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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE SUPPLEMENTAL AGREEMENT TO THE MEMORANDUM OF UNDERSTANDING FOR PLANT EXPANSION

Reference is made to the Prospectus in relation to the MOU dated 5 December 2016 entered into between Panyu Trio and Shiji Association.

The Group announces that on 20 July 2018, Panyu Trio entered into a Supplemental Agreement to the MOU with Shiji Association to further amend the terms of the MOU in relation to the leasing of the production plant.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the MOU and the Supplemental Agreement is more than 5% but all of the applicable percentage ratios are less than 25%, the MOU and the Supplemental Agreement constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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The Group announces that on 20 July 2018, Panyu Trio entered into a Supplemental Agreement to the MOU with Shiji Association to further amend the terms of the MOU in relation to the leasing of the production plant.

Pursuant to the MOU and the Supplemental Agreement, certain of the Group's leased properties currently used as warehouses with a total GFA of approximately 5,720.0 sq.m. (including open space of approximately 606.0 sq.m.) will be converted into a 6-storey factory building with a GFA of 13,062.0 sq.m. (the "**No.1 Factory Building**") and a 6-storey factory building with a GFA of 11,940.0 sq.m. (the "**No.2 Factory Building**").

THE SUPPLEMENTAL AGREEMENT TO THE MOU

Date:

20 July 2018

Parties:

(i) Panyu Trio; and

(ii) Shiji Association

Principal terms:

Shiji Association shall be responsible for the construction of the factory buildings and the obtaining of all requisite approvals, permits and certificates, including building ownership certificates from the relevant government authorities. It is estimated that Shiji Association will obtain such approvals, permits and certificates by October 2018 and will then commence construction of the No. 1 Factory Building. It is estimated that the construction of the No.1 Factory Building shall be completed in February 2019. Construction works for the No.2 Factory Building are estimated to begin in June 2019 and to be completed in October 2019. Shiji Association will ensure that, upon completion of all construction works, the Group will be able to, subject to the final GFA after the conversion, continue to lease the No.1 Factory Building and the No.2 Factory Building for a total GFA of 16,982 sq. m. (comprising 13,062 sq. m. from the No.1 Factory Building and 3,920 sq. m. from the No.2 Factory Building) for a term of 15 years. This GFA of 16,982 sq. m. is the approximate area committed to be leased by Panyu Trio pursuant to the Supplemental Agreement. Panyu Trio will have the first priority to lease the remaining GFA of 8,020 sq. m. before the expiry of the 15-year lease.

Should the No.1 Factory Building or No.2 Factory Building be required to be put out on an open tender, Shiji Association shall specify the following terms in the tender: (i) a tenderer (excluding the existing tenant) shall pay an earnest money of RMB20.0 million, which will be converted into a contract deposit upon successful lease; (ii) tenderers shall be enterprises of above town scale and shall comply with environmental standards; (iii) the existing tenant shall have the priority to renew the lease with similar terms and conditions as with any successful tenderer; (iv) only enterprises with output value and manufacturing scale equal or higher than Panyu Trio are entitled to submit tenders. In the event that Shiji Association is unable to lease the No.1 Factory Building and the No.2 Factory Building to Panyu Trio, Panyu Trio is entitled to request Shiji Association to refund all the money that it has paid to the latter and terminate the MOU.

Pursuant to the Supplemental Agreement, the total cost of the conversion is estimated to be RMB45.0 million, which will be fully borne by Shiji Association and of which RMB20.0 million (instead of RMB14.0 million pursuant to the MOU) is to be provided by Panyu Trio for the following purposes: (i) RMB2.0 million as rental deposit for the No.1 Factory Building and the No.2 Factory Building; (ii) RMB1.5 million as electricity installation charges; and (iii) RMB16.5 million (instead of RMB10.5 million pursuant to the MOU) as rental prepayment for the No.1 Factory Building and the No.2 Factory Building.

Under the Supplemental Agreement, the rental fee (including deposit and prepayment of rent) was determined with reference to the current rental fee of Panyu Trio's facilities and the rental fees of other factories in the nearby area. The monthly rental fee shall be RMB18.0 per square meter, with 10% increment every three years.

In July 2016, the Group had paid RMB1.0 million to Shiji Association as earnest money for the MOU. For the remaining RMB19.0 million, a sum of RMB13.0 million will be funded by the proceeds from the Global Offering as disclosed in the Prospectus and the remaining RMB6.0 million will be funded by the Group's internal resources. Payment will be made to Shiji Association in stages as follows:

1. RMB1.0 million of earnest money paid in July 2016;

2. RMB1.5 million for electricity installation charges to be payable upon construction of electricity facilities (this is a one-off payment which will not be offset from the rent; any additional expenses will be borne by Shiji Association);

3. RMB5.0 million (instead of RMB3.0 million pursuant to the MOU) to be payable upon obtaining of approvals for commencing construction;

4. RMB4.5 million (instead of RMB3.5 million pursuant to the MOU) to be payable upon completion and inspection procedures of the No. 1 Factory Building;

5. RMB3.5 million (instead of RMB1.5 million pursuant to the MOU) to be payable upon obtaining of building ownership certificate for the No.1 Factory Building;

6. RMB2.5 million to be payable upon commencement of construction for the No.2 Factory Building;

7. RMB2.0 million (instead of RMB1.0 million pursuant to the MOU) to be payable upon obtaining of building ownership certificate for the No.2 Factory Building.

INFORMATION ON SHIJI ASSOCIATION

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

REASONS AND BENEFITS OF THE MOU AND THE SUPPLEMENTAL AGREEMENT

The Group is a leading manufacturer of customised industrial electronic components and products, with headquarters in Hong Kong and production facilities in the PRC. Its products include: (i) smart battery chargers; (ii) electro-mechanical products; and (iii) switch-mode power supplies, which are generally used in various industrial and commercial applications.

As a result of the changes in construction design and gross floor area which resulted in the delay of the expansion plan, Panyu Trio has to enter into the Supplemental Agreement with Shiji Association to supplement the MOU.

Our Directors have considered other alternatives, such as leasing an alternative factory to facilitate the Group's expansion plan. However, as the expansion plan to be implemented in our existing production base could create synergy, minimize our logistics and administrative costs and maximize our production efficiency, it would be beneficial for Panyu Trio to enter into the Supplemental Agreement, and hence the Directors believe that the terms of the Supplemental Agreement are fair and reasonable and are in the best interests of the Group and its shareholders as a whole.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Board"	the Board of Directors
"Company"	Trio Industrial Electronics Group Limited
"connected person"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the Directors of the Company
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong
"MOU"	the Memorandum of Understanding
"No.1 Factory Building"	a 6-storey factory building with a GFA of 13,062.0 sq.m. pursuant to the Supplemental Agreement
"No.2 Factory Building"	a 6-storey factory building with a GFA of 11,940.0 sq.m. pursuant to the Supplemental Agreement
"Panyu Trio"	Panyu Trio Microtronics Company Limited, a wholly-owned subsidiary of the Group
"PRC"	the People's Republic of China
"Prospectus"	the prospectus of the Group dated 13 November 2017
"RMB"	Renminbi, the lawful currency of the PRC
"Shiji Association"	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)

"sq. m."	square meters
"Supplemental Agreement"	the supplemental agreement to the MOU dated 20 July 2018 entered into between Panyu Trio and Shiji Association

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

Hong Kong, 20 July 2018

As at the date of this announcement, the Board comprises Mr. Lai Yiu Wah, Mr. Tai Leung Lam, Mr. Joseph Mac Carthy as Executive Directors, Mr. Fung Chun Chung, Mr. Cheung Kin Wing and Mr. Wong Raymond Fook Lam as Independent Non-executive Directors.