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CHEN HSONG HOLDINGS LIMITED

震雄集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00057)

CONNECTED TRANSACTION IN RELATION TO OFFER TO LEASE

On 20 February 2023 (after trading hours), an indirect wholly-owned subsidiary of the Company as the Tenant accepted the Offer to Lease issued by the Landlord in respect of the lease of the Premises for a term of 5 years commencing from 1 March 2023 and expiring on 29 February 2028, subject to the Tenant's option to renew for a further term of 2 years.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 "Leases", the entering into of the Offer to Lease as tenant will require the Group to recognize the right to use the Premises as a right-of-use asset on its consolidated statement of financial position which, for the purposes of the Listing Rules, will be regarded as an acquisition of asset by the Group. The value of the right-of use asset to be recognized by the Group under the Offer to Lease amounts to approximately HK\$15,155,000.

As at the date of this announcement, the Company is held as to approximately 63.38% by CH Investments, being the controlling shareholder of the Company. The Landlord, being an indirect wholly-owned subsidiary of CH Investments, is regarded as a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Offer to Lease would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant applicable percentage ratios (as defined under the Listing Rules) (other than profits ratio) in respect of the right-of-use assets to be recognized by the Group under the Offer to Lease exceeds 0.1% but is less than 5%, the transaction contemplated under the Offer to Lease is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements pursuant to Rule 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 20 February 2023 (after trading hours), the Tenant, an indirect wholly-owned subsidiary of the Company, accepted a legally binding Offer to Lease issued by the Landlord in relation to the lease of the Premises for a term of 5 years commencing from 1 March 2023 and expiring on 29 February 2028, subject to the Tenant's option to renew for a further term of 2 years.

THE OFFER TO LEASE

The principal terms of the Offer to Lease are set out below:

Date of acceptance: 20 February 2023

Parties: Eminent Youth Ventures Capital Limited as the Tenant; and
Desko Limited as the Landlord

Premises: the premises located at Unit 2001, 20th Floor, Citicorp Centre, 18 Whitfield Road, Hong Kong

Lease term: a term of 5 years commencing from 1 March 2023 and expiring on 29 February 2028 (both days inclusive), subject to the Tenant's option to renew for a further term of 2 years

Renewal option: the Tenant shall have an option to renew for a further term of 2 years until 28 February 2030 (a) upon the same terms and conditions under the Offer to Lease or the Tenancy Agreement/Lease (as the case may be), save for the rent, rent free period, option to renew and break clause and (b) at the then prevailing market rent subject to a cap of 120% of the then passing effective monthly rent which means the average monthly rent paid or payable by the Tenant from 1 March 2023 to 29 February 2028 for the whole lease term above ("Passing Effective Monthly Rent")

Rent: HK\$217,000 per calendar month, exclusive of management and air-conditioning charges (which shall be collected by the Landlord and paid over to the property management company which manages the building), government rates and all other outgoings

Rent free period: 6 months' rent free period, from 1 March 2023 to 31 May 2023, from 1 March 2025 to 31 March 2025, from 1 March 2026 to 31 March 2026 and from 1 March 2027 to 31 March 2027

Security deposit: a security deposit of HK\$810,887.31 (equivalent to the sum of 3 months' rental, management and air-conditioning charges and a quarter of government rates) payable by the Tenant or its authorized representative

RIGHT-OF-USE ASSET

The value of the right-of-use asset to be recognized by the Group under the Offer to Lease amounts to approximately HK\$15,155,000 which comprises the present value of aggregated amount of rental payments to be made (after taking into account the aggregate rent free period and assuming that the Tenant exercised the option to renew a further term of 2 years at 120% of the Passing Effective Monthly Rent under the Offer to Lease) and the estimated reinstatement costs in accordance with HKFRS 16 "Leases".

REASONS FOR AND BENEFITS OF ACCEPTING THE OFFER TO LEASE

The Group intends to use the Premises as its offices and for business purposes. The Offer to Lease was issued by the Landlord and accepted by the Tenant after arm's length negotiation and the rental amount of the Premises has been determined with reference to the prevailing market rent as advised by an independent firm of property valuers. Having regard to the prevailing market rent level as advised by the independent firm of property valuers and the rental payable by the Tenant under the Offer to Lease, the Directors (including the independent non-executive Directors) are of the view that the terms of the Offer to Lease and the transaction contemplated thereunder are fair and reasonable and on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 "Leases", the Group will recognize a right-of-use asset on its consolidated statement of financial position in respect of the Offer to Lease which, for the purposes of the Listing Rules, will be regarded as an acquisition of asset by the Group.

As at the date of this announcement, the Company is held as to approximately 63.38% by CH Investments, being the controlling shareholder of the Company. The Landlord, being an indirect wholly-owned subsidiary of CH Investments, is regarded as a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Offer to Lease would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant applicable percentage ratios (as defined under the Listing Rules) (other than profits ratio) in respect of the right-of-use assets to be recognized by the Group under the Offer to Lease exceeds 0.1% but is less than 5%, the transaction contemplated under the Offer to Lease is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements pursuant to Rule 14A of the Listing Rules.

Save for Ms. Lai Yuen CHIANG, the Chairman, Executive Director and Chief Executive Officer of the Company, who is also a director of the Landlord, and has abstained from voting on the Board resolutions of the Company approving the Offer to Lease, none of the Directors has any material interest in the Lease to Offer or is required to abstain from voting on the Board resolutions of the Company approving the Offer to Lease and the transaction contemplated thereunder.

INFORMATION ON THE COMPANY, CH INVESTMENTS, CHIANGS' INDUSTRIAL HOLDINGS, THE TENANT AND THE LANDLORD

The Company

The Company is an exempted company incorporated in Bermuda with limited liability. The Company is an investment holding company with its subsidiaries principally engaged in the manufacture and sale of plastic injection moulding machines and related products. As at the date of this announcement, the Company is beneficially owned as to approximately 63.38% by CH Investments.

CH Investments

CH Investments is an investment holding company incorporated in Hong Kong with limited liability. As at the date of this announcement, CH Investments is 100% beneficially owned by Chiangs' Industrial Holdings.

Chiangs' Industrial Holdings

Chiangs' Industrial Holdings is a company incorporated in the British Virgin Islands with limited liability, the principal business activity of which is investment holding. As at the date of this announcement, Chiangs' Industrial Holdings is wholly-owned by Cititrust (Bahamas) Limited, which is the trustee of a discretionary trust, namely The Chiang Chen Industrial Charity Foundation.

The Tenant

The Tenant is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. The principal business activity of the Tenant is investment holding.

The Landlord

The Landlord is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of CH Investments. The principal business activity of the Landlord is holding properties for rental and investment purposes.

DEFINITIONS

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

“Board”	the board of Directors
“Chiangs’ Industrial Holdings”	Chiangs’ Industrial Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being the holding company of CH Investments
“CH Investments”	Chen Hsong Investments Limited, a company incorporated in Hong Kong with limited liability, being the controlling shareholder of the Company holding approximately 63.38% of the total number of Shares in issue as at the date of this announcement and wholly-owned by Chiangs’ Industrial Holdings
“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 (Stock Code: 00057)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Landlord”	Desko Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of CH Investments, which holds the Premises for rental and investment purposes
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Offer to Lease”	the offer to lease issued by the Landlord on 1 February 2023 and accepted by the Tenant on 20 February 2023 in relation to the lease of the Premises
“Premises”	the premises located at Unit 2001, 20 th Floor, Citicorp Centre, 18 Whitfield Road, Hong Kong with a gross floor area of approximately 7,067 square feet
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in the Listing Rules
“Tenancy Agreement/Lease”	the formal tenancy agreement/lease to be entered into between the Landlord and the Tenant on or before 1 March 2023 in accordance with the terms of the Offer to Lease
“Tenant”	Eminent Youth Ventures Capital Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

By Order of the Board
Chen Hsong Holdings Limited
CHAN Chi Ngai
Company Secretary

Hong Kong, 20 February 2023

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. Anish LALVANI, Mr. Michael Tze Hau LEE and Mr. Johnson Chin Kwang TAN.