

Hong Kong Exchange 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.



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2381)

CONNECTED TRANSACTIONS TENANCY AGREEMENTS

BACKGROUND

Reference is made to the announcement of the Company dated on 15 December 2022 (the “**Announcement**”) in relation to the connected transactions regarding the renewal of tenancy agreements of the Company.

As the Existing Tenancy Agreements will expire on 31 December 2023, the respective parties, entered into the renewal tenancy agreements on 14 December 2023 (after trading hours) for a term of one year up to 31 December 2024, pursuant to the New Tenancy Agreement 1 and the New Tenancy Agreement 2. The Existing Tenancy Agreement 3 and the Existing Tenancy Agreement 4 will not be renewed.

ACCOUNTING IMPLICATIONS TO THE NEW TENANCY AGREEMENT 1 AND THE NEW TENANCY AGREEMENT 2

In accordance with HKFRS 16 “Leases” applicable to the Group, the Group will recognise the rental payments as right-of-use asset taking into account the aggregate discounted amount of the rental payments, which is estimated to be approximately HK\$3,593,000 (unaudited). Such acquisition of right-of-use asset 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 75.00% 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 and SMC Electric HK are 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 Agreements, the rental payments thereof constitute connected transactions 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 Main Board Listing Rules as they are of the same nature and are all entered into with Shell Holdings or its subsidiary.

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 Agreements are less than 25% and the annual 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 exempted from the circular (including independent financial advice) and independent shareholders' approval requirements.

THE NEW TENANCY AGREEMENTS

Set out below are the details of the New Tenancy Agreements that are entered into on 14 December 2023 in succession of the Existing Tenancy Agreement 1 and the Existing Tenancy Agreement 2, which will expire on 31 December 2023.

1. New Tenancy Agreement 1

Date:	14 December 2023
Parties:	Landlord – MMSD Tenant – SMC Electric China
Property:	Factory spaces situated at 3rd Floor, Block A (4,765 sq. m.), 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 2024 to 31 December 2024
Rent:	RMB81,005 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 2022, the historical rent paid by SMC Electric China to MMSD was RMB681,876. The historical rent was paid for factory spaces situated at 3rd Floor, Block A (3,666 sq. m.), No. 18 San Le Dong Road, Bei Jiao Resident's Committee Industrial Park, Bei Jiao County, Shunde District, Foshan City, the PRC.

For the nine months ended 30 September 2023, the historical rent paid by SMC Electric China to MMSD was RMB729,045. The historical rent was paid for factory spaces situated at 3rd Floor, Block A (4,765 sq. m.), No. 18 San Le Dong Road, Bei Jiao Resident's Committee Industrial Park, Bei Jiao County, Shunde District, Foshan City, the PRC.

2. New Tenancy Agreement 2

Date:	14 December 2023
Parties:	Landlord – Shell Holdings Tenant – SMC Electric HK
Property:	Portion of the 1st Floor (4,806 sq. ft.), portion of the 4th Floor (7,679 sq. ft.) and portion of the 6th Floor (3,000 sq. ft.) and two car parking spaces located in Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong
Term:	From 1 January 2024 to 31 December 2024
Rent:	HK\$227,836 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 2022, the historical rent paid by SMC Electric HK to Shell Holdings was HK\$1,903,224. The historical rent was paid for 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.

For the nine months ended 30 September 2023, the historical rent paid by SMC Electric HK to Shell Holdings was HK\$1,575,837. The historical rent was paid for portion of the 1st Floor (4,806 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.

The leased area in portion of the 6th Floor (3,000 sq. ft.) will be added in the New Tenancy Agreement 2 which is due to the relocation of the Existing Tenancy Agreement 3.

Accounting implications to the New Tenancy Agreement 1 and the New Tenancy Agreement 2

In accordance with HKFRS 16 “Leases” applicable to the Group, the Group will recognise the rental payments as right-of-use asset taking into account the aggregate discounted amount of the rental payments, which is estimated to be approximately HK\$3,593,000 (unaudited). Such acquisition of right-of-use asset 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 FOR ENTERING INTO THE NEW TENANCY AGREEMENTS

The Existing Tenancy Agreements will expire on 31 December 2023. Due to relocation and the Group would like to deploy its resources more effectively, the Existing Tenancy Agreement 3 and the Existing Tenancy Agreement 4 will not be renewed. 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 enter into the New 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 80.56% interest in Shell Holdings, which in turns holds a 75.00% 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. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the remaining 19.44% interest in Shell Holdings is owned as to (i) 12.91% in aggregate by the estate administrator of Mrs. Yung Ho Wun Ching (mother of Mr. Yung Kwok Kee Billy) ("**Madam Yung**"), among which 10.18% is owned by HSBC Nominees (Hong Kong) Limited as a trustee on behalf of Madam Yung and the remaining 2.73% is directly owned by the estate administrator of Madam Yung; (ii) 4.69% by Mr. Yung Kwok Choi, Simon (brother of Mr. Yung Kwok Kee Billy); (iii) 0.0004% by Ms. Yung Claudia Natalie (daughter of Mr. Yung Kwok Kee Billy); and (iv) 1.8396% by more than 50 individuals who are Independent Third Parties.

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 75.00% 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 and SMC Electric HK are 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 and the New Tenancy Agreement 2, 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 Main Board Listing Rules as they are of same nature and are all entered into with Shell Holdings or its subsidiary.

As all applicable percentage ratios (other than profits ratio) with respect of the aggregate value of the right-of-use assets to be recognized under the New Tenancy Agreements is less than 25.0% and the total consideration is below HK\$10,000,000, pursuant to the Chapter 14A of Main Board Listing Rules, the Company is required to comply with the reporting, announcement and annual review requirements but is exempt from the circular (included 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
“China Dynasty”	China Dynasty Development Limited, a company established in the British Virgin Islands and an indirectly wholly-owned subsidiary of Shell Holdings
“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

“Existing Tenancy Agreement 1”	the agreement dated 15 December 2022 entered into between SMC Electric China and MMSD in relation to rental of certain factory spaces to SMC Electric China by MMSD
“Existing Tenancy Agreement 2”	the agreement dated 15 December 2022 entered into between SMC Electric HK and Shell Holdings in relation to lease of a portion of the 1st and 4th floor and a car parking space of Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong to SMC Electric HK by Shell Holdings
“Existing Tenancy Agreement 3”	the agreement dated 15 December 2022 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
“Existing Tenancy Agreement 4”	the agreement dated 15 December 2022 entered into between SMC Electric China and China Dynasty in relation to lease of Room 7201-02A, 7208 CITIC Plaza, No. 233 Tianhe North Road, Tianhe District, Guangzhou, the PRC to SMC Electric China by China Dynasty
“Existing Tenancy Agreements”	collectively, (i) the Existing Tenancy Agreement 1; (ii) the Existing Tenancy Agreement 2; (iii) the Existing Tenancy Agreement 3; and (iv) the Existing Tenancy Agreement 4
“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 Holdings
“New Tenancy Agreement 1”	the agreement dated 14 December 2023 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 14 December 2023 entered into between SMC Electric HK and Shell Holdings in relation to lease of a portion of the 1st, 4th and 6th floor and two car parking spaces of Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong to SMC Electric HK by Shell Holdings
“New Tenancy Agreements”	collectively, (i) the New Tenancy Agreement 1; and (ii) the New Tenancy Agreement 2
“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 share 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 and an indirectly 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\$1.1

* *For identification purposes only*

By order of the Board
SMC Electric Limited
LEUNG Chun Wah
Executive Director

Hong Kong, 14 December 2023

As at the date of this announcement, the Board comprise three executive Directors, namely, Mr. LEUNG Chun Wah, Mr. TANG Che Yin and Mr. CHOW Kai Chiu, David; two non-executive Directors, namely, Mr. YUNG Kwok Kee, Billy and Mdm. LI Pik Mui, Cindy; and three independent non-executive Directors, namely, Mr. LEUNG Man Chiu, Lawrence, Mr. POON Chak Sang, Plato and Mr. HO Chi Sing, Spencer.