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Fujikon Industrial Holdings Limited

富士高實業控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 927)

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

The Board announces that on 31 August 2022 (after trading hours), (i) Dong Guan Fortune, a non-wholly-owned subsidiary of the Company (as tenant) and Bright (Dongguan) (as landlord) entered into the PRC Tenancy Agreement in respect of the leasing of the PRC Property for a term of two years from 1 September 2022; and (ii) Fujikon Industrial, a wholly-owned subsidiary of the Company (as tenant), and First Success (as landlord) entered into the Hong Kong Tenancy Agreement in respect of the leasing of the Hong Kong Properties for a term of two years from 1 September 2022.

LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, the entering into of the (i) PRC Tenancy Agreement by Dong Guan Fortune; and (ii) Hong Kong Tenancy Agreement by Fujikon Industrial will require the Group to recognise the PRC Property and the Hong Kong Properties as right-of-use assets on its consolidated statement of financial position. Therefore, the entering into of the Tenancy Agreements will be regarded as an acquisition of assets by the Group under the Listing Rules. The aggregate value of right-of-use assets recognised by the Group under the Tenancy Agreements amounted to approximately HK\$10.5 million.

As at the date of this announcement, each of Bright (Dongguan) (as landlord of the PRC Tenancy Agreement) and First Success (as landlord of the Hong Kong Tenancy Agreement) was indirectly owned by Silverfun, Sky Talent and Gentle Smile as to approximately 33.33%, 33.33% and 33.33%, respectively. As at the date of this announcement, (i) with respect to Silverfun, it was wholly owned by Golden Hope and was the trustee of the Yeung Unit Trust, which was then beneficially owned by the Yeung Family Trust, a discretionary trust and the objects of which were the family members of Mr. Yeung, including Mr. Yeung Siu Chung, Ben (an executive Director

* For identification purposes only

and a substantial Shareholder); (ii) with respect to Sky Talent, it was wholly-owned by Mr. Yuen; and (iii) with respect to Gentle Smile, it was wholly-owned by Mr. Chow. Thus, each of Bright (Dongguan) and First Success is a connected person of the Company and the transactions contemplated under the Tenancy Agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the transactions contemplated under the Tenancy Agreements shall be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions as they have been or will be (where applicable) entered into by the Group with First Success and Bright (Dongguan) (where applicable) within a 12-month period and the subject matters under each of the agreements are of similar nature.

As the applicable percentage ratios as defined under the Listing Rules in respect of the aggregate acquisition of right-of-use assets recognised by the Group pursuant to HKFRS 16 based on the consideration under the Tenancy Agreements are more than 0.1% but is less than 5%, the transactions contemplated the Tenancy Agreements constitute connected transactions for the Company that are subject to the reporting, annual review and announcement requirements, and are exempt from independent shareholder's approval requirements under Chapter 14A of the Listing Rules.

Mr. Yuen Chi King, Wyman, Mr. Yeung Siu Chung, Ben, and Ms. Chow Lai Fung, each being an executive Director, is the son of Mr. Yuen, the son of Mr. Yeung and the sister of Mr. Chow, respectively. Except for the independent non-executive Directors, all Directors had a material interest in the Tenancy Agreements and the transactions contemplated thereunder, and therefore all executive Directors abstained from voting on the Board resolution(s) which approved the Tenancy Agreements and the transactions contemplated thereunder, while the independent non-executive Directors approved the Tenancy Agreements and the transactions contemplated thereunder at the Board meeting.

INTRODUCTION

The Board announces that on 31 August 2022 (after trading hours), (i) Dong Guan Fortune, a non-wholly-owned subsidiary of the Company (as tenant) and Bright (Dongguan) (as landlord) entered into the PRC Tenancy Agreement in respect of the leasing of the PRC Property for a term of two years from 1 September 2022; and (ii) Fujikon Industrial, a wholly-owned subsidiary of the Company (as tenant), and First Success (as landlord) entered into the Hong Kong Tenancy Agreement in respect of the leasing of the Hong Kong Properties for a term of two years from 1 September 2022.

THE PRC TENANCY AGREEMENT

The principal terms of the PRC Tenancy Agreement are as follow:

Date: 31 August 2022

- Parties:**
- (1) Dong Guan Fortune (as tenant); and
 - (2) Bright (Dongguan) (as landlord)

As at the date of this announcement, Bright (Dongguan) was indirectly owned by Silverfun, Sky Talent and Gentle Smile as to approximately 33.33%, 33.33% and 33.33%, respectively. For further details of the shareholding structure of each of Silverfun, Sky Talent and Gentle Smile, please see the paragraph headed “Information on the parties” in this announcement below.

Premises: a piece of land located at 中國廣東省東莞市虎門鎮大寧管理區大板地工業區 (Dabandi Industrial Zone, Daning Management Zone, Humen Town, Dongguan City, Guangdong Province, the PRC*) with a site area of approximately 19,963 square metres and any property(ies) constructed on such piece of land from time to time

Usage: Industrial use, staff quarters and other commercial use. The Group intends to use the PRC Property as one of its production base.

Deposit: Within three days from 1 September 2022, the Group shall pay a refundable deposit of RMB749,754 (equivalent to approximately HK\$869,715) to Bright (Dongguan).

In the event that Dong Guan Fortune caused any damages to the facilities in the PRC Property, Bright (Dongguan) shall be entitled to deduct the costs of repairing such damages from the paid deposit.

All deposit paid shall be fully returned to the Group within three days from the termination of the PRC Tenancy Agreement.

Any overdue payment will be subject to a daily penalty fee of 0.06% of the overdue deposit amount.

Term: Two years from 1 September 2022

Monthly rental fee:

- (1) for the first four months of the first year of the lease: Nil; and
- (2) from the fifth month of the first year to the second anniversary of the lease:
RMB374,877 (equivalent to approximately HK\$434,857).

Dong Guan Fortune shall be responsible to pay maintenance expenses incurred in respect of the PRC Property and all utility expenses.

The rental fee under the PRC Tenancy Agreement has been determined after arm's length negotiations between the parties with reference to the prevailing market rental fee for comparable premises in the vicinity of the PRC Property.

Payment terms: The rent shall be payable on or before the fifth day of each and every calendar month. Any overdue payment will be subject to a daily penalty fee of 0.06% of the overdue amount.

Conditions precedent: The PRC Tenancy Agreement shall take effect upon the following conditions precedent having been fulfilled:

- (1) all necessary consents and approvals in connection with the PRC Tenancy Agreement and the transaction contemplated thereunder having been obtained by the Company from the Stock Exchange or any government and regulatory authority; and
- (2) the Company having issued the announcement and/or the circular in relation to the PRC Tenancy Agreement and the transaction contemplated thereunder.

All of the above conditions precedent are not waivable by any parties to the PRC Tenancy Agreement. If the above conditions precedent have not been fulfilled on or before 30 September 2022 or such later date as the parties may agree in writing, the PRC Tenancy Agreement shall cease and terminate, and no party shall have any claim against or liability to the other parties with respect to any matter referred thereto save for any antecedent breaches

Renewal terms: The party who wishes to renew the term of the lease shall propose to the other party two months prior to the expiration of the PRC Tenancy Agreement. Both parties will further negotiate and enter into a new tenancy agreement. Dong Guan Fortune has priority over other parties to lease the PRC Property under the same terms of the PRC Tenancy Agreement upon expiration.

The right-of-use asset

The value (unaudited) of the right-of-use asset recognised by the Company under the PRC Tenancy Agreement amounted to approximately RMB7.2 million (equivalent to approximately HK\$8.4 million) which is the present value of total consideration payable throughout the lease term under the PRC Tenancy Agreement in accordance with HKFRS 16.

THE HONG KONG TENANCY AGREEMENT

Details of the Hong Kong Tenancy Agreement and the transaction contemplated thereunder are set out below:

Date:	31 August 2022
Parties:	(1) Fujikon Industrial (as tenant); and (2) First Success (as landlord)
Transaction nature:	Leasing of the Hong Kong Properties by Fujikon Industrial from First Success
Term:	Two years, commencing from 1 September 2022 to 31 August 2024
Rent:	HK\$89,857.50 per month, inclusive of rates, government rent and management charges

The terms of the Hong Kong Tenancy Agreement (together with the consideration) were determined after arm's length negotiations between the parties and after making reference to the prevailing market rates of the current leases of the Hong Kong Properties.

The right-of-use asset

The value (unaudited) of the right-of-use asset recognised by the Company under the Hong Kong Tenancy Agreement amounted to approximately HK\$2.1 million which is the present value of total consideration payable throughout the lease term under the Hong Kong Tenancy Agreement in accordance with HKFRS 16.

INFORMATION ON THE PARTIES

The Group

Dong Guan Fortune was established under the PRC laws with limited liability and is a non-wholly-owned subsidiary of the Company. Dong Guan Fortune principally engages in manufacturing and trading of packaging materials. Fujikon Industrial was incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. Fujikon Industrial principally engages in design, manufacturing, marketing and trading of electro-acoustic products and accessories. The Company is an investment holding company and the Group principally engages in the manufacturing and sales of headsets and headphones, as well as accessories and components.

Bright (Dongguan) and First Success

Bright (Dongguan) was established under the PRC laws with limited liability and is principally engaged in manufacturing and sale of cardboards, paper toys and children's picture books.

First Success was incorporated in Hong Kong and is a property investment company.

As at the date of this announcement, each of Bright (Dongguan) and First Success was indirectly owned by Silverfun, Sky Talent and Gentle Smile as to approximately 33.33%, 33.33% and 33.33%, respectively. As at the date of this announcement, (i) with respect to Silverfun, it was wholly owned by Golden Hope and was the trustee of the Yeung Unit Trust, which was then beneficially owned by the Yeung Family Trust, a discretionary trust and the objects of which were the family members of Mr. Yeung, including Mr. Yeung Siu Chung, Ben (an executive Director and a substantial Shareholder); (ii) with respect to Sky Talent, it was wholly-owned by Mr. Yuen; and (iii) with respect to Gentle Smile, it was wholly-owned by Mr. Chow.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENTS

Reference is made to the Announcements. As disclosed in the Announcements, the Group leased the Existing Factory. As stated in the Announcements, given (i) the original leasing term of the Existing Factory was then about to expire; (ii) the PRC Property is located adjacent to the Existing Factory; (iii) the PRC Property is of a larger size as compared to that of the Existing Factory; and (iv) the PRC Property consists of readily available facilities that are suitable for the Group, the Group entered into the Previous PRC Tenancy Agreement. Subsequent to the entering of the Previous PRC Tenancy Agreement, the landlord of the Existing Factory agreed to extend the tenancy of the Existing Factory. Thus, the Group decided not to proceed with the transaction contemplated under the Previous PRC Tenancy Agreement and the Previous PRC Tenancy Agreement lapsed and ceased to have any effect, with the conditions precedent set out in the Previous PRC Tenancy Agreement (including the issuance of a circular) not being fulfilled on or before the long stop date set out therein.

As at the date of this announcement, the landlord of the Existing Factory indicated that the Existing Factory could no longer be leased to the Group by the end of 2022. As such, the Group is required to relocate its production base as soon as possible. Given that the PRC Property is readily available and the terms, including rental fee, of leasing property(ies) of similar size from Independent Third Parties in the vicinity of the PRC Property are no better than those of the PRC Tenancy Agreement, the Directors are of the view that it is beneficial to enter into the PRC Tenancy Agreement to relocate its production base to the PRC Property without causing much relocation costs and disruption to the operation of the Group. The Directors consider that the PRC Property is a suitable premises to be used as the Group's production base and also could accommodate further expansion of its production capacity. In addition, given that the market has become more volatile, the Directors consider that a two-year term of the PRC Tenancy Agreement (as compared to the 10-year term as set out in the Previous PRC Tenancy Agreement) would offer a greater flexibility for the Group to make assessment as to whether the PRC Property would be a suitable location for the Group's operations from time to time.

Further, the Group has been renting the Hong Kong Properties since 2000 as warehouses. For administrative purpose, the Group terminated the original tenancy agreements regarding the Hong Kong Properties at an earlier time and entered into the Hong Kong Tenancy Agreement to be in line with the rental period of the PRC Tenancy Agreement.

The rental fee under each of the Tenancy Agreements has been determined after arm's length negotiations between the parties with reference to the prevailing market rental fee for comparable premises in the vicinity of the PRC Property or the Hong Kong Properties (where applicable).

In light of the reasons stated above, the Directors (including the independent non-executive Directors) are of the view that, despite the entering into the Tenancy Agreements was not in the ordinary and usual course of business of the Group, the terms of each of the Tenancy Agreements and the transactions contemplated thereunder are on normal commercial terms after arm's length negotiations, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, the entering into of the (i) PRC Tenancy Agreement by Dong Guan Fortune; and (ii) Hong Kong Tenancy Agreement by Fujikon Industrial will require the Group to recognise the PRC Property and the Hong Kong Properties as right-of-use assets on its consolidated statement of financial position. Therefore, the entering into of the Tenancy Agreements will be regarded as an acquisition of assets by the Group under the Listing Rules. The aggregate value of right-of-use assets recognised by the Group under the Tenancy Agreements amounted to approximately HK\$10.5 million.

As at the date of this announcement, as each of Bright (Dongguan) (as landlord of the PRC Tenancy Agreement) and First Success (as landlord of the Hong Kong Tenancy Agreement) was indirectly owned by Silverfun, Sky Talent and Gentle Smile as to approximately 33.33%, 33.33% and 33.33%, respectively. As at the date of this announcement, (i) with respect to Silverfun, it was wholly owned by Golden Hope and was the trustee of the Yeung Unit Trust, which was then beneficially owned by the Yeung Family Trust, a discretionary trust and the objects of which were the family members of Mr. Yeung, including Mr. Yeung Siu Chung, Ben (an executive Director and a substantial Shareholder); (ii) with respect to Sky Talent, it was wholly-owned by Mr. Yuen; and (iii) with respect to Gentle Smile, it was wholly-owned by Mr. Chow. Thus, each of Bright (Dongguan) and First Success is a connected person of the Company and the transactions contemplated under the Tenancy Agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the transactions contemplated under the Tenancy Agreements for the calculation of the relevant percentage ratios to determine the classification of the transactions shall be aggregated as they have been or will be (where applicable) entered into by the Group with First Success and Bright (Dongguan) (where applicable) within a 12-month period and the subject matters under each of the agreements are of similar nature.

As the applicable percentage ratios as defined under the Listing Rules in respect of the aggregate acquisition of right-of-use assets recognised by the Group pursuant to HKFRS 16 based on the consideration under the Tenancy Agreements are more than 0.1% but is less than 5%, the transactions contemplated the Tenancy Agreements constitute connected transactions for the Company that are subject to the reporting, annual review and announcement requirements, and are exempt from the independent shareholder's approval requirement under Chapter 14A of the Listing Rules.

Mr. Yuen Chi King, Wyman, Mr. Yeung Siu Chung, Ben, and Ms. Chow Lai Fung, each being an executive Director, is the son of Mr. Yuen, the son of Mr. Yeung and the sister of Mr. Chow, respectively. Except for the independent non-executive Directors, all Directors had a material interest in the Tenancy Agreements and the transactions contemplated thereunder, and therefore all executive Directors abstained from voting on the Board resolution(s) which approved the Tenancy Agreements and the transactions contemplated thereunder, while the independent non-executive Directors approved the Tenancy Agreements and the transactions contemplated thereunder at the Board meeting.

DEFINITIONS

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

“Announcements”	the announcement of the Company dated 30 July 2021 regarding discloseable and connected transactions in relation to, among others, the Previous PRC Tenancy Agreement; and the announcement of the Company dated 30 November 2021 regarding the expiry of the long stop date and lapse of the Previous PRC Tenancy Agreement
“Bright (Dongguan)”	光明(東莞)柯式印務紙品廠有限公司 (The Bright (Dongguan) Printing Press & Paper Products Factory Ltd*), a company established in the PRC and the shareholding of which is set out in the paragraph headed “Information on the parties” in this announcement, a connected person of the Company
“Board”	the board of Directors
“Company”	Fujikon Industrial Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 927)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Dong Guan Fortune”	東莞富采包裝製品有限公司 (Dong Guan Fortune Packing Products Company Limited*), a non-wholly-owned subsidiary of the Company
“Existing Factory”	one existing factory leased by the Group from an Independent Third Party
“First Success”	First Success Technology Limited, a company incorporated in Hong Kong and the shareholding of which is set out in the paragraph headed “Information on the parties” in this announcement, a connected person of the Company
“Fujikon Industrial”	Fujikon Industrial Company Limited, a wholly-owned subsidiary of the Company
“Gentle Smile”	Gentle Smile Development Limited, a company incorporated in the British Virgin Islands with limited liability and was wholly-owned by Mr. Chow as at the date of this announcement, a connected person of the Company
“Golden Hope”	Golden Hope Financial Limited, a company incorporated in the British Virgin Islands with limited liability and was wholly-owned by Mr. Yeung as at the date of this announcement, a connected person of the Company
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Properties”	the (i) premises at Flat A-D on the 7th Floor of Universal Industrial Centre, 23-25 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong; and (ii) car park #C16, 1/F Universal Industrial Centre, 23-25 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong
“Hong Kong Tenancy Agreement”	the leasing agreement dated 31 August 2022 and entered into between Fujikon Industrial (as tenant) and First Success (as landlord) in relation to the leasing of the Hong Kong Properties

“Independent Third Party(ies)”	a party independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chow”	Mr. Chow Man Yan, Michael, an executive Director and a substantial Shareholder
“Mr. Yeung”	Mr. Yeung Chi Hung, Johnny, Chairman of the Board, chief executive officer of the Company, an executive Director and a substantial Shareholder
“Mr. Yuen”	Mr. Yuen Yee Sai, Simon, an executive Director and a substantial Shareholder
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“PRC Property”	a piece of land located at 中國廣東省東莞市虎門鎮大寧管理區大板地工業區 (Dabandi Industrial Zone, Daning Management Zone, Humen Town, Dongguan City, Guangdong Province, the PRC*) with a site area of approximately 19,963 square metres and any property(ies) constructed on such piece of land from time to time
“PRC Tenancy Agreement”	the tenancy agreement dated 31 August 2022 and entered into between Dong Guan Fortune (as tenant) and Bright (Dongguan) (as landlord) in relation to the leasing of the PRC Property
“Previous PRC Tenancy Agreement”	the tenancy agreement entered into between Dong Guan Fortune (as tenant) and Bright (Dongguan) (as landlord) in July 2021 in respect of the leasing of the PRC Property for a term of 10 years
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.1 each in the issued share capital of the Company

“Silverfun”	Silverfun Property (PTC) Ltd, a company incorporated in the British Virgin Islands with limited liability and the shareholding of which is set out in the paragraph headed “Information on the parties” in this announcement, a connected person of the Company
“Sky Talent”	Sky Talent Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and was wholly owned by Mr. Yuen as at the date of this announcement, a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreements”	collectively, the PRC Tenancy Agreement and the Hong Kong Tenancy Agreement
“%”	per cent.

By Order of the Board
Fujikon Industrial Holdings Limited
Yeung Chi Hung, Johnny
Chairman and Chief Executive Officer

Hong Kong, 31 August 2022

For the purpose of this announcement, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.16.

As at the date of this announcement, the Board comprises six executive Directors, namely, Mr. Yeung Chi Hung, Johnny, Mr. Yuen Yee Sai, Simon, Mr. Chow Man Yan, Michael, Mr. Yuen Chi King, Wyman, Mr. Yeung Siu Chung, Ben and Ms. Chow Lai Fung; and three independent non-executive Directors, namely, Dr. Ng Wang Pun, Dennis, Mr. Che Wai Hang, Allen and Mr. Lee Yiu Pun.

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