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## **LUEN THAI HOLDINGS LIMITED**

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

**(Stock Code: 311)**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR THE YEAR ENDING 31 DECEMBER 2021**

#### **RENEWAL OF CONTINUING CONNECTED TRANSACTION**

Reference is made to the Announcement of the Company dated 14 December 2018 in relation to, the transactions under the Existing Master IT Services Agreement. As the Existing Master IT Services Agreement will expire on 31 December 2021, on 15 November 2021, LTO, the Company's direct wholly-owned subsidiary, and LTG entered into the New Master IT Services Agreement to renew the terms of the Existing Master IT Services Agreement for a fixed term of 3 years from 1 January 2022 to 31 December 2024.

As at the date of this announcement, IST BVI is an indirectly wholly-owned subsidiary of LTG. LTG is ultimately owned by the family trust of Dr. Tan Siu Lin, being an executive Director of the Company. Hence, LTG is a connected person of the Company. IST BVI is therefore deemed an associate, and hence a connected person of the Company under Chapter 14A of the Listing Rules and the transaction contemplated under the New Master IT Services Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As all the applicable percentage ratios for the New Master IT Services Agreement are more than 0.1% but less than 5%, the transactions under the New Master IT Services Agreement are therefore expected to continue to be subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules, but are exempt from the requirements of independent shareholders' approval under the Listing Rules.

## A. INTRODUCTION

Reference is made to the Announcement of the Company dated 14 December 2018 in relation to, the transactions under the Existing Master IT Services Agreement. As the Existing Master IT Services Agreement will expire on 31 December 2021, on 15 November 2021, LTO, the Company's direct wholly-owned subsidiary, and LTG entered into the New Master IT Services Agreement to renew the terms of the Existing Master IT Services Agreement for a fixed term of 3 years from 1 January 2022 to 31 December 2024.

## B. NEW MASTER IT SERVICES AGREEMENT

The Existing Master IT Services Agreement will expire on 31 December 2021. The Directors expect that the Group will continue to require services from service providers on technological support from time to time. In this connection, LTO has entered into the New Master IT Services Agreement with LTG on 15 November 2021. Details of the New Master IT Services Agreement are set out below in this announcement.

**Date:** 15 November 2021

**Parties:** (i) LTO (a direct wholly-owned subsidiary of the Company), for itself and on behalf of the Group  
(ii) LTG, for itself and on behalf of the LTG Group

**Term:** From 1 January 2022 to 31 December 2024

**Nature of Transactions:** The LTG Group shall provide Services to the Group, subject to the provision that the fees for such Services shall be determined on normal commercial terms and on a case by case basis.

### Pricing Policy

As a general principle, the prices of the Services offered by LTG Group shall be no less favourable than (i) prices available in the market and (ii) the prices offered by LTG Group to its other customers for similar services.

Subject to the above general principle, the prices for the provision of Services by LTG Group shall be determined with reference to the market price or, in the absence of market price, at the agreed price. The market price refers to the price charged by an independent third party which provides such products and/or services at the time; and the agreed price refers to an agreed price that is primarily based on the market price and is further referenced to the market price with a reasonable adjustment

(reasonable adjustment shall be determined by reference to market conditions, competition, Actual Costs, duration and complexity of the project (where applicable) and all relevant risk factors (“**Factors**”)).

In order to validate the billing of the Services, the Group shall have the right to cross-check and verify the relevant financial books and records, operational and business flow and practice of IST BVI, including all documents and information relating to the direct and indirect costs incurred by IST BVI related to the Services.

### **Historical Transaction Value**

The aggregate fees paid by the Group to IST BVI in respect of the Services during each of the two years ended 31 December 2020 and ten-month period ended 31 October 2021 amounted to approximately US\$1,920,000 (or approximately HK\$14,880,000), approximately US\$1,920,000 (or approximately HK\$14,880,000) and approximately US\$1,600,000 (or approximately HK\$12,400,000) respectively, all of which were within the relevant maximum caps as disclosed in the Announcement.

### **Proposed Annual Caps**

The Directors currently expect that the aggregate fees in respect of the Services to be paid by the Group pursuant to the New Master IT Services Agreement for each of the three years ending on 31 December 2022, 2023 and 2024 will not exceed a maximum annual cap of US\$2,400,000 (or approximately HK\$18,600,000), US\$2,400,000 (or approximately HK\$18,600,000) and US\$2,400,000 (or approximately HK\$18,600,000), respectively.

The determination of the above annual caps in respect of the fees for the Services is based on: (i) the actual historical amount paid by the Group pursuant to the Existing Master IT Services Agreement for the two years ended 31 December 2020 and for the period from 1 January 2021 to 31 October 2021; (ii) the existing business scale and operations of the Company; (iii) the projected needs of the Services to be assigned to the LTG Group by the LTO Group; and (iv) a buffer to cater for possible business needs of the Services.

The Directors (including the independent non-executive Directors) consider that the above proposed annual caps under the New Master IT Services Agreement are fair and reasonable.

### **Reasons for entering into the transactions**

IST BVI has been providing Services to the Group since the Listing. The fees for such Services reflect normal commercial terms negotiated on an arm’s length basis and are comparable to the terms given by Independent Third Parties. The Directors believe that the Group will benefit from the continuation of Services from IST BVI,

which has a better understanding of the Group's existing systems due to its long-term service and has been providing smooth and efficient Services to the Group; and that the transactions contemplated under the New Master IT Services Agreement are beneficial to the Group as a whole as the Group is able to leverage on its long-established relationship with IST BVI. The Directors further believe that IST BVI's expertise and knowledge of the Group's operations, coupled with its development of various software and systems for the Group, should also warrant the continued engagement of IST BVI for provision of technical support services to the Group.

Given the reliable and quality services offered by IST BVI to the Group in the past and the benefits of continuity, the Directors (including the independent non-executive Directors) consider that the transactions contemplated under the New Master IT Services Agreement and their terms are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

### **C. INFORMATION ON THE PARTIES**

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

LTG is an investment holding company.

IST BVI is principally engaged in the provision of information technology services.

### **D. LISTING RULES IMPLICATIONS**

IST BVI is an indirectly wholly-owned subsidiary of LTG. LTG is ultimately owned by the family trust of Dr. Tan Siu Lin, being an executive Director of the Company. Hence, LTG is a connected person of the Company. IST BVI is therefore deemed an associate, and hence a connected person of the Company under Chapter 14A of the Listing Rules and the transaction contemplated under the New Master IT Services Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As all the applicable percentage ratios for the New Master IT Services Agreement are more than 0.1% but less than 5%, the transactions under the New Master IT Services Agreement are therefore expected to continue to be subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules, but are exempt from the requirements of independent shareholders' approval under the Listing Rules.

Dr. Tan Siu Lin, together with his son Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the New Master IT Services Agreement. Accordingly, they have abstained from voting on the board resolution of the Company approving the entering into of the New Master IT Services Agreement and the transactions contemplated thereunder.

#### **E. INTERNAL CONTROL**

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

- The management will obtain price quotation from other independent IT service providers (subject to practical availability and feasibility), and also based on the specific requirements of the projects and the Factors for initial estimation of the relevant costs to ensure the prices charged for the Services are in line with our pricing policy mentioned above.
- The finance department of the Company will conduct regular checks on whether the transactions under the New Master IT Agreement are in accordance with the agreed service contract terms.
- The finance department of the Company is responsible for collecting data and statistics of the continuing connected transactions under the New Master IT Services Agreements on a monthly basis to ensure the annual caps approved are not exceeded.
- 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 IT Services Agreement) of the Company conducted during the preceding financial year pursuant to the Listing Rules.
- The independent non-executive Directors will conduct 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.

## F. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

|   |  |
|---|--|
| “Actual Costs”                          | all costs incurred in relation to the provision of Services, including direct costs such as IST BVI’s personnel expenses, operational costs, license fees, external vendors’ costs, costs in relation to software and other indirect or common costs allocated on an equitable basis |
| “Announcement”                          | the announcement of the Company dated 14 December 2018   |
| “associate(s)”                          | shall have the meaning as ascribed to it under the Listing Rules   |
| “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   |
| “Director(s)”                           | the director(s) of the Company   |
| “Existing Master IT Services Agreement” | the master agreement dated 14 December 2018 entered into between LTO and LTG, pursuant to which LTG and its subsidiaries agreed to provide Services to the Group   |
| “Group”                                 | the Company and its subsidiaries   |
| “Hong Kong”                             | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “HK\$”                                  | Hong Kong dollars, the lawful currency of Hong Kong  |
| “independent third parties”             | persons who are independent of the Company and its connected persons   |
| “IST BVI”                               | Integrated Solutions Technology Limited, a company incorporated in the British Virgin Islands and a connected person of the Company  |

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|------------------------------------|---|
| “Listing”                          | the listing of the shares of the Company on the Stock Exchange  |
| “Listing Rules”                    | The Rules Governing the Listing of Securities on the Stock Exchange   |
| “LTG”                              | Luen Thai Group Ltd, a company incorporated in the Bahamas  |
| “LTG Group”                        | LTG and its subsidiaries  |
| “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 IT Services Agreement” | a master agreement dated 15 November 2021 entered into between LTO and LTG, pursuant to which LTG and its subsidiaries agreed to provide Services to the Group  |
| “Services”                         | services to be provided by LTG Group under the New Master IT Services Agreement, including but not limited to software and system development and maintenance services such as process mapping, analysis and design, process reengineering, scheduling, management reporting and analysis and such other services as may be agreed between the members of the Group and LTG from time to time |
| “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\$7.75. 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  
**Chiu Chi Cheung**  
Company Secretary

Hong Kong, 15 November 2021

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

*Executive Directors:*

Qu Zhiming (*Chairman*)  
Tan Siu Lin (*Honorary Life Chairman*)  
Tan Cho Lung, Raymond  
(*Chief Executive Officer*)  
Huang Jie  
Zhang Min

*Independent Non-executive Directors:*

Chan Henry  
Seing Nea Yie  
Wang Ching

*Non-executive Director:*

Mok Siu Wan, Anne

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