

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHEN HSONG HOLDINGS LIMITED

震雄集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00057)

DISCLOSEABLE TRANSACTION LEASE OF THE PROPERTIES

LEASE AGREEMENTS

The Board announces that on 22 March 2024 (after trading hours), the Landlord (as lessor), an indirect wholly-owned subsidiary of the Company, and the Lessee (as lessee), being an Independent Third Party, entered into the Lease Agreements, pursuant to which the Landlord has agreed to lease to the Lessee the Properties situated at Pingshan District, Shenzhen, Guangdong Province, PRC for use as office and production, car parking and open storage and staff quarters subject to the terms and conditions provided therein.

LISTING RULE IMPLICATIONS

As the transactions contemplated under each of the Lease Agreements were entered into with the same counterparty and are of similar transaction nature, and the transactions thereunder are carried out within a twelve (12) month period, the Lease Agreements are required to be aggregated pursuant to Rules 14.22 and 14.23 of the Listing Rules.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transactions under the Lease Agreements, when aggregated, exceeds 5% but all applicable percentage ratios are lower than 25%, the entering into of the Lease Agreements and the transactions contemplated therein, on an aggregated basis, constitute discloseable transactions of the Company pursuant to Chapter 14 of the Listing Rules and are subject to notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

The Board announces that on 22 March 2024 (after trading hours), the Landlord (as lessor), an indirect wholly-owned subsidiary of the Company, and the Lessee (as lessee), being an Independent Third Party, entered into the Lease Agreements, the principal terms of which are set out below.

LEASE AGREEMENTS

(A) Office and Production Lease Agreement:

Further to the Existing Lease as disclosed in the Announcement, the Landlord and the Lessee have agreed to the terms of renewal detailed as follows:

- Date : 22 March 2024 (after trading hours)
- Factory Premises : The floor 1 and floor 2 of the factory building 13-B situated at the Chen Hsong Industrial Park (Shenzhen).
- Rental area : A total area of approximately 58,358.90 sq.m.
- Use and restrictions : Office and production
- The Lessee may not transfer the lease or sublet all or any part of the Factory Premises except with the written consent of the Landlord under the conditions approved by the Landlord.
- Facilities for Lessee's use (free of charge) : 2 cargo lifts, car parking space (approximately 446 sq.m.), 2 toilet rooms, 1 pump room, 1 hydraulic room and 1 air compressor room (approximately 253.38 sq.m.)
- Lease term : A term of 2 years commencing from 10 March 2024 and ending on 9 March 2026 (both days inclusive) subject to Landlord's right of early termination by giving the Lessee 6 months' written notice should there be site redevelopment at the Chen Hsong Industrial Park (Shenzhen).
- Rent : There will be no rent free period and the monthly rental for the following periods are set out below:
- For the period from 10 March 2024 to 9 March 2025 (both days inclusive): RMB1,770,686.68 (equivalent to approximately HK\$1,950,234.31) per month; and
- For the period from 10 March 2025 to 9 March 2026 (both days inclusive): RMB1,947,755.34 (equivalent to approximately HK\$2,145,257.73) per month.
- The rent is payable each month and is inclusive of VAT but exclusive of management fee, water and electricity charges and all other charges and outgoings.
- Management fee : The Lessee shall pay to the Landlord a monthly management fee of RMB428,960.00 (equivalent to approximately HK\$472,456.54), inclusive of VAT.
- Water and electricity charges : The Lessee shall be responsible for the corresponding water and electricity charges in relation to the Factory Premises incurred during the term of the Office and Production Lease Agreement.

In addition, the Lessee shall pay to the Landlord a base tariff of RMB11,000.00 (equivalent to approximately HK\$12,115.40) per month regardless of electricity usage, which may be adjusted based on the adjustment in electricity charges of the relevant Power Supply Bureau.

Security deposit for rent and management fee : RMB4,738,959.70 (equivalent to approximately HK\$5,219,490.21), which consists of the security deposit for rent of RMB4,426,716.70 (equivalent to approximately HK\$4,875,585.77 and 2.5 months of rent during the period from 10 March 2024 to 9 March 2025) and the security deposit for management fee of RMB312,243.00 (equivalent to approximately HK\$343,904.44).

(B) Car Park and Open Storage Lease Agreement:

Date : 22 March 2024 (after trading hours)

Land : The grassland and hard ground adjacent to the factory buildings 12-B and 13-B situated at the Chen Hsong Industrial Park (Shenzhen).

Rental area : A total area of approximately 9,083 sq.m.

Use and restrictions : Car parking and open storage

The Lessee is not permitted to erect permanent buildings facilities on the Land.

The Lessee is not permitted to transfer the lease or sublet the Land or any part thereof to third party without authorization.

Lease term : A term of 2 years commencing from 10 March 2024 and ending on 9 March 2026 (both days inclusive) subject to Landlord's right of early termination by giving the Lessee 3 months' written notice.

Rent : A monthly rent of RMB77,995.86 (equivalent to approximately HK\$85,904.64) is payable and is inclusive of VAT but exclusive of management fee, water and electricity charges and all other charges and outgoings with no rent free period.

Management fee : The Lessee shall pay to the Landlord a monthly management fee of RMB4,541.50 (equivalent to approximately HK\$5,002.01), inclusive of VAT.

Water and electricity charges : The Lessee shall be responsible for the corresponding water and electricity charges in relation to the Land incurred during the term of the Car Park and Open Storage Lease Agreement, which shall be based on the prices published by government authorities.

Security deposit : RMB155,991.72 (equivalent to approximately HK\$171,809.28), equivalent to 2 months of rent.

(C) Staff Quarters Lease Agreement:

Date : 22 March 2024 (after trading hours)

Staff Quarters Premises : Six rooms on the floor 2 of the staff dormitory situated at the Chen Hsong Industrial Park (Shenzhen).

Use and restrictions : Staff quarters

The Lessee is not permitted to transfer the lease of the Staff Quarters Premises to third party without authorization.

Lease term : A term commencing from 16 March 2024 and ending on 9 March 2026 (both days inclusive) subject to the right of early termination by either party by giving 30 days' written notice.

Rent : There will be no rent free period and the monthly rental for the following periods are set out below:

For the period from 16 March 2024 to 15 March 2025 (both days inclusive): RMB3,150.00 (equivalent to approximately HK\$3,469.41) per month; and

For the period from 16 March 2025 to 9 March 2026 (both days inclusive): RMB3,307.50 (equivalent to approximately HK\$3,642.88) per month.

The rent is payable each month and is inclusive of VAT but exclusive of water and electricity charges and all other charges and outgoings.

Water and electricity charges : The Lessee shall be responsible for the corresponding water and electricity charges in relation to the Staff Quarters Premises incurred during the term of the Staff Quarters Lease Agreement, which shall be based on the prices published by government authorities.

Security deposit : RMB7,875.00 (equivalent to approximately HK\$8,673.53), equivalent to 2.5 months of rent during the period from 16 March 2024 to 15 March 2025.

Each of the Car Park and Open Storage Lease Agreement and the Staff Quarters Lease Agreement are also subject to early termination in the event that the Office and Production Lease Agreement is early terminated.

REASONS FOR AND BENEFITS OF THE LEASE AGREEMENTS

The Chen Hsong Industrial Park (Shenzhen) where the Properties are located, is the flagship location for production, sale and distribution, research and development facilities, property management and leasing of the Group. The Directors consider that the leasing of the Properties will facilitate steady operating income of the Group thereby achieving overall commercial benefit and at the same time to increase the utilisation rate of the Properties in the Chen Hsong Industrial Park (Shenzhen). The receipt of the rental income will enhance the working capital of the Group and return to the Shareholders, which is in the best interests of the Company and its Shareholders as a whole.

The terms of the Lease Agreements were determined after arm's length negotiations between the Landlord and the Lessee and are on normal commercial terms. The monthly rental payments under each of the Lease Agreements were determined with reference to the prevailing market rental of similar properties in nearby location, and taking into account the size of the Properties, the environmental and facility support services provided by the Landlord as being the owner and property manager of the Properties, and the demand and supply of similar properties in Pingshan District, where the Properties are located. The unaudited carrying value of the Properties as at 31 March 2023 was approximately RMB232,000,000 (equivalent to approximately HK\$255,524,800).

In light of the reasons above, the Directors are of the view that the leases contemplated in the Lease Agreements are in the interests of the Company and that the terms of the Lease Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ON THE LANDLORD AND THE LESSEE

The Landlord is an indirect wholly-owned subsidiary of the Company and is principally engaged in technology development, consulting, investment and construction of the Chen Hsong Industrial Park (Shenzhen) and its supporting facilities, property management and leasing businesses. The Group is principally engaged in the manufacturing and sale of plastic injection moulding machines and related products.

The Lessee is a limited liability company established in the PRC and is principally engaged in production, research and sales of indoor cleaning equipment, water purification equipment and air purification equipment, property management services, real estate leasing services and import and export of goods. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Lessee and its ultimate beneficial owners is an Independent Third Party.

LISTING RULE IMPLICATIONS

As the transactions contemplated under each of the Lease Agreements were entered into with the same counterparty and are of similar transaction nature, and the transactions thereunder are carried out within a twelve (12) month period, the Lease Agreements are required to be aggregated pursuant to Rules 14.22 and 14.23 of the Listing Rules.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transactions under the Lease Agreements, when aggregated, exceeds 5% but all applicable percentage ratios are lower than 25%, the entering into of the Lease Agreements and the transactions contemplated therein, on an aggregated basis, constitute discloseable transactions of the Company pursuant to Chapter 14 of the Listing Rules and are subject to notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 15 February 2019 in relation to the Existing Lease
“Board”	the board of Directors
“Car Park and Open Storage Lease Agreement”	the lease agreement dated 22 March 2024 entered into between the Landlord and the Lessee in respect of the renewal of the lease of the grassland and hard ground adjacent to the factory buildings 12-B and 13-B situated at the Chen Hsong Industrial Park (Shenzhen) for use as car parking and open storage purposes
“Chen Hsong Industrial Park (Shenzhen)”	the industrial park situated at No. 176, No. 177 Renmin West Road, Kengzi Sub-District, Pingshan District, Shenzhen, Guangdong Province, the PRC which is wholly owned by the Group
“Company”	Chen Hsong Holdings Limited, an exempted 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
“Existing Lease”	the lease of the Factory Premises under the lease agreement dated 15 February 2019 entered into between the Landlord and the Lessee pursuant to which Landlord has agreed to lease to the Lessee the Factory Premises for a fixed term of 5 years commencing from 10 March 2019 and ending on 9 March 2024 (both days inclusive)

“Factory Premises”	has the meaning set out in the section headed “Lease Agreements – (A) Office and Production Lease Agreement” in this announcement
“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)”	third party(ies) independent of the Company and the connected person(s) of the Company
“Land”	has the meaning set out in the section headed “Lease Agreements – (B) Car Park and Open Storage Lease Agreement” in this announcement
“Landlord”	震雄工業園（深圳）有限公司 (Chen Hsong Industrial Park (Shenzhen) Co., Ltd.*), an indirect wholly-owned subsidiary of the Company
“Lease Agreements”	namely the Office and Production Lease Agreement, the Car Park and Open Storage Lease Agreement and the Staff Quarters Lease Agreement
“Lessee”	深圳市旭泰淨水設備有限公司 (Shenzhen Xutai Water Purification Equipment Co., Ltd.*), a limited liability company established in the PRC and to the best knowledge of the Directors, is ultimately beneficially owned by 蘭智文 (Lan Zhiwen*), 劉波 (Liu Bo*), 毛宜軍 (Mao Yijun*) and 朱運良 (Zhu Yunliang*) who are interested in approximately 53.58%, 20.44%, 12.99% and 12.99% equity interests respectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Office and Production Lease Agreement”	the lease agreement dated 22 March 2024 entered into between the Landlord and the Lessee in respect of the lease of the floor 1 and floor 2 of the factory building 13-B situated at the Chen Hsong Industrial Park (Shenzhen) for use as office and production purposes
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Properties”	the Factory Premises, Land and Staff Quarters Premises to be leased under the Lease Agreements
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square metre(s)
“Staff Quarters Lease Agreement”	the lease agreement dated 22 March 2024 entered into between the Landlord and the Lessee in respect of the renewal of the lease of six rooms on the floor 2 of the staff dormitory situated at the Chen Hsong Industrial Park (Shenzhen) for use as staff quarters purposes
“Staff Quarters Premises”	has the meaning set out in the section headed “Lease Agreements – (C) Staff Quarters Lease Agreement” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“VAT”	PRC value-added tax
“%”	per cent

In this announcement, amounts quoted in RMB have been converted into HK\$ at a rate of RMB1 to HK\$1.1014. Such exchange rate has been used, where applicable, for the purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates at all.

By Order of the Board
CHEN HSONG HOLDINGS LIMITED
CHAN Chi Ngai
Company Secretary

Hong Kong, 22 March 2024

As at the date of this announcement, the executive Directors are Ms. Lai Yuen CHIANG and Mr. Stephen Hau Leung CHUNG, and the independent non-executive Directors are Mr. Bernard Charnwut CHAN, Mr. Harry Chi HUI, Mr. Anish LALVANI, Mr. Michael Tze Hau LEE and Mr. Johnson Chin Kwang TAN.

** For identification purposes only*