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MELBOURNE ENTERPRISES LIMITED

萬邦投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 158)

SUPPLEMENTAL ANNOUNCEMENT

**CONTINUING CONNECTED TRANSACTION
IN RELATION TO TENANCY AGREEMENT**

Reference is made to the announcements of the Company in relation to the New Tenancy Agreement and the reduction of Monthly Total Amounts payable by Foo Hang under the New Tenancy Agreement for the period from 1 November 2019 to 31 August 2020 and from 1 September 2020 to 30 November 2020. Pursuant to the written request from Foo Hang, the Company had agreed to reduce the Monthly Total Amounts payable by Foo Hang under the New Tenancy Agreement to HK\$419,636 per month (inclusive of rental fee, air-conditioning charges and management fees) for a further period from 1 December 2020 to 28 February 2021.

As Foo Hang is owned by Mr. Lo, an independent non-executive Director, and certain of his family members and relatives, Foo Hang is a deemed connected person of the Company under the Listing Rules and the transactions contemplated under the New Tenancy Agreement, as revised by (i) the rental reductions disclosed in the Supplemental Announcements and (ii) the Rental Revision, constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Revised 2021 Annual Cap Amount does not exceed HK\$3,000,000 and all applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules are less than 5%, the transactions contemplated under the New Tenancy Agreement, as revised by (i) the rental reductions disclosed in the Supplemental Announcements and (ii) the Rental Revision for the financial year ending 30 September 2021 falls within the definition of a de minimis transaction under Rule 14A.76(1) of the Listing Rules which is fully exempted from shareholders' approval, annual review and all disclosure requirements. However, as the Rental Revision constitutes a material change to the terms of New Tenancy Agreement, the Company is required to disclose the Rental Revision by way of announcement in accordance with Rule 14A.54 of the Listing Rules.

Reference is made to the announcement of the Company dated 26 February 2019 in relation to the New Tenancy Agreement entered into between the Company as landlord and Foo Hang as tenant on

the leasing of the Premises for the period from 1 March 2019 to 28 February 2021 (the **“Announcement”**), and the announcements of the Company dated 12 June 2020 and 9 September 2020 in relation to the reduction of the monthly rental, air-conditioning charges and management fee (collectively the **“Monthly Total Amounts”**) payable by Foo Hang under the New Tenancy Agreement for the period (a) from 1 November 2019 to 31 August 2020 and (b) from 1 September 2020 to 30 November 2020 respectively (collectively, the **“Supplemental Announcements”**). Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as defined in the Announcement.

REVISION OF AMOUNTS PAYABLE UNDER THE NEW TENANCY AGREEMENT

Pursuant to the written request from Foo Hang, the Company had by way of letter issued to Foo Hang on 17 November 2020 (which letter was countersigned by Foo Hang) agreed to reduce the Monthly Total Amounts payable by Foo Hang under the New Tenancy Agreement to HK\$419,636 per month (inclusive of rental fee, air-conditioning charges and management fees) for a further period from 1 December 2020 to 28 February 2021 (the **“Rental Revision”**).

Save for the Rental Revision, all other terms and conditions of the New Tenancy Agreement (as revised by the rental reductions disclosed in the Supplemental Announcements) remain unchanged, and the New Tenancy Agreement as revised by (i) the rental reductions disclosed in the Supplemental Announcements and (ii) the Rental Revision continues to be effective and binding on the Company and Foo Hang.

Based on the Rental Revision and catering for additional air-conditioning charges which may be payable by Foo Hang to the Company in the event that Foo Hang uses air-conditioning services outside of normal hours, it is expected that the annual maximum amount payable to the Company under the New Tenancy Agreement as revised by (i) the rental reductions disclosed in the Supplemental Announcements and (ii) the Rental Revision for the financial year ending 30 September 2021 will not exceed HK\$2,100,000 (the **“Revised 2021 Annual Cap Amount”**).

REASONS FOR AND BASIS OF THE RENTAL REVISION

In light of the economic downturn brought about by the continuous social incidents in Hong Kong since June 2019 and the ongoing novel coronavirus (**“COVID-19”**) outbreak, the Company had from time to time received requests for rental reduction from its tenants. Although the Company will not spontaneously offer rental reductions, if a tenant approaches it to request for rental reduction, the Company, like other landlords in Hong Kong, will engage in discussions/negotiations with such tenants to reduce the rent payable for a fixed period to allow them to cope with the recent decline of their businesses. The Company considers that granting rental reductions to its tenants would assist such tenants to sustain their business and to continue to pay the rent on time, thereby ensuring the continuation of the stable income generated by the leasing out of properties by the Company. Considering the COVID-19 outbreak remains severe, and the preventive measures remaining in force which have continued to materially and adversely affect the business of the retail industry, the Rental Revision granted to Foo Hang will continue to serve the aforementioned purposes.

The rental reduction granted to each tenant was determined on a case by case basis. In arriving at a percentage of reduction, the Company would take into account factors such as the type of business of the tenant and the extent of impact of the social incidents, COVID-19 outbreak and recent economic condition on the tenant’s business. Further, when considering the rental reduction for its retail business tenants, the Company will also make reference to the statistics released by the Census and Statistics Department with respect to the percentage decline in the value of total retail sales as well as the

percentage decline in sales of different types of retail outlets, and the Rental Revision has reflected such decline. Up to the date of this announcement, the Company had during the year 2020 granted rental reduction to more than 200 tenants of Melbourne Plaza, and in general, the rental reduction granted by the Company to its tenants ranges from 10% to 50%. The Rental Revision is within such range and had been negotiated and arrived at on an arm's length basis and in accordance with normal commercial terms after taking into account the factors mentioned above.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Rental Revision and the Revised 2021 Annual Cap Amount are fair and reasonable, and the Rental Revision is in the interests of the Company and the shareholders of the Company as a whole. In view of the interests of Mr. Lo and his family members and relatives in Foo Hang and Mr. Lo being a director of Foo Hang, Mr. Lo had abstained from voting in respect of the resolutions proposed at the meeting of the Board to approve the Rental Revision and the Revised 2021 Annual Cap Amount.

LISTING RULES IMPLICATIONS

As Foo Hang is owned by Mr. Lo, an independent non-executive Director, and certain of his family members and relatives, Foo Hang is a deemed connected person of the Company under the Listing Rules and the transactions contemplated under the New Tenancy Agreement, as revised by (i) the rental reductions disclosed in the Supplemental Announcements and (ii) the Rental Revision, constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Revised 2021 Annual Cap Amount does not exceed HK\$3,000,000 and all applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules are less than 5%, the transactions contemplated under the New Tenancy Agreement, as revised by (i) the rental reductions disclosed in the Supplemental Announcements and (ii) the Rental Revision for the financial year ending 30 September 2021 falls within the definition of a de minimis transaction under Rule 14A.76(1) of the Listing Rules which is fully exempted from shareholders' approval, annual review and all disclosure requirements. However, as the Rental Revision constitutes a material change to the terms of New Tenancy Agreement, the Company is required to disclose the Rental Revision by way of announcement in accordance with Rule 14A.54 of the Listing Rules.

GENERAL

The principal activities of the Company are property investment and investment holding in Hong Kong.

The principal activity of Foo Hang is diamond and jewellery wholesale and retail.

By Order of the Board
MELBOURNE ENTERPRISES LIMITED
萬邦投資有限公司
Chung Yin Shu, Frederick
Director

Hong Kong, 17 November 2020

As at the date of this announcement, the Board comprises (a) three executive directors, namely Mr. Chung Ming Fai, Mr. Chung Yin Shu, Frederick and Mr. Tsang On Yip, Patrick (Mr. Kenneth Lau as his alternate); (b) one non-executive director, namely Mr. Chung Wai Shu, Robert; and (c) three independent non-executive directors, namely Dr. Fong Yun Wah, Mr. Lo Pak Shiu and Mr. Yuen Sik

Ming, Patrick.