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YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

裕元工業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00551)

CONNECTED TRANSACTIONS TENANCY AGREEMENTS

On November 13, 2023, various subsidiaries of the Company (as tenant) entered into the Tenancy Agreements with the Landlords (as landlord) in relation to the lease of the Properties for a term of three years from January 1, 2024 to December 31, 2026 (both days inclusive).

The Landlords are regarded as connected persons of the Company and the entering into of the Tenancy Agreements constitutes connected transactions of the Company under the Listing Rules. As one or more of the relevant percentage ratios in respect of the aggregate value of right-of-use assets under the Tenancy Agreements is more than 0.1% but less than 5.0%, the Tenancy Agreements are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

TENANCY AGREEMENTS

On November 13, 2023, various subsidiaries of the Company (as tenant) entered into the Tenancy Agreements with the Landlords (as landlord) in relation to the lease of the Properties for a term of three years, with principal terms as follows:

	Tenancy Agreement A	Tenancy Agreement B	Tenancy Agreement C
Parties:	(1) Landlord A (2) Tenant A	(1) Landlord B (2) Tenant B	(1) Landlord B (2) Tenant C
Premises:	Property A	Property B	Property C
Term:	January 1, 2024 to December 31, 2026 (both days inclusive)		
Monthly rental (<i>exclusive of management fees, utility charges and other outgoings</i>):	NT\$997,696 (equivalent to approximately US\$31,000)	NT\$651,814 (equivalent to approximately US\$20,000)	NT\$35,495 (equivalent to approximately US\$1,000)
Usage:	For the Group's manufacturing business.		
Termination:	30 days prior written notice shall be given.		

* For identification purpose only

The monthly rental of the Tenancy Agreements, which was not above market rate, was arrived at after arm's length negotiation between the respective Tenant and the Landlord with reference to the market rental value of the Properties as valued by an independent professional valuer on August 31, 2023 by reference to Taiwan urban land price index (Fuxing Township, Changhua County), consumer price index, rental index and construction cost index. The rental payable under the Tenancy Agreements will be financed by the internal resources of the Group.

INFORMATION ON THE PARTIES TO THE TENANCY AGREEMENTS

The Company is an investment holding company. The principal activities of the Group are manufacturing and sales of footwear products, as well as retail and distribution of sportswear and footwear products.

Tenant A, Tenant B and Tenant C are wholly-owned subsidiaries of the Company. The principal business activity of Tenant A is manufacturing of moulds. The principal business activities of Tenant B are the production and repair of equipment and tools for footwear production. The principal business activity of Tenant C is wholesale and retail of leather for footwear production.

Landlord A is a subsidiary of Landlord B. The principal business activity of Landlord A is property leasing.

Landlord B principally engages in the (i) manufacturing of shoes; (ii) retail of sporting goods and brand licensing business; and (iii) other businesses including real estate development and hotel operation through its subsidiaries.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE TENANCY AGREEMENTS

The Group has been renting the properties with the Landlords for its manufacturing business historically. As the existing tenancy agreements will expire on December 31, 2023, the Directors consider that the entering of the Tenancy Agreements would be commercially beneficial to the Group by (i) maintaining the stability and efficiency of the operations of the Group; (ii) reducing time costs in identifying new premises and negotiating the terms with the prospective landlord(s); and (iii) avoiding relocation costs and unnecessary disruption of the daily business operations of the Group.

The Directors (including the independent non-executive Directors) consider that the Tenancy Agreements were entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better after arm's length negotiations between the relevant parties, and the terms of the Tenancy Agreements together with the aggregate value of right-of-use assets are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Landlord B is the controlling shareholder of the Company, indirectly owning or controlling approximately 51.11% of the issued Shares. Accordingly, the Landlords are regarded as connected persons of the Company under the Listing Rules and the entering into of the Tenancy Agreements by the Tenants constitutes connected transactions of the Company under the Listing Rules.

Under Rule 14A.81 of the Listing Rules, the transactions contemplated under the Tenancy Agreements are required to be aggregated for the purpose of determining the classification. Pursuant to HKFRS 16, the Properties leased under the Tenancy Agreements will be recognised by the Group as right-of-use assets in an aggregate value of NT\$58,659,785 (equivalent to approximately US\$1,818,000), which is the present value of aggregate lease payments to be made under the Tenancy Agreements. Thus, the entering into of the Tenancy Agreements and the transactions contemplated thereunder will be regarded as acquisition of assets under the Listing Rules.

As one or more of the relevant percentage ratios in respect of the aggregate value of right-of-use assets under the Tenancy Agreements is more than 0.1% but less than 5.0%, the Tenancy Agreements are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Tenancy Agreements and is required to abstain from voting on the board resolutions approving the Tenancy Agreements and the transactions contemplated thereunder.

DEFINITIONS

In this announcement, the following terms have the meanings set forth opposite them:

“Board”	the board of Directors
“Company”	Yue Yuen Industrial (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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Landlord A”	Pou Yuen Technology Co., Ltd., a company incorporated in Taiwan limited by shares and a subsidiary of Landlord B
“Landlord B”	Pou Chen Corporation, a company with its shares listed and traded on the Taiwan Stock Exchange Corporation (stock code: 9904) and a controlling shareholder of the Company, which indirectly owns or controls approximately 51.11% of the issued Shares as at the date of this announcement
“Landlord(s)”	Landlord A and Landlord B
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“NT\$”	New Taiwan dollars, the lawful currency of Taiwan
“Properties”	Property A, Property B and Property C
“Property A”	a portion of the office and factories located at No. 4, Fugong Rd., Fuxing Township, Changhua County, Taiwan with area of approximately 4,134 square meters and leased land area of approximately 3,267 square meters
“Property B”	a portion of the office and factories located at No. 6 & 6-1, Fugong Rd., Fuxing Township, Changhua County, Taiwan with area of approximately 6,361 square meters and car-parking space of approximately 440 square meters
“Property C”	a portion of the office and factories located at No. 6 & 6-1, Fugong Rd., Fuxing Township, Changhua County, Taiwan with area of approximately 319 square meters, and car-parking space and outdoor area of approximately 97 square meters in aggregate

“Shareholders”	holders of the Shares
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement A”	the tenancy agreement dated November 13, 2023 entered into between Landlord A and Tenant A in respect of Property A
“Tenancy Agreement B”	the tenancy agreement dated November 13, 2023 entered into between Landlord B and Tenant B in respect of Property B
“Tenancy Agreement C”	the tenancy agreement dated November 13, 2023 entered into between Landlord B and Tenant C in respect of Property C
“Tenancy Agreements”	Tenancy Agreement A, Tenancy Agreement B and Tenancy Agreement C
“Tenant A”	Yue Dean Technology Corporation, a company incorporated in Taiwan limited by shares and a wholly-owned subsidiary of the Company
“Tenant B”	Orisol Taiwan Limited, a company incorporated in Taiwan limited by shares and a wholly-owned subsidiary of the Company
“Tenant C”	Prime Asia Leather Corporation, Taiwan Branch (British Virgin Islands), a branch company registered in Taiwan for Prime Asia Leather Corporation which incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Tenant(s)”	Tenant A, Tenant B and Tenant C
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For illustration purposes only, amounts denominated in NT\$ in this announcement have been translated into US\$ at an exchange rate of NT\$1=US\$0.031. No representation is made that any amounts in NT\$ and US\$ can be or could have been converted at the relevant dates at the above rate or at any other rates at all.

By Order of the Board
Yue Yuen Industrial (Holdings) Limited
Lu Chin Chu
Chairman

Hong Kong, November 13, 2023

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. Lu Chin Chu (Chairman), Ms. Tsai Pei Chun, Patty (Managing Director), Mr. Chan Lu Min, Mr. Lin Cheng-Tien, Mr. Liu George Hong-Chih and Mr. Shih Chih-Hung (Chief Financial Officer).

Independent Non-executive Directors:

Mr. Wong Hak Kun, Mr. Ho Lai Hong, Mr. Lin Shei-Yuan and Dr. Yang Ju-Huei.

Website: www.yueyuen.com