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PANTRONICS HOLDINGS LIMITED

桐成控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1611)

CONTINUING CONNECTED TRANSACTIONS

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On 17 May 2018, Pantene Industrial, a subsidiary of the Company, and S&J entered into the Framework Agreement, pursuant to which (i) Pantene Industrial (by itself or other members of the Pantene Group) may supply electronic and electrical products and services to the S&J Group; and (ii) S&J (by itself or other members of the S&J Group) may supply measurement and magnetic products and services to the Pantene Group, in each case in accordance with the terms and conditions of the Framework Agreement for the period commencing from 1 October 2017 up to 30 September 2020 (both days inclusive).

LISTING RULES IMPLICATIONS

S&J is an indirect wholly-owned subsidiary of SNHGH, which is wholly-owned by Mr. Hsu, a non-executive Director and a controlling shareholder of the Company. S&J is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As a result, the entering into of the Framework Agreement with S&J and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the aggregated highest Annual Cap of the continuing connected transactions contemplated under the Framework Agreement is more than 0.1% but less than 5%, the entering into of the Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. CONTINUING CONNECTED TRANSACTIONS

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Principal terms of the Framework Agreement

(i) *Date*

17 May 2018

(ii) *Parties*

(a) Pantene Industrial; and

(b) S&J

(iii) *Term*

From 1 October 2017 to 30 September 2020 (both days inclusive)

(iv) *Products and services*

Pursuant to the Framework Agreement, the S&J Group may from time to time issue written purchase orders to the Pantene Group for the purchase of electronic and electrical products and services from the Pantene Group. Such purchase orders shall set out the specific product/service scope as well as the relevant terms and conditions in respect of the Pantene Group's sales of electronic and electrical products and services to the S&J Group. Each such purchase order shall be subject to acceptance by the relevant member of the Pantene Group.

Pursuant to the Framework Agreement, the Pantene Group may from time to time issue written purchase orders to the S&J Group for the purchase of measurement and magnetic products and services from the S&J Group. Such purchase orders shall set out the specific product/service scope as well as

the relevant terms and conditions in respect of S&J Group's sales of measurement and magnetic products and services to the Pantene Group. Each such purchase order shall be subject to acceptance by the relevant member of the S&J Group.

(v) *Pricing policy and terms*

Sale of electronic and electrical products and services by the Pantene Group

The terms, including the payment terms and general contractual terms, on the supply of electronic and electrical products and services by the Pantene Group to the S&J Group, shall be on normal commercial terms which are fair and reasonable and shall not be more favorable to the S&J Group than the terms provided by the Pantene Group to independent third parties. In determining the consideration for the supply of goods and services under each purchase order, the Pantene Group shall consider the following factors: (i) the complexity and ingenuity of the proposal, service or product; (ii) the pricing for similar projects by competitors; (iii) raw material costs, labor costs, and manufacturing overhead; (iv) general market demand for such products and services; (v) prevailing market prices of comparable products and services; and (vi) the objective to achieve a minimum gross profit margin of 10% (the actual percentage of gross profit margin is dependent on the type of electronic and electrical products and services actually provided and the internal approval procedure of both the Pantene Group and the S&J Group).

Supply of measurement and magnetic products and services to the Pantene Group

The terms, including the payment terms and general contractual terms, on the supply of measurement and magnetic products and services by the S&J Group to the Pantene Group, shall be on normal commercial terms which are fair and reasonable and shall not be less favorable to the Pantene Group than the terms provided to the Pantene Group by independent third parties. Prior to the acceptance of quotation provided by the S&J Group, Pantene Group shall obtain two or more independent third party quotes and consider the following factors: (i) the price of the comparable product or service in comparison with other third-party quotes; (ii) the quality and technical specification of the products or services; (iii) the complexity and the ingenuity of the products or services; (iv) the level of commissioning and after-sales care; and (v) the delivery terms.

2. HISTORICAL TRANSACTION AMOUNTS

The following is a summary of the approximate transaction amounts in respect of the (i) sale of electronic and electrical products and services by the Pantene Group to the S&J Group; and (ii) purchases of measurement and magnetic products and services by the Pantene Group from S&J Group for the financial year ended 30 September 2017 and the period from 1 October 2017 to 31 March 2018:

	For the financial year ended 30 September 2017 (audited)	From 1 October 2017 to 31 March 2018 (unaudited)
Sale of electronic and electrical products and services to the S&J Group	HK\$4,181,000	HK\$924,000
Purchases of measurement and magnetic products and services from the S&J Group	HK\$118,000	HK\$633,000

3. ANNUAL CAPS

The Annual Caps of the relevant transactions contemplated under the Framework Agreement are as follows:

	For the financial year ending 30 September		
	2018	2019	2020
Sale of electronic and electrical products and services to the S&J Group	HK\$4,301,000	HK\$6,256,000	HK\$8,954,000
Purchases of measurement and magnetic products and services from the S&J Group	<u>HK\$665,000</u>	<u>HK\$704,000</u>	<u>HK\$743,000</u>
Aggregate Annual Cap	<u>HK\$4,966,000</u>	<u>HK\$6,960,000</u>	<u>HK\$9,697,000</u>

The Annual Caps are determined based on various considerations, including but not limited to (i) the historical sales and purchases of the relevant products and services between the Pantene Group and the S&J Group; (ii) the anticipated increase in the sale of electronic and electrical products and services to the S&J Group based on forecasts provided by the S&J Group; (iii) the increasing scale of the business operations of the S&J Group; and (iv) the assumption of stable exchange rate for translating HK\$ into USD and vice versa during the term of the Framework Agreement.

If the transactions contemplated under the Framework Agreement for any of the above years exceed the relevant Annual Caps, the Group will fully comply with all the relevant requirements as stipulated under Chapter 14A of the Listing Rules.

4. REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

The Framework Agreement was entered into in the usual and ordinary course of the Company's business. The Company is expected to benefit from the profit generated from the sale of the electronic and electrical products and services to the S&J Group and the stable supply of measurement and magnetic products and services by the S&J Group. Having considered all the relevant factors, the Directors (including the independent non-executive Directors) believe and consider the terms of the Framework Agreement are fair and reasonable, are on normal commercial terms or better in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

5. INFORMATION ON THE PARTIES

The Group is principally engaged in the contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/electronic products.

Pantene Industrial is incorporated in Hong Kong with limited liability and is wholly-owned by the Company. It is principally engaged in marketing and sale of electronic and electrical products.

S&J is incorporated in the United Kingdom with limited liability. It is principally engaged in the manufacture, procurement and distribution of a broad range of hand, lawn and garden tools; the procurement, manufacture and assembly of magnetic tools and products, including magnetic-based industrial solutions; and the manufacture, assembly and procurement of metrology and measurement products.

6. BOARD'S APPROVAL

As S&J is an indirect wholly-owned subsidiary of SNHGH, which is wholly owned by Mr. Hsu, a non-executive Director and a controlling shareholder of the Company, Mr. Hsu is deemed to have material interest in the Framework Agreement. Further, Mr. Lim and Mr. Ho are both directors of two subsidiaries of S&J, namely Eclipse Tools Manufacturing Company Limited and Bowers Eclipse Equipment Shanghai Co. Ltd, and therefore they are both deemed to have a material interest in the Framework Agreement. The Board, with Mr. Hsu, Mr. Lim and Mr. Ho abstaining from voting, has approved the Framework Agreement on 17 May 2018. Save as aforesaid, none of the other Directors has any material interest in the Framework Agreement and has to abstain from voting on the relevant resolutions of the Board.

7. INTERNAL CONTROL MEASURES FOR THE TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT

To safeguard the interest of the Group and the Shareholders, the Group has adopted the following internal control measures:

- a. the relevant management personnel of the Group will closely monitor the transactions under the Framework Agreement to ensure that the total consideration does not exceed the stipulated Annual Caps;
- b. prior to confirming the individual orders contemplated under the Framework Agreement, the relevant management personnel of the Group will ensure that the terms are negotiated on an arm's length basis and will be consistent with the principles and terms of the Framework Agreement;
- c. the relevant management personnel of the Group will conduct regular checks to review and assess whether the transactions contemplated under the Framework Agreement are conducted in accordance with the terms set out in the Framework Agreement and whether the consideration for the transactions are fair and reasonable and in accordance with the pricing policies set out in the Framework Agreement;
- d. the Company's external auditors will conduct an annual review of the transactions entered into under the Framework Agreement to ensure the transactions amount are within the annual caps and the transactions are in accordance with the terms set out in the Framework Agreement; and

- e. the Company's independent non-executive Directors will conduct quarterly reviews of the status of the transactions under the Framework Agreement to ensure the Group has complied with its internal approval process, the terms of the Framework Agreement and the relevant requirements under the Listing Rules.

The Directors are of the view that the above internal control procedures and steps are appropriate in ensuring that the transactions under the Framework Agreement will be conducted on normal commercial terms, will not be prejudicial to the interests of the Company and its minority shareholders and in compliance with the relevant requirements under Chapter 14A of the Listing Rules.

8. LISTING RULES IMPLICATIONS

S&J is an indirect wholly-owned subsidiary of SNHGH, which is wholly-owned by Mr. Hsu, a non-executive Director and a controlling shareholder of the Company. S&J is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As a result, the entering into of the Framework Agreement with S&J and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Annual Cap(s)”	the maximum aggregate annual transaction amount under the Framework Agreement for each of the years ending 30 September 2018, 2019 and 2020
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Pantronics Holdings Limited (stock code: 1611), a company incorporated in the British Virgin Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Framework Agreement”	the framework agreement dated 17 May 2018 entered into between Pantene Industrial (for itself and on behalf of its subsidiaries from time to time) and S&J (for itself and on behalf of its subsidiaries from time to time)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“independent third party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ho”	Mr. Ho Hon Ching, an executive Director

“Mr. Hsu”	Mr. Simon Nai-cheng Hsu, the controlling shareholder of the Company and a non-executive Director
“Mr. Lim”	Mr. Henry Woon-hoe Lim, an executive Director
“Pantene Group”	collectively, Pantene Industrial and its subsidiaries from time to time, which, as at the date of this announcement, include: Shenzhen Pantai Electronic Co. Ltd; and Pantene Electronics North America, Inc.
“Pantene Industrial”	Pantene Industrial Co. Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“S&J”	Spear & Jackson Group Limited, a company incorporated in the United Kingdom with limited liability, and an indirect wholly owned subsidiary of SNHGH
“S&J Group”	collectively, S&J and its subsidiaries from time to time, which, as at the date of this announcement, include: Bowers Metrology Limited; Bowers Eclipse Equipment Shanghai Co. Limited; Eclipse Magnetics Limited; Eclipse Tools Manufacturing Co. Ltd.; Eclipse Tools North America Inc.; Neill Tools Limited; Robert Sorby Limited; Spear & Jackson France SA; Spear & Jackson UK Limited; and Spear & Jackson (Australia) Pty Ltd.
“Shareholder(s)”	holder(s) of the shares of the Company
“SNHGH”	SNH Global Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Hsu
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States of America

“%”

per cent

By order of the Board
PANTRONICS HOLDINGS LIMITED
Simon Nai-cheng Hsu
Chairman

Hong Kong, 17 May 2018

As at the date of this announcement, the Board comprises (1) Mr. Henry Woon-hoe Lim and Mr. Ho Hon Ching as the executive Directors; (2) Mr. Simon Nai-cheng Hsu as the non-executive Director; and (3) Mr. Pochin Christopher Lu, Mr. Danny J Lay and Ms. Hui Leung Ching Patricia as the independent non-executive Directors.