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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 FACTORY PREMISES AND DORMITORIES LEASE MASTER AGREEMENT

Reference is made to the announcement dated 16 December 2021 in relation to, among other things, the Existing Factory Premises and Dormitories Lease Master Agreement.

In contemplation of the Existing Factory Premises and Dormitories Lease Master Agreement will expire on 31 December 2022, the Board announces that on 21 December 2022, LTO (a direct wholly-owned subsidiary of the Company) and LTG entered into the Factory Premises and Dormitories Lease Master Agreement with a term commencing from 1 January 2023 to 31 December 2023.

As at the date of this announcement, LTG is ultimately owned as to 30% 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. LTG is therefore an associate and a connected person of the Company. No other connected person of the Company holds any interest in the shares of LTG. Accordingly, the transactions contemplated under the Factory Premises and Dormitories Lease Master 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 Factory Premises and Dormitories Lease Master Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Factory Premises and Dormitories Lease Master 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 announcement dated 16 December 2021 in relation to, among other things, the Existing Factory Premises and Dormitories Lease Master Agreement.

In contemplation of the Existing Factory Premises and Dormitories Lease Master Agreement will expire on 31 December 2022, the Board announces that on 21 December 2022, LTO (a direct wholly-owned subsidiary of the Company) and LTG entered into the Factory Premises and Dormitories Lease Master Agreement with a term commencing from 1 January 2023 to 31 December 2023.

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, 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

21 December 2022

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 2023 to 31 December 2023;
- 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 RMB571,000. The leases include (i) the factory with floor area of approximately 18,600 square meters at a monthly rate of approximately RMB20 per square meter; (ii) fixed dormitory for workers at a monthly rate ranging from RMB450 to RMB530 per room; (iii) staff quarter for employees at a monthly rate ranging from RMB1,000 to RMB2,000 per room; and (iv) temporary dormitory (i.e. for temporary workers or guests) at a daily rate ranging from RMB280 to RMB500 per room. The rent of dormitory and staff quarter will be charged based on actual occupancy rate; 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 landlords and shall be on terms which are no less favourable to the Group than those offered by independent third party landlords.

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 contemplated 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\$1,324,000 (approximately HK\$10,393,400) for the period from 1 January 2022 to 30 November 2022.

(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\$1,700,000 (approximately HK\$13,345,000) for the year ending on 31 December 2023. 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 2022 to 30 November 2022; (ii) the floor area of the factory premises, the expected occupancy rate of the dormitory and staff quarter contemplated under the Factory Premises and Dormitories Lease Master Agreement; and (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, an executive Director, has a material interest in the transactions contemplated under the Factory Premises and Dormitories Lease Master Agreement and has therefore abstained from voting on the Board resolutions approving the same. Mr. Tan Cho Lung, Raymond, son of Dr. Tan Siu Lin and an executive Director, has also voluntarily abstained from voting 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 and is ultimately owned as to 30% by a discretionary family trust founded by Dr. Tan Siu Lin, an executive Director of the Company. No other connected person of the Company holds any interest in the shares of LTG. Dr. Tan Henry (son of Dr. Tan Siu Lin and an independent third party) ultimately owns 49% of the interests in LTG. No other person holds 30% or more of the voting power of LTG.

D. IMPLICATIONS UNDER THE LISTING RULES

LTG is ultimately owned as to 30% 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. LTG is therefore an associate and a connected person of the Company. No other connected person of the Company holds any interest in the shares of LTG. Accordingly, the transactions contemplated under the Factory Premises and Dormitories Lease Master 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 Factory Premises and Dormitories Lease Master Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Factory Premises and Dormitories Lease Master 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 contemplated under the Factory Premises and Dormitories Lease Master Agreement will be conducted in accordance with the pricing policies of the Group and that the terms of the Factory Premises and Dormitories Lease Master 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 Factory Premises and Dormitories Lease Master 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 Factory Premises and Dormitories Lease Master 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 contemplated under the Factory Premises and Dormitories Lease Master 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 Group 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 with limited liability, 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 LTO and LTG dated 16 December 2021
“Factory Premises and Dormitories Lease Master Agreement”	the factory premises and dormitories lease master agreement entered into between LTO and LTG dated 21 December 2022
“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) or company(ies) which 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
“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\$7.85. 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
Chiu Chi Cheung
Company Secretary

Hong Kong, 21 December 2022

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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