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## **TEN PAO GROUP HOLDINGS LIMITED**

**天寶集團控股有限公司**

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

**(Stock Code: 1979)**

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO RENEWAL OF THE 2019 TENANCY AGREEMENTS**

#### **RENEWAL OF THE 2019 TENANCY AGREEMENTS**

On 31 December 2018, (i) Sky Fortune and Ten Pao International (an indirect wholly-owned subsidiary of the Company) entered into the 2019 Sky Fortune Tenancy Agreement; (ii) Golden Ocean Wire and Jinhui Industrial (an indirect wholly-owned subsidiary of the Company) entered into the 2019 Golden Ocean Wire Tenancy Agreement; and (iii) Tiannengyuan Charging and Ten Pao Electronic (Huizhou) (an indirect wholly-owned subsidiary of the Company) entered into the 2019 Tiannengyuan Charging Tenancy Agreement.

As the 2019 Tenancy Agreements will expire on 31 December 2019, the Board announces that, on 31 December 2019, the respective Lessors and Lessees entered into the 2020 Sky Fortune Tenancy Agreement, the 2020 Golden Ocean Wire Tenancy Agreement and the 2020 Tiannengyuan Charging Tenancy Agreement, respectively, pursuant to which the Lessors agreed to lease their owned properties to the Lessees, subject to the terms and conditions of the respective 2020 Tenancy Agreements.

#### **Implications under the Listing Rules**

##### ***Sky Fortune***

Since approximately 96.67% and 3.33% of the issued share capital of Sky Fortune are held by Chairman Hung, an executive Director and a Controlling Shareholder, and Mrs. Hung, respectively, Sky Fortune is an associate of Chairman Hung and a connected person of the Company and the leasing of properties pursuant to the 2020 Sky Fortune Tenancy Agreement will constitute continuing connected transaction for the Company.

### ***Golden Ocean Wire***

100% of the registered capital of Golden Ocean Wire is held by Golden Ocean Copper and approximately 96.77% and 3.23% of the issued share capital of Golden Ocean Copper are held by Year Industries and Grateful World International Limited, respectively. The entire issued share capital of Year Industries is held by Mrs. Hung, on trust for and on behalf of Chairman Hung, an executive Director and a Controlling Shareholder, and Chairman Hung is able to control the exercise of voting power at general meetings and control the composition of board of directors of Golden Ocean Copper. Since Golden Ocean Wire is directly wholly-owned by Golden Ocean Copper, Golden Ocean Wire is an associate of Chairman Hung and a connected person of the Company and the leasing of properties pursuant to the 2020 Golden Ocean Wire Tenancy Agreement will constitute continuing connected transaction for the Company.

### ***Tiannengyuan Charging***

As 100% of the issued share capital of Tiannengyuan Charging is held by Ten Power Charging and 100% of the issued share capital of Ten Power Charging is held by Ease Bright, which is a company wholly-owned by Chairman Hung, an executive Director and a Controlling Shareholder, Tiannengyuan Charging is an associate of Chairman Hung and a connected person of the Company and the leasing of properties pursuant to the 2020 Tiannengyuan Charging Tenancy Agreement will constitute continuing connected transaction for the Company.

As one or more of the applicable ratios in respect of the annual caps (other than the profits ratio) are more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the 2020 Tenancy Agreements in aggregate are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **RENEWAL OF THE 2019 TENANCY AGREEMENTS**

On 31 December 2018, (i) Sky Fortune and Ten Pao International (an indirect wholly-owned subsidiary of the Company) entered into the 2019 Sky Fortune Tenancy Agreement; (ii) Golden Ocean Wire and Jinhu Industrial (an indirect wholly-owned subsidiary of the Company) entered into the 2019 Golden Ocean Wire Tenancy Agreement; and (iii) Tiannengyuan Charging and Ten Pao Electronic (Huizhou) (an indirect wholly-owned subsidiary of the Company) entered into the 2019 Tiannengyuan Charging Tenancy Agreement.

As the 2019 Tenancy Agreements will expire on 31 December 2019, the Board announces that, on 31 December 2019, the respective Lessors and Lessees entered into the 2020 Sky Fortune Tenancy Agreement, the 2020 Golden Ocean Wire Tenancy Agreement and the 2020 Tiannengyuan Charging Tenancy Agreement, respectively, pursuant to which the Lessors agreed to lease their owned properties to the Lessees, subject to the terms and conditions of the respective 2020 Tenancy Agreements.

Since Chairman Hung, an executive Director and a Controlling Shareholder, has material interests in the 2020 Tenancy Agreements, he has abstained from voting on the resolutions of the Board to approve the 2020 Tenancy Agreements.

### **Principal terms of the 2020 Tenancy Agreements**

The following sets out the principal terms of each of the 2020 Tenancy Agreements:

#### ***(A) 2020 Sky Fortune Tenancy Agreement***

Date:	31 December 2019
Location:	Room 610–11, 6/F, Kwong Sang Hong Centre, No.151–153 Hoi Bun Road, Kwun Tong
Lessor:	Sky Fortune
Lessee:	Ten Pao International
Monthly rental:	HK\$58,000
Term:	1 January 2020 to 31 December 2020
Usage:	Office premises

#### *Historical transaction amount*

	<b>For the year ended 31 December 2019</b>
Existing annual caps	HK\$624,000
Historical amounts	HK\$624,000

*Annual caps and basis*

Arm's length negotiations between Sky Fortune and Ten Pao International with reference to (i) the historical rent paid of HK\$624,000 for the year ended 31 December 2019; and (ii) the prevailing market rent with comparable properties. The aggregate amount of rent payable by Ten Pao International to Sky Fortune for the year ending 31 December 2020 will not exceed HK\$696,000.

The rental payable under the 2020 Sky Fortune Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates with comparable properties of similar type, age and location. The Directors (including the independent non-executive Directors) confirmed that the rental is comparable to the prevailing market rents for similar properties in the vicinity and considered that the rental under the 2020 Sky Fortune Tenancy Agreement is fair and reasonable.

**(B) 2020 Golden Ocean Wire Tenancy Agreement**

Date:	31 December 2019
Location:	Yongguang Industrial Zone, Xikeng Village, Huihuang Street Office, Huizhou City (惠州市惠環街道辦事處西坑村永光工業區)
Lessor:	Golden Ocean Wire
Lessee:	Jinhu Industrial
Monthly rental:	RMB260,000 (equivalent to approximately HK\$289,658)
Term:	1 January 2020 to 31 December 2020
Usage:	Production facilities and staff quarters

*Historical transaction amount*

	<b>For the year ended 31 December 2019</b>
Existing annual caps	RMB2,400,000 (equivalent to approximately HK\$2,732,892)
Historical amounts	RMB2,400,000 (equivalent to approximately HK\$2,732,892)

*Annual caps and basis*

Arm's length negotiations between Golden Ocean Wire and Jinhu Industrial with reference to (i) the rent paid to Golden Ocean Wire in respect of the leased properties under the 2019 Golden Ocean Wire Tenancy Agreement of RMB2,400,000 (equivalent to approximately HK\$2,732,892) for the year ended 31 December 2019; (ii) the prevailing market rent with comparable properties; and (iii) the exchange rate movement of RMB and HKD during the lease term. The aggregate amount of rent payable by Jinhu Industrial to Golden Ocean Wire for the year ending 31 December 2020 will not exceed RMB3,120,000 (equivalent to approximately HK\$3,475,896).

The rental payable under the 2020 Golden Ocean Wire Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates with comparable properties of similar type, age and location. The Directors (including the independent non-executive Directors) confirmed that the rental is comparable to the prevailing market rents for similar properties in the vicinity and considered that the rental under the 2020 Golden Ocean Wire Tenancy Agreement is fair and reasonable.

***(C) 2019 Tiannengyuan Charging Tenancy Agreement***

Date:	31 December 2019
Location:	Mujintou Zone, Xinmindahuyuan Village, Shuikou Street Office, Huicheng District, Huizhou City (惠州市惠城區水口街道辦事處新民大湖園村木錦頭地段)
Lessor:	Tiannengyuan Charging
Lessee:	Ten Pao Electronic (Huizhou)
Monthly rental:	RMB430,000 (equivalent to approximately HK\$479,050)
Term:	1 January 2020 to 31 December 2020
Usage:	Production facilities and staff quarters

*Historical transaction amount*

**For the year ended  
31 December 2019**

Existing annual caps	RMB4,200,000 (equivalent to approximately HK\$4,782,564)
Historical amounts	RMB4,200,000 (equivalent to approximately HK\$4,782,564)

*Annual caps and basis*

Arm's length negotiations between Tiannengyuan Charging and Ten Pao Electronics (Huizhou) with reference to (i) the historical rent paid of RMB4,200,000 (equivalent to approximately HK\$4,782,564) for the year ended 31 December 2019; (ii) the prevailing market rent with comparable properties; and (iii) the exchange rate movement of RMB and HKD during the lease term. The aggregate amount of rent payable by Ten Pao Electronic (Huizhou) to Tiannengyuan Charging for the year ending 31 December 2019 will not exceed RMB5,160,000 (equivalent to approximately HK\$5,748,600).

The rental payable under the 2020 Tiannengyuan Charging Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates with comparable properties of similar type, age and location. The Directors (including the independent non-executive Directors) confirmed that the rental is comparable to the prevailing market rents for similar properties in the vicinity and considered that the rental under the 2020 Tiannengyuan Charging Tenancy Agreement is fair and reasonable.

**Aggregation of the historical transaction amounts and the annual caps**

To aggregate the transactions of leasing of properties by the Group from the associates of Chairman Hung under Rules 14A.81 to 14A.83 of the Listing Rules, the aggregate amount of rent paid to the associates of Chairman Hung pursuant to the 2019 Tenancy Agreements by the Group for the year ended 31 December 2019 was approximately HK\$8,139,456.

To aggregate the transactions of leasing of properties by the Group from the associates of Chairman Hung under Rules 14A.81 to 14A.83 of the Listing Rules, the aggregate amount of rent payable to the associates of Chairman Hung pursuant to the 2020 Tenancy Agreements by the Group for the year ending 31 December 2020 will not exceed approximately HK\$9,920,496.

## **Reasons for and benefits of entering into the 2020 Tenancy Agreements**

The Directors (including the independent non-executive Directors) consider that it is beneficial to the Group to conduct the continuing connected transactions contemplated under the 2020 Tenancy Agreements given that they are in line with the Group's strategies to expand the scale of production by renting properties instead of building its own production plant in order to maintain a healthy liquidity position. Moreover, the leasing of existing properties under the 2020 Tenancy Agreements minimises the costs of relocation and prevents interruption of the Group's production.

In light of the above, the Directors (including the independent non-executive Directors) consider that the 2020 Tenancy Agreements and the respective proposed annual caps thereof have been entered into and arrived at (a) in the ordinary and usual course of the business of the Company; (b) on normal commercial terms or better; and (c) on terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

## **Internal control measures**

The 2020 Tenancy Agreements are entered into on an annual basis and the Directors will continue to keep aware of the recent development of the property rental market. In the event of any future material changes in the market, the Directors will take immediate steps to ensure the terms of the 2020 Tenancy Agreements are fair and reasonable. The Company will also comply with the annual review requirements by the independent non-executive Directors and the auditor relating to the 2020 Tenancy Agreements pursuant to Rules 14A.56 to 14A.59 of the Listing Rules.

## **Implications under the Listing Rules**

### ***Sky Fortune***

Since approximately 96.67% and 3.33% of the issued share capital of Sky Fortune are held by Chairman Hung, an executive Director and a Controlling Shareholder, and Mrs. Hung, respectively, Sky Fortune is an associate of Chairman Hung and a connected person of the Company and the leasing of properties pursuant to the 2020 Sky Fortune Tenancy Agreement will constitute continuing connected transaction for the Company.

### ***Golden Ocean Wire***

100% the registered capital of Golden Ocean Wire is held by Golden Ocean Copper and approximately 96.77% and 3.23% of the issued share capital of Golden Ocean Copper are held by Year Industries and Grateful World International Limited, respectively. The entire issued share capital of Year Industries is held by Mrs. Hung, on trust for and on behalf of Chairman Hung, an executive Director and a Controlling Shareholder, and Chairman Hung is able to control the exercise of voting power at general meetings and control the composition of board of directors of Golden Ocean Copper. Since Golden Ocean Wire is directly wholly-owned by Golden Ocean Copper, Golden Ocean Wire is an associate of Chairman Hung and a connected person of the Company and the leasing of properties pursuant to the 2020 Golden Ocean Wire Tenancy Agreement will constitute continuing connected transaction for the Company.

### ***Tiannengyuan Charging***

As 100% of the issued share capital of Tiannengyuan Charging is held by Ten Power Charging and 100% of the issued share capital of Ten Power Charging is held by Ease Bright, which is a company wholly-owned by Chairman Hung, an executive Director and a Controlling Shareholder, Tiannengyuan Charging is an associate of Chairman Hung and a connected person of the Company and the leasing of properties pursuant to the 2020 Tiannengyuan Charging Tenancy Agreement will constitute continuing connected transaction for the Company.

### **Information about the relevant parties**

The Group is principally engaged in the manufacturing and sale of switching power supply units for consumer products and smart chargers and controllers for industrial use. The Company is an investment holding company.

Sky Fortune is an investment holding company engaged in leasing of property for rental income purpose.

Ten Pao International is principally engaged in the sale of switching power supply units for consumer products and smart chargers and controllers for industrial use.

Golden Ocean Wire is principally engaged in the operation of imported material processing.

Jinhu Industrial is principally engaged in the manufacturing and sale of switching power supply units for consumer products and smart chargers and controllers for industrial use.

Tiannengyuan Charging is an investment holding company engaged in leasing of property for rental income purpose.

Ten Pao Electronic (Huizhou) is principally engaged in the manufacturing and sale of switching power supply units for consumer products and smart chargers and controllers for industrial use.



## DEFINITIONS USED IN THIS ANNOUNCEMENT

*Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:*

- “2019 Golden Ocean Wire Tenancy Agreement” the tenancy agreement dated 31 December 2018 entered into between Golden Ocean Wire and Jinhua Industrial for the lease of the properties under the 2020 Golden Ocean Wire Tenancy Agreement for a monthly rental of RMB200,000 (equivalent to approximately HK\$227,741), with the term expiring on 31 December 2019
- “2019 Sky Fortune Tenancy Agreement” the tenancy agreement dated 31 December 2018 entered into between Sky Fortune and Ten Pao International for the lease of the properties under the 2020 Sky Fortune Tenancy Agreement for a monthly rental of HK\$52,000, with the term expiring on 31 December 2019
- “2019 Tenancy Agreements” the 2019 Sky Fortune Tenancy Agreement, the 2019 Golden Ocean Wire Tenancy Agreement and the 2019 Tiannengyuan Charging Tenancy Agreement
- “2019 Tiannengyuan Charging Tenancy Agreement” the tenancy agreement dated 31 December 2018 entered into between Tiannengyuan Charging and Ten Pao Electronic (Huizhou) for the lease of the properties under the 2020 Tiannengyuan Charging Tenancy Agreement with a monthly rental of RMB350,000 (equivalent to approximately HK\$398,547), with the term expiring on 31 December 2019
- “2020 Golden Ocean Wire Tenancy Agreement” the tenancy agreement dated 31 December 2019 entered into between Golden Ocean Wire and Jinhua Industrial as referred to under the subsection headed “Principal terms of the 2020 Tenancy Agreements — (B) 2020 Golden Ocean Wire Tenancy Agreement” of the section headed “RENEWAL OF THE 2019 TENANCY AGREEMENTS” of this announcement
- “2020 Sky Fortune Tenancy Agreement” the tenancy agreement dated 31 December 2019 entered into between Sky Fortune and Ten Pao International as referred to under the subsection headed “Principal terms of the 2020 Tenancy Agreements — (A) 2020 Sky Fortune Tenancy Agreement” of the section headed “RENEWAL OF THE 2019 TENANCY AGREEMENTS” of this announcement
- “2020 Tenancy Agreements” the 2020 Sky Fortune Tenancy Agreement, the 2020 Golden Ocean Wire Tenancy Agreement and the 2020 Tiannengyuan Charging Tenancy Agreement

“2020 Tiannengyuan Charging Tenancy Agreement”	the tenancy agreement dated 31 December 2019 entered into between Tiannengyuan Charging and Ten Pao Electronic (Huizhou) as referred to under the subsection headed “Principal terms of the 2020 Tenancy Agreements — (C) 2020 Tiannengyuan Charging Tenancy Agreement” of the section headed “RENEWAL OF THE 2019 TENANCY AGREEMENTS” of this announcement
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Chairman Hung”	Mr. Hung Kwong Yee (洪光椅), the chairman of the Board, an executive Director, the chief executive officer and one of the Controlling Shareholders
“Company”	Ten Pao Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 1979)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing 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
“Director(s)”	the director(s) of the Company
“Ease Bright”	Ease Bright Holdings Limited (怡明控股有限公司), a company incorporated under the laws of BVI with limited liability on 9 February 2015 and is wholly-owned by Chairman Hung
“Golden Lake”	Golden Lake (HK) Co., Limited (錦湖(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 23 May 2001 and 98.00% and 2.00% of the issued share capital are held by Chairman Hung and Mrs. Hung, respectively
“Golden Ocean Copper”	Golden Ocean Copper Manufacturer Co., Limited* (鑫洋銅工業有限公司), a company incorporated under the laws of Hong Kong with limited liability on 11 May 2001 and 96.77% and 3.23% of the issued share capital are held by Years Industries and Grateful World International Limited, respectively

“Golden Ocean Wire”	Huizhou Golden Ocean Wire Co., Limited* (惠州市鑫洋線業有限公司), a WFOE established under the law of the PRC with limited liability on 2 November 2017 and wholly-owned by Golden Ocean Copper, and indirectly wholly-owned by Chairman Hung
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jinhu Industrial”	Huizhou Jinhu Industrial Development Co., Ltd.* (惠州市錦湖實業發展有限公司), a company established under the laws of PRC with limited liability on 28 May 1999 and an indirect wholly-owned subsidiary of the Company
“Lessees”	Ten Pao International, Jinhu Industrial and Ten Pao Electronic (Huizhou)
“Lessors”	Sky Fortune, Golden Ocean Wire and Tiannengyuan Charging
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mrs. Hung”	Ms. Yeh Chin Lian (葉金蓮), the spouse of Chairman Hung
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholders”	holders of the Shares of the Company
“Sky Fortune”	Sky Fortune Enterprise Limited (天祥企業有限公司), a company incorporated under the laws of BVI with limited liability on 15 July 2009 and 96.67% and 3.33% of the issued share capital are held by Chairman Hung and Mrs. Hung, respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Ten Pao Electronic (Huizhou)”	Ten Pao Electronic (Huizhou) Co., Ltd.* (天寶電子(惠州)有限公司), a WFOE established under the laws of the PRC with limited liability on 28 August 2000 and an indirect wholly-owned subsidiary of the Company

“Ten Pao International”	Ten Pao International Limited (天寶國際興業有限公司), company incorporated under the laws of Hong Kong with limited liability on 9 May 2001, a direct wholly-owned subsidiary of Ease Bright and an indirect wholly-owned subsidiary of the Company
“Ten Power Charging”	Ten Power Charging Technology Limited (天源充電技術有限公司), a company incorporated under the laws of Hong Kong with limited liability on 7 March 2011 and a direct wholly-owned subsidiary of Ease Bright and indirectly wholly-owned by Chairman Hung
“Tiannengyuan Charging”	Huizhou Tiannengyuan Charging Technology Co., Ltd.* (惠州天能源充電技術有限公司), a WFOE established under the laws of the PRC with limited liability on 22 November 2011 and wholly-owned by Ten Power Charging, and indirectly wholly-owned by Chairman Hung
“WFOE”	wholly foreign-owned enterprise with the meaning prescribed under the PRC laws
“Year Industries”	Year Industries Limited, a company incorporated under the laws of BVI with limited liability on 22 February 2001 and its entire issued share capital is held by Mrs. Hung on trust for and on behalf of Chairman Hung
“%”	per cent

By order of the Board  
**TEN PAO GROUP HOLDINGS LIMITED**  
**Hung Kwong Yee**  
*Chairman*

\* *For identification purposes only*

*For illustrative purpose, the exchange rate of HK\$ against RMB for 2019 Tenancy Agreement is HK\$1 to RMB0.87819 and for 2020 Tenancy Agreement is HK\$1 to RMB0.89761*

Hong Kong, 31 December 2019

*As at the date of this announcement, the executive directors of the Company are Mr. Hung Kwong Yee, Mr. Hung Sui Tak and Ms. Yang Bingbing; and the independent non-executive directors of the Company are Mr. Lam Cheung Chuen, Mr. Chu Yat Pang Terry and Mr. Lee Kwan Hung.*