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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 OFFICE LEASE MASTER AGREEMENT

Reference is made to the announcement of the Company dated 16 December 2021 in relation to, among other things, the Existing Office Lease Master Agreement.

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

As at the date of this announcement, LTID is indirectly owned and controlled by Dr. Tan Siu Lin, a Director of the Company. It is therefore an associate and hence connected person of the Company. Accordingly, the transactions contemplated under the Office 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 Office Lease Master Agreement is more than 0.1% but less than 5%, the transactions under the Office 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 of the Company dated 16 December 2021 in relation to, among other things, the Existing Office Lease Master Agreement.

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

B. OFFICE LEASE MASTER AGREEMENT

(1) Background

The Group is currently leasing certain properties in Hong Kong from LTID mainly as office premises. As the Group will continue to lease these properties from LTID, LTO and LTID entered into the Office Lease Master Agreement to better regulate the leasing of office premises.

(2) Office Lease Master Agreement

Date

21 October 2022

Parties

- (i) LTO (a direct wholly-owned subsidiary of the Company), for itself and on behalf of the Group
- (ii) LTID

Principal terms

The principal terms of the Office Lease Master Agreement are as follows:

- the Office Lease Master Agreement is valid from 1 January 2023 to 31 December 2023;
- the leased properties shall mainly be used for the purpose of office premises;
- the Group and LTID will enter into separate lease agreements which will set out the specific terms and conditions according to the principles provided in the Office Lease Master Agreement;
- the monthly rate of the properties shall be an average of approximately HK\$15 per sq. feet; 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 under the Office Lease Master Agreement: (i) attributes of the leased properties; (ii) location and condition 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 rentals paid by the Group in respect of leasing arrangements under the Existing Office Lease Master Agreement during nine-month period ended 30 September 2022 amounted to approximately US\$672,000 (or approximately HK\$5,275,200) which were within the relevant maximum cap as disclosed in the announcement 16 December 2021.

(4) Proposed annual cap and basis of determination

The aggregate fees payable by the Group in respect of the Office Lease Master Agreement shall not exceed US\$1,000,000 (approximately HK\$7,850,000) 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 rent paid by the Group for the leased properties; (ii) the possible relocations of certain members of the Group; (iii) the lease which may or will be entered into by the Group with LTID; (iv) the market rates for properties of similar quality in similar locations; and (v) provision of a buffer to cover a possible fluctuation in market rental of office premises in Hong Kong.

(5) Reasons for and benefits of the transactions under the Office Lease Master Agreement

For the leasing arrangements under the Office Lease Master Agreement, the Group will benefit from such leasing arrangements for cost efficiency and better utilization of the Group's office premises, which is beneficial to the Group as a whole. The rentals payable by the Group pursuant to the Office 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.

Based on the above, 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 Office Lease Master Agreement 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.

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 Office Lease Master Agreement. Accordingly, they have abstained from voting on the relevant Board resolutions to approve the Office Lease Master Agreement and the transactions contemplated thereunder.

C. INFORMATION ON THE PARTIES

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

LTID is principally engaged in property investment holding.

D. IMPLICATIONS UNDER THE LISTING RULES

LTID is indirectly owned and controlled by Dr. Tan Siu Lin, a Director of the Company. It is therefore an associate and hence connected person of the Company. Accordingly, the transactions contemplated under the Office 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 Office Lease Master Agreement is more than 0.1% but less than 5%, the transactions under the Office 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 continuing connected transactions (including the Office Lease Master Agreement) will be conducted in accordance with the pricing policies of the Group and that the terms of the Office 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 Office Lease Master Agreement on a monthly basis to ensure the annual cap approved is 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 Office Lease Master Agreement and will not exceed the annual cap.
- (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 Office 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 review 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 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, 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 Office Lease Master Agreement”	the office lease master agreement entered into between LTO and LTG dated 16 December 2021
“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 People’s Republic of China
“independent third party(ies)”	Person(s) who 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
“LTID”	Luen Thai International Development Limited, a company incorporated in Hong Kong
“LTO”	Luen Thai Overseas Limited, a company incorporated in the Bahamas, which is a direct wholly-owned subsidiary of the Company
“Office Lease Master Agreement”	the office lease master agreement entered into between LTO and LTID dated 21 October 2022

“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 October 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

Website: www.luenthai.com