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## **LUEN THAI HOLDINGS LIMITED**

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

**(Stock Code: 311)**

### **CONTINUING CONNECTED TRANSACTIONS MASTER SUBCONTRACTING AGREEMENT**

On 30 June 2025 (after trading hours), LTO, the Company's direct wholly-owned subsidiary, and Shangtex HK entered into the Master Subcontracting Agreement, pursuant to which the LTO Group has agreed to provide subcontracting services for the manufacturing of apparel products to the Shangtex HK Group on a non-exclusive basis for a term of from 1 July 2025 to 31 December 2027.

As at the date of this announcement, Shangtex HK holds approximately 70.64% of the issued share capital of the Company, and hence is a substantial shareholder and connected person of the Company. Therefore, the transaction contemplated under the Master Subcontracting Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios for the Master Subcontracting Agreement are more than 0.1% but less than 5%, the transactions under the Master Subcontracting Agreement are therefore 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.

### **INTRODUCTION**

On 30 June 2025 (after trading hours), LTO, the Company's direct wholly-owned subsidiary, and Shangtex HK entered into the Master Subcontracting Agreement, pursuant to which the LTO Group has agreed to provide subcontracting services for the manufacturing of apparel products to the Shangtex HK Group on a non-exclusive basis for a term of from 1 July 2025 to 31 December 2027.

## MASTER SUBCONTRACTING AGREEMENT

The principal terms of the Master Subcontracting Agreement are as follows:

**Date:** 30 June 2025

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

**Term:** From 1 July 2025 to 31 December 2027

**Nature of Transactions:** The LTO Group shall provide subcontracting services for the manufacturing of apparel products to the Shangtex HK Group from time to time on a non-exclusive basis pursuant to the definitive subcontracting agreements to be entered into between the LTO Group and the Shangtex HK Group from time to time during the term of the Master Subcontracting Agreement.

For the avoidance of doubt, the LTO Group is not contractually obliged to provide the subcontracting services to the Shangtex HK Group and is free to provide the subcontracting services to any other independent third-party customers during the term of the Master Subcontracting Agreement.

**Definitive agreements:** The definitive subcontracting agreement(s) to be entered into between member(s) of the LTO Group and member(s) of the Shangtex HK Group shall provide, among others, the exact quantity, specifications and quality requirements of the finished or semi-finished apparel products, the place and date of delivery, the price for each unit, the service fee payable to the LTO Group, the payment terms and other terms and conditions to be mutually agreed between the parties, subject always to the terms of the Master Subcontracting Agreement.

**Raw materials:** All raw materials shall be provided by the Shangtex HK Group to the LTO Group, and the LTO Group shall further process the raw materials into semi-finished products or finished products in accordance with the design and specifications provided by the Shangtex HK Group under the relevant subcontracting agreement.

**Payment:** The Shangtex HK Group shall settle all service fees payable to the LTO Group within 30 days from the last day of each calendar month in respect of the finished or semi-finished apparel products delivered during that calendar month.

**Pricing policy:** The service fee payable by the Shangtex HK Group to the LTO Group under each definitive agreement shall be negotiated on an arm's length basis and charged on a similar basis as the Shangtex HK Group transacts business with other independent third party subcontractors for similar services in relation to similar products in terms of specifications, particulars and complexity, provided that the service fee shall not in any event be less than the prevailing market rate in providing such services, and the LTO Group shall not be obliged to accept any service fee quoted by the Shangtex HK Group.

Shangtex HK has expressly warranted to LTO that the service fees payable to the LTO Group under each definitive agreement shall be no less favourable to the LTO Group than those offered by the Shangtex HK Group to independent third party subcontractors for similar services in relation to similar products in terms of specifications, particulars and complexity. Upon request by the LTO Group, the Shangtex HK Group shall provide documentary evidence satisfactory to the LTO Group to prove that the service fee offered to the LTO Group are no less favourable to the LTO Group than those offered to independent third party subcontractors.

In order to ensure that the service fees payable to the LTO Group under each definitive agreement are fair and reasonable and in line with the prevailing market rate, the LTO Group will compare the quoted subcontracting service fee received from the Shangtex HK Group against (i) the subcontracting service fee payable by the Shangtex HK Group to independent third party subcontractors for similar products, and (ii) comparable quotations obtained by the LTO Group from other independent third party subcontractors (subject to practical availability and feasibility).

## **HISTORICAL TRANSACTION VALUE AND PROPOSED ANNUAL CAPS**

The Shangtex HK Group had not engaged the LTO Group for transactions which are similar in nature to the transactions contemplated under the Master Subcontracting Agreement, thus no historical transaction figure is available.

The annual caps for the transactions contemplated under the Master Subcontracting Agreement for the period from 1 July to 31 December 2025 and the two years ending 31 December 2026 and 2027 are US\$950,000 (or approximately HK\$7,457,500), US\$1,000,000 (or approximately HK\$7,850,000) and US\$1,000,000 (or approximately HK\$7,850,000), respectively.

In determining the said annual caps, the Directors (including the independent non-executive Directors) have taken into account: (i) the estimated demand on the subcontracting services required by the Shangtex HK Group during each period, taking into account the anticipated increase in the scale and business operation of the Shangtex HK Group; (ii) the unit cost of processing fee, which is estimated with reference to quotations provided by the Shangtex HK Group to existing or potential independent third party subcontractors for similar services in relation to similar products; and (iii) an additional buffer of approximately 10%.

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

## **REASONS FOR ENTERING INTO THE MASTER SUBCONTRACTING AGREEMENT**

In light of the keen market competition in the apparel products manufacturing industry, the Group has recently made a decision to provide subcontracting services for apparel products in its search for new opportunities to expand its income streams. In view thereof, the Shangtex HK Group has expressed keen interest in engaging the LTO Group to provide subcontracting services for the manufacturing of their apparel products.

In order to capture the business potential offered by the Shangtex HK Group and seize the opportunities to widen the Group's revenue base, the Group decided to enter into the Master Subcontracting Agreement with Shangtex HK. By entering into the Master Subcontracting Agreement, it would provide the flexibility for the Group to enter into individual subcontracting agreements with the Shangtex HK Group for different services and products from time to time within the boundaries of the Listing Rules.

The Board considers that the Master Subcontracting Agreement will (i) generate additional revenue to the Group; (ii) utilize the Group's production facilities more efficiently; and (iii) develop a cooperative relationship between the Group and Shangtex HK, bringing new growth potential for the Group.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Master Subcontracting 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 Master Subcontracting 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.

## **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 apparels and accessories.

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

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Shangtex HK holds approximately 70.64% of the issued share capital of the Company, and hence is a substantial shareholder and connected person of the Company. Therefore, the transaction contemplated under the Master Subcontracting Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios in respect of the annual caps for the transactions contemplated under the Master Subcontracting Agreement are more than 0.1% but less than 5%, the transactions are therefore 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.

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

## **INTERNAL CONTROL**

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

Such internal control measures mainly include the following:

- The management will obtain (i) satisfactory documentary evidence from the Shangtex HK Group as regards the service fees offered by the Shangtex HK Group to independent third party subcontractors for similar services in relation to similar products, and (ii) comparable quotations from other independent third party subcontractors (subject to practical availability and feasibility) to ensure that the service fees payable to the Group are in line with the pricing policy mentioned above.
- The finance department of the Company will conduct regular checks on whether the transactions under the Master Subcontracting Agreement are in accordance with the agreed terms under the definitive subcontracting agreements and the Master Subcontracting Agreement.
- The finance department of the Company is responsible for collecting data and statistics of the continuing connected transactions under the Master Subcontracting Agreement 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 Master Subcontracting 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.

## DEFINITIONS

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

“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
“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 People’s Republic of China
“independent third parties”	persons who are independent of the Company and its connected persons
“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
“LTO Group”	LTO and its subsidiaries
“Master Subcontracting Agreement”	the master subcontracting agreement entered into between LTO and Shangtex HK dated 30 June 2025 pursuant to which the Company has agreed to provide subcontracting services for the manufacturing of apparel products to the Shangtex HK Group on a non-exclusive basis, the principal terms of which are set out in this announcement



“Shangtex HK”	Shangtex (Hong Kong) Limited, a company incorporated in Hong Kong and a substantial shareholder of the Company
“Shangtex HK Group”	Shangtex HK and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	shall have the meaning as ascribed to it under the Listing Rules
“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\$7.85. 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**  
**Chan Hiu Leong**  
*Company Secretary*

Hong Kong, 30 June 2025

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:*

Fok Yue San, Sandy

*Independent non-executive Directors:*

Chan Henry

Lee Cheuk Yin, Dannis

Shi Min

*Company website: [www.luenthai.com](http://www.luenthai.com)*