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Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 458)

DISCLOSEABLE TRANSACTION IN RELATION TO THE LEASE AGREEMENT

The Board announces that on 13 February 2023, the Lessee, an indirect 95% owned subsidiary of the Company, has entered into the Lease Agreement with the Lessor, for the lease of the Premises for a term of six (6) years commencing from the date of delivery of the Premises to the Lessee (which delivery shall take place no later than 28 February 2023). The Premises will be used by the Lessee as its new office premises in Switzerland for the business operation of the Group's own brand "C.P. Company".

In accordance with HKFRS 16 "Leases", the Group will recognise a right-of-use asset on its consolidated statement of financial position in connection with the entering into of the Lease Agreement. Accordingly, the entering into of the Lease Agreement will be regarded as an acquisition of asset by the Group pursuant to Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use asset to be recognised by the Group under the Lease Agreement exceeds 5% but all applicable percentage ratios are less than 25%, the transaction contemplated under the Lease Agreement constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 13 February 2023, the Lessee, an indirect 95% owned subsidiary of the Company, has entered into the Lease Agreement with the Lessor, for the lease of the Premises for a term of six (6) years commencing from the date of delivery of the Premises to the Lessee (which delivery shall take place no later than 28 February 2023). The Premises will be used by the Lessee as its new office premises in Switzerland for the business operation of the Group's own brand "C.P. Company".

PRINCIPAL TERMS OF THE LEASE AGREEMENT

- Date: 13 February 2023
- Parties: (a) Tristate International SA (as the Lessee); and
(b) Invigna SA (as the Lessor)
- Premises: The first floor of the shopping-residential center “Shopping & Life” located at Via Vignalunga, Mendrisio, Switzerland with a total floor area of 1,765.70 sq.m., along with 30 parking spaces located in the parking garage of the said center (collectively, the “**Premises**”).
- Term of the lease: A fixed term of six (6) years commencing from the date of delivery of the Premises to the Lessee (which delivery shall take place no later than 28 February 2023).
- The Lessee is further granted an option to extend the lease for a further six (6) years under the same terms and conditions of the Lease Agreement, by giving a prior written notice of extension to the Lessor no later than six months prior to the expiry of the original fixed term of six (6) years.
- If the Premises is not delivered to the Lessee by 28 February 2023 for reasons attributable to the Lessor, the Lessor shall pay the Lessee a daily fine of CHF200 (equivalent to approximately HK\$1,698.00) and the Lessee shall further have the right to terminate the Lease Agreement in case of a delay of more than 60 days.
- Rent payable: The monthly rent is CHF38,342.60 (equivalent to approximately HK\$325,528.67) (excluding VAT), being the aggregate of:
- (i) CHF 33,842.60 per month (equivalent to approximately HK\$287,323.67) (excluding VAT), being the rent payable for the lease of the first floor of the shopping-residential center with a total floor area of 1,765.70 sq.m., which is calculated based on the rental rate of CHF230 (equivalent to approximately HK\$1,952.70) per sq.m. per year; and

- (ii) CHF4,500.00 per month (equivalent to approximately HK\$38,205.00) (excluding VAT), being the rent payable for the lease of the 30 parking spaces, which is calculated based on the rental rate of CHF150 (equivalent to approximately HK\$1,273.50) (excluding VAT) per parking space per month.

The rent is linked to the national consumer price index of Switzerland and will be adjusted every year. The first adjustment will be made on 2 January 2024 and the Lessor will officially notify the Lessee the adjusted monthly rent one month before the effective date of the new monthly rent. On the basis of the currently applied national consumer price index of Switzerland stated in the Lease Agreement, the aggregate rent payable for the term of six (6) years is CHF2,760,667.20 (equivalent to approximately HK\$23,438,064.53) (excluding VAT). The Board does not expect that such adjustment to the rent will be so significant as to resulting in a change in the classification of the lease under Chapter 14 of the Listing Rules.

Payment terms: The rent is payable by the Lessee under the Lease Agreement on a monthly basis (along with VAT) by the fifth day of each month, and will be financed by the internal resources of the Lessee.

Ancillary management costs: The Lessee shall bear the ancillary management costs relating to, inter alia, heating, air-conditioning, water and electricity supplies and shall pay the Lessor a monthly amount of CHF2,000.00 (equivalent to approximately HK\$16,980.00) as advance payment. The Lessor will advise the Lessee of the actual ancillary management costs incurred once a year, with the first notification to be made no later than 18 months from the commencement of the Lease Agreement.

Warranty deposit: The Lessee undertakes to provide a bank guarantee of CHF 73,000.00 (equivalent to approximately HK\$619,770.00) upon the commencement of the Lease Agreement.

USE OF THE PREMISES

The Premises will be used by the Lessee as its new office premises in Switzerland, principally for its daily operation and business of the Group's own brand "C.P. Company".

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

To cope with the business development of the Lessee, the Directors consider it is commercially necessary and beneficial to enter into the Lease Agreement so that the Lessee can use the Premises as office premises to carry out the Lessee's business operation in Switzerland. The Lessee currently carries out its business operations mainly through its existing office located in Mendrisio, Switzerland, which lease will expire on 30 April 2023. Accordingly, following the commencement of the lease under the Lease Agreement, the Lessee will relocate into the Premises before the expiry of the existing office lease.

The terms (including the rent payable) of the Lease Agreement were arrived at after arm's length negotiations between the Lessor and the Lessee by reference to the prevailing market rentals for comparable properties in the vicinity of the Premises.

The Board considers that the entering into of the Lease Agreement is in the ordinary and usual course of business of the Group, is on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE LESSEE AND THE GROUP

The Lessee is an indirect 95% owned subsidiary of the Company and its principal activities are general trading and marketing, principally for the Group's own brand "C. P. Company".

The Group is principally engaged in (i) garment manufacturing; and (ii) brands business.

INFORMATION OF THE LESSOR

The Lessor is a real estate company whose principal activities are investment and leasing of properties.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Lessor is ultimately controlled and owned by Ms. Renza De Dea, Mr. Carlo Delcò, Mr. Gregorio Delcò and Mr. Giampiero Comi, and the Lessor and its ultimate beneficial owners are Independent Third Parties.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 "Leases", the Group will recognise the right-of-use asset on its consolidated statement of financial position in connection with the entering into of the Lease Agreement. Accordingly, the entering into of the Lease Agreement will be regarded as an acquisition of asset by the Group pursuant to Chapter 14 of the Listing Rules.

It is expected that the value of the right-of-use asset to be recognised by the Group under the Lease Agreement will be approximately CHF2,672,600.00 (equivalent to approximately HK\$22,690,374.00, which includes the present value of the aggregate rent and the ancillary management costs payments to be made during the six-year term under the Lease Agreement in accordance with HKFRS 16 “Leases”. A discount rate of 2.86% per annum is adopted in calculating the present value of the above lease payments.

As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use asset to be recognised by the Group under the Lease Agreement exceeds 5% but all applicable percentage ratios are less than 25%, the transaction contemplated under the Lease Agreement constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“CHF”	Swiss franc, the official currency of Switzerland
“Company”	Tristate Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which 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)”	the director(s) of the Company
“Independent Third Party(ies)”	a party independent of and not connected with the Company and its connected persons
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

“Lease Agreement”	the lease agreement dated 13 February 2023 entered into between the Lessee and the Lessor in respect of the leasing of the Premises, particulars of which are set out in this announcement
“Lessee”	Tristate International SA, a company established in the Switzerland with limited liability, which is 95% indirectly owned by the Company and 5% indirectly owned by an Italian company, LLH S.r.l. (which is in turn wholly-owned by Mr. Lorenzo Osti who is a director of a number of the Company’s subsidiaries)
“Lessor”	Invigna SA, a company established in the Switzerland with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Premises”	has the meaning as ascribed to it in the section headed “Principal terms of the Lease Agreement” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sq.m.”	square meter
“VAT”	Value Added Tax imposed by Switzerland Government
“%”	per cent.

Translations of quoted currency values are made on an approximate basis and at the rate of CHF1 = HK\$8.4900. Percentages and figures expressed have been rounded.

On behalf of the Board
WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 13 February 2023

As at the date of this announcement, the Board comprises one Executive Director, Mr. WANG Kin Chung, Peter; three Non-Executive Directors, namely Ms. WANG KOO Yik Chun, Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick; and four Independent Non-Executive Directors, namely Mr. LO Kai Yiu, Anthony, Mr. James Christopher KRALIK, Mr. Peter TAN and Professor Chen LIN.