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## **LUEN THAI HOLDINGS LIMITED**

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

**(Stock Code: 311)**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTION FOR THE YEAR ENDING 31 DECEMBER 2020**

Reference is made to the announcements of the Company dated 19 December 2019 and 27 December 2019 in relation to, among others, the transactions under the Existing Master Lease Agreement. As the Existing Master Lease Agreement will expire on 31 December 2020, on 11 December 2020, LTO, the Company's direct wholly-owned subsidiary and DGLT entered into the New Master Lease Agreement for a term of one year commencing from 1 January 2021 and ending on 31 December 2021.

DGLT 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. Therefore LTG is a connected person of the Company. Therefore, DGLT is an associate and a connected person of the Company. Accordingly, the transactions contemplated under the New Master Lease Agreement 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 New Master Lease Agreement is more than 0.1% but less than 5%, the transactions under the New Master Lease Agreement 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.

## **A. INTRODUCTION**

Reference is made to the announcements of the Company dated 19 December 2019 and 27 December 2019 in relation to, among others, the transactions under the Existing Master Lease Agreement. As the Existing Master Existing Lease Agreement will expire on 31 December 2020, on 11 December 2020, LTO, the Company's direct wholly-owned subsidiary and DGLT entered into the New Master Lease Agreement for a term of one year commencing from 1 January 2021 and ending on 31 December 2021.

## **B. NEW MASTER LEASE AGREEMENT**

The Existing Master Lease Agreement will expire on 31 December 2020. On 11 December 2020, LTO entered into the New Master Lease Agreement with DGLT in relation to the leasing of properties between LTO Group and DGLT. The principal terms of the Lease are as follows:

Landlord:	DGLT
Tenant:	LTO
Terms:	The term shall commence from 1 January 2021 and expire on 31 December 2021. The Tenant or the Landlord may terminate the Lease by giving the other party not less than two months written notice in advance.
Subject matter:	Leasing of the Factory and dormitory for workers and employees by the LTO group from DGLT.
Principal terms:	The monthly rent is at least RMB565,000. The leases include (i) the factory with floor area of approximately 18,600 square meters at a monthly rate of RMB19.4 per square meter; (ii) fixed dormitory for workers and employees (approximately 409 rooms) at a rate about RMB450 per room per month; and (iii) temporary dormitory (i.e. for temporary workers or guests) at a daily rate ranging from RMB250 to RMB430 per room.
Utilities:	The Tenant shall pay the Landlord all actual charges for utilities consumed on or in the premises occupied by the Tenant as set out in the invoices to be provided by the Landlord to the Tenant and the Landlord shall pay such charges to the utilities providers.

## **Pricing policy**

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 lease 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 New Master Lease Agreement: (i) attributes of the leased properties; (ii) location of the leased properties; (iii) size of the leased properties; (iv) actual charges for utilities consumed; and (v) rental rate of surrounding properties with similar attributes.

## **Historical Amount**

The aggregate rent paid by the Group to DGLT under the Existing Master Lease Agreement were approximately US\$1,199,000 (approximately HK\$9,292,250) for the period from 1 January 2020 to 31 October 2020.

## **Proposed annual caps in respect of the New Master Lease Agreement**

The aggregate fees payable by the Group in respect of the New Master Lease Agreement shall not exceed US\$1,300,000 (approximately HK\$10,075,000) for the year ending on 31 December 2021. 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 2020 to 30 October 2020; (ii) the floor area of the Factory, the number of fixed dormitory and expected number of temporary dormitory contemplated under the New Master Lease Agreement; (iii) prevailing market rent for similar properties in similar location.

## **Reasons for and benefits of the New Master Lease Agreement**

The Factory is currently used by the Group as manufacturing premises and is owned by DGLT. 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 New Master Lease Agreement. The rentals payable by the Group pursuant to the New Master Lease 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 New Master Lease Agreement are fair and reasonable and on normal commercial terms; (ii) the New Master Lease Agreement is in the ordinary and usual course of business of the Group; (iii) the entering into the New Master Lease 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 New Master Lease Agreement and abstained from voting on the Board resolutions approving the same.

### **C. GENERAL INFORMATION**

LTO is principally engaged in investment holding and the Group is principally engaged in the manufacturing and trading of apparel and accessories.

DGLT is a company established in the PRC with limited liability which is principally engaged in holding of factory premises for rental income.

### **D. IMPLICATIONS UNDER THE LISTING RULES**

DGLT 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. Therefore, LTG is a connected person of the Company. DGLT is therefore deemed an associate, and hence a connected person of the Company.

The transactions under the New Master Lease Agreement 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 New Master Lease Agreement is more than 0.1% but less than 5%, the transactions under the New Master Lease Agreement 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 New Master Lease Agreement will be conducted in accordance with the pricing policies of the Group and that the terms of the New Master Lease Agreement 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 New Master Lease Agreement 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 New Master Lease Agreement 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 New Master Lease Agreement) 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 expressions shall have the following respective meanings:

“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
“DGLT”	Dongguan Luen Thai Garment Co. Ltd. (東莞聯泰製衣有限公司), a company established in the PRC
“Director(s)”	the director(s) of the Company
“Existing Master Lease Agreement”	the master lease agreement in respect of the Factory dated 19 December 2019 and entered into by DGLT as the landlord and LTO as the tenant
“Factory”	the industrial complex erected on Land Nos. 1 to 4, Jin Feng Huang Industrial Zone, Tangli Village, Fenggang Town, Dongguan, Guangdong Province, the PRC
“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 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
“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
“New Master Lease Agreement”	the master lease agreement in respect of the Factory dated 11 December 2020 and entered into by DGLT as the landlord and LTO as the tenant
“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  
**Chiu Chi Cheung**  
*Company Secretary*

Hong Kong, 11 December 2020

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:*

Seing Nea Yie  
Chan Henry  
Wang Ching

*Non-executive Director:*

Mok Siu Wan, Anne

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