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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE OFFICE LEASE MASTER AGREEMENT AND FACTORY PREMISES AND DORMITORIES LEASE MASTER AGREEMENT

Reference is made to the announcements dated 14 December 2018 and 11 December 2020 in relation to, among other things, the Existing Office Lease Master Agreement and the Existing Factory Premises and Dormitories Lease Master Agreement. As the Existing Master Agreements will expire on 31 December 2021, on 16 December 2021, the LTO (a direct wholly-owned subsidiary of the Company) and the LTG entered into (i) the Office Lease Master Agreement and (ii) the Factory Premises and Dormitories Lease Master Agreement, each with a term commencing from 1 January 2022 to 31 December 2022.

As at the date of this announcement, LTG is ultimately owned by a discretionary family trust founded by Dr. Tan Siu Lin, 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. Accordingly, the transactions contemplated under the Master Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

The Board announces that on 16 December 2021 (after trading hours of the Stock Exchange), the LTO (a direct wholly-owned subsidiary of the Company) and the LTG entered into (i) the Office Lease Master Agreement and (ii) the Factory Premises and Dormitories Lease Master Agreement, each with a term commencing from 1 January 2022 to 31 December 2022.

A. OFFICE LEASE MASTER AGREEMENT

(1) Background

Pursuant to the Existing Office Lease Master Agreement, the Group is currently leasing certain properties in Hong Kong from LTG Group mainly as office premises. As the Group will continue to lease these properties from the LTG Group, the LTO and the LTG entered into the Office Lease Master Agreement to better regulate the leasing of office premises.

(2) Office Lease Master Agreement

Date

16 December 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

Principal terms

The principal terms of the Office Lease Master Agreement are as follows:

- the Office Lease Master Agreement is valid from 1 January 2022 to 31 December 2022;
- the leased properties shall mainly be used for the purpose of office premises;
- the Group and the LTG Group will enter into separate lease agreements which will set out the specific terms and conditions according to the principles provided in the Office Lease Master Agreement;
- the monthly rate of the properties shall be an average of approximately HK\$15 per sq. feet; and
- the Group shall be responsible for the payment of the utility fees, including water, electricity, and property management fee.

Pricing policies

As a general principle, the monthly rent of the leased properties will be on normal commercial terms, negotiated on an arm's length basis, on similar basis as the Group leases property from independent third party landlord and shall be on terms which are no less favourable to the Group than those offered by independent third party landlord.

Subject to the general principle disclosed above, the Group will also take into account the following factors when determining the monthly rent to be payable by the Group under the Office Lease Master Agreement: (i) attributes of the leased properties; (ii) location and condition of the leased properties; (iii) size of the leased properties; and (iv) rental rate of surrounding properties with similar attributes.

(3) Historical amounts

The aggregate rentals paid by the Group to the LTG Group in respect of leasing arrangements under the Existing Office Lease Master Agreement during each of the two years ended 31 December 2020 and ten-month period ended 31 October 2021 amounted to approximately US\$1,021,000 (or approximately HK\$7,912,750), approximately US\$563,000 (or approximately HK\$4,363,250) and approximately US\$713,000 (or approximately HK\$5,525,750) respectively, all of which were within the relevant maximum caps as disclosed in the announcement 14 December 2018.

(4) Proposed annual caps and basis of determination

The aggregate fees payable by the Group in respect of the Office Lease Master Agreement shall not exceed US\$950,000 (approximately HK\$7,362,500) for the year ending on 31 December 2022. In determining the said proposed annual cap, the Directors (including the independent non-executive Directors) have taken into consideration (i) the actual historical rentals paid by the Group to the LTG Group; (ii) the possible relocations of certain members of the Group; (iii) the lease which may or will be entered into by the Group with the LTG Group; and (iv) the market rates for properties of similar quality in similar locations.

(5) Reasons for and benefits of the transactions under the Office Lease Master Agreement

The LTG Group, with a diverse and wide business network, has been leasing properties to the Group since 2004. The Directors believe that such transactions are beneficial to the Group as a whole as the Group is able to leverage on its long-established relationship with the LTG Group.

For the leasing arrangements under the Office Lease Master Agreement, the Group will benefit from such leasing arrangements for cost efficiency and better utilisation of the Group's office premises, which is beneficial to the Group as a whole. The rentals payable by the Group pursuant to the Office Lease Master Agreement reflect normal commercial terms negotiated on an arm's length basis and are comparable to the terms given by independent third parties.

Based on the above, the Directors (including the independent non-executive Directors) consider that the Group will benefit from the continuity of the leasing arrangements and will save the relocation costs which may otherwise be incurred due to any discontinuation of the existing leasing arrangements. The Directors (including the independent non-executive Directors) further believe that the transactions contemplated under the Office Lease Master 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.

Dr. Tan Siu Lin, and his son, Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Office Lease Master 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 Office Lease Master 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 resolutions.

B. FACTORY PREMISES AND DORMITORIES LEASE MASTER AGREEMENT

(1) Background

Pursuant to the Existing Factory Premises and Dormitories Lease Master Agreement, the Group is currently leasing certain properties in the PRC from the LTG Group as factories and dormitories. As the Group will continue to lease these properties from the LTG Group, the LTO and LTG entered into the Factory Premises and Dormitories Lease Master Agreement to better regulate the leasing of factory premises and dormitories.

(2) Factory Premises and Dormitories Lease Master Agreement

Date

16 December 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

Principal terms

The principal terms of the Factory Premises and Dormitories Lease Master Agreement are as follows:

- the Factory Premises and Dormitories Lease Master Agreement is valid from 1 January 2022 to 31 December 2022;
- the leased properties shall be used as factories and dormitories;
- the Group and the LTG Group will enter into separate lease agreements which will set out the specific terms and conditions according to the principles provided in the Factory Premises and Dormitories Lease Master Agreement;
- the monthly rent is at least RMB640,000. The leases include (i) the factory with floor area of approximately 18,600 square meters at a monthly rate of RMB20 per square meter; (ii) fixed dormitory for workers and employees (approximately 409 rooms) at a monthly rate ranging from RMB450 to RMB530 per room; and (iii) temporary dormitory (i.e. for temporary workers or guests) at a daily rate ranging from RMB280 to RMB500 per room; and
- the Group shall be responsible for the payment of the utility fees, including water, electricity, and property management fee.

Pricing policies

As a general principle, the monthly rent of the leased properties will be on normal commercial terms, negotiated on an arm's length basis, on similar basis as the Group leases property from independent third party landlord and shall be on terms which are no less favourable to the Group than those offered by independent third party landlord.

Subject to the general principle disclosed above, the Group will also take into account the following factors when determining the monthly rent to be payable by the Group under the Factory Premises and Dormitories Lease Master Agreement: (i) attributes of the leased properties; (ii) location of the leased properties; (iii) size of the leased properties; and (iv) rental rate of surrounding properties with similar attributes.

(3) Historical amounts

The aggregate rent paid by the Group to LTG Group under the Existing Factory Premises and Dormitories Lease Master Agreement were approximately US\$1,045,000 (approximately HK\$8,098,750) for the period from 1 January 2021 to 31 October 2021.

(4) Proposed annual caps and basis of determination

The aggregate fees payable by the Group in respect of the Factory Premises and Dormitories Lease Master Agreement shall not exceed US\$1,750,000 (approximately HK\$13,562,500) for the year ending on 31 December 2022. In determining the said proposed annual cap, the Directors (including the independent non-executive Directors) have taken into consideration (i) the historical transaction amount for the period from 1 January 2021 to 31 October 2021; (ii) the floor area of the factory premises, the number of fixed dormitory and expected number of temporary dormitory contemplated under the Factory Premises and Dormitories Lease Master Agreement; (iii) prevailing market rent for similar properties in similar location.

(5) Reasons for and benefits of the transactions under the Factory Premises and Dormitories Lease Master Agreement

The LTG Group, with a diverse and wide business network, has been leasing the factory premises and dormitories in the PRC to the Group since 2017. The Directors believe that such transactions are beneficial to the Group as a whole as the Group is able to leverage on its long-established relationship with the LTG Group.

To cope with the commercial need for production and avoid any relocation costs and disruption of operation, it is reasonable and necessary for the Company to enter into the Factory Premises and Dormitories Lease Master Agreement. The rentals payable by the Group pursuant to the Factory Premises and Dormitories Lease Master Agreement reflect normal commercial terms negotiated on an arm's length basis and are comparable to the terms given by independent third parties.

In view of the above and the basis of determination of the proposed annual caps, Directors (including the independent non-executive Directors) consider that: (i) the terms of the Factory Premises and Dormitories Lease Master Agreement are fair and reasonable and on normal commercial terms; (ii) the Factory Premises and Dormitories Lease Master Agreement is in the ordinary and usual course of business of the Group; (iii) the entering into the Factory Premises and Dormitories Lease Master Agreement by the Company is in the interests of the Company and the Shareholders as a whole; and (iv) the proposed annual caps (including the basis of determination thereof) are fair and reasonable.

Dr. Tan Siu Lin, and his son, Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Factory Premises and Dormitories Lease Master 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 Factory Premises and Dormitories Lease Master 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 resolutions.

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.

D. IMPLICATIONS UNDER THE LISTING RULES

LTG is ultimately owned by a discretionary family trust founded by Dr. Tan Siu Lin, 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. Accordingly, the transactions under the Master Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

E. INTERNAL CONTROLS

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

- (i) The finance department of the Company is responsible for collecting data and statistics of the continuing connected transactions contemplated under the Master Agreements on a monthly basis to ensure the annual caps approved are not exceeded.
- (ii) The finance department of the Company will also submit such information for the Board's review not less than three times annually, including but not limited to the historical and actual transaction amounts, to ensure that the relevant transactions are carried out in accordance with the terms of the Master Agreements and will not exceed the respective annual caps.

- (iii) The external auditors of the Company will report by issuing a letter to the Board annually on the continuing connected transactions of the Company in relation to the pricing policies and annual caps of the continuing connected transactions (including the transactions under the Master Agreements) of the Company conducted during the preceding financial year pursuant to the Listing Rules.
- (iv) The independent non-executive Directors will conduct annual reviews with respect to the continuing connected transactions of the Company 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 words and expressions shall have the meanings as set out below:

“associate”	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
“connected person”	shall have the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Factory Premises and Dormitories Lease Master Agreement”	the factory premises and dormitories lease master agreement entered into between the LTO and the LTG dated 11 December 2020
“Existing Master Agreements”	the Existing Office Lease Master Agreement and the Existing Factory Premises and Dormitories Lease Master Agreement
“Existing Office Lease Master Agreement”	the office lease master agreement entered into between the LTO and the LTG dated 14 December 2018

“Factory Premises and Dormitories Lease Master Agreement”	the factory premises and dormitories lease master agreement entered into between the LTO and the LTG dated 16 December 2021
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	Person(s) who is/are independent of the Company and its connected persons
“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, which is a direct wholly owned subsidiary of the Company
“LTO Group”	LTO and its subsidiaries
“Master Agreements”	the Office Lease Master Agreement and the Factory Premises and Dormitories Lease Master Agreement
“Office Lease Master Agreement”	the office lease master agreement entered into between the LTO and the LTG dated 16 December 2021
“PRC”	the People’s Republic of China
“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\$7.75. 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
Luen Thai Holdings Limited
Chiu Chi Cheung
Company Secretary

Hong Kong, 16 December 2021

As at the date of this announcement, 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:

Seing Nea Yie
Chan Henry
Wang Ching

Non-executive Director:

Mok Siu Wan, Anne

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