchase Transactions from Shangtex Group will constitute approximately 25.0%, 25.0% and 25.0% of the Group's total fabric purchases for the corresponding period and years.

The Group intends to enhance its cost competitiveness by reallocating approximately 25% of the purchase of fabric from existing suppliers to the Shangtex Group during the terms of the Fabric Purchase Master Agreement. Having considered that (i) the 25% reallocation represents a prudent and measured approach to ensure a seamless transition, allowing the Group to integrate new supplier relationships without disrupting existing operations; (ii) the reallocation preserves the LTO Group's flexibility to achieve its procurement objectives by maintaining a diversified supplier base, so that it can support business growth and adapt to market dynamics without compromising operational stability, the Directors are of the view that the proposed annual caps under the Fabric Purchase Master Agreement are fair and reasonable in light of the LTO Group's development plan for their apparel business.

Taking into account the above factors, the Directors (including the independent non-executive Directors) are of the view that the proposed annual caps for the transactions contemplated under the Fabric Purchase Master Agreement are fairly and reasonably determined.

Reasons for and Benefits of entering into the Fabric Purchase Master Agreement

The Group is principally engaged in the business of manufacturing and trading of apparel products with a consistent demand of high-quality fabric for production. As one of the principal activities of the Shangtex Group is textile manufacturing, the entering into of the Fabric Purchase Master Agreement will allow the Group to better manage quality control and its production lead time.

It is believed that the Fabric Purchase Master Agreement will enable the Group to secure a long term and stable supply of high-quality fabric at competitive prices in the long run, which will be beneficial to the overall business operation and development of the Group.

In view of the aforesaid, 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 Fabric Purchase Master Agreement (and the annual caps related thereto) 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 Fabric Purchase Master Agreement (and the annual caps related thereto) 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.

DIRECTORS' MATERIAL INTERESTS

Three Directors, namely Mr. Wang Weimin, Mr. Zhang Min and Mr. Jin Xin, each hold positions in Shangtex and/or its associated companies and hence have a material interest in the transactions contemplated under the Fabric Purchase Master Agreement. Accordingly, each of the said Directors has abstained from voting on the Board resolution of the Company approving the entering into of the Fabric Purchase Master Agreement and the transactions contemplated thereunder.

INTERNAL CONTROL MEASURES

The Company has established various internal control measures in order to ensure that the transactions under the Fabric Purchase Master Agreement will be conducted in accordance with the pricing policies of the Group and the terms of the Fabric Purchase Master Agreement, on normal commercial terms and in its ordinary and usual course of business.

Such internal control measures mainly include the following:

- The Group will collect market information and keep track of the latest changes in the industry on a monthly basis, especially the purchase prices of similar fabric products through different sources, including at least two market quotations from other independent third party suppliers and/or reputable industry sources, on an ongoing basis.
- The finance department of the Company will conduct monthly checks on whether the transactions contemplated under the relevant continuing connected transactions are being conducted in accordance with the terms and the pricing policy of the Fabric Purchase Master Agreement.
- The finance department of the Company is responsible for collecting data and statistics of the continuing connected transactions under the Fabric Purchase Master Agreement on a monthly basis to ensure the annual caps approved are not exceeded.
- The internal audit team of the Company will conduct quarterly review of the transactions in accordance with the established terms and the pricing policy under the Fabric Purchase 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.
- All abovementioned personnel involved in the Group's internal control procedures are independent of the Shangtex 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 Fabric Purchase Master Agreement) of the Company conducted during the preceding financial year pursuant to the Listing Rules.
- 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.

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.

Shangtex is an investment holding company. The Shangtex Group is principally engaged in the manufacturing and trading of apparels and accessories.

Shangtex is owned as to 96.65% by Orient International (Holding) Co., Ltd. Orient International (Holding) Co., Ltd. is ultimately owned as to 93.4% by the Shanghai State-owned Assets Supervision and Administration Commission.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Shangtex, through its wholly owned subsidiary, Shangtex HK, holds 730,461,936 Shares, representing approximately 70.64% of the issued share capital of the Company and is a substantial shareholder of the Company. Accordingly, Shangtex and its associates are connected person of the Company. Therefore, the transaction contemplated under the Fabric Purchase Master Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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 Fabric Purchase Master Agreement for each of the years ending on 31 December 2025, 2026 and 2027 is more than 5% and more than HK\$10,000,000 on an annual basis, the transactions contemplated under the Fabric Purchase Master Agreement will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Three Directors, namely Mr. Wang Weimin, Mr. Zhang Min and Mr. Jin Xin, each hold positions in Shangtex and/or its associated companies and hence have a material interest in the transactions contemplated under the Fabric Purchase Master Agreement. Accordingly, each of the said Directors has abstained from voting on the Board resolution of the Company approving the entering into of the Fabric Purchase Master Agreement and the transactions contemplated thereunder.

EGM

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

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, 24 October 2025 at 2:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular

for the Shareholders to consider and, if thought fit, pass the ordinary resolutions to approve the Fabric Purchase Master Agreement, the transactions contemplated thereunder and the proposed annual caps thereof.

Pursuant to Rule 13.39(4) of the Listing Rules and Article 66(1) of the Articles, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, allows a resolution which relates purely to a procedural or administration matter to be voted or by a show of hands. Therefore, all proposed resolutions put to vote at the EGM shall be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

As at the Latest Practicable Date, Shangtex HK, which holds 730,461,936 Shares representing approximately 70.64% of the issued share capital of the Company, shall abstain from voting at the EGM for approving the Fabric Purchase Master Agreement and the transactions to be contemplated thereunder pursuant to Rule 14A.36 of the Listing Rules.

To the best of the Directors' knowledge and belief having made all reasonable enquiries, save as disclosed above, no other Shareholder has a material interest in the Fabric Purchase Master Agreement and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

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

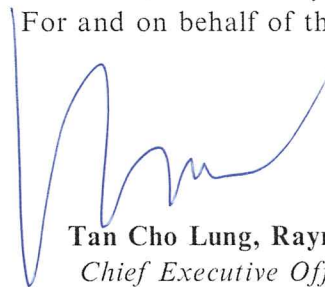
Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 of this circular which contains its recommendations to the Independent Shareholders on the terms of the Fabric Purchase Master Agreement, the transactions contemplated thereunder and the proposed annual caps thereof; and (ii) the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-14 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 Fabric Purchase 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 Fabric Purchase 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, are fair and reasonable, and are 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 resolutions to be proposed at the EGM to approve the Fabric Purchase Master Agreement and the transactions contemplated thereunder and the proposed annual caps thereof.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board



Tan Cho Lung, Raymond
*Chief Executive Officer
and Executive Director*