

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Town Ray Holdings Limited

登輝控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1692)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE TENANCY AGREEMENTS

THE TENANCY AGREEMENTS

On 30 September 2021 (after trading hours), Tunbow Group as tenant entered into the Tenancy Agreement I with Tunbow Properties as landlord in relation to the leasing of the Property I at a monthly rent of HK\$89,775 and Town Ray (Huizhou) as tenant entered into the Tenancy Agreement II with Tunbow (Huizhou) as landlord in relation to the leasing of the Property II at a monthly rent of RMB1,020,433.20, for renewing the Existing Tenancy Agreements which will be expiring on 31 December 2021.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tunbow Properties is wholly-owned by Tunbow Limited, while Tunbow (Huizhou) is wholly-owned by Tunbow Electrical (BVI) Limited. Tunbow Limited and Tunbow Electrical (BVI) Limited are wholly-owned by Tunbow Investments (BVI), while Tunbow Investments (BVI) is owned as to approximately 78.23% by Modern Expression, which is in turn wholly-owned by Dr. Chan and Ms. Cheng jointly. Therefore, Tunbow Properties and Tunbow (Huizhou) are associates of Dr. Chan and Ms. Cheng, and are connected persons of the Company under Rule 14A.07(4) of the Listing Rules.

In accordance with HKFRS 16, the Group will recognise right-of-use assets on its consolidated statement of financial position in connection with the Tenancy Agreements. Accordingly, the entering into the Tenancy Agreements and the transactions contemplated thereunder will be regarded as acquisitions of right-of-use assets by the Group, which will be aggregated under Rule 14.22 of the Listing Rules as if one transaction, and constitutes a discloseable transaction under Chapter 14 of the Listing Rules and a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. The aggregate value of the right-of-use assets to be recognised by the Group under the Tenancy Agreements is expected to be approximately HK\$41.9 million, which is calculated with reference to the aggregate rental payments and discounted by a discount rate.

As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use assets to be recognised by the Group under the Tenancy Agreements in aggregate exceeds 5% but all applicable percentage ratios are below 25%, and the total consideration is over HK\$10,000,000, the transactions contemplated thereunder constitute a discloseable transaction under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules, subject to reporting, announcement, circular and Independent Shareholders' approval requirements.

GENERAL

An Independent Board Committee has been formed to advise the Independent Shareholders on whether the terms of the Tenancy Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the resolutions to be proposed at the EGM to approve the Tenancy Agreements and the transactions contemplated thereunder. FDB has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this regard.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Tenancy Agreements and the transactions contemplated thereunder. In view of the interest of Dr. Chan and Ms. Cheng in Tunbow Properties and Tunbow (Huizhou), each of Modern Expression, Dr. Chan and Ms. Cheng will abstain from voting in relation to the resolution(s) to approve the Tenancy Agreements at the EGM.

DESPATCH OF CIRCULAR

A circular containing, amongst other things, further information on the terms of the Tenancy Agreements, a letter from the Independent Board Committee, a letter of the Independent Financial Adviser, together with a notice to convene the EGM to approve the Tenancy Agreements, is required to be issued to the Shareholders within 15 business days after the publication of this announcement under the Listing Rules. However, as additional time is required for the Company and the Independent Financial Adviser to prepare the relevant information for inclusion in the circular, the circular is expected to be dispatched to the Shareholders on or before 19 November 2021, which is more than 15 business days from the date of this announcement.

INTRODUCTION

On 30 September 2021 (after trading hours), Tunbow Group as tenant entered into the Tenancy Agreement I with Tunbow Properties as landlord in relation to the leasing of the Property I at a monthly rent of HK\$89,775 and Town Ray (Huizhou) as tenant entered into the Tenancy Agreement II with Tunbow (Huizhou) as landlord in relation to the leasing of the Property II at a monthly rent of RMB1,020,433.20 for renewing the Existing Tenancy Agreements which will be expiring on 31 December 2021.

The principal terms of the Tenancy Agreements are summarised as follows.

THE TENANCY AGREEMENTS

Details of the principal terms of the Tenancy Agreements are set out below:

1. Tenancy Agreement I

Date	:	30 September 2021
Landlord	:	Tunbow Properties
Tenant	:	Tunbow Group
Property I	:	10th Floor, Block A, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong, with a total gross floor area of 5,985 square feet.
Term	:	One year, commencing from 1 January 2022 to 31 December 2022. If either the landlord or the tenant shall desire to determine the term granted then it shall give to the other party two months' previous notice in writing provided such right of early determination shall not be exercised before 31 March 2022.
Usage	:	Workshop, godown and ancillary office.
Monthly Rental	:	HK\$89,775
Historical Rental	:	The historical amounts paid to Tunbow Properties for Property I were HK\$83,790 per month for the period from 1 April 2019 to 31 December 2021.
Other terms and conditions	:	The Tenancy Agreement I shall become effective on 1 January 2022 upon the Company having complied with the Listing Rules in the approval of the said agreement (including without limitation approval by the Independent Shareholders) and expiry of the term of the Existing Tenancy Agreement I on 31 December 2021.

With reference to the announcement of the Company dated 1 September 2021, the Group has entered into a sale and purchase agreement for acquiring Workshop A on 25th Floor, Reason Group Tower, No. 403 Castle Peak Road, Kwai Chung, New Territories (“**Reason Group Tower Property**”). Upon completion of the acquisition of the Reason Group Tower Property and its renovation, the Group will move its workshop, godown and ancillary office from Property I to the Reason Group Tower Property and the renewed Tenancy Agreement I will be surrendered. As such, the renewed term of the Tenancy Agreement is one year commencing from 1 January 2022 and expiring on 31 December 2022.

The terms of the Tenancy Agreement I and the level of rent payable under the Tenancy Agreement I were determined after arm's length negotiations between the parties, with reference to the level of rent of properties of similar size in the vicinity of the Property I, historical rental level of Property I and the fair rent letter prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer engaged by the Group.

2. Tenancy Agreement II

Date	: 30 September 2021
Landlord	: Tunbow (Huizhou)
Tenant	: Town Ray (Huizhou)
Property II	: Dunzilipian (Jiangbei 84) Community, Qingtang Village, Xiaojinkou Town, Huicheng District, Huizhou City, Guangdong Province, PRC, with a total gross floor area of 85,036.10 square metres.
Term	: A term of three years, commencing from 1 January 2022 to 31 December 2024.
Usage	: Production and related operation.
Monthly Rental	: RMB1,020,433.20
Historical Rental	: The historical amounts paid to Tunbow (Huizhou) for Property II with a total gross floor area of 73,650.04 square metres were RMB810,150.44 per month for the period from 1 April 2019 to 31 December 2021.
Other terms and conditions	: The Tenancy Agreement II shall become effective on 1 January 2022 upon the Company having complied with the Listing Rules in the approval of the said agreement (including without limitation approval by the Independent Shareholders) and expiry of the term of the Existing Tenancy Agreement II on 31 December 2021.

Under the Existing Tenancy Agreement II, the total gross floor area leased to the Group was approximately 73,650.04 square metres. With the increase in the production capacity of the Group since the Listing, additional area is required to house the new production facilities. As such, the total gross floor area leased to the Group under the Tenancy Agreement II will be increased to approximately 85,036.10 square metres, with the addition of 11,386.06 square metres.

The terms of the Tenancy Agreement II and the level of rent payable under the Tenancy Agreement II were determined after arm's length negotiations between the parties, with reference to the rent of comparable properties in similar location, historical rental level of Property II and the fair rent letter prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer engaged by the Group.

INFORMATION OF THE GROUP, TUNBOW GROUP AND TOWN RAY (HUIZHOU)

The Group

The Group is principally engaged in the manufacture and sale of electrothermic household appliances. The Group is an advanced product developer and industrial designer as well as manufacturer and supplier for a broad range of electrothermic household appliances mainly to overseas markets, covering over 30 countries and regions to cater for the requirements of different customers.

Tunbow Group

Tunbow Group, the tenant under the Tenancy Agreement I, is an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability on 21 November 2007 and principally engages in the trading of electrothermic household appliances.

Town Ray (Huizhou)

Town Ray (Huizhou), the tenant under the Tenancy Agreement II, is an indirect wholly-owned subsidiary of the Company established in the PRC on 14 December 2017 and principally engages in the manufacture and sale of electrothermic household appliances.

INFORMATION OF TUNBOW PROPERTIES AND TUNBOW (HUIZHOU)

Tunbow Properties

Tunbow Properties, the landlord under the Tenancy Agreement I, is a company incorporated in Hong Kong with limited liability on 26 July 2004 and principally engages in the business of properties holding. Tunbow Properties is wholly-owned by Tunbow Limited, which is in turn wholly-owned by Tunbow Investments (BVI), while Tunbow Investments (BVI) is owned as to approximately 78.23% by Modern Expression, a company incorporated in BVI with limited liability and wholly-owned by Dr. Chan and Ms. Cheng jointly. Therefore, Tunbow Properties is an associate of Dr. Chan and Ms. Cheng, and is a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

Tunbow (Huizhou)

Tunbow (Huizhou), the landlord under the Tenancy Agreement II, is a company established in Huizhou City, Guangdong Province, the PRC with limited liability on 5 December 2005 and principally engages in the business of properties holding. Tunbow (Huizhou) is wholly-owned by Tunbow Electrical (BVI) Limited, which is in turn wholly-owned by Tunbow Investments (BVI), while Tunbow Investments (BVI) is owned as to approximately 78.23% by Modern Expression, a company incorporated in BVI with limited liability and wholly-owned by Dr. Chan and Ms. Cheng jointly. Therefore, Tunbow (Huizhou) is an associate of Dr. Chan and Ms. Cheng, and is a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENTS

Prior to the Listing, the Group has been using the Property I under the Existing Tenancy Agreement I as workshop, godown and ancillary office and the Property II under the Existing Tenancy Agreement II for production and related operation. With the expiry of the Existing Tenancy Agreement I and Existing Tenancy Agreement II on 31 December 2021, the Board (excluding Dr. Chan and Ms. Cheng who abstained from voting and the independent non-executive Directors whose view will be given in the letter of the Independent Board Committee) considers it is necessary to renew the tenancies so that the operation of the Group at the Property I and the production at Property II can continue. The rental payment under the Tenancy Agreements will be satisfied by internally generated funds of the Group.

Although the Group is in the process of acquiring the Reason Group Tower Property, such acquisition and renovation will take time to complete. It is the plan of the Group to relocate its workshop, godown and ancillary office from Property I to the Reason Group Tower Property and the renewed Tenancy Agreement I will subsequently be surrendered. However, before the relocation is taken place, given the prime location of Property I at Kwun Tong area, one of the industrial centres of Hong Kong, the Group intends to renew the Existing Tenancy Agreement I for an additional one-year term.

The Group currently carries out the research and development, procurement, production and quality assurance functions at the Properties II, which consists of eight buildings. Various machines were in place at Properties II, which cater for different stages of the production process. With the increase in the production capacity of the Group since the Listing, additional area is required to house the new production facilities. As such, the total gross floor area leased to the Group under the Tenancy Agreement II will be increased to approximately 85,036.10 square metres, with the addition of 11,386.06 square metres. If further area is required to be leased from Tunbow (Huizhou) for expansion of the Group's production facilities in the future, the Group will comply with the relevant requirements under Chapter 14 and Chapter 14A of the Listing Rules. The Directors (excluding Dr. Chan and Ms. Cheng who abstained from voting and the independent non-executive Directors whose view will be given in the letter of the Independent Board Committee) consider that the Property II, which serves as the production base of the Group, is imperative to the operation of the Group, as the Property II is situated at a convenient location with well-developed infrastructure and supply chain for the Group to easily source raw materials and recruit staff members for production on one hand, and export the finished products to overseas customers by sea or other means of transportation on the other.

Having considered that the rents of the properties under the Tenancy Agreements being comparable to the prevailing market rents of comparable properties at similar locations, and terms of the Tenancy Agreements were determined after arm's length negotiations between the parties and on terms no less favourable to us than from those available to Independent Third Parties, the Directors (excluding Dr. Chan and Ms. Cheng who abstained from voting and the independent non-executive Directors whose view will be given in the letter of the Independent Board Committee) are of the opinion that the terms of the Tenancy Agreements

are entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tunbow Properties is wholly-owned by Tunbow Limited, while Tunbow (Huizhou) is wholly-owned by Tunbow Electrical (BVI) Limited. Tunbow Limited and Tunbow Electrical (BVI) Limited are wholly-owned by Tunbow Investments (BVI), while Tunbow Investments (BVI) is owned as to approximately 78.23% by Modern Expression, which is in turn wholly-owned by Dr. Chan and Ms. Cheng jointly. Therefore, Tunbow Properties and Tunbow (Huizhou) are associates of Dr. Chan and Ms. Cheng, and are connected persons of the Company under Rule 14A.07(4) of the Listing Rules.

In accordance with HKFRS 16, the Group will recognise right-of-use assets on its consolidated statement of financial position in connection with the Tenancy Agreements. Accordingly, the entering into the Tenancy Agreements and the transactions contemplated thereunder will be regarded as acquisitions of right-of-use assets by the Group, which will be aggregated under Rule 14.22 of the Listing Rules as if one transaction, and constitutes a discloseable transaction under Chapter 14 of the Listing Rules and a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. The aggregate value of the right-of-use assets to be recognised by the Group under the Tenancy Agreements is expected to be approximately HK\$41.9 million, which is calculated with reference to the aggregate rental payments and discounted by a discount rate.

As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use assets to be recognised by the Group under the Tenancy Agreements in aggregate exceeds 5% but all applicable percentage ratios are below 25%, and the total consideration is over HK\$10,000,000, the transactions contemplated thereunder constitute a discloseable transaction under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules, subject to reporting, announcement, circular and Independent Shareholders' approval requirements.

GENERAL

An Independent Board Committee has been formed to advise the Independent Shareholders on whether the terms of the Tenancy Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the resolutions to be proposed at the EGM to approve the Tenancy Agreements and the transactions contemplated thereunder. FDB has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this regard.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Tenancy Agreements and the transactions contemplated thereunder. In view of the interest of Dr. Chan and Ms. Cheng in Tunbow Properties and Tunbow (Huizhou), each of Modern Expression, Dr. Chan and Ms. Cheng will abstain from voting in relation to the resolution(s) to approve the Tenancy Agreements at the EGM.

DESPATCH OF CIRCULAR

A circular containing, amongst other things, further information on the terms of the Tenancy Agreements, a letter from the Independent Board Committee, a letter of the Independent Financial Adviser, together with a notice to convene the EGM to approve the Tenancy Agreements, is required to be issued to the Shareholders within 15 business days after the publication of this announcement under the Listing Rules. However, as additional time is required for the Company and the Independent Financial Adviser to prepare the relevant information for inclusion in the circular, the circular is expected to be dispatched to the Shareholders on or before 19 November 2021, which is more than 15 business days from the date of this announcement.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Town Ray Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on Main Board (Stock Code: 1692);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“connected transaction”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this announcement, refers to Modern Expression, Dr. Chan and Ms. Cheng or, where the context so requires, any one of them;
“Directors”	the directors of the Company;
“Dr. Chan”	Dr. Chan Kam Kwong Charles (陳鑑光博士), the spouse of Ms. Cheng, a non-executive Director, the chairman of the Board and one of the Controlling Shareholders;
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Tenancy Agreements and the transactions contemplated thereunder;
“Existing Tenancy Agreements”	Existing Tenancy Agreement I and Existing Tenancy Agreement II;
“Existing Tenancy Agreement I”	the existing tenancy agreement dated 1 April 2019 entered into between Tunbow Properties and Tunbow Group in relation to Property I;

“Existing Tenancy Agreement II”	the existing tenancy agreement dated 1 April 2019 entered into between Tunbow (Huizhou) and Town Ray (Huizhou) in relation to Property II;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS”	the 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 People’s Republic of China;
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors;
“Independent Financial Adviser” or “FDB”	FDB Financial Group Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Group;
“Independent Shareholders”	the Shareholders other than Dr. Chan, Ms. Cheng, Modern Expression, their associates or other connected persons who are interested in the Tenancy Agreements and the transactions contemplated thereunder;
“Independent Third Parties”	third parties who are independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules);
“Tenancy Agreements”	Tenancy Agreement I and Tenancy Agreement II;
“Tenancy Agreement I”	the tenancy agreement to be entered into between Tunbow Properties and Tunbow Group in respect of the renewal of the Existing Tenancy Agreement I;
“Tenancy Agreement II”	the tenancy agreement to be entered into between Tunbow (Huizhou) and Town Ray (Huizhou) in respect of the renewal of the Existing Tenancy Agreement II;
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 25 October 2019;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time;
“Main Board”	Main Board of the Stock Exchange;

“Modern Expression”	Modern Expression Limited, a company incorporated in BVI with limited liability on 8 November 2004, and one of the Controlling Shareholders of the Company, and is wholly-owned by Dr. Chan and Ms. Cheng jointly;
“Ms. Cheng”	Ms. Cheng Yuk Sim Connie (鄭玉嬋女士) (also known as Ms. Cheng Yuk Yee Connie (鄭玉而女士)), the spouse of Dr. Chan, a non-executive Director and one of the Controlling Shareholders;
“PRC”	the People’s Republic of China, which for the purpose of this announcement and for geographical reference only, excluding Hong Kong, Macau Special Administrative Region and Taiwan region;
“Property I”	10th Floor, Block A, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong;
“Property II”	Dunzili pian (Jiangbei 84) Community, Qingtang Village, Xiaojinkou Town, Huicheng District, Huizhou City, Guangdong Province, PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	person(s) whose name(s) appear in the register of members of the Company as the holder(s) of the share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Town Ray (Huizhou)”	Town Ray Electrical (Huizhou) Limited (登輝電器(惠州)有限公司), a wholly foreign owned enterprise established under the laws of the PRC on 14 December 2017, and an indirect wholly-owned subsidiary of the Company;
“Tunbow (Huizhou)”	Tunbow Electrical (Huizhou) Limited* (東保利電業(惠州)有限公司), a company established in Huizhou City, Guangdong Province, the PRC with limited liability on 5 December 2005, and a connected person of the Company;

“Tunbow Group”	Tunbow Group Limited (東保集團有限公司), a company incorporated in Hong Kong with limited liability on 21 November 2007, and an indirect wholly-owned subsidiary of the Company;
“Tunbow Investments (BVI)”	Tunbow Investments (BVI) Limited, a company incorporated in BVI with limited liability on 19 November 2004, which is controlled by the Controlling Shareholders;
“Tunbow Properties”	Tunbow Properties Limited, a company incorporated in Hong Kong with limited liability on 26 July 2004, and a connected person of the Company;
“%”	per cent.

* *For identification purpose only*

By order of the Board
Town Ray Holdings Limited
Chan Kam Kwong Charles
Chairman and non-executive Director

Hong Kong, 30 September 2021

As at the date of this announcement, the Board comprises Mr. Chan Wai Ming, Mr. Chiu Wai Kwong, Ms. Tang Mei Wah and Mr. Yu Kwok Wai as executive Directors; Dr. Chan Kam Kwong Charles and Ms. Cheng Yuk Sim Connie as non-executive Directors; and Mr. Chan Ping Yim, Mr. Choi Chi Leung Danny and Mr. Chan Shing Jee as independent non-executive Directors.