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## **LUEN THAI HOLDINGS LIMITED**

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

**(Stock Code: 311)**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTION IN RELATION TO THE LOGISTICS MASTER AGREEMENT**

#### **BACKGROUND**

Reference is made to the announcements of the Company dated 19 December 2019 and 27 December 2019 in relation to, among other things, the Existing Logistics Master Agreement.

In contemplation of the fact that the Existing Logistics Master Agreement will expire on 31 December 2022, the Board announces that on 9 December 2022, LTO, the Company's direct wholly-owned subsidiary and CTSI entered into the Logistics Master Agreement for a term of three years commencing from 1 January 2023 and ending on 31 December 2025, pursuant to which CTSI Group shall provide freight forwarding and logistics services to the Group, subject to the terms and conditions provided therein.

#### **LISTING RULES IMPLICATIONS**

CTSI is an indirect wholly-owned subsidiary of LTG. LTG is ultimately owned as to 30% by a discretionary family trust founded by Dr. Tan Siu Lin, being 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. Therefore, LTG is a connected person of the Company. CTSI is a deemed associate of LTG, and hence 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 Logistics 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 Logistics Master Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Logistics 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 announcements of the Company dated 19 December 2019 and 27 December 2019 in relation to, among other things, the Existing Logistics Master Agreement.

In contemplation of the fact that the Existing Logistics Master Agreement will expire on 31 December 2022, the Board announces that on 9 December 2022, LTO, the Company's direct wholly-owned subsidiary and CTSI entered into the Logistics Master Agreement for a term of three years commencing from 1 January 2023 and ending on 31 December 2025, pursuant to which CTSI Group shall provide freight forwarding and logistics services to the Group, subject to the terms and conditions provided therein.

## **B. LOGISTICS MASTER AGREEMENT**

The Existing Logistics Master Agreement will expire on 31 December 2022. The Directors expect that the Group will continue to require freight forwarding and logistics services from time to time. In this connection, LTO entered into the Logistics Master Agreement with CTSI on 9 December 2022.

The principal terms of the Logistics Master Agreement are as follows:

- Parties: LTO, for itself and on behalf of the Group; and  
CTSI, for itself and on behalf of other members of the CTSI Group
- Term: The term shall commence from 1 January 2023 and expire on 31 December 2025. Either party may terminate the Logistics Master 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 Logistics Master 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 overall terms and conditions (including but not limited to service fees) as a whole of the Logistics Services provided by CTSI Group shall be no less favourable to the Group than those offered by independent third-party service providers and shall be on normal commercial terms and negotiated on an arm’s length basis.

The service fees shall be determined between the parties with reference to the prevailing market prices and prevailing prices charged by independent third-party service providers of same or substantially similar services, taking into account the freight volume and size, nature and requirements of items on freight, mode of shipment, delivery schedule and territory for delivery.

In addition, when determining the terms of the transaction contemplated under the Logistics Master Agreement, the Group will also take into account various factors including, but not limited to (i) compliance record; (ii) quality control capability; (iii) payment and credit terms; and (iv) capacity, and will benchmark these factors with the terms offered by independent third party service providers so as to ensure that the overall terms and conditions (including but not limited to services fees) offered by the CTSI Group are fair and reasonable.

Payment terms: Payment of services fees will be made according to the payment terms of the individual agreement for each transaction between the parties, which will be determined by arm’s length negotiations between the parties with reference to, among others, the amount of services fees payable.

## **Proposed annual caps in respect of the Logistics Master Agreement**

The aggregate fees payable by the Group for the Logistics Services shall not exceed US\$1,600,000 (approximately HK\$12,560,000), US\$1,700,000 (approximately HK\$13,345,000) and US\$1,800,000 (approximately HK\$14,130,000) for the years ending on 31 December 2023, 31 December 2024 and 31 December 2025, respectively. The proposed annual caps have been determined with reference to (a) the actual historical amount paid by the Group pursuant to the Existing Logistics Master Agreement; (b) expected increase in demand by the Group for the captive logistics services from CTSI Group; (c) 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; and (d) a buffer for any unexpected additional logistics services to be demanded by the Group.

### ***Historical Amount***

The actual services fees paid by the Group to CTSI Group under the Existing Logistics Master Agreements for the years ended 31 December 2020 and 31 December 2021 were approximately US\$572,000 (approximately HK\$4,490,200) and US\$758,000 (approximately HK\$5,950,300), respectively, all of which were within the existing annual caps. The actual services fees paid by the Group to CTSI Group for the ten-month period ended 31 October 2022 amounted to approximately US\$1,282,000 (approximately HK\$10,063,700), and the total services fees for the year ending 31 December 2022 are also expected to be within the annual cap as set out by the Existing Logistics Master Agreement.

### **Reasons for and benefits of the Logistics Master Agreement**

The Group has been using the freight forwarding and logistics services provided by CTSI Group for transportation of its products for over 20 years. CTSI Group has a proven track record in providing Logistics Services in a timely and satisfactory manner as demonstrated from its previous transactions with the Group. Hence, the management of the Group intend to continue to use the 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 independent third-party service providers.

Given the long-standing relationship of the Group with CTSI Group, the Company believes that CTSI Group is a reliable business partner and the Group is in a better position to meet the relevant customers' requirements on products delivery with the reliable Logistics Services to be provided by CTSI Group contemplated under the Logistics Master Agreement. The Directors also noted that, pursuant to the terms of the Logistics Master Agreement, the Group is not precluded from engaging other

independent third-party service providers to provide freight forwarding and logistics services to the Group should such service providers offer comparable services at more favourable rates from time to time.

In view of the above and the basis of determination of the proposed annual caps, the Directors (including the independent non-executive Directors) consider that: (i) the terms and conditions of the Logistics Master Agreement are fair and reasonable and on normal commercial terms; (ii) the Logistics Master Agreement is entered into in the ordinary and usual course of business of the Group; (iii) the entering into of the Logistics 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 Logistics 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. GENERAL INFORMATION**

LTO is an investment holding company and a direct wholly-owned subsidiary of the Company. The Group is principally engaged in the manufacturing and trading of apparel and accessories.

CTSI is an investment holding company and an indirect wholly-owned subsidiary of LTG. The CTSI Group is principally engaged in the business of freight forwarding and logistics.

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**

CTSI is an indirect wholly-owned subsidiary of LTG. LTG is ultimately owned as to 30% by a discretionary family trust founded by Dr. Tan Siu Lin, being 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. Therefore, LTG is a connected person of the Company. CTSI is a deemed associate of LTG, and hence 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 Logistics 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 Logistics Master Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Logistics 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 Logistics Master Agreement will be conducted in accordance with the pricing policies of the Group and that the terms of the Logistics Master Agreement are on normal commercial terms or on terms no less favourable than those terms offered by independent third parties for similar services (as the case may be) in the ordinary and usual course of business. Such internal control measures mainly include the following:

- (i) The management of the Group will, as far as reasonably practicable, obtain price quotations from other independent third party service providers for comparable services from time to time subject to practical availability for the purpose of ensuring that the prices and terms for the said services to be offered by the CTSI Group to the Group will be based on prevailing market terms and no less favourable to the Group than those offered by other independent third party service providers.
- (ii) The managers overseeing the transactions will conduct regular checks on whether the transactions contemplated under the Logistics Master Agreement are conducted in accordance with the agreed service contract terms and ensure that the service fees are determined in accordance with the pricing basis set out in the Logistics Master Agreement.
- (iii) The finance department of the Company is responsible for collecting data and statistics of the continuing connected transactions contemplated under the Logistics Master Agreements on a monthly basis to ensure the annual caps approved are not exceeded, and notify the management when the annual cap is close to being fully utilized.
- (iv) The finance department of the Company will also submit information relating to the continuing connected transactions 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 Logistics Master Agreement and will not exceed the annual cap.

- (v) 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 contemplated under the Logistics Master Agreement) of the Company conducted during the preceding financial year pursuant to the Listing Rules.
- (vi) The independent non-executive Directors will conduct annual review with respect to the continuing connected transactions of the Group 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 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 Logistics Master 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.

## **F. DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and 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 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
“Director(s)”	the director(s) of the Company
“Existing Logistics Master Agreement”	the master agreement in relation to the freight forwarding and logistics services dated 19 December 2019 and entered into by LTO and CTSI
“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) 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
“Logistics Master Agreement”	the master agreement in relation to the freight forwarding and logistics services dated 9 December 2022 and entered into by LTO and CTSI
“LTG”	Luen Thai Group Ltd, a company incorporated in the Bahamas
“LTO”	Luen Thai Overseas Limited, a company incorporated in the Bahamas, which is a direct wholly-owned subsidiary of the Company
“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, 9 December 2022

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

Website: [www.luenthai.com](http://www.luenthai.com)