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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

CONNECTED TRANSACTIONS

FORMATION OF A JOINT VENTURE AND PROPOSED TRADEMARK LICENSE AGREEMENT

JOINT VENTURE AGREEMENT

The Board is pleased to announce that on 10 December 2021 (after trading hours), LTO (a wholly-owned subsidiary of the Company) entered into the Joint Venture Agreement with Luen Shing (a connected person of the Group), pursuant to which LTO and Luen Shing will establish the JV Company. The JV Company will be principally engaged in developing, distributing, trading, producing, manufacturing, importing and/or exporting of medical and non-medical grade PPE (including but not limited to masks and isolation gowns) under the 10A Brand Name.

The Joint Venture Agreement sets out, among other things, the manner of formation of the JV Company, the management of the JV Company and certain rights and obligations of the shareholders and their financial commitments to the JV Company. Upon formation of the JV Company, it will be owned as to 80% by Luen Shing and 20% by LTO. The initial capital commitment of LTO under the Joint Venture Agreement is US\$500,000.

PROPOSED TRADEMARK LICENSE AGREEMENT

Pursuant to the Joint Venture Agreement, as soon as practicable after formation of the JV Company, the JV Company will enter into a Trademark License Agreement with 10A Limited (a wholly-owned subsidiary of the Company) whereby 10A Limited shall grant to the JV Company a perpetual, royalty-free, exclusive and sub-licensable license for the JV Company to use the 10A Trademarks, subject to the payment of a one-off Premium in the sum of US\$1,700,000.

LISTING RULES IMPLICATIONS

Luen Shing is currently owned as to 45% by Ellison Assets and 15% by TCL Tech and 40% by NTX Cayman. Its largest shareholder, Ellison Assets, is ultimately owned by a discretionary family trust founded by Dr. Tan Siu Lin, an executive Director, and he controls the composition of the board of directors of the discretionary trustee of the said family trust. Hence, Luen Shing is a connected person of the Company. Further, as the JV Company will be 80%-owned and controlled by Luen Shing, it will also be a connected person of the Company upon formation. As such, the transactions contemplated under the Joint Venture Agreement and the receipt of the Premium by 10A Limited under the Trademark License Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Joint Venture Agreement and the receipt of the Premium by 10A Limited under the proposed Trademark License Agreement are more than 0.1% but less than 5%, the same are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 10 December 2021 (after trading hours), LTO (a wholly-owned subsidiary of the Company) entered into the Joint Venture Agreement with Luen Shing (a connected person of the Group), pursuant to which LTO and Luen Shing will establish the JV Company. The JV Company will be principally engaged in developing, distributing, trading, producing, manufacturing, importing and/or exporting of medical and non-medical grade PPE (including but not limited to masks and isolation gowns) under the 10A Brand Name.

The Joint Venture Agreement sets out, among other things, the manner of formation of the JV Company, the management of the JV Company and certain rights and obligations of the shareholders and their financial commitments to the JV Company. Upon formation of the JV Company, it will be owned as to 80% by Luen Shing and 20% by LTO. The initial capital commitment of LTO under the Joint Venture Agreement is US\$500,000.

Pursuant to the Joint Venture Agreement, as soon as practicable after formation of the JV Company, the JV Company will enter into a Trademark License Agreement with 10A Limited (a wholly-owned subsidiary of the Company) whereby 10A Limited shall grant to the JV Company a perpetual, royalty-free, exclusive and sub-licensable license for the JV Company to use the 10A Trademarks, subject to the payment of a one-off Premium in the sum of US\$1,700,000.

PRINCIPAL TERMS OF THE JOINT VENTURE AGREEMENT

The principal terms of the Joint Venture Agreement are as follows:

- Date** : 10 December 2021
- Parties** : LTO and Luen Shing
- Organisation of the JV Company** : Immediately after execution of the Joint Venture Agreement, Luen Shing and LTO shall take all necessary steps to incorporate the JV Company in Hong Kong and subscribe for 80 shares and 20 shares in the JV Company respectively.
- Subscription price and payment terms** : The subscription price payable by Luen Shing and LTO to the JV Company shall be US\$2,000,000 and US\$500,000 respectively and the same shall be payable in full within 10 business days from the date of incorporation of the JV Company.
- Business of the JV Company** : The business of the JV Company shall be developing, distributing, trading, producing, manufacturing, importing and/or exporting of medical and non-medical grade PPE under the 10A Brand Name (including but not limited to masks and isolation gowns) in Hong Kong, the Philippines and any other countries and/or regions to be approved by the JV Board from time to time with the prior written consent of LTO.
- Trademark License Agreement** : As soon as practicable after the date of incorporation of the JV Company, LTO shall procure 10A Limited to enter into the Trademark License Agreement with the JV Company whereby 10A Limited shall grant to the JV Company a perpetual, royalty-free, exclusive and sub-licensable license for the JV Company to use the 10A Trademarks, subject to the payment of the Premium.
- JV Board composition** : As long as Luen Shing shall hold not less than 80% of the issued shares of the JV Company, it shall be entitled to appoint up to 4 directors to the JV Board. As long as LTO shall hold any shares in the JV Company, it shall be entitled to appoint 1 director to the JV Board.
- Restrictions** : Luen Shing, as majority shareholder of the JV Company, is restricted from, *inter alia*, carrying on any business competing with the business of the JV Company within the territories in which the JV Company carries on its business.

Protections : Luen Shing shall procure that the JV Company and its subsidiaries will not take various actions save with the prior written consent of LTO. Such actions include, amongst others, any change in the general nature of the business of the JV Company, expansion of the business to regions other than Hong Kong and the Philippines, change in the brand name used in the course of business, change in the share capital of the JV Company etc.

Financing : It is the intention of the parties that the financing requirements of the JV Company shall be met by a combination of cash generated through the carrying on of the business of the JV Company and/or by equipment collateral loans from third party lenders and/or by loans advanced by the shareholders. Each of Luen Shing and LTO shall contribute or guarantee (as the case may be) the funding requirement of the JV Company on a pro-rata and several basis in proportion to their respective shareholding percentages in the JV Company. However, LTO shall not be required to provide any shareholder's loans in an aggregate amount in excess of US\$500,000 in each financial year unless otherwise agreed by LTO in writing.

The initial capital commitment of Luen Shing and LTO in the total sum of US\$2,500,000 is determined after arm's length negotiations between the parties taking into account, among other things, the Premium payable to 10A Limited under the Trademark License Agreement and the estimated costs for purchasing various equipment and machinery required to operate the business of the JV Company.

The subscription price of US\$500,000 payable by LTO to the JV Company shall be funded by the Group's internal resources.

PRINCIPAL TERMS OF THE PROPOSED TRADEMARK LICENSE AGREEMENT

The principal terms of the Trademark License Agreement proposed to be entered into after the formation of the JV Company are as follows:

Parties : 10A Limited (as licensor) and the JV Company (as licensee)

License : 10A Limited shall grant to the JV Company a perpetual, royalty-free, non-transferable, exclusive, revocable, sub-licensable license to use the 10A Trademarks in relation to the goods and/or services for and the territories in which they are registered subject to the terms and conditions set out in the Trademark License Agreement.

- Premium and payment terms** : The JV Company shall pay to 10A Limited a one-off Premium in the sum of US\$1,700,000 in full within 5 business days after the date of signing of the Trademark License Agreement.
- Sub-licensing** : The JV Company may sub-license the use of the 10A Trademarks provided that a written sub-license agreement which include, *inter alia*, obligations equivalent to the JV Company's obligations under the Trademark License Agreement. All sub-license agreements will automatically terminate on the termination of the Trademark License Agreement.
- Indemnity** : The JV Company shall fully indemnify and hold harmless 10A Limited and its affiliates from and against any and all claims, demands and causes of action brought or threatened arising out of, *inter alia*, any use of the 10A Trademarks by the JV Company and/or its sub-licensees in a manner that causes infringement of third party intellectual property rights.
- License period** : The initial license period shall be 3 years from the date of the Trademark License Agreement. Provided that there shall be no material breach of the Trademark License Agreement by the JV Company, the JV Company shall have the right to renew the Trademark License Agreement for a further period of 3 years upon expiry of each license period, subject always to the signing of a new license agreement between 10A Limited and the JV Company and compliance with all applicable provisions of the Listing Rules. The parties shall mutually agree on any required adjustments to the terms and conditions of the Trademark License Agreement, otherwise the new license agreement shall be on the same terms and conditions save and except the payment of the Premium.

Termination : 10A Limited may terminate the Trademark License Agreement by written notice to the JV Company in various events, including but not limited to (i) the JV Company committing a breach of the term of the Trademark License Agreement and fails to remedy such breach within 30 calendar days after receipt of a written notice; (ii) the JV Company committing a material breach of any provisions of the Trademark License Agreement which is not capable of remedy; (iii) the JV Company taking any action that, in the opinion of 10A Limited significantly damages the value of the intellectual property rights of 10A Limited or brings the same into disrepute; or (iv) if the JV Company suspends or ceases to carry on business for more than 30 consecutive days, or is being wound up or dissolved etc.

The Premium payable by the JV Company to 10A Limited under the Trademark License Agreement is determined after arm's length negotiations between the parties thereto by reference to the actual development and registration costs (including labour costs, design and testing costs etc.) incurred by 10A Limited in developing the 10A Trademarks. The Premium of US\$1,700,000 represents a substantial portion of the actual development and registration costs of the 10A Trademarks incurred by 10A Limited. The Directors (including the independent non-executive Directors) are of the view that the amount of the Premium is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS AND BENEFITS FOR ENTERING INTO THE JOINT VENTURE AGREEMENT AND THE PROPOSED TRADEMARK LICENSE AGREEMENT

As disclosed in the announcement of the Company issued on 5 June 2020, in view of the impact of the COVID-19 pandemic, the Group adjusted its business strategies by exploring opportunities in the manufacturing of PPE, including protective gowns and surgical face masks. In the course of exploring such opportunities, the Group established 10A Limited and developed the brand name of "10A" for its PPE products. However, as more and more competitors entered the PPE market, the business of 10A Limited has not been profitable since its incorporation in mid-2020.

The Directors (including the independent non-executive Directors) are of the view that the formation of the JV Company with Luen Shing represents a strategic move for the Group to limit its exposure to the risks of the evolving PPE market while being able to continue to participate in its growth potential. Further, by entering into the proposed Trademark License Agreement, the Group will be able to recover a significant portion of the costs incurred by 10A Limited in the development and registration of the 10A Trademarks. On the other hand, the JV Company will be able to benefit from the

development efforts of the “10A” brand and the time spent by 10A Limited in registering the 10A Trademarks, instead of having to spend time and effort to establish a new brand for its business.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Joint Venture Agreement and the proposed Trademark License Agreement are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group.

The Directors (including the independent non-executive Directors) further consider that the entering into of the Joint Venture Agreement (including the proposed Trademark License Agreement) is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Luen Shing is currently owned as to 45% by Ellison Assets, 15% by TCL Tech and 40% by NTX Cayman. Its largest shareholder, Ellison Assets, is ultimately owned by a discretionary family trust founded by Dr. Tan Siu Lin, an executive Director, and he controls the composition of the board of directors of the discretionary trustee of the said family trust. Hence, Luen Shing is a connected person of the Company. Further, as the JV Company will be 80%-owned and controlled by Luen Shing, it will also be a connected person of the Company upon formation. As such, the transactions contemplated under the Joint Venture Agreement and the receipt of the Premium under the proposed Trademark License Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Joint Venture Agreement and the receipt of the Premium under the proposed Trademark License Agreement is more than 0.1% but less than 5%, the same are subject to the reporting and announcement requirements but exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

DIRECTOR’S MATERIAL INTERESTS

As disclosed above, Dr Tan Siu Lin (an executive Director) controls Ellison Assets, which holds a 45% interest in Luen Shing. Further, Mr. Tan Cho Lung, Raymond (an executive Director and the chief executive officer of the Company) is the sole shareholder of TCL Tech, which holds a 15% minority interest in Luen Shing.

In view of their interest in Luen Shing, each of Dr. Tan Siu Lin and Mr. Tan Cho Lung, Raymond has a material interest in the transactions contemplated under the Joint Venture Agreement and the proposed Trademark License Agreement. Mr. Tan Cho Lung, Raymond, who was present at the relevant Board meeting, abstained from voting on the relevant Board resolutions to approve the Joint Venture Agreement, the proposed

Trademark License Agreement and the transactions contemplated thereunder, while Dr. Tan Siu Lin was absent from the relevant Board meeting and he also did not vote on the relevant Board resolution.

INFORMATION ON THE PARTIES

LTO (a wholly-owned subsidiary of the Group) is an investment holding company and the Group is principally engaged in the manufacturing and trading of apparel and accessories. The Group has manufacturing plants primarily in the PRC, Cambodia, the Philippines and Myanmar.

10A Limited (a wholly-owned subsidiary of the Group) is a company principally engaged in the development, distribution and trading of PPE under the brand name “10A”.

Luen Shing is an investment holding company which focuses on investments in the sectors of the development, distribution, trading, production and/or manufacturing of PPE. As disclosed above, Luen Shing is owned as to 45% by Ellison Assets, 15% by TCL Tech and 40% by NTX Cayman. Its largest shareholder, Ellison Assets, is ultimately owned by a discretionary family trust founded by Dr. Tan Siu Lin, an executive Director, and he controls the composition of the board of directors of the discretionary trustee of the said family trust.

The JV Company will be incorporated in due course and will be principally engaged in developing, distributing, trading, producing, manufacturing, importing and/or exporting of medical and non-medical grade PPE under the 10A Brand Name (including but not limited to masks and isolation gowns) in Hong Kong and the Philippines.

DEFINITIONS

“10A Brand Name”	the name “10A” and/or such other brand name(s) as approved by the JV Board from time to time with the prior written consent of LTO
“10A Limited”	10A Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“10A Trademarks”	the trademarks (whether applied-for, registered or unregistered) relating to the “10A” brand owned by 10A Limited as set out in the Trademark License Agreement
“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
“connected transactions”	shall have the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Ellison Assets”	Ellison Assets Limited, a company incorporated in the Independent State of Samoa
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Joint Venture Agreement”	the joint venture agreement dated 10 December 2021 entered into between LTO and Luen Shing in relation to the establishment of the JV Company
“JV Board”	the board of directors of the JV Company from time to time
“JV Company”	a company to be incorporated in Hong Kong with the name “10A International Limited” (or such other name to be agreed between LTO and Luen Shing in writing) pursuant to the terms of the Joint Venture Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“LTO”	Luen Thai Overseas Limited, a company incorporated in the Bahamas and a direct wholly-owned subsidiary of the Company
“Luen Shing”	Luen Shing Technology Limited, a company incorporated in Hong Kong, owned as to 45% by Ellison Assets, 15% by TCL Tech and 40% by NTX Cayman
“NTX Cayman”	NewTech Textile (Cayman) International Inc., a company incorporated in the Cayman Islands with limited liability, an independent third party

“percentage ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
“PPE”	personal protective equipment
“PRC”	the People’s Republic of China
“Premium”	the premium in the sum of US\$1,700,000 payable by the JV Company to 10A Limited under the Trademark License Agreement
“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
“TCL Tech”	TCL Tech Limited, a company incorporated in Hong Kong
“Trademark License Agreement”	the trademark license agreement (in the form annexed to the Joint Venture Agreement) proposed to be entered into between 10A Limited (as licensor) and the JV Company (as licensee) in relation to the 10A Trademarks
“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, 10 December 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

Non-executive Director:

Mok Siu Wan, Anne

Independent Non-executive Directors:

Seing Nea Yie
Chan Henry
Wang Ching

Website: www.luenthai.com