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TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

添利工業國際(集團)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTION

The Board wishes to announce that on 4 March 2020, Termbay (Fujian), a wholly-owned subsidiary of the Company, as landlord and Mr. Lee Wing Keung as tenant entered into the 2020 Tenancy Agreement, pursuant to which Mr. Lee Wing Keung will rent the Property from Termbay (Fujian) for a term of three years commencing on 16 March 2020 and expiring on 15 March 2023 at a monthly rent of HK\$155,000 (exclusive of rates, management fees and utility charges) for domestic purposes.

Mr. Lee Wing Keung is the son of Mr. Lee Lap (an executive Director and the Chairman of the Company) and the brother of Mr. Tommy Lee (an executive Director and the Vice Chairman and Chief Executive Officer of the Company) and, as such, is an associate of Mr. Lee Lap and Mr. Tommy Lee respectively and therefore a connected person of the Company under Rule 14A.12(2)(a) of the Listing Rules. Accordingly, the entering into of the 2020 Tenancy Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As Mr. Lee Lap and Mr. Tommy Lee are regarded as having a material interest in the 2020 Tenancy Agreement, they have abstained from voting on the board resolutions of the Company approving the entering into of the 2020 Tenancy Agreement.

As the total consideration under the 2020 Tenancy Agreement is less than HK\$10,000,000 and the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the highest annual cap for the transactions contemplated under the 2020 Tenancy Agreement are less than 25%, the 2020 Tenancy Agreement constitutes a continuing connected transaction of the Company which is subject to the reporting and announcement requirements but exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Termbay (Fujian) and Mr. Lee Wing Keung on 20 February 2017 entered into the Existing Tenancy Agreement whereby Termbay (Fujian) agreed to lease to Mr. Lee Wing Keung the Property for a term of three years commencing on 16 March 2017 and expiring on 15 March 2020, details of which were disclosed in the announcement of the Company dated 20 February 2017. Since the Existing Tenancy Agreement will expire on 15 March 2020, Termbay (Fujian) and Mr. Lee Wing Keung have agreed to renew the Existing Tenancy Agreement and have therefore entered into the 2020 Tenancy Agreement.

THE 2020 TENANCY AGREEMENT

Parties

Landlord: Termbray (Fujian), a wholly-owned subsidiary of the Company

Tenant: Mr. Lee Wing Keung, the son of Mr. Lee Lap (an executive Director and the Chairman of the Company) and the brother of Mr. Tommy Lee (an executive Director and the Vice Chairman and Chief Executive Officer of the Company)

Date

4 March 2020

Property to be let

The Property, being the subject matter of the 2020 Tenancy Agreement, is owned by Termbray (Fujian) and is a residential property situated in Hong Kong Island with a gross floor area of approximately 334 square metres.

Term

The term of the 2020 Tenancy Agreement is for three years commencing on 16 March 2020 and expiring on 15 March 2023.

Use

The property shall be used for domestic purposes.

Rent and payment terms

The monthly rent for the Property is HK\$155,000 (exclusive of rates, management fees and utility charges), amounting to a rent of HK\$1,860,000 per annum. The monthly rent is payable monthly in advance on the first day of each month.

The terms (including without limitation, the rent and the payment terms) of the 2020 Tenancy Agreement were negotiated and determined after arm's length negotiations between the parties thereto.

In particular, the monthly rent was determined with reference to the prevailing market rental value of the Property as appraised by Vigers Appraisal & Consulting Limited, an independent property valuer. According to the valuation report of Vigers Appraisal & Consulting Limited, as at 31 January 2020, the market rental value of the Property is HK\$155,000 per month (exclusive of rates, management fees and utility charges), which is comparable to similar properties in the vicinity.

Break clause

Each of Mr. Lee Wing Keung as Tenant and Termbray (Fujian) as Landlord has an option to terminate the 2020 Tenancy Agreement after the expiration of 12 months from 16 March 2020, either:–

- (a) by giving to the other party not less than six calendar months' prior notice in writing of its intention to do so (such written notice not to be given earlier than 12 months from 16 March 2020); or
- (b) by paying to the other party an amount equal to six months' rent under the 2020 Tenancy Agreement, in lieu of the aforementioned notice.

Upon the expiration of such notice or upon payment of such sum in lieu of such notice, the 2020 Tenancy Agreement will terminate but without prejudice to any rights or remedies accrued before the termination of the 2020 Tenancy Agreement.

HISTORICAL FIGURES AND ANNUAL CAPS

Under the Existing Tenancy Agreement, the monthly rent for the Property is HK\$163,000 (exclusive of rates, management fees and utility charges), amounting to a rent of HK\$1,956,000 per annum. The following table sets out the rent received/receivable by the Group from Mr. Lee Wing Keung under the Existing Tenancy Agreement for each of the three years ended 31 March 2019 and the year ending 31 March 2020:

	Rent received/receivable (HK\$)			
For the year ended 31 March 2017	For the year ended 31 March 2018	For the year ended 31 March 2019	For the year ending 31 March 2020	
84,129	1,956,000	1,956,000	1,871,871	

None of the aforesaid amounts have exceeded or will exceed their respective annual caps for the corresponding financial years.

It is expected that the aggregate rental income receivable by the Group from Mr. Lee Wing Keung under the 2020 Tenancy Agreement will not exceed the annual caps as set out below:

	Rent receivable (HK\$)			
For the year ending 31 March 2020	For the year ending 31 March 2021	For the year ending 31 March 2022	For the year ending 31 March 2023	
80,000	1,860,000	1,860,000	1,780,000	

Such annual caps are determined based on the monthly rental of HK\$155,000 (exclusive of rates, management fees and utility charges), being the monthly rental prescribed under the 2020 Tenancy Agreement and the Directors (including the independent non-executive Directors) have confirmed that such annual caps are fair and reasonable.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Lee Wing Keung is the son of Mr. Lee Lap (an executive Director and the Chairman of the Company) and the brother of Mr. Tommy Lee (an executive Director and the Vice Chairman and Chief Executive Officer of the Company) and, as such, is an associate of Mr. Lee Lap and Mr. Tommy Lee respectively and therefore a connected person of the Company under Rule 14A.12(2)(a) of the Listing Rules. Accordingly, the entering into of the 2020 Tenancy Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As Mr. Lee Lap and Mr. Tommy Lee are regarded as having a material interest in the 2020 Tenancy Agreement, they have abstained from voting on the board resolutions of the Company approving the entering into of the 2020 Tenancy Agreement.

As the total consideration under the 2020 Tenancy Agreement is less than HK\$10,000,000 and the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the highest annual cap for the transactions contemplated under the 2020 Tenancy Agreement are less than 25%, the 2020 Tenancy Agreement constitutes a continuing connected transaction of the Company which is subject to the reporting and announcement requirements but exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

REASONS AND BENEFITS FOR ENTERING INTO THE 2020 TENANCY AGREEMENT

The Directors (including the independent non-executive Directors) believe that the tenancy under the 2020 Tenancy Agreement will provide a stable source of income for the Company and are of the view that the terms of the 2020 Tenancy Agreement are fair and reasonable and that the 2020 Tenancy Agreement is on normal commercial terms and in the ordinary and usual course of business of the Company and in the best interests of the Company and the shareholders of the Company as a whole.

GENERAL

The Group is principally engaged in property investment and development, and money lending business.

DEFINITIONS

“2020 Tenancy Agreement”	the tenancy agreement dated 4 March 2020 entered into between Termbray (Fujian) as landlord and Mr. Lee Wing Keung as tenant in respect of the Property, details of which are disclosed in the section headed “THE 2020 TENANCY AGREEMENT” of this announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Termbray Industries International (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Existing Tenancy Agreement”	the tenancy agreement dated 20 February 2017 entered into between Termbray (Fujian) as lessor and Mr. Lee Wing Keung as lessee in respect of the Property, details of which are disclosed in the announcement of the Company dated 20 February 2017
“Group”	the Company together with its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	a residential property situated in Hong Kong Island with a gross floor area of approximately 334 square metres and which is owned by Termbray (Fujian)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Termbray (Fujian)”	Termbray (Fujian) Land Development Company Limited, a wholly-owned subsidiary of the Company

By order of the Board
Termbray Industries International (Holdings) Limited
Lee Lap
Chairman

Hong Kong, 4 March 2020

The Directors of the Company as at the date of this announcement are as follows:

Executive Directors:

Mr. Lee Lap (*Chairman*)

Mr. Tommy Lee (*Vice Chairman & Chief Executive Officer*)

Mr. Wong Shiu Kee

Independent Non-Executive Directors:

Mr. Lo Yiu Hee

Mr. Tong Hin Wor

Mr. Ching Yu Lung