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COMPUTIME GROUP LIMITED

金寶通集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 320)

DISCLOSEABLE TRANSACTION IN RELATION TO THE LEASE AGREEMENT

THE LEASE AGREEMENT

The Board announces that on 29 October 2019 (after trading hours), Computime Electronics (Shenzhen) Co., Ltd. (金寶通電子(深圳)有限公司), a wholly-owned subsidiary of the Company, as Tenant entered into a Lease Agreement with the Landlord in respect of the renewal of the lease of the Premises for a term of three years commencing from 1 January 2020 to 31 December 2022 for use as factory, dormitory and office of the Group.

IMPLICATIONS UNDER THE LISTING RULES

Upon the implementation of HKFRS 16 effective from 1 January 2019, the Group if entering into a lease transaction as a lessee should recognise the right-of-use asset in the consolidated financial statements of the Company according to HKFRS 16. The entering into of the Lease Agreement by the Group as Tenant effective from 1 January 2019 will be regarded as an acquisition of asset under the definition of transaction as set out in Rule 14.04(1)(a) of the Listing Rules.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transaction contemplated under the Lease Agreement is more than 5% but less than 25%, such transaction constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules only.

INTRODUCTION

The Board announces that on 29 October 2019 (after trading hours), Computime Electronics (Shenzhen) Co., Ltd. (金寶通電子(深圳)有限公司), a wholly-owned subsidiary of the Company, as Tenant entered into a Lease Agreement with the Landlord in respect of the renewal of the lease of the Premises for a term of three years commencing from 1 January 2020 to 31 December 2022 for use as factory, dormitory and office of the Group.

THE LEASE AGREEMENT

Date: 29 October 2019

The Landlord: Shenzhen Guangken Yulian Industrial Co., Ltd.* (深圳市廣墾宇聯實業有限公司)

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties.

The Tenant: Computime Electronics (Shenzhen) Co., Ltd. (金寶通電子(深圳)有限公司), a wholly-owned subsidiary of the Company.

The Premises: An area of 59,726.05 square meters located at Yulian Industrial Park (宇聯工業區), Kangqiao Road 88, Danzhotou Community, Nanwan Street, Longgang District, Shenzhen City, Guangdong Province, PRC.

The users of the Premises will be the Tenant and CCDM. The area of 37,969.42 square meters of the Premises will be used by the Tenant, and the area of 21,756.63 square meters of the Premises will be used by CCDM.

Terms: Three years commencing from 1 January 2020 to 31 December 2022.

Upon expiration of the lease term of the Lease Agreement, if the Tenants wants to continue leasing the Premises, the Tenant shall inform the Landlord six months in advance and enter into a new lease agreement with the Landlord.

The aggregate value of consideration payable:

The aggregate value of consideration payable under the Lease Agreement by the Tenant is RMB72,301,967 (equivalent to approximately HK\$79,452,711), which will be satisfied by internal resources of the Group.

The rent under the Lease Agreement is determined after arm's length negotiations between the Landlord and the Tenant, after taking into consideration the prevailing market price for comparable premises in the vicinity of the Premises.

Payable term:

The monthly rental and monthly Management Fees shall be payable monthly in advance on the day which is five days prior to the first day of each calendar month.

If the Tenant fails to pay the rent or the Management Fees due to exceptional circumstances, the Tenant shall explain to the Landlord in writing and pay the rent or the Management Fees within 10 days from the due date. If the Tenant fails to pay the rent within the 10 days grace period, the Landlord is entitled to charge the Tenant 0.1% on the overdue payment on a daily basis and is entitled to take further actions such as water supply stoppage and control the entry and exit of goods of the Group. The Tenant shall bear all losses suffered by the Landlord as a result. If the Tenant fails to pay the rent or the Management Fees for more than 30 days from the due date, the Landlord is entitled to terminate the Lease Agreement, forfeit the security deposit, and claim damages from the Tenant.

Security Deposit:

On the date of signing of the Lease Agreement, the Tenant shall pay an amount equivalent to three-month rents/ RMB5,733,701 (equivalent to approximately HK\$6,300,770) as required under the Lease Agreement as security deposit. It shall be paid in two installments: an amount of RMB3,348,309 (equivalent to approximately HK\$3,679,460) shall be paid prior to the signing of the Lease Agreement and an amount of RMB2,383,392 (equivalent to approximately HK\$2,619,112) shall be paid on the date of signing of the Lease Agreement.

THE RIGHT-OF-USE ASSET

The value of the right-of-use asset recognised by the Company under the Lease Agreement amounted to approximately RMB67,107,836 (equivalent to approximately HK\$73,744,875), which is the present value of aggregated 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 4.80% is applied to compute the present value of aggregate lease payments less incentives (if any) under the Lease Agreement.

INFORMATION OF THE COMPANY, THE GROUP, THE LANDLORD, THE TENANT AND CCDM

The Company is a company incorporated under the laws of the Cayman Islands with limited liability and is principally engaged in investment holding. The Group is principally engaged in research and development, design, manufacture and trading of electronic control products.

The Landlord is a company incorporated under the laws of the PRC with limited liability and is principally engaged in investment holding and leasing of property.

The Tenant is a company incorporated under the laws of the PRC with limited liability and is principally engaged in manufacturing. The Tenant is a wholly-owned subsidiary of the Company.

CCDM is a company incorporated under the laws of the PRC with limited liability and is principally engaged in manufacturing. CCDM is a wholly-owned subsidiary of the Company.

REASONS FOR ENTERING INTO OF THE LEASE AGREEMENT

The Tenant has been currently leasing the Premises as factory, dormitory and office since 1 June 2003, and the leasing term will be expired at the end of this year. The entering into of the Lease Agreement for the renewal of the lease of the Premises is necessary for the continuing of the business operation of the Group. The Premises will be used as factory, dormitory and office of the Group. As disclosed in the Chairman's Statement in our last annual report published on 11 July 2019, the Board is also exploring opportunities to further expand and diversify our manufacturing solution with wider geographical footprint to best serve our global portfolio of customers with superb quality and cost efficiency.

On the basis of the foregoing, the Board considers that the terms of the Lease Agreement are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Upon the implementation of HKFRS 16 effective from 1 January 2019, the Group if entering into a lease transaction as a lessee should recognise the right-of-use asset in the consolidated financial statements of the Company according to HKFRS 16. The entering into of the Lease Agreement by the Group as Tenant effective from 1 January 2019 will be regarded as an acquisition of asset under the definition of transaction as set out in Rule 14.04(1)(a) of the Listing Rules.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transaction contemplated under the Lease Agreement is more than 5% but less than 25%, such transaction constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules only.

DEFINITION

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

“Board”	board of Directors
“Company”	Computime Group Limited (stock code: 320), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“CCDM”	Computime Control Devices Manufacturing (Shenzhen) Co. Ltd. (金寶通智能製造(深圳)有限公司)
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“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”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party independent of and not connected with the Company and its connected persons
“Landlord”	the landlord as more particularly set out under the sub-heading “The Landlord” in the section headed “The Lease Agreement” in this announcement
“Lease Agreement”	the lease agreement dated 29 October 2019 entered into between the Tenant and the Landlord in relation to the renewal of the lease of the Premises
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Management Fees”	the property service fee and the expenses related to the ancillary facilities including garbage clearance fee, domestic sewage treatment fee, fire protection system maintenance fee, elevator maintenance fee, water supply fee and related sewage discharge fee, garbage disposal fee
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Premises”	the premises as more particularly set out under the sub-heading “The Premises” in the section headed “The Lease Agreement” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant”	the tenant as more particularly set out under the sub-heading “The Tenant” in the section headed “The Lease Agreement” in this announcement
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1.00 to RMB0.91. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

By Order of the Board
Computime Group Limited
AUYANG Ho
Chairman

Hong Kong, 29 October 2019

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. AU YANG Ho (*Chairman*)

Dr. OW YANG King (*Chief Executive Officer*)

Non-executive Directors:

Mr. KAM Chi Chiu, Anthony

Mr. Arvind Amratlal PATEL

Mr. WONG Chun Kong

Mr. AU Hing Lun, Dennis

Independent Non-executive Directors:

Mr. LUK Koon Hoo

Mr. Patrick Thomas SIEWERT

Mr. CHEUNG Ching Leung, David

* *For identification purposes only*