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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 2015**

#### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Announcement in relation to a number of continuing connected transactions between the Group and the Tan Private Group including, among others, the transactions under the Existing Master Agreement for Leasing Arrangements and the Existing Master Agreement for Technological Support Services. The Existing Master Agreements governing the above continuing connected transactions will expire on 31 December 2015.

The Board announces that the Group and the Tan Private Group entered into the Renewed Master Agreement for Leasing Arrangements and the Renewed Master Agreement for Technological Support Services on 15 December 2015 to renew the terms of the Existing Master Agreements for a fixed term of 3 years from 1 January 2016 to 31 December 2018.

Based on current projections for the three years from 1 January 2016 to 31 December 2018, the Continuing Transactions are 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 description of the Continuing Transactions is set out in this announcement.

The terms of the Continuing Transactions are determined after arm's length negotiations. The Directors (including the independent non-executive Directors) consider that the Continuing Transactions and their respective terms are fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

## **A. INTRODUCTION**

Reference is made to the Announcement in relation to a number of continuing connected transactions between the Group and the Tan Private Group including, among others, the transactions under the Existing Master Agreement for Leasing Arrangements and Existing Master Agreement for Technological Support Services. The Existing Master Agreements governing the above continuing connected transactions will expire on 31 December 2015.

## **B. TECHNOLOGICAL SUPPORT SERVICES**

### **1. Background**

The Existing Master Agreement for Technological Support Services will expire on 31 December 2015. The Directors expect that the Group will continue to require service provider on technological support from time to time. In this connection, LTO has entered into the Renewed Master Agreement for Technological Support Services with Helmsley on 15 December 2015. Details of the Renewed Master Agreement for Technological Support Services are set out below in this announcement.

### **2. Renewed Master Agreement for Technological Support Services**

Date:	15 December 2015
Parties:	(i) LTO (a direct wholly-owned subsidiary of the Company), for itself and on behalf of the LTO Group  (ii) Helmsley, for itself and on behalf of the Helmsley Group
Term:	From 1 January 2016 to 31 December 2018
Nature of Transactions:	The Helmsley Group shall provide technological support services (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) to the Group, subject to the provision that the fees for such technical support services shall be determined on normal commercial terms and on a case by case basis.
Pricing Basis:	The prices for the technological support services shall be determined with reference to the actual cost incurred by the IST BVI plus a reasonable amount of margin to be agreed between the relevant parties from time to time under the following principles: (i) not higher than the margins for provision of comparable technological support services by IST BVI to Independent Third Parties and (ii) with reference to the margins and the prevailing market conditions for comparable technological support services provided by Independent Third Party service providers.

### **3. Proposed Annual Caps**

The Directors currently expect that the aggregate fees in respect of the technological support services to be paid by the Group pursuant to the Renewed Master Agreement for Technological Support Services for each of the three years ending on 31 December 2016, 2017 and 2018 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 technological support services is based on: (i) the actual historical amount paid by the Group pursuant to the Existing Master Agreement for Technological Support Services for the two years ended 31 December 2014 and for the period from 1 January 2015 to 31 October 2015, (ii) the economic indicators which are applicable to the technology support industry, (iii) the existing business scale and operations of the Company together with the latest business plans, and (iv) the expected development of the technological support services.

### **4. Historical Transaction Value**

The aggregate fees paid by the Group to IST BVI in respect of the technological support services during each of the two years ended 31 December 2014 and ten-month period ended 31 October 2015 amounted to approximately US\$2,117,000 (or approximately HK\$16,407,000), approximately US\$2,396,000 (or approximately HK\$18,569,000) and approximately US\$2,000,000 (or approximately HK\$15,500,000) respectively, all of which were within the relevant maximum caps as disclosed in the Announcement.

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

IST BVI has been providing technological support services to the Group since the Listing. The fees for such technological support 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 technological support 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 technological support services to the Group; and that the transactions contemplated under the Renewed Master Agreement for Technical Support Services 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 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 Renewed Master Agreement of for Technical Support Services 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.

## 6. Connected Person

IST BVI is an indirectly wholly-owned subsidiary of Helmsley. Helmsley wholly owns Capital Glory Limited, the controlling shareholder of the Company. Helmsley is beneficially owned as to 55% by Dr. Tan Henry, an executive Director and the chief executive officer of the Company. As such, Helmsley is a Connected Person of the Company. IST BVI is therefore deemed an Associate, and hence a Connected Person, of the Company.

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

## 7. Implications under the Listing Rules

The provision of technological support services under the Renewed Master Agreement for Technological Support Services constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the maximum annual caps as set out in paragraph 3 above are more than 0.1% but less than 5% under the applicable Percentage Ratios, the transactions under the Renewed Master Agreement for Technical Support Services 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 sons Dr. Tan Henry, Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Renewed Master Agreement for Technological Support Services. Accordingly, they have abstained from voting on the board resolution of the Company approving the entering into of the Renewed Master Agreement for Technological Support Services and the transactions contemplated thereunder.

## C. LEASING ARRANGEMENTS

### 1. Background

Pursuant to the Existing Master Agreement for Leasing Arrangements, the relevant members of the Group and the Tan Private Group respectively, which involved in the leasing arrangements are as follows:

<b>Landlord</b>	<b>Tenant</b>
L&T Group ( <i>Tan Private Group</i> )	Consolidated Transportation Services Inc. ( <i>Group</i> )
L&T (Guam) ( <i>Tan Private Group</i> )	Consolidated Transportation Services Inc. (Guam) ( <i>Group</i> )
Quanzhou Luen Thai Real Estate Development Co Ltd ( <i>Tan Private Group</i> )	Hongquan Consulting Services (Shenzhen) Co., Ltd. ( <i>Group</i> )
LTID (Tan Private Group) ( <i>note 1</i> )	LTIG ( <i>Group</i> )

*Note 1:* Apart from being a landlord, LTID will also enter into sub-leasing arrangement as a tenant with LTIG as a landlord in respect of portion of the premises leased out to LTIG at the same rates.

The Existing Master Agreement for Leasing Arrangements will expire on 31 December 2015. On 15 December 2015, LTO entered into the Renewed Master Agreement for Leasing Arrangements with Tan Holdings and Helmsley in relation to the leasing of properties between the Group and the Tan Private Group. Details of the Renewed Master Agreement for Leasing Arrangements are set out below in this announcement.

## **2. Renewed Master Agreement for Leasing Arrangements**

Date:	15 December 2015
Parties:	(i) LTO (a direct wholly-owned subsidiary of the Company), for itself and on behalf of the LTO Group  (ii) Tan Holdings, for itself and on behalf of the Tan Holdings Group  (iii) Helmsley, for itself and on behalf of the Helmsley Group
Term:	From 1 January 2016 to 31 December 2018
Nature of Transactions:	LTO and the other subsidiaries of the Group shall enter into leases or tenancy agreements with the Tan Private Group from time to time in respect of buildings and premises owned by the Group or the Tan Private Group (as the case may be) either as landlord or as tenant (as appropriate), subject to the provision that such leases or tenancy agreements shall be determined on normal commercial terms with reference to the prevailing market rates and on a case by case basis.
Pricing Basis:	The aggregate annual rental payable by the Group to the Tan Private Group or the aggregate annual rental payable by the Tan Private Group to the Group under the Renewed Master Agreement for Leasing Arrangements shall be determined with reference to the market rental rate of a number of properties of the similar standard and comparable conditions in similar locations and (where applicable) may be adjusted in accordance with the terms of the lease by mutual agreement to make sure that the terms offered by the relevant counterparty would not be less favourable or more favourable than those offered by or offered to the independent third parties.

### **3. Proposed Annual Caps**

The Directors currently expect that the aggregate fees in respect of the leasing arrangements to be paid by the Group pursuant to the Renewed Master Agreement for Leasing Arrangements for each of the three years ending on 31 December 2016, 2017 and 2018 will not exceed a maximum annual cap of US\$1,900,000 (or approximately HK\$14,725,000), US\$1,900,000 (or approximately HK\$14,725,000) and US\$1,900,000 (or approximately HK\$14,725,000), respectively.

The Directors currently expect that the aggregate fees in respect of the leasing arrangements to be paid by the Tan Private Group under the Renewed Master Agreement for Leasing Arrangements for each of the three years ending on 31 December 2016, 2017 and 2018 will amount to approximately US\$100,000 (approximately HK\$775,000), US\$100,000 (approximately HK\$775,000) and US\$100,000 (approximately HK\$775,000), respectively.

The determination of the above annual caps for the fees in respect of the leasing arrangements is based on: (i) the actual historical rentals paid by the Group to the Tan Private Group, (ii) the actual historical rentals paid by the Tan Private Group to the Group, (iii) the expected expansion and development of the business of the Group in the following years, (iv) the possible relocations of certain members of the Group, (v) the lease which may or will be entered into by the Group with the Tan Private Group, and (vi) the market rates for properties of similar quality in similar locations.

### **4. Historical Transaction Value**

The aggregate rentals paid by the Group to the Tan Private Group in respect of leasing arrangements under the Existing Master Agreement for Leasing Arrangements during each of the two years ended 31 December 2014 and ten-month period ended 31 October 2015 amounted to approximately US\$1,492,000 (or approximately HK\$11,563,000), approximately US\$1,492,000 (or approximately HK\$11,563,000) and approximately US\$1,323,000 (or approximately HK\$10,253,000) respectively, all of which were within the relevant maximum caps as disclosed in the Announcement.

The aggregate rentals paid by the Tan Private Group to the Group in respect of leasing arrangements under the Existing Master Agreement for Leasing Arrangements during each of the two years ended 31 December 2014 and ten-month period ended 31 October 2015 amounted to approximately US\$66,000 (or approximately HK\$511,500), approximately US\$66,000 (or approximately HK\$511,500) and approximately US\$55,000 (or approximately HK\$426,000) respectively, all of which were within the relevant maximum caps as disclosed in the Announcement.

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

The Tan Private Group, with a diverse and wide business network, has been leasing properties to the Group since the Listing. 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 Tan Private Group.

As disclosed in the Announcement, the Group had historically rented warehouse facilities from L&T (Guam). The Directors believe that the Group would be able to enjoy better service quality, greater flexibility and certainty of tenure with L&T (Guam).

For the other leasing arrangements under the Renewed Master Agreement for Leasing Arrangements, the Directors believe that 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 or to the Group pursuant to the Renewed Master Agreement for Leasing Arrangements reflect normal commercial terms negotiated on an arm's length basis and are comparable to the terms given to or by Independent Third Parties. 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 Renewed Master Agreement for Leasing Arrangements 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.

## **6. Connected Persons**

L&T Group is a wholly-owned subsidiary of Tan Holdings. In turn, Tan Holdings is owned as to 20% by Dr. Tan Henry and as to 39% by Leap Forward Limited, a company incorporated in the Bahamas. Dr. Tan Henry together with his father Dr. Tan Siu Lin, an executive Director and the chairman of the Board, control the board of Leap Forward Limited. Tan Holdings is an investment holding company.

L&T Group is therefore an Associate and hence Connected Person of the Company. L&T Group is principally engaged in realty management.

L&T (Guam) is a wholly-owned subsidiary of Tan Holdings. It is therefore an Associate and hence Connected Person of the Company. L&T (Guam) is principally engaged in realty management and investment holding.

Consolidated Transportation Services Inc. is a wholly-owned subsidiary of the Company. It is principally engaged in the provision of freight forwarding and logistics services in the Commonwealth of Northern Mariana Islands.

Consolidated Transportation Services Inc. (Guam) is a wholly-owned subsidiary of the Company. It is principally engaged in the provision of freight forwarding and logistics services in Guam.

Quanzhou Luen Thai Real Estate Development Co Ltd is a subsidiary of Luen Thai Enterprises Limited, which is in turn wholly-owned by Helmsley. It is therefore an Associate and hence Connected Person of the Company. It is principally engaged in property investments.

Hongquan Consulting Services (Shenzhen) Co., Ltd. is a wholly-owned subsidiary of the Company. It is principally engaged in the provision of consultancy services in The People's Republic of China.

LTIG is a wholly-owned subsidiary of the Company. It is principally engaged in sourcing, manufacturing and trading of apparel products.

LTID is indirectly owned by Dr. Tan Siu Lin, a Director of the Company. It is therefore an Associate and hence Connected Person of the Company. It is principally engaged in property investment holding.

## **7. Implications under the Listing Rules**

The leasing arrangements under the Renewed Master Agreement for Leasing Arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable Percentage Ratio(s) in respect of the Renewed Master Agreement for Leasing Arrangements is/are more than 0.1% but less than 5%. The transactions under the Renewed Master Agreement for Leasing Arrangements are therefore expected 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 sons Dr. Tan Henry, Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Renewed Master Agreement for Leasing Arrangements. Accordingly, they have abstained from voting on the board resolution of the Company approving the entering into of the Renewed Master Agreement for Leasing Arrangements and the transactions contemplated thereunder.

## **D. INTERNAL CONTROL**

The Company has established and strictly implemented various internal control measures to ensure that the transactions under the Master Agreements are entered into in accordance with the pricing mechanisms and the terms of the Master Agreements are on normal commercial terms or on terms no less favorable than those terms offered by the Group to Independent Third Parties for similar transactions in its ordinary and usual course of business. Such internal control measures mainly include the following:

- The managers overseeing the transactions under the Master Agreements will regularly review the terms of such transactions to ensure that the fees charged for such transactions will reflect the pricing policies of the Group.
- The corporate finance department of the Company will also review annually the pricing policies of the transactions under the Master Agreements to ensure that the transactions are charged on the same bases and the same rates for similar services rendered to Independent Third Parties.
- The corporate finance department of the Company is responsible for collecting data and statistics of the continuing connected transactions under the Master 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 Master Agreements) of the Company conducted during the preceding financial year pursuant to the Listing Rules.
- In addition, the independent non-executive Directors of the Company 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.

By implementing the above procedures and measures, the Directors consider that the Company has established an adequate internal control system to ensure the relevant continuing connected transactions under both the Existing Master Agreements and Renewed Master Agreements are conducted in accordance with the terms of such agreements, on normal commercial terms (or terms no less favourable to the Group than terms available to Independent Third Parties) and in accordance with the pricing policies of the Company, which are fair and reasonable and in the interest of the Company and its shareholders as a whole.

## **E. INFORMATION OF THE GROUP**

The Group is principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding and logistics services and real estate development.

## **F. DEFINITIONS**

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

<b>“Announcement”</b>	the announcement of the Company dated 14 December 2012
<b>“Associate”</b>	shall have the meaning as ascribed to it under the Listing Rules
<b>“Board”</b>	board of Directors
<b>“Company”</b>	Luen Thai Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
<b>“Connected Person”</b>	shall have the meaning as ascribed to it under the Listing Rules
<b>“Continuing Transactions”</b>	the continuing connected transactions of the Company under the Renewed Master Agreements
<b>“Director(s)”</b>	the director(s) of the Company

<b>“Existing Master Agreement for Leasing Arrangements”</b>	the master agreement dated 14 December 2012 entered into between LTO, Tan Holdings and Helmsley in relation to the leasing of properties between the Group and the Tan Private Group
<b>“Existing Master Agreement for Technological Support Services”</b>	the master agreement dated 14 December 2012 entered into between LTO and Helmsley, pursuant to which Helmsley and its subsidiaries agreed to provide technological support services to the Group
<b>“Existing Master Agreements”</b>	the Existing Master Agreement for Technological Support Services and the Existing Master Agreement for Leasing Arrangements
<b>“Group”</b>	the Company and its subsidiaries
<b>“Helmsley”</b>	Helmsley Enterprises Limited, a company incorporated in the Bahamas
<b>“Helmsley Group”</b>	Helmsley and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Independent Third Party(ies)”</b>	a third party(ies) which, together with its/their beneficial owner(s) (if any) and to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, is independent of the Company and its Connected Persons
<b>“IST BVI”</b>	Integrated Solutions Technology Limited, a company incorporated in the British Virgin Islands and a Connected Person of the Company
<b>“Listing”</b>	the listing of the shares of the Company on the Stock Exchange
<b>“Listing Rules”</b>	The Rules Governing the Listing of Securities on the Stock Exchange
<b>“L&amp;T Group”</b>	L&T Group of Companies, Ltd., a company incorporated under the laws of Commonwealth of Northern Mariana Islands
<b>“L&amp;T (Guam)”</b>	L&T (Guam) Corporation, a company incorporated under the laws of Guam
<b>“LTID”</b>	Luen Thai International Development Limited, a company incorporated under the laws of Hong Kong and a Connected Person of the Company
<b>“LTIG”</b>	Luen Thai International Group Limited, a company incorporated under the laws of Hong Kong and a subsidiary of the Company
<b>“LTO”</b>	Luen Thai Overseas Limited, a company incorporated in the Bahamas and a direct wholly-owned subsidiary of the Company

<b>“LTO Group”</b>	LTO and its subsidiaries
<b>“Master Agreements”</b>	the Existing Master Agreements and the Renewed Master Agreements
<b>“Percentage Ratios”</b>	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
<b>“Renewed Master Agreement for Leasing Arrangements”</b>	a master agreement dated 15 December 2015 entered into between LTO, Tan Holdings and Helmsley in relation to the leasing of properties between the Group and the Tan Private Group
<b>“Renewed Master Agreement for Technological Support Services”</b>	a master agreement dated 15 December 2015 entered into between LTO and Helmsley, pursuant to which Helmsley and its subsidiaries agreed to provide technological support services to the Group
<b>“Renewed Master Agreements”</b>	the Renewed Master Agreement for Technological Support Services and the Renewed Master Agreement for Leasing Arrangements
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Tan Holdings”</b>	Tan Holdings Corporation, a company incorporated in the Commonwealth of Northern Mariana Islands
<b>“Tan Holdings Group”</b>	Tan Holdings and its subsidiaries
<b>“Tan Private Group”</b>	Helmsley Group and Tan Holdings Group and their respective Associates (other than the Group)
<b>“US\$”</b>	United States dollars, the lawful currency of the United States of America

By order of the Board  
**Chiu Chi Cheung**  
*Company Secretary*

Dated 15 December 2015

As at the date hereof, the Board of Directors of the Company comprise the following Directors:

*Executive Directors:*

Tan Siu Lin (*Chairman*)  
Tan Henry  
Tan Cho Lung, Raymond  
Mok Siu Wan, Anne

*Non-executive Directors:*

Tan Willie  
Lu Chin Chu

*Independent Non-executive Directors:*

Chan Henry  
Cheung Siu Kee  
Seing Nea Yie

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*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 translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rates.*