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## **CIRTEK HOLDINGS LIMITED**

**常達控股有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock code: 1433)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO BUILD & LEASE AGREEMENT**

#### **THE BUILD & LEASE AGREEMENT**

The Board announces that on 31 March 2022 (after trading hours), Charming Trim Lanka (PVT) Ltd, an indirect wholly-owned subsidiary of the Company, as the Lessee, entered into the Build & Lease Agreement with Royal Will Global (Private) Limited as the Lessor, pursuant to which the Lessor agreed to complete the construction of the Building on the Land at its cost before the Commencement Date and the Lessee agreed to lease the Leased Properties for a term of 15 years commencing from the Commencement Date.

#### **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to HKFRS 16, as a result of the entering into the Build & Lease Agreement, the Group shall recognise the right-of-use asset in the consolidated financial statements of the Company, and the transaction contemplated thereunder will be regarded as an acquisition of asset by the Group under Rule 14.04(1)(a) of the Listing Rules. The unaudited value of the right-of-use asset to be recognised by the Group under the Build & Lease Agreement shall amount to approximately USD883,028 (equivalent to approximately HK\$6,887,618) representing the present value of the total rental to be made under the Build & Lease Agreement during the lease term in accordance with HKFRS 16 “Leases”.

As the applicable percentage ratio(s) in respect of the Build & Lease Agreement based on the value of the right-of-use asset recognised by the Group pursuant to HKFRS 16 exceeds 5% but is less than 25%, the entering into of the Build & Lease Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is accordingly subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirements under Chapter 14 of the Listing Rules.

## THE BUILD & LEASE AGREEMENT

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of Cirtek Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), announces that the Group intends to establish a printing facility (the “**Facility**”) in Sri Lanka. Accordingly, on 31 March 2022 (after trading hours), Charming Trim Lanka (PVT) Ltd (the “**Lessee**”), an indirect wholly-owned subsidiary of the Company, as Lessee, entered into the build & lease agreement (the “**Build & Lease Agreement**”) with Royal Will Global (Private) Limited (the “**Lessor**”) as the Lessor, pursuant to which the Lessor agreed to complete the construction of the building and other improvements relating to the Facility (“**Building**”) on the land (the “**Land**”, together with the Building, collectively as the “**Leased Properties**”) at its cost before the Commencement Date and the Lessee agreed to lease the Leased Properties for a term of 15 years commencing from the date of completion of the Facility (the “**Commencement Date**”).

The principal terms of the Build & Lease Agreement are set out below:

Date: 31 March 2022 (after trading hours)

Lessee: Charming Trim Lanka (PVT) Ltd

Lessor: Royal Will Global (Private) Limited

The Leased Properties: (i) the Land located at Kurana, Negombo, Sri Lanka, with an area of 0.2671 hectares; and

(ii) The Building comprising of a ground floor of 10,000 square feet and a first floor of 5,000 square feet and other improvements relating to the Facility to be constructed by the Lessor on the Land at its cost in accordance with the agreed specifications and timeline under the Build & Lease Agreement.

Usage of the Leased Properties: The Leased Properties are intended for use by the Group to carry out the Facility to produce or print labels, stickers, hang tags, heat transfer labels, patches, packaging boxes, RFID and others garment accessories.

Term of lease: The Leased Properties are leased for a term of 15 years commencing from the Commencement Date which shall be either the date of handover of the Facility without any defects to be rectified or on the date after the defects identified are rectified to the satisfaction of the Lessee.

Rent and payment terms: The rent of the Leased Properties shall accrue from the Commencement Date and commence from USD6,950 per month and shall be increased by 10% every 3 years. For illustrative purpose, monthly rent throughout the 15-year term is as follows:

<b>Period</b>	<b>Monthly Rent</b> <i>(rounded to the nearest integer)</i>
Year 1 to 3	USD6,950
Year 4 to 6	USD7,645
Year 7 to 9	USD8,410
Year 10 to 12	USD9,250
Year 13 to 15	USD10,176

The total rent for the full term of 15 years shall aggregate to approximately USD1,527,496.

The Lessee shall pay the Lessor an advance of a total sum of USD139,000 which is equivalent to 20 months of monthly rent (“**Advanced Rent**”) in four equal instalments on the agreed dates between April and July 2022.

In the event the Facility cannot be completed within the agreed period and grace period (if agreed) due to the failure of the Lessor, the Lessor shall refund 80% of the Advanced Rent in 4 equal instalments, within a period of 2 years from the end of such period.

The monthly rent is payable on or before the fifth day of every month. The Lessor agrees to repay the Advanced Rent to the Lessee by reducing the monthly rent by 25% for each month starting from the first month of lease term.

The Lessee shall deposit with the Lessor, upon execution of the Build & Lease Agreement, a sum of USD27,800 which is equivalent to 4 months of monthly rent as a refundable security deposit (“**Refundable Deposit**”) for securing the performance of the Lessee’s obligation under the Build & Lease Agreement. The Refundable Deposit (subject to deductions, if any) shall be refunded to the Lessee on termination of the Build & Lease Agreement. However, the Refundable Deposit shall not be refunded by the Lessor to the Lessee until the expiration of first 10 years after the Commencement Date, despite it being early terminated.

Upon the payment of the Advanced Rent, the Lessor shall, subject to the terms and conditions of the Build & Lease Agreement, commence the construction work and complete the Building within 7 months from the date of such commencement of construction.

Save for any delay caused by unforeseeable circumstances including but not limited to pandemic or travel restrictions, in the event the Lessor (i) fails to complete the construction of the Building in accordance with the terms and conditions of the Build & Lease Agreement; (ii) fails to observe or perform any term or condition of the Build & Lease Agreement and fails to rectify the same within 30 days of notice of breach served by the Lessee; or (iii) loses the title to the Leased Properties or change or transfer the title of the Leased Properties, the Lessee is entitled to terminate the Build & Lease Agreement by giving the Lessor notice of termination, in which event the Build & Lease Agreement shall expire and terminate on the date specified therein, and the Lessor shall remain liable for all obligations under the arising up to the date of such termination, and Lessor shall compensate the Lessee and Lessee shall be entitled to recover damages.

## **INFORMATION OF THE PARTIES**

### **The Group**

The principal activities of the Group are manufacture and sale of apparel labels and trim products, such as hang tags, woven labels, printed labels and heat transfer products.

### **The Lessee**

Charming Trim Lanka (Pvt) Ltd is a company incorporated in December 2021 under the laws of Sri Lanka and an indirect wholly-owned subsidiary of the Company, which has not yet commenced any business as at date of this announcement.

### **The Lessor**

Royal Will Global (Private) Limited is a company duly incorporated under the laws of Sri Lanka, which, as at date of this announcement, is (i) owned by Clifferd Shehan Silva and Malnaidelage Ruvinee Thishanthi Fernando, and (ii) the owner of the Land and primarily engaged in investment holding.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquires, each of the Lessor and Lessor's ultimate beneficial owners is not a connected person of the Company and is an independent third party not connected with the Company and its connected persons.

## **REASONS AND BENEFITS OF ENTERING INTO THE BUILD & LEASE AGREEMENT**

The Directors believe that by entering into the Build & Lease Agreement, the Group would be enabled to establish the Facility in Sri Lanka with a view to expand its production capacity and help the Group to capture business opportunities arising from the growth in the demand for apparel labels and trim products in Sri Lanka. The Build & Lease Agreement also enables the Group to secure long-term rental cost for the Facility at a reasonable rate.

The terms of the Build & Lease Agreement were determined after arm's length negotiations between the Lessor and the Lessee with reference to the prevailing market rental for properties of similar type, age and location. The Directors consider that the transactions contemplated under the Build & Lease Agreement was entered into in the ordinary and usual course of business of the Group, and the terms of the Build & Lease Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole. It is expected that the payment of the rent under the Build & Lease Agreement will be financed by the internal resources of the Group.

## **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to Hong Kong Financial Reporting Standard 16 on leases (“**HKFRS 16**”), as a result of the entering into of the Build & Lease Agreement, the Group shall recognise the right-of-use asset in the consolidated financial statements of the Company, and the transaction contemplated thereunder will be regarded as an acquisition of asset by the Group under Rule 14.04(1)(a) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The unaudited value of the right-of-use asset to be recognised by the Group under the Build & Lease Agreement shall amount to approximately USD883,028 (equivalent to approximately HK\$6,887,618) representing the present value of the total rental to be made under the Build & Lease Agreement during the lease term in accordance with HKFRS 16 “Leases”.

As the applicable percentage ratio(s) in respect of the Build & Lease Agreement based on the value of the right-of-use asset recognised by the Group pursuant to HKFRS 16 exceeds 5% but is less than 25%, the entering into of the Build & Lease Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is accordingly subject to the reporting and announcement requirements but is exempt from the shareholders’ approval requirements under Chapter 14 of the Listing Rules.

By Order of the Board  
**Cirtek Holdings Limited**  
**CHAN Sing Ming Barry**  
*Chairman and Executive Director*

Hong Kong, 31 March 2022

*As at the date of this announcement, the Board comprises Mr. Chan Sing Ming Barry, Ms. Law Miu Lan and Mr. Chan Tsz Fung being executive Directors; and Mr. Lam Chor Ki Dick, Mr. Lee Tak Cheong and Ms. Luk Mei Yan being independent non-executive Directors.*

*For the purpose of illustration only and unless otherwise stated, conversions of USD into HK\$ in this announcement are based on the exchange rate of USD1 to HK\$7.80. Such conversions should not be construed as a representation that any amount has been, could have been, or may be, exchanged at such or any other rate.*