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## **TRIO INDUSTRIAL ELECTRONICS GROUP LIMITED**

### **致豐工業電子集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1710)**

## **DISCLOSEABLE TRANSACTION IN RELATION TO THE LEASING OF FACTORY BUILDING**

Reference is made to the Prospectus in relation to the MOU and the announcements of the Company dated 20 July 2018 and 28 November 2019, respectively (the “**Announcements**”) in relation to the supplemental agreements to the MOU to amend the terms of the MOU with regards to the No. 1 Factory Building and the No. 2 Factory Building.

On 23 April 2021, Panyu Trio submitted its bids for the leasing of the No. 1 Factory Building and the No. 2 Factory Building. The Board is pleased to announce that on 23 April 2021, Panyu Trio’s bid for the Tenancy Agreement in respect of the leasing of the No. 1 Factory Building had been accepted while its bid for the leasing of the No. 2 Factory Building was unsuccessful. The lease under the Tenancy Agreement will be for a term of fifteen years from the commencement date of leasing, which is tentatively from 10 May 2021 to 9 May 2036.

### **LISTING RULES IMPLICATIONS**

Pursuant to HKFRS 16, the Company will recognise a right-of-use asset on its consolidated statement of financial position in connection with the Tenancy Agreement. Therefore, the entering into of the Tenancy Agreement will be regarded as an acquisition of asset by the Group under the Listing Rules. The value of right-of-use asset to be recognised by the Company under the Tenancy Agreement amounts to approximately HK\$47.8 million.

As the applicable percentage ratio(s) as defined under the Listing Rules in respect of the acquisition of right-of-use asset to be recognised by the Group under the Tenancy Agreement are 5% or more but are less than 25%, the entering into of the Tenancy Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## INTRODUCTION

On 23 April 2021, Panyu Trio was notified by the Landlord that Panyu Trio's bid for the Tenancy Agreement in respect of the leasing of the No.1 Factory Building had been accepted. The Tenancy Agreement is expected to be entered into on or before 10 May 2021.

## THE TENANCY AGREEMENT

The principal terms of the Tenancy Agreement is as follows:

**Date of notification of successful bid:** 23 April 2021

**Parties:** (1) Panyu Trio (as tenant); and  
(2) the Landlord (as landlord)

**Leased Premise:** No.1 Factory Building with a total GFA of 13,588.0 sq.m.

**Bidding security deposit and performance bond:** In respect for Panyu Trio's bid for the Tenancy Agreement, a sum of RMB5.0 million (equivalent to approximately HK\$5.9 million) had been paid by Panyu Trio as the bidding security deposit. Upon Panyu Trio's signing of the Tenancy Agreement, a sum of RMB0.8 million (equivalent to approximately HK\$0.9 million) will be deducted from such bidding security deposit as performance bond of the Tenancy Agreement, and the remaining sum of the bidding security deposit shall be returned to Panyu Trio.

Following the expiry of the Tenancy Agreement, the performance bond of the Tenancy Agreement will be refunded to Panyu Trio.

The bidding security deposit of RMB5.0 million (equivalent to approximately HK\$5.9 million) for Panyu Trio's bid for the leasing of the No. 2 Factory Building shall be refunded to Panyu Trio after its unsuccessful bidding.

**Usage:** Industrial use/warehouse. The Group intends to use the No. 1 Factory Building as part of its production base in the PRC.

**Deposit:** Pursuant to the Tenancy Agreement, the Landlord shall deliver the No.1 Factory Building to Panyu Trio for rent on 10 May 2021. If the Landlord fails to deliver the No.1 Factory Building to Panyu Trio for rent within 30 days from 10 May 2021, Panyu Trio shall be entitled to charge the Landlord a daily penalty fee of 0.01% of the monthly rental fee until the date of delivery.

If the Landlord fails to deliver the No.1 Factory Building to Panyu Trio for rent within 60 days from 10 May 2021, Panyu Trio shall be entitled to terminate the Tenancy Agreement. The Landlord shall, within 15 days of its receipt of the written notice from Panyu Trio, terminate the Tenancy Agreement and pay twice the amount of the performance bond to Panyu Trio.

**Term:** 15 years from 10 May 2021 to 9 May 2036

**Rental fee:** There shall be a rent-free renovation period from 10 May 2021 to 24 June 2021.

Rental fee for the first three years of the term of the lease shall be calculated at the rate of RMB19.0 (equivalent to approximately HK\$22.5) per sq.m. per month, totaling RMB258,172.0 (equivalent to approximately HK\$305,999.8) per month, for the No. 1 Factory Building and shall be increased by 10% every 3 years thereafter.

**Payment terms:** The rent shall be payable on or before the tenth day of each and every calendar month. Any overdue payment will be subject to a daily penalty fee of 2% of the overdue amount.

## **INFORMATION ON THE PARTIES**

The Group is a leading manufacturer of customised industrial electronic components and products. Its products include: (i) smart battery chargers; (ii) electro-mechanical products; (iii) switch-mode power supplies; and (iv) smart vending systems. To meet its growing business needs, the Group has been planning and working at its factory expansion at the existing production base in the PRC.

The Landlord is the local administration authority of Shiji Village, Dongchong Town, Nansha District, Guangzhou City, Guangdong Province, the PRC. To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Landlord and its ultimate beneficial owner(s) are independent of the Group and the connected persons of the Group (as defined under the Listing Rules).

## **THE RIGHT-OF-USE ASSET**

The value of the right-of-use asset to be recognised by the Group under the Tenancy Agreement amounts to approximately HK\$47.8 million, which is the present value of lease payments less incentives (if any), plus initial direct costs and estimated reinstatement cost with the lease in accordance with HKFRS 16. Discount rate of 3.3565% is applied to compute the present value of lease payments less incentives (if any) under the Tenancy Agreement. It should be noted that the above figure is unaudited and may be subject to adjustment in the future.

## **REASONS FOR AND BENEFITS OF THE TENANCY AGREEMENT**

As disclosed in the Prospectus, the Company considered that it was necessary for the Group to expand its production capacity to cater for new purchase orders. The Group has been leasing certain properties from the Landlord at the same site with the No. 1 Factory Building and No. 2 Factory Building. Pursuant to the MOU, the Landlord would convert certain of the Group's leased properties which were previously used as warehouses into two factory buildings. Panyu Trio successfully bid for the Tenancy Agreement for the leasing of No. 1 Factory Building but failed to bid for that of No. 2 Factory Building, as other parties submitted a bid with a rental rate which, in the opinions of the Directors, was in excess of the market rental rate of comparable premises in the vicinity of the No. 2 Factory Building.

The Company considers that the entering into of the Tenancy Agreement will allow the Group to increase its production capacity by expanding its production plant at the No. 1 Factory Building. The Directors are of the view that the expansion plan to be implemented in its existing production base would create synergy, minimise logistics and administrative costs and maximise production efficiency. The Board considers that the rent under the Tenancy Agreement is comparable to the prevailing market rent for similar properties in the vicinity and also considers that the terms of the Tenancy Agreement and the transaction contemplated thereunder are on normal commercial terms after arm's length negotiations, in the ordinary and usual course of business, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Pursuant to HKFRS 16, the Company will recognise a right-of-use asset on its consolidated statement of financial position in connection with the Tenancy Agreement. Therefore, the entering into of the Tenancy Agreement will be regarded as an acquisition of asset by the Group under the Listing Rules. The value of right-of-use asset to be recognised by the Company under the Tenancy Agreement amounts to approximately HK\$47.8 million. It should be noted that the above figure is unaudited and may be subject to adjustment in the future.

As the applicable percentage ratio(s) as defined under the Listing Rules in respect of the acquisition of right-of-use asset to be recognised by the Group under the Tenancy Agreement are 5% or more but are less than 25%, the entering into of the Tenancy Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the Board of Directors
“Company”	Trio Industrial Electronics Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01710)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the Directors of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Landlord”	Shiji Cooperative Economic Association of Dongchong Town, Nansha District, Guangzhou City, Guangdong Province* (廣東省廣州市南沙區東涌鎮石基股份合作經濟聯合社) is the local administration authority of Shiji Village, Dongchong Town, Nansha District, Guangzhou City, Guangdong Province, the PRC*(中國廣東省廣州市南沙區東涌鎮石基村).
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excluding the option market) operated by the Stock Exchange
“MOU”	the memorandum of understanding dated 5 December 2016 entered into between Panyu Trio and the Landlord, as supplemented by the supplemental agreements to the MOU dated 20 July 2018 and 28 November 2019, respectively, entered into between Panyu Trio and the Landlord
“No.1 Factory Building”	a factory building situated at No. 17, Dongchong Section, Shinan Highway. Shiji Village, Dongchong Town, Nansha District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市南沙區東涌鎮石基村市南公路東涌段17號) with a GFA of approximately 13,588.0 sq.m.
“No.2 Factory Building”	a factory building situated at No. 37, Dongchong Section, Shinan Highway. Shiji Village, Dongchong Town, Nansha District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市南沙區東涌鎮石基村市南公路東涌段37號) with a GFA of approximately 12,574.0 sq.m.
“Panyu Trio”	Panyu Trio Microtronics Company Limited, a wholly foreign owned enterprise established under the laws of the PRC on 5 April 1991 as a sino-foreign contractual joint venture, an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Prospectus”	the Prospectus of the Company dated 13 November 2017

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of the ordinary share(s) of the Company
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement to be entered into between Panyu Trio and the Landlord in respect of the leasing of the No. 1 Factory Building
“%”	per cent

On behalf of the Board  
**Trio Industrial Electronics Group Limited**  
**Lai Yiu Wah**  
*Chairman and Executive Director*

Hong Kong, 23 April 2021

*As at the date of this announcement, the Board comprises Mr. Lai Yiu Wah, Mr. Tai Leung Lam, Mr. Joseph MacCarthy as Executive Directors, Mr. Fung Chun Chung, Mr. Cheung Kin Wing and Mr. Wong Raymond Fook Lam as Independent Non-executive Directors.*

\* *For identification purpose only*

*For illustrative purpose, the exchange rate of HK\$ against RMB is HK\$1 to RMB0.8437.*