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TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTION

The Board wishes to announce that on 20 February 2017, Termbray (Fujian), a wholly-owned subsidiary of the Company, as landlord and Mr. Lee Wing Keung as tenant entered into the Tenancy Agreement, pursuant to which Mr. Lee Wing Keung will rent the Property from Termbray (Fujian) for a term of three years commencing on 16 March 2017 and expiring on 15 March 2020 at a monthly rent of HK\$163,000 (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 Mdm. Leung Lai Ping (an executive Director) and is also 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, Mdm. Leung Lai Ping 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 Tenancy Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As Mr. Lee Lap, Mdm. Leung Lai Ping and Mr. Tommy Lee are regarded as having a material interest in the Tenancy Agreement, they have abstained from voting on the board resolutions of the Company in approving the entering into of the Tenancy Agreement.

As the total consideration under the Tenancy Agreement is less than HK\$10,000,000 and the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the transaction contemplated under the Tenancy Agreement are less than 25%, the 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

Termbray (Fujian) and Mr. Lee Wing Keung on 14 March 2014 entered into the Existing Lease Agreement whereby Termbray (Fujian) agreed to lease to Mr. Lee Wing Keung the Property for a term of three years commencing on 16 March 2014 and expiring on 15 March 2017, details of which were disclosed in the announcement of the Company dated 14 March 2014. Since the Existing Lease Agreement will expire on 15 March 2017, Termbray (Fujian) and Mr. Lee Wing Keung have agreed to renew the Existing Lease Agreement and have entered into the Tenancy Agreement.

THE 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 Mdm. Leung Lai Ping (an executive Director) and is also the brother of Mr. Tommy Lee (an executive Director and the Vice Chairman and Chief Executive Officer of the Company)

Date

20 February 2017

Property to be let

The Property, the subject matter of the 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 Tenancy Agreement is for three years commencing on 16 March 2017 and expiring on 15 March 2020.

Use

The property shall be used for domestic purposes.

Rent and payment terms

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 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 Tenancy Agreement were negotiated and determined after arm's length negotiations between the parties thereunder and with reference to the market rental value of the Property as valued by Vigers Appraisal & Consulting Limited, an independent property valuer not connected with any Director, chief executive or substantial shareholder of the Company or any of their subsidiaries, or associates of any of them. The valuation report of Vigers Appraisal & Consulting Limited states that as at 31 January 2017, the market rental value of the Property is HK\$163,000 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 Tenancy Agreement after the expiration of 12 months from 16 March 2017, 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 2017); or
- (b) by paying to the other party an amount equal to six months' rent under the 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 Tenancy Agreement will terminate.

HISTORICAL FIGURES AND ANNUAL CAPS

Under the Existing Lease Agreement, the monthly rent for the Property is HK\$157,000 (exclusive of rates, management fees and utility charges), amounting to a rent of HK\$1,884,000 per annum. The following table sets out the rent received/receivable by the Group from Mr. Lee Wing Keung under the Existing Lease Agreement for each of the three years ended 31 March 2016 and the year ending 31 March 2017:

| For the year ended 31 March 2014 | Rent received/receivable (HK\$) | | | For the year ending 31 March 2017 |
|---|---|---|--|--|
| | For the year ended 31 March 2015 | For the year ended 31 March 2016 | | |
| 81,032 | 1,884,000 | 1,884,000 | | 1,802,968 |

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 Tenancy Agreement will not exceed the annual caps as set out below:

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

Such annual caps are determined based on the monthly rental of HK\$163,000 (exclusive of rates, management fees and utility charges), being the monthly rental prescribed under the 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 Mdm. Leung Lai Ping (an executive Director) and is also 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, Mdm. Leung Lai Ping 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 Tenancy Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As Mr. Lee Lap, Mdm. Leung Lai Ping and Mr. Tommy Lee are regarded as having a material interest in the Tenancy Agreement, they have abstained from voting on the board resolutions of the Company in approving the entering into of the Tenancy Agreement.

As the total consideration under the Tenancy Agreement is less than HK\$10,000,000 and the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the transaction contemplated under the Tenancy Agreement are less than 25%, the 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 TENANCY AGREEMENT

The Directors (including the independent non-executive Directors) believe that the Tenancy will provide additional stable income for the Company and are of the view that the terms of the Tenancy Agreement are fair and reasonable and that the 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.

DEFINITIONS

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|-----------------------|---|
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Company” | Termbay 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 Lease Agreement” | the existing lease agreement dated 14 March 2014 entered into between Termbray (Fujian) as lessor and Mr. Lee Wing Keung as lessee, details of which are disclosed in the announcement of the Company dated 14 March 2014 |
| “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 |
| “Tenancy” | the tenancy contemplated under the Tenancy Agreement |
| “Tenancy Agreement” | the tenancy agreement dated 20 February 2017 entered into between Termbray (Fujian), a wholly owned subsidiary of the Company, as landlord and Mr. Lee Wing Keung as tenant, details of which are disclosed in the section headed “THE TENANCY AGREEMENT” of this announcement |
| “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, 20 February 2017

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*)

Mdm. Leung Lai Ping

Mr. Wong Shiu Kee

Independent Non-Executive Directors:

Mr. Lo Yiu Hee

Mr. Tong Hin Wor

Mr. Ching Yu Lung

Non-Executive Director:

Mr. Lee Ka Sze, Carmelo