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TRIO INDUSTRIAL ELECTRONICS GROUP LIMITED**致豐工業電子集團有限公司***(Incorporated in Hong Kong with limited liability)***(Stock Code: 1710)****MAJOR TRANSACTION IN RELATION TO THE LEASING OF
FACTORY BUILDING**

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

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DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rule
“Board”	the Board of Directors
“Company”	Trio Industrial Electronics Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01710)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries from time to time
“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”	the 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”	Shiji Cooperative Economic Association of Dongchong Town, Nansha District, Guangzhou City, Guangdong Province* (廣東省廣州市南沙區東涌鎮石基股份合作經濟聯合社), the local administration authority of Shiji Village, Dongchong Town, Nansha District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市南沙區東涌鎮石基村)
“Latest Practicable Date”	21 July 2021, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excluding the option market) operated by the Stock Exchange
“MOU”	the memorandum of understanding dated 5 December 2016 entered into between Panyu Trio and the Landlord, as supplemented by the supplemental agreements to the MOU dated 20 July 2018 and 28 November 2019, respectively, entered into between Panyu Trio and the Landlord
“No. 1 Factory Building”	a factory building situated at No. 17, Dongchong Section, Shinan Highway. Shiji Village, Dongchong Town, Nansha District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市南沙區東涌鎮石基村市南公路東涌段17號) with a GFA of approximately 13,588.0 sq.m.
“No. 2 Factory Building”	a factory building situated at No. 37, Dongchong Section, Shinan Highway. Shiji Village, Dongchong Town, Nansha District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市南沙區東涌鎮石基村市南公路東涌段37號) with a GFA of approximately 12,574.0 sq.m.
“Panyu Trio”	Panyu Trio Microtronics Company Limited, a wholly foreign owned enterprise established under the laws of the PRC on 5 April 1991 as a sino-foreign contractual joint venture, an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Prospectus”	the Prospectus of the Company dated 13 November 2017
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company

DEFINITIONS

“Shares”	ordinary shares in the issued share capital of the Company
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement No. 1”	the tenancy agreement dated 8 May 2021 entered into between Panyu Trio and the Landlord in respect of the leasing of the No. 1 Factory Building
“Tenancy Agreement No. 2”	the tenancy agreement dated 30 June 2021 entered into between Panyu Trio and the Landlord in respect of the leasing of the No. 2 Factory Building
“Tenancy Agreements”	collectively, the Tenancy Agreement No. 1 and the Tenancy Agreement No. 2
“Written Approval”	the written approval from Trio Industrial Electronics Holding Limited, which held 725,000,000 issued ordinary shares of the Company (representing 72.5% of its entire issued share capital as at the Latest Practicable Date) in respect of the Tenancy Agreement No. 2 and the transactions contemplated thereunder
“%”	per cent

* *For identification purpose only*

For the purpose of this circular, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.1999.

LETTER FROM THE BOARD

TRIO INDUSTRIAL ELECTRONICS GROUP LIMITED

致豐工業電子集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1710)

Executive Directors

Mr. Lai Yiu Wah

Mr. Tai Leung Lam

Mr. Joseph Mac Carthy

Registered office

Block J, 5/F, Phase II, Kaiser Estate

51 Man Yue Street

Hung Hom, Kowloon

Hong Kong

Independent Non-executive Directors

Mr. Fung Chun Chung

Mr. Cheung Kin Wing

Mr. Wong Raymond Fook Lam

26 July 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE LEASING OF FACTORY BUILDING

1. INTRODUCTION

Reference is made to the announcements of the Company dated 23 April 2021 and 22 June 2021 in relation to the leasing of the No. 1 Factory Building and the No. 2 Factory Building, respectively.

The purpose of this circular is to provide you with, among other things, further information on the transactions contemplated under the Tenancy Agreements and other information as required to be contained in this circular under the Listing Rules.

II. THE TENANCY AGREEMENTS

The principal terms of the Tenancy Agreement No. 1 are as follows:

**Date of notification of
successful bid:** 23 April 2021

**Date of Tenancy Agreement
No. 1:** 8 May 2021

LETTER FROM THE BOARD

- Parties:** (1) Panyu Trio (as tenant); and
(2) the Landlord (as landlord)
- Leased premises:** No. 1 Factory Building with a total GFA of approximately 13,588.0 sq.m.
- Bidding security deposit and performance bond:** In respect for Panyu Trio's bid for the Tenancy Agreement No. 1, a sum of RMB5.0 million (equivalent to approximately HK\$6.0 million) had been paid by Panyu Trio as the bidding security deposit. Upon Panyu Trio's signing of the Tenancy Agreement No. 1, a sum of RMB0.8 million (equivalent to approximately HK\$1.0 million) was deducted from such bidding security deposit as performance bond of the Tenancy Agreement No. 1, and the remaining sum of the bidding security deposit would be returned to Panyu Trio.
- Following the expiry of the Tenancy Agreement No. 1, the performance bond of the Tenancy Agreement No. 1 will be refunded to Panyu Trio.
- Usage:** Industrial use/warehouse. The Group intends to use the No. 1 Factory Building as part of its production base in the PRC.
- Delivery:** Pursuant to the Tenancy Agreement No. 1, the Landlord shall deliver the No. 1 Factory Building to Panyu Trio for rent on 10 May 2021. If the Landlord fails to deliver the No. 1 Factory Building to Panyu Trio for rent within 30 days from 10 May 2021, Panyu Trio shall be entitled to charge the Landlord a daily penalty fee of 0.01% of the monthly rental fee until the date of delivery.
- If the Landlord fails to deliver the No. 1 Factory Building to Panyu Trio for rent within 60 days from 10 May 2021, Panyu Trio shall be entitled to terminate the Tenancy Agreement No. 1. The Landlord shall, within 15 days of its receipt of the written notice from Panyu Trio, terminate the Tenancy Agreement No. 1 and pay twice the amount of the performance bond to Panyu Trio.
- As at the Latest Practicable Date, the No. 1 Factory Building has not yet been delivered to Panyu Trio for rent. Based on Panyu Trio's communication with the Landlord, it is expected that the No. 1 Factory Building will be delivered to Panyu Trio on or before 15 December 2021. The rent-free renovation period will be extended accordingly to a date ending on the date which is 1.5 months from the actual date of delivery.

LETTER FROM THE BOARD

Term:	15 years from 10 May 2021 to 9 May 2036
Rental fee:	<p>Pursuant to the Tenancy Agreement No. 1, there shall be a rent-free renovation period from 10 May 2021 to 24 June 2021. As mentioned above, based on Panyu Trio's communication with the Landlord, the rent-free renovation period will be extended to end on a date which is 1.5 months from the actual date of delivery.</p> <p>Rental fee for the first three years of the term of the lease shall be calculated at the rate of RMB19.0 (equivalent to approximately HK\$22.8) per sq.m. per month, totaling RMB258,172.0 (equivalent to approximately HK\$309,780.6) per month, for the No. 1 Factory Building and shall be increased by 10% every 3 years thereafter.</p>
Payment terms:	The rent shall be payable on or before the tenth day of each and every calendar month. Any overdue payment will be subject to a daily penalty fee of 0.2% of the overdue amount.

The principal terms of the Tenancy Agreement No. 2 are as follows:

Date of notification of successful bid:	22 June 2021
Date of Tenancy Agreement No. 2:	30 June 2021
Parties:	(1) Panyu Trio (as tenant); and (2) the Landlord (as landlord)
Leased premises:	No. 2 Factory Building with a total GFA of approximately 12,574.0 sq.m.
Bidding security deposit and performance bond:	<p>In respect for Panyu Trio's bid for the Tenancy Agreement No. 2, a sum of RMB5.0 million (equivalent to approximately HK\$6.0 million) had been paid by Panyu Trio as the bidding security deposit. Upon Panyu Trio's signing of the Tenancy Agreement No. 2, a sum of RMB0.8 million (equivalent to approximately HK\$1.0 million) was deducted from such bidding security deposit as performance bond of the Tenancy Agreement No. 2, and the remaining sum of the bidding security deposit would be returned to Panyu Trio.</p>

Following the expiry of the Tenancy Agreement No. 2, the performance bond of the Tenancy Agreement No. 2 will be refunded to Panyu Trio.

LETTER FROM THE BOARD

Usage: Industrial use/warehouse. The Group intends to use the No. 2 Factory Building as part of its production base in the PRC.

Delivery: Pursuant to the Tenancy Agreement No. 2, the Landlord shall deliver the No. 2 Factory Building to Panyu Trio for rent on 1 July 2021. If the Landlord fails to deliver the No. 2 Factory Building to Panyu Trio for rent within 30 days from 1 July 2021, Panyu Trio shall be entitled to charge the Landlord a daily penalty fee of 0.01% of the monthly rental fee until the date of delivery.

If the Landlord fails to deliver the No. 2 Factory Building to Panyu Trio for rent within 60 days from 1 July 2021, Panyu Trio shall be entitled to terminate the Tenancy Agreement No. 2. The Landlord shall, within 15 days of its receipt of the written notice from Panyu Trio, terminate the Tenancy Agreement No. 2 and pay twice the amount of the performance bond to Panyu Trio.

As at the Latest Practicable Date, the No. 2 Factory Building has not yet been delivered to Panyu Trio for rent. Based on Panyu Trio's communication with the Landlord, it is expected that the No. 2 Factory Building will be delivered to Panyu Trio on or before 15 December 2021. The rent-free renovation period will be extended accordingly to a date ending on the date which is 1.5 months from the actual date of delivery.

Term: 15 years from 1 July 2021 to 30 June 2036

Rental fee: Pursuant to the Tenancy Agreement No. 2, there shall be a rent-free renovation period from 1 July 2021 to 15 August 2021. As mentioned above, based on Panyu Trio's communication with the Landlord, the rent-free renovation period will be extended to end on a date which is 1.5 months from the actual date of delivery.

Rental fee for the first three years of the term of the lease shall be calculated at the rate of RMB22.0 (equivalent to approximately HK\$26.4) per sq.m. per month, totaling RMB276,628.0 (equivalent to approximately HK\$331,925.9) per month, for the No. 2 Factory Building and shall be increased by 10% every 3 years thereafter.

Payment terms: The rent shall be payable on or before the tenth day of each and every calendar month. Any overdue payment will be subject to a daily penalty fee of 0.2% of the overdue amount.

LETTER FROM THE BOARD

III. FINANCIAL EFFECTS OF ENTERING INTO THE TENANCY AGREEMENTS

The value of the right-of-use asset to be recognised by the Group under the Tenancy Agreements in aggregate amounts to approximately HK\$101.1 million, respectively, which is the present value of 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 3.3210% is applied to compute the present value of lease payments less incentives (if any) under the Tenancy Agreements, respectively. It should be noted that the above figure is unaudited and may be subject to adjustment in the future.

The consolidated total assets of the Group would increase by approximately HK\$101.1 million upon the commencement of the lease term under the Tenancy Agreements, and a corresponding amount of lease liabilities of approximately HK\$101.1 million would be recognised at the same time.

The right-of-use asset will be depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Interest expenses on the lease liabilities will be recognised at the rate of 3.3210% per annum. After the commencement date of the lease, the lease liabilities are adjusted by interest accretion and lease payments.

IV. INFORMATION ON THE PARTIES

The Group is a leading manufacturer of customised industrial electronic components and products. Its products include: (i) smart battery chargers; (ii) electro-mechanical products; (iii) switch-mode power supplies; and (iv) smart vending systems. To meet its growing business needs, the Group has been planning and working at its factory expansion at the existing production base in the PRC.

The Landlord is the local administration authority of Shiji Village, Dongchong Town, Nansha District, Guangzhou City, Guangdong Province, the PRC. To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Landlord and its ultimate beneficial owner(s) are independent of the Group and the connected persons of the Group (as defined under the Listing Rules).

V. REASONS FOR AND BENEFITS OF THE TENANCY AGREEMENTS

As disclosed in the Prospectus, the Company considered that it was necessary for the Group to expand its production capacity to cater for new purchase orders. The Group has been leasing certain properties from the Landlord at the same site with the No. 1 Factory Building and the No. 2 Factory Building. Pursuant to the MOU, the Landlord would convert certain of the Group's leased properties which were previously used as warehouses into two factory buildings.

LETTER FROM THE BOARD

The Company considers that the entering into of the Tenancy Agreements will allow the Group to increase its production capacity by expanding its production plant at the No. 1 and No. 2 Factory Building. The Directors are of the view that the expansion plan to be implemented in its existing production base would create synergy, minimise logistics and administrative costs and maximise production efficiency. The Board considers that the rent under the Tenancy Agreements is comparable to the prevailing market rent for similar properties in the vicinity and also considers that the terms of the Tenancy Agreements and the transactions contemplated thereunder are on normal commercial terms after arm's length negotiations, in the ordinary and usual course of business, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Landlord and its ultimate beneficial owner(s) are independent of the Company and its connected persons.

VI. LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, the Company will recognise a right-of-use asset on its consolidated statement of financial position in connection with the Tenancy Agreements. Therefore, the entering into of the Tenancy Agreements will be regarded as an acquisition of asset by the Group under the Listing Rules.

Taking into account (i) the Tenancy Agreement No. 1 and the Tenancy Agreement No. 2 were entered into by the Company with the same party within a 12-month period and (ii) the No. 1 Factory Building and the No. 2 Factory Building are adjacent to each other, the entering into of the Tenancy Agreements should be aggregated as if they were one transaction pursuant to Rule 14.22 of Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Tenancy Agreements on an aggregate basis are more than 25% but less than 100%, the entering into of the Tenancy Agreement No. 2 constituted a major transaction for the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholder has a material interest in the Tenancy Agreement No. 2 and the transaction contemplated thereunder, and no Shareholder would be required to abstain from voting at a general meeting of the Company for approving the same if the Company were to convene such a general meeting. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting for approving the Tenancy Agreement No. 2.

LETTER FROM THE BOARD

The Company has received the Written Approval in respect of the Tenancy Agreement No. 2 from Trio Industrial Electronics Holding Limited, which held 725,000,000 issued ordinary shares of the Company as at the Latest Practicable Date (representing approximately 72.5% of the issued shares of the Company as at the Latest Practicable Date), in accordance with Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be convened by the Company to approve the Tenancy Agreement No. 2.

VII. FURTHER INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

VIII. RECOMMENDATION

As stated in the preceding paragraphs, the Directors considered that the terms of the Tenancy Agreement No. 2 were entered into on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and its shareholders as a whole. Although a general meeting will not be convened by the Company to approve the Tenancy Agreement No. 2 and the transaction contemplated therein, if such a general meeting were to be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolutions to approve the Tenancy Agreement No. 2 and the transaction contemplated thereunder.

Yours faithfully,
By order of the Board
Trio Industrial Electronics Group Limited
Lai Yiu Wah
Chairman and Executive Director

1. FINANCIAL SUMMARY

Details of the published financial information of the Group for each of the three years ended 31 December 2018, 2019, and 2020 were disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.trio-ieg.com).

- Annual report of the Company for the year ended 31 December 2018 (pages 120 to 231) which can be assessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0423/ltn20190423878.pdf>;
- Annual report of the Company for the year ended 31 December 2019 (pages 129 to 231) which can be assessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0422/2020042200541.pdf>;
- Annual report of the Company for the year ended 31 December 2020 (pages 164 to 259) which can be assessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0419/2021041900906.pdf>.

2. STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business on 31 May 2021, being the most recent practicable date for the purpose of this indebtedness statement prior to the publication of this circular, the Group had outstanding (i) lease liabilities at carrying amount of approximately HK\$69.9 million; and (ii) secured and guaranteed bank borrowings at carrying amount of approximately HK\$25.3 million.

Security

The bank borrowings of approximately HK\$25.3 million was secured by the leasehold land and buildings of the Group, financial assets at fair value through profit or loss of the Group, fixed deposits placed in two banks, and an indemnity for an unlimited amount executed by the Company.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payable in the ordinary course of the business, as at the close of business on 31 May 2021, the Group does not have any other material debt securities, issued or outstanding, or authorised or otherwise created but unissued, term loan, other borrowing or indebtedness in the nature of borrowing of the Group including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, mortgages, charges, covenants, other contingent liabilities or guarantees.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.

4. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the effect of the transactions contemplated under the Tenancy Agreements, the Group's internal resources, cash flow from operations, facilities available to the Group, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in the manufacturing and sales of customised industrial electronic components and products.

The Group recorded a revenue of HK\$701.7 million for the year ended 31 December 2020, with a decrease of 13.2% as compared with the corresponding period of 2019. Gross profit for the year ended 31 December 2020 reduced by 4.5% to HK\$182.5 million, while gross profit margin increased by 2.4 percentage points to 26.0% as compared with the corresponding period of 2019. Profit before income tax for the year ended 31 December 2020 went up by 55.1% to HK\$37.7 million as compared with the corresponding period of 2019. Profit attributable to owners of the Company for the year ended 31 December 2020 was HK\$28.9 million, representing an increase of 29.2% as compared with the corresponding period of 2019.

The global economic turmoil brought by the multiple waves of COVID-19 outbreak has been devastating to the electronics manufacturing sector. Material costs have been escalating driven by prolonged shortage in the supply of components. Severe disruption of global supply chains has created a large obstacle to meet customers' scheduled orders. In these turbulent times, the Group will continue to take a step forward to sustain its financial performance and business growth, including but not limited to:

1. maintaining robust cash flows and financial management;
2. adopting efficient cost control measures and manage non-essential expenses;
3. internationalising its talents and presences to capture more business opportunities;
4. diversifying supply chains and customer bases to minimise the reliance on a few countries and sectors;

5. enhancing the level of automation and digitalisation at the Group's production bases to enhance production efficiency and capabilities; and
6. putting more resources on product innovation and development to strengthen its competitive edge in power electronics industry.

Looking forward, with the advancement of the development of various vaccines for COVID-19, the economy and business activities will hopefully rebound gradually. The pandemic has transformed the landscape of global workforce mobility and business activity, which has accelerated digital transformation and application. The increased popularity of personal and public health awareness, remote/flexible work arrangements, and new energy vehicles have accelerated global demands on medical and healthcare products, automation and self-service equipment, and smart charging solutions. The Group is well-positioned to leverage its technical expertise and capability to explore the related business opportunities and has been striving to develop new customers in these areas. The Group will also put more efforts in maintaining good relationship with existing customers and enhancing operational efficiency, with an aim to enhance the Group's performance and create better value for shareholders and other stakeholders.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the Company has 1,000,000,000 Shares in issue. As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (ii) as required to be notified to the Company and the Stock Exchange pursuant to Model Code contained in Appendix 10 to the Listing Rules, were as follows:

Long positions in Shares and underlying Shares

Name of Director	Nature of interest	Number of Shares held in Long Position	Total	Percentage of shareholding in the Company's issued share capital as at the Latest Practicable Date
Lai Yiu Wah ("Mr. Lai")	Interest in controlled Corporations	725,000,000 (Note 1)	750,000,000	75.00%
	Beneficial owner	25,000,000		
Tai Leung Lam ("Mr. Tai")	Interest in controlled corporations	725,000,000 (Note 1)	725,000,000	72.50%
Joseph Mac Carthy ("Mr. Mac Carthy")	Beneficiary of a trust	725,000,000 (Note 1)	725,000,000	72.50%

Note 1: These Shares are held by Trio Industrial Electronics Holding Limited (“**Trio Holding**”). Trio Holding was owned as to 27.5%, 27.5%, 17.5%, 17.5%, and 10.0% by Nawk Investment Inc. (“**Nawk Investment**”), LLT Investment Inc. (“**LLT Investment**”), Proactive Investment Inc. (“**Proactive Investment**”), Grand Energy Investment Limited (“**Grand Energy**”), and Eastville Enterprises Limited (“**Eastville Enterprises**”), respectively. Nawk Investment, LLT Investment, Proactive Investment, and Eastville Enterprises were directly and wholly owned by Mr. Kwan Tak Sum Stanley (“**Mr. Kwan**”), Mr. Tai, Mr. Lai, Ms. Wong So Nui Amy (“**Ms. Wong**”), respectively. Grand Energy was directly and wholly owned by King Fung Nominees Limited (“**King Fung Nominees**”) on trust for Mr. Mac Carthy. Because of their interests in Trio Holding, Mr. Kwan, Mr. Tai, Mr. Lai, Mr. Mac Carthy, Ms. Wong, Nawk Investment, LLT Investment, Proactive Investment, Grand Energy, King Fung Nominees, and Eastville Enterprises are regarded as the controlling shareholders and together be entitled to exercise and control 72.5% of the issued share capital of the Company as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company has registered an interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (ii) which were required to be notified to the Company and the Stock Exchange pursuant to Model Code.

(b) Substantial Shareholders and other persons’ interests in Shares and underlying Shares

As at the Latest Practicable Date, substantial Shareholders and other persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in Shares and underlying Shares

Name of shareholders	Nature of interests	Number of Shares held in Long Position	Percentage of shareholding in the Company’s issued share capital as at the Latest Practicable Date
Mr. Kwan	Interest in a controlled corporation	725,000,000 (<i>Note 1</i>)	72.50%
Ms. Wong	Interest in a controlled corporation	725,000,000 (<i>Note 1</i>)	72.50%
Grand Energy	Interest in a controlled corporation	725,000,000 (<i>Note 1</i>)	72.50%
Trio Holding	Beneficial owner	725,000,000 (<i>Note 1</i>)	72.50%
Nawk Investment	Interest in a controlled corporation	725,000,000 (<i>Note 1</i>)	72.50%

Name of shareholders	Nature of interests	Number of Shares held in Long Position	Percentage of shareholding in the Company's issued share capital as at the Latest Practicable Date
LLT Investment	Interest in a controlled corporation	725,000,000 (Note 1)	72.50%
Proactive Investment	Interest in a controlled corporation	725,000,000 (Note 1)	72.50%
Eastville Enterprises	Interest in a controlled corporation	725,000,000 (Note 1)	72.50%
King Fung Nominees	Trustee; interest in a controlled corporation	725,000,000 (Note 1)	72.50%
RUAN David Ching Chi	Interest of controlled corporation	88,872,000 (Note 2)	8.89%
RAYS Capital Partners Limited	Investment manager	88,872,000 (Note 2)	8.89%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	84,064,000 (Note 2)	8.41%

Note 1: These shares are held by Trio Holding. Trio Holding was owned as to 27.5%, 27.5%, 17.5%, 17.5%, and 10.0% by Nawk Investment, LLT Investment, Proactive Investment, Grand Energy and Eastville Enterprises, respectively. Nawk Investment, LLT Investment, Proactive Investment and Eastville Enterprises were directly and wholly owned by Mr. Kwan, Mr. Tai, Mr. Lai, Ms. Wong, respectively. Grand Energy was directly and wholly owned by King Fung Nominees on trust for Mr. Mac Carthy. Because of their interests in Trio Holding, Mr. Kwan, Mr. Tai, Mr. Lai, Mr. Mac Carthy, Ms. Wong, Nawk Investment, LLT Investment, Proactive Investment, Grand Energy, King Fung Nominees and Eastville Enterprises are regarded as the controlling shareholders and together be entitled to exercise and control 72.5% of the issued share of the Company as at the Latest Practicable Date.

Note 2: Accordingly to the information available on the website of the Stock Exchange, Asian Equity Special Opportunities Portfolio Master Fund Limited is owned as to 100% by RAYS Capital Partners Limited, which in turn is owned as to 95.24% by Mr. Ruan David Ching Chi.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO.

4. COMPETING INTEREST

So far as the Directors are aware, none of the Directors or their respective associates had interest in any business which compete or is likely to compete, either directly or indirectly, with the businesses of the Group as at the Latest Practicable Date.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service agreement with any members of the Group, excluding contracts expiring or determinable by the Group within one year without payment of any compensation, other than statutory compensation.

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors were materially interested and which was significant to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group that would have a material adverse effect on the results of operations or financial conditions of the Group.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the MOU (including the the supplemental agreements to the MOU dated 20 July 2018 and 28 November 2019, respectively, entered into between Panyu Trio and the Landlord); and
- (b) the Tenancy Agreements.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any Business Days from the date of this circular up to and including 14 days (except public holidays) at the Company's principal place of business in Hong Kong is situated at Block J, 5/F, Phase II, Kaiser Estate, 51 Man Yue Street, Hung Hom, Kowloon, Hong Kong:

- (a) the articles of association of the Company;
- (b) the material contracts referred to under the paragraph headed "8. Material Contracts" in this appendix;
- (c) the annual reports of the Company for the two years ended 31 December 2019 and 2020; and
- (d) this circular.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Wan Mei Wa Ruby, who is an Associate of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries, and the Chartered Governance Institute.
- (b) The registered office of the Company is situated at Block J, 5/F, Phase II, Kaiser Estate, 51 Man Yue Street, Hung Hom, Kowloon, Hong Kong.
- (c) The share registrar of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over its Chinese text.