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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 2019

BACKGROUND

Reference is made to the Announcement in relation to amongst others, to a number of possible continuing connected transactions between the Group and the LTG Group including, amongst others, the transactions under the Existing Master Logistics Agreement and the Existing Lease Agreement. The Existing Master Logistics Agreement and the Existing Lease Agreement will expire on 31 December 2019.

NEW MASTER LOGISTICS AGREEMENT

On 19 December 2019, LTO, the Company's direct wholly-owned subsidiary and CTSI entered into the New Master Logistics Agreement for a term of three years commencing from 1 January 2020 and ending on 31 December 2022, pursuant to which CTSI Group shall provide freight forwarding and logistics services to the Group, subject to the terms and conditions provided therein.

NEW LEASE AGREEMENT

On 19 December 2019, LTO, the Company's direct wholly-owned subsidiary and DGLT entered into the New Lease Agreement for a term of one year commencing from 1 January 2020 and ending on 31 December 2020.

Term: The term shall commence from 1 January 2020 and expire on 31 December 2022. A party may terminate the New Master Logistics Agreement by giving the other party not less than three months written notice in advance.

Subject matter: CTSI Group shall provide freight forwarding and logistics services including but not limited to operations, pick-up services and transportations services (“**Logistics Services**”) to the Group from time to time. Definitive terms of each transaction as contemplated under the New Master Logistics Agreement shall be governed by the provisions of written agreements to be entered into by relevant members of the Group and CTSI Group.

Pricing basis: The fees to be charged by CTSI Group for the Logistics Services shall be on normal commercial terms and shall be determined by the Group and CTSI Group on a case-by-case basis and on an arm’s length basis. Such fees shall be determined based on industry practice and shall be comparable to the prevailing market rates or at rates similar to those offered by CTSI Group to independent third parties, having regard to the costs involved and the actual amount of work done.

Proposed annual caps in respect of the New Master Logistics Agreement

The aggregate fees payable by the Group for the Logistics Services shall not exceed US\$1,500,000 (approximately HK\$11,700,000), US\$1,800,000 (approximately HK\$14,040,000), US\$2,000,000 (approximately HK\$15,600,000) for the years ending on 31 December 2020, 31 December 2021 and 31 December 2022, respectively. The proposed annual caps have been determined with reference to (a) the actual historical amount paid by the Group pursuant to the Existing Master Logistics Agreement, and (b) the industry practice with reference to the prevailing market rates or at rates similar to those offered by CTSI Group to independent third parties, having regard to the costs involved and the actual amount of work done.

Historical Amount

The aggregate fees paid by the Group to CTSI Group under the Existing Master Logistics Agreements were approximately US\$657,000 (approximately HK\$5,125,000), US\$785,000 (approximately HK\$6,123,000), and US\$626,000 (approximately HK\$4,883,000) for the years ended 31 December 2017, 31 December 2018 and for the period from 1 January 2019 to 31 October 2019, respectively, all of which were within the relevant maximum caps as disclosed in the Announcement.

Reasons for and benefits of the New Master Logistics Agreement

The Group currently uses the freight forwarding and logistics services provided by CTSI Group for transportation of its products. The Directors propose to continue to use the freight forwarding and logistics services to be provided by CTSI Group for the purpose of transporting its apparel and bags products in Hong Kong, the Philippines, Cambodia, Vietnam and the United States of America, etc., subject to the relevant terms of such services being more favourable than or at least the same as those provided by other parties.

In view of the above and the basis of determination of the proposed annual caps, the Directors (including the independent non-executive Directors) considers that: (i) the terms of the New Master Logistics Agreement are fair and reasonable and on normal commercial terms; (ii) the New Master Logistics Agreement is in the ordinary and usual course of business of the Group; (iii) the entering into of the New Master Logistics 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 Logistics Agreement and have abstained from voting in the Board resolutions approving the same.

C. NEW LEASE AGREEMENT

The Existing Lease Agreement will expire on 31 December 2019. On 19 December 2019, LTO entered into the New Lease Agreement with DGLT in relation to the leasing of properties between LTO and DGLT. The principal terms of the New Lease Agreement shall be as follows:

Landlord: DGLT

Tenant: LTO

Subject matter: LTO Group may lease certain properties in Guangdong Province, the PRC (including land and building) from DGLT and enter into separate lease agreements, which shall set out specific terms and conditions pursuant to the principles and conditions provided in the New Lease Agreement.

Term: 1 January 2020 to 31 December 2020

Pricing basis: The Tenant shall pay the Landlord monthly rent and monthly management fee for the leasing of the leased properties. Such fees shall be determined based on industry practice and shall be comparable to the prevailing market rates or at rates similar to those offered by the Landlord to independent third parties.

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.

Proposed annual caps in respect of the New Lease Agreement

The aggregate fees payable by the Group respect of the New Lease Agreement shall not exceed US\$2,700,000 (approximately HK\$21,060,000) for the year ending on 31 December 2020. The proposed annual caps have been determined with reference to the (a) historical rent paid by the Group in respect of the leased properties and (b) prevailing market rent for similar properties in similar location.

Historical Amount

The aggregate rent paid by the Group to DGLT under the Existing Lease Agreement were approximately US\$2,845,000 (approximately HK\$22,191,000), US\$2,935,000 (approximately HK\$22,983,000), and US\$1,704,000 (approximately HK\$13,291,000) for the years ended 31 December 2017, 31 December 2018 and for the period from 1 January 2019 to 31 October 2019, respectively, all of which were within the relevant maximum caps as disclosed in the Announcement.

Reasons for and benefits of the New Lease Agreement

The leased properties is currently used by the Group as manufacturing premises and is owned by DGLT.

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 New 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) considers that: (i) the terms of the New Lease Agreement are fair and reasonable and on normal commercial terms; (ii) the New Lease Agreement is in the ordinary and usual course of business of the Group; (iii) the entering into of the New 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 Lease Agreement and abstained from voting on the Board resolutions approving the same.

D. GENERAL INFORMATION

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

CTSI is principally engaged in investment holding and the CTSI Group is principally engaged in the business of freight forwarding and logistics.

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

E. IMPLICATIONS UNDER THE LISTING RULES

CTSI Group and DGLT are both 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. CTSI Group and DGLT are therefore deemed an associate, and hence a connected person of the Company.

New Master Logistics Agreement and the New Lease Agreement

Accordingly the transactions under the New Master Logistics Agreement and the New 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 each of the New Master Logistics Agreement and the New Lease Agreement is more than 0.1% but less than 5%, the transactions under each of the New Logistics Agreement and the New 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.

F. INTERNAL CONTROLS

The Company has established various internal control measures in order to ensure that the transactions under the New Master Logistics Agreement and the New Lease Agreement will be conducted in accordance with the pricing policies of the Group and that the terms of each of the New Master Logistics Agreement and the New 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 managers overseeing the transactions under the New Master Logistics Agreement and the New Lease Agreement 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.
- (ii) The finance department of the Company will also review annually the pricing policies of the transactions under the New Master Logistics Agreement and the New Lease Agreement to ensure that the transactions are charged on the same bases and the same rates for similar services rendered to independent third parties.
- (iii) The finance department of the Company is responsible for collecting data and statistics of the continuing connected transactions under the New Master Logistics Agreement and the New Lease Agreement on a monthly basis to ensure the annual caps approved are not exceeded.
- (iv) 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 Logistics Agreement and the New Lease Agreement) of the Company conducted during the preceding financial year pursuant to the Listing Rules.
- (v) 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.

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 New Master Logistics Agreement and the New Lease Agreement 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.

G. DEFINITIONS

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

“Announcement”	The announcement of the Company dated 26 October 2016
“associate”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	Board of Directors
“Company”	Luen Thai Holdings Limited (stock code: 311), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	shall have the meaning as ascribed to it under the Listing Rules
“CTSI”	CTSI Holdings Limited, a company incorporated in the BVI with limited liability
“CTSI Group”	CTSI and its subsidiaries
“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 Lease Agreement”	the lease agreement in respect of the factory dated 25 October 2016 and entered into by DGLT as the landlord and LTO as the tenant
“Existing Master Logistics Agreement”	the master agreement in relation to the freight forwarding and logistics services dated 25 October 2016 and entered into by LTO and CTSI

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“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 (formerly known as Helmsley Enterprises Limited), 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 Lease Agreement”	the lease agreement in respect of the factory dated 19 December 2019 and entered into by DGLT as the landlord and LTO as the tenant
“New Master Logistics Agreement”	the master agreement in relation to the freight forwarding and logistics services dated 19 December 2019 and entered into by LTO and CTSI
“PRC”	the People’s Republic of China
“Shareholders”	shareholders of the Company
“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 (i) US\$1.00 to HK\$7.8 in respect of the historical annual caps; and (ii) US\$1.00 to HK\$7.8 in respect for the revised annual caps. 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, 19 December 2019

As at the date hereof, the Board comprises the following Directors:

Executive Directors:

Shen Yaoqing (*Chairman*)

Tan Siu Lin (*Honorary Life Chairman*)

Tan Cho Lung, Raymond (*Chief Executive Officer*)

Qu, Zhiming

Mok Siu Wan, Anne

Non-executive Director:

Huang Jie

Independent Non-executive Directors:

Chan Henry

Seing Nea Yie

Wang Ching

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