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

**(Stock Code: 2381)**

## **CONNECTED TRANSACTIONS – RENEWAL OF TENANCY AGREEMENTS**

### **BACKGROUND**

Reference is made to the section headed “Connected Transactions” in the prospectus of the Company dated 19 May 2020.

As the Original Tenancy Agreements will expire on 31 December 2020, the respective parties, entered into the New Tenancy Agreements on 26 November 2020 (after trading hours) for a term of two years up to 31 December 2022.

### **ACCOUNTING IMPLICATIONS TO NEW TENANCY AGREEMENT 1, THE NEW TENANCY AGREEMENT 2 AND THE NEW TENANCY AGREEMENT 3**

In accordance with HKFRS 16 “Leases” applicable to the Group, the Group will recognise the rental payments as right-of-use assets taking into account the aggregate discounted amount of the rental payments, which is estimated to be approximately HK\$7,199,000 (unaudited). Such acquisition of right-of-use assets under the aforesaid tenancy agreements will constitute a one-off connected transaction for the Company under Chapter 14A of the Main Board Listing Rules.

### **IMPLICATIONS UNDER THE MAIN BOARD LISTING RULES**

As at the date of this announcement, Shell Holdings holds directly 75.0% of the issued share capital of the Company and is accordingly a controlling shareholder of the Company. MMSD is an indirect wholly-owned subsidiary of Shell Holdings. SMC Electric China is wholly owned by SMC Electric Limited. As such, the above companies are the associates of Shell Holdings and are thus the connected persons of the Company under Chapter 14A of the Main Board Listing Rules.

Under Chapter 14A of the Main Board Listing Rules, in respect of the New Tenancy Agreement 1, the New Tenancy Agreement 2 and the New Tenancy Agreement 3, the rental payments thereof constitute a connected transaction for the Company.

### ***Connected Transaction***

The New Tenancy Agreements are required to be aggregated in the calculation of the applicable percentage ratios in accordance with Rule 14A.81 of the Listing Rules as they are of same nature and are all entered into with Shell Holdings or its subsidiaries.

As all the applicable percentage ratios (other than profits ratio) with respect to the aggregate value of the right-of-use assets to be recognised under the New Tenancy Agreement 1, the New Tenancy Agreement 2 and the New Tenancy Agreement 3 are less than 25.0% and the total consideration is below HK\$10,000,000, pursuant to Chapter 14A of the Main Board Listing Rules, the Company is required to comply with the reporting, announcement and annual review requirements, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements.

## **THE RENEWED AGREEMENTS**

Set out below are the details of the New Tenancy Agreements that are entered into on 26 November 2020 in succession of the Original Tenancy Agreements that will expire on 31 December 2020.

### **1. New Tenancy Agreement 1**

Date:	26 November 2020
Parties:	Landlord – MMSD Tenant – SMC Electric China
Property:	Factory spaces situated at 3rd Floor, Block A, No.18, San Le Dong Road, Bei Jiao Resident's Committee Industrial Park, Bei Jiao County, Shunde District, Foshan City, the PRC
Term:	From 1 January 2021 to 31 December 2022
Rent:	RMB56,823 per calendar month
Basis of pricing:	With reference to market rent of the properties nearby and on normal commercial terms

For the year ended 31 December 2019 and the nine months ended 30 September 2020, the historical rent paid by SMC Electric China to MMSD was RMB571,896 and RMB428,922, respectively.

For the year ended 31 December 2019 and the nine months ended 30 September 2020, the historical management fee paid by SMC Electric China to MMSD was RMB109,980 and RMB82,485, respectively.

## **2. New Tenancy Agreement 2**

Date:	26 November 2020
Parties:	Landlord – Shell Holdings Tenant – SMC Electric HK
Property:	Portion of the 1st Floor (3,611 sq. ft.) and portion of the 4th Floor (7,679 sq. ft.) and a car parking space located in Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong
Term:	From 1 January 2021 to 31 December 2022
Rent:	HK\$158,602 per calendar month
Basis of pricing:	With reference to market rent of the properties nearby and on normal commercial terms

For the year ended 31 December 2019 and the nine months ended 30 September 2020, the historical rent paid by SMC Electric HK to Shell Holdings was HK\$1,659,360 and HK\$1,244,520, respectively.

For the year ended 31 December 2019 and the nine months ended 30 September 2020, the historical management fee paid by SMC Electric HK to Shell Holdings was HK\$243,864 and HK\$182,898, respectively.

## **3. New Tenancy Agreement 3**

Date:	26 November 2020
Parties:	Landlord – Shell Holdings Tenant – SMC Electric HK
Property:	4th Floor of Kantone Centre, 1 Ning Foo Street, Chai Wan, Hong Kong
Term:	From 1 January 2021 to 31 December 2022
Rent:	HK\$83,490 per calendar month
Basis of pricing:	With reference to market rent of the properties nearby and on normal commercial terms

For the year ended 31 December 2019 and the nine months ended 30 September 2020, the historical rent paid by SMC Electric HK to Shell Holdings was HK\$871,200 and HK\$653,400, respectively.

For the year ended 31 December 2019 and the nine months ended 30 September 2020, the historical management fee paid by SMC Electric HK to Shell Holdings was HK\$130,680 and HK\$98,010, respectively.

***Accounting implications to the New Tenancy Agreement 1, the New Tenancy Agreement 2 and the New Tenancy Agreement 3***

In accordance with HKFRS 16 “Leases” applicable to the Group, the Group will recognise the rental payments as right-of-use assets taking into account the aggregate discounted amount of the rental payments, which is estimated to be approximately HK\$7,199,000 (unaudited). Such acquisition of right-of-use assets under the aforesaid tenancy agreements will constitute a one-off connected transaction for the Company under Chapter 14A of the Main Board Listing Rules.

**REASONS FOR AND BENEFITS OF THE RENEWAL OF ORIGINAL TENANCY AGREEMENTS**

The leased properties under the New Tenancy Agreements are the production workshop, factory and office currently operated by the Group for its business. The Board considers that it would be beneficial to renew the tenancy agreements for the business operation of the Group, which would also save relocation and related costs.

Based on the foregoing, the Board (including all independent non-executive Directors) is of the view that the New Tenancy Agreements entered into are in the ordinary and usual course of the business of the Group, on normal commercial terms or better, the terms of which are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole.

**INFORMATION OF THE PARTIES**

The Group is principally engaged in the manufacturing and selling of electric tools and sourcing and selling of electric fans.

Shell Holdings is principally engaged in investment holding and property leasing.

MMSD is principally engaged in the manufacturing and trading of laser printer components.

SMC Electric HK is principally engaged in the trading of electric fans and electric tools.

SMC Electric China is principally engaged in manufacturing and selling of electric tools.

**GENERAL**

As at the date of this announcement, Mr. Yung Kwok Kee Billy holds approximately 80.47% interest in Shell Holdings, which in turns holds a 75.0% interest in the Company, thus he has a material interest in the above connected transaction. Mr. Yung Kwok Kee Billy has abstained from voting on the Board resolutions approving the New Tenancy Agreements. Save as disclosed above, none of the Directors has a material interest in the connected transaction and is required to abstain from voting on the relevant Board resolutions.

## **IMPLICATIONS UNDER THE MAIN BOARD LISTING RULES**

As at the date of this announcement, Shell Holdings holds directly 75.0% of the issued share capital of the Company and is accordingly a controlling shareholder of the Company. MMSD is an indirect wholly-owned subsidiary of Shell Holdings. SMC Electric China is wholly owned by SMC Electric Limited. As such, the above companies are the associates of Shell Holdings and are thus the connected persons of the Company under Chapter 14A of the Main Board Listing Rules.

Under Chapter 14A of the Main Board Listing Rules, in respect of the New Tenancy Agreement 1, the New Tenancy Agreement 2 and the New Tenancy Agreement 3, the rental payments thereof constitute a connected transaction for the Company.

### **Connected Transactions**

The New Tenancy Agreements are required to be aggregated in the calculation of the applicable percentage ratios in accordance with Rule 14A.81 of the Listing Rules as they are of same nature and are all entered into with Shell Holdings or its subsidiaries.

As all the applicable percentage ratios (other than profits ratio) with respect to the aggregate value of the right-of-use assets to be recognised under the New Tenancy Agreement 1, the New Tenancy Agreement 2 and the New Tenancy Agreement 3 is less than 25.0% and the total consideration is below HK\$10,000,000, pursuant to Chapter 14A of the Main Board Listing Rules, the Company is required to comply with the reporting, announcement and annual review requirements, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Main Board Listing Rules
“Board”	the board of Directors of the Company
“Company”	SMC Electric Limited, company incorporated in the Cayman Islands with limited liability, the shares of which are listed on Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Main Board Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Main Board Listing Rules

“Director(s)”	the director(s) of the Company
“Group”	the Company together with its subsidiaries from time to time
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s) issued by the Hong Kong Institute of Certified Public Accountants from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) and whose ultimate beneficial owner who/which is/are independent of the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and any of their respective associates as defined in the Main Board Listing Rules
“Main Board Listing Rules”	the Rule Governing the Listing of Securities on Main Board made by the Stock Exchange from time to time
“MMSD”	佛山市順德區蜆華多媒體製品有限公司(Shunde SMC Multi-Media Products Company Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of Shell Electric
“New Tenancy Agreement 1”	the agreement dated 26 November 2020 entered into between SMC Electric China and MMSD in relation to rental of certain factory spaces to SMC Electric China by MMSD
“New Tenancy Agreement 2”	the agreement dated 26 November 2020 entered into between SMC Electric HK and Shell Holdings in relation to lease of a portion of the 1st and 4th floor and car parking space of Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong
“New Tenancy Agreement 3”	the agreement dated 26 November 2020 entered into between SMC Electric HK and Shell Holdings in relation to rental of 4th Floor of Kantone Centre, 1 Ning Foo Street, Chai Wan, Hong Kong to SMC Electric HK by Shell Holdings

“New Tenancy Agreements”	collectively, (i) the New Tenancy Agreement 1; (ii) the New Tenancy Agreement 2; and (iii) the New Tenancy Agreement 3
“Original Tenancy Agreements”	collectively, (i) the agreement dated 30 November 2018 entered into between SMC Electric China and MMSD in relation to rental of factory spaces to SMC Electric China by MMSD; (ii) the agreement dated 11 January 2019 entered into between SMC Electric HK and Shell Holdings in relation to lease of a portion of the 1st and 4th floor and car parking space of Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong; and (iii) the agreement dated 11 January 2019 entered into between SMC Electric HK and Shell Holdings in relation to rental of 4th Floor of Kantone Centre, 1 Ning Foo Street, Chai Wan, Hong Kong to SMC Electric HK by Shell Holdings
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administration Region of the PRC and Taiwan for the purpose of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	holder of the Share(s)
“Shell Holdings”	Shell Electric Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, and a controlling shareholder of the Company
“SMC Electric China”	廣東蜆壳家電有限公司 (SMC Electric (China) Limited), a wholly-owned foreign enterprise established in the PRC on 16 November 2017 and an indirect wholly-owned subsidiary of the Company
“SMC Electric HK”	SMC Electric (HK) Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

*For the purpose of this announcement, the exchange rate between RMB and HK\$ is RMB1=HK\$1.2*

*\* For identification purposes only*

By order of the Board  
**SMC Electric Limited**  
**YUNG Kwok Kee Billy**  
*Non-Executive Director and Chairman*

Hong Kong, 26 November 2020

*As at the date of this announcement, the Board comprise two executive Directors, namely, Mr. LEUNG Chun Wah and Mr. TANG Che Yin; one non-executive Director, namely, Mr. YUNG Kwok Kee Billy; and three independent non-executive Directors, namely, Mr. LEUNG Man Chiu Lawrence, Mr. POON Chak Sang Plato and Mr. HO Chi Sing Spencer.*