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# **Takbo Group Holdings Limited**

德寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 8436)

# CONTINUING CONNECTED TRANSACTION

# LEASE AGREEMENT

On 31 December 2018, Takbo (as tenant), an indirect wholly-owned subsidiary of the Company, entered into the Lease Agreement with Baoma (as landlord) in respect of the Premises for a term of 2 years commencing from 1 January 2019 and expiring on 31 December 2020.

Baoma is a company established in the PRC with limited liability and wholly-owned by Tak Bo Hong, which in turn is a partnership registered in Hong Kong jointly and severally owned by Ms. Chu Siu Fong, one of substantial shareholders through a controlled corporation holding 75% issued shares of the Company, and Mr. Or Tak Ming, the spouse of Ms. Chu Siu Fong. Baoma is therefore an associate of theirs and accordingly is a connected person of the Company within the GEM Listing Rules. Hence, the Lease Agreement constitutes a continuing connected transaction of the Company under the GEM Listing Rules.

The Group, through its wholly-owned subsidiaries, has entered into and maintained within the last 12-month period the Aggregated Tenancy Agreements for a term of 3 years or more, which all involved the rental of premises from the same connected person or parties associated with each other. Therefore, pursuant to Rule 20.79 of the GEM Listing Rules, the transactions contemplated under the Lease Agreement and Aggregated Tenancy Agreements shall be aggregated and treated as if they were one transaction ("Aggregated Transactions").

Since all the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Aggregated Transactions contemplated under the Lease Agreements and the Aggregated Tenancy Agreements (as aggregated) are less than 25% and the total consideration in respect of the aggregated annual caps is less than HK\$10,000,000, all the above transactions are therefore exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

On 31 December 2018, Takbo (as tenant), an indirect wholly-owned subsidiary of the Company, entered into the Lease Agreement with Baoma (as landlord) in respect of the Premises for a term of 2 years commencing from 1 January 2019 and expiring on 31 December 2020.

## THE LEASE AGREEMENT

The principal commercial terms of the Lease Agreement are set out below:

Date: 31 December 2018

## Parties

- 1. Baoma (as landlord)
- 2. Takbo (as tenant)

Baoma is a company established in the PRC with limited liability and wholly-owned by Tak Bo Hong, which in turn is a partnership registered in Hong Kong jointly and severally owned by Ms. Chu Siu Fong, one of the substantial shareholders through a controlled corporation holding 75% issued shares of the Company, and Mr. Or Tak Ming, the spouse of Ms. Chu Siu Fong. Baoma is therefore an associate of theirs and accordingly is a connected person of the Company within the GEM Listing Rules.

#### Premises

The Premises is located at 1st level of 2nd Floor of Block C, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC (中國廣東 省汕頭市大學路金平區疊金工業區三片區金浦路1號(C)幢二層廠房的第一層場地) with gross floor area of 506.53 square meters plus ancillary facilities for the use as our representative office in the PRC.

#### Term

For a term of 2 years commencing from 1 January 2019 and expiring on 31 December 2020.

#### Rental

Under the Lease Agreement, the annual rent will be approximately RMB39,600 for the first year ending 31 December 2019 and approximately RMB42,600 for the second year ending 31 December 2020.

Upon execution of the Lease Agreement, three months rental shall be paid in advance, and subsequent rent is payable in advance on the tenth (10) day of each and every month in RMB.

#### Utility expenses

The monthly utility expenses of the Premises such as water, electricity and telephone charges are to be borne by Takbo.

The Lease Agreement (including the rent) was determined after arm's length negotiations between the parties to the Lease Agreement and by reference to (i) the prevailing market rent for similar properties (e.g. with respect to floor space and age of the building) in the vicinity; and (ii) the estimated increase in rent in the coming year as compared with those of previous years with reference to the increase in rent in the same area in recent years. No third party valuation has been performed on the Premises for the purpose of the Lease Agreement.

#### **Annual Caps**

The Annual Caps of the continuing connected transaction under the Lease Agreement for the two years ending 31 December 2020 are as follows:

	For the year ending	For the year ending
	31 December	31 December
	2019	2020
	(RMB)	(RMB)
Annual Caps	39,600	42,600

The Annual Caps were determined based on the fixed monthly rental payable under the Lease Agreement.

The following table summarised the Aggregated Transactions contemplated under the Lease Agreement and the Aggregated Tenancy Agreements which are in force within the last 12 months:

Agreement	Parties	Term	Location	Maximum annual cap during the 3 years ending 31 January 2021/ 31 December 2019 (HK\$)
Lease Agreement	Takbo (as tenant) and Baoma (as landlord)	2 years from 1 January 2019	1st level of 2nd Floor of Block C, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC	42,600
Hong Kong Office Tenancy Agreement 1	Takbo (as tenant) and Sky Choice ( <i>Note</i> ) (as landlord)	3 years from 1 February 2018	C2, 35th Floor, EGL, Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong	202,000

				Maximum annual cap during the 3 years ending 31 January 2021/
Agreement	Parties	Term	Location	<b>31 December 2019</b> ( <i>HK</i> \$)
Hong Kong Office Tenancy Agreement 2	Takbo (as tenant) and Sky Choice ( <i>Note</i> ) (as landlord)	3 years from 27 October 2017	Room B, 35th Floor, EGL, Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong ("EGL Tower") and car parking space nos. P24, P25 and P26 located on 2nd Floor, EGL Tower	877,200
Residential Tenancy Agreement	Takbo (as tenant) and Smart Path ( <i>Note</i> ) (as landlord)	3 years from 27 October 2017	House 62, The Giverny, Man Kei Toi, Pak Sha Wan, Sai Kung, New Territories, Hong Kong	1,200,000
Factory Tenancy Agreement 1	Cosbe (as tenant) and Baoma (as landlord)	10 years from 27 October 2017	Factory, warehouse and office premises at No. 5 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC	1,550,000 for Factory Tenancy Agreements 1 and 2
Factory Tenancy Agreement 2	Cosbe (as tenant) and Baoma (as landlord)	10 years from 27 October 2017	Factory premises at No. 5 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC	
Factory Tenancy Agreement 3	Cosbe (as tenant) and Baoma (as landlord)	10 years from 27 October 2017	1st to 4th Floors of South Building, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC	4,300,000 for Factory Tenancy Agreements 3 and 4
Factory Tenancy Agreement 4	Cosbe (as tenant) and Baoma (as landlord)	10 years from 27 October 2017	1st to 4th Floors of North Building and West Building, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC	

Agreement	Parties	Term	Location	Maximum annual cap during the 3 years ending 31 January 2021/ 31 December 2019 (HK\$)
PRC Office Tenancy Agreement	Takbo (as tenant) and Baoma (as landlord)	3 years from 27 October 2017	Factory premises situated at 2nd Floor of Block C, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC	53,000

*Note:* Both Sky Choice and Smart Path are owned as to 50% by Mr. Or Naam, an executive Director and a controlling shareholder of the Company, therefore both Sky Choice and Smart Path are associates of Mr. Or Naam and accordingly are connected persons of the Company. Baoma, is wholly owned by Tak Bo Hong, a partnership between Ms. Chu Siu Fong, a controlling shareholder of the Company and Mr. Or Tak Ming, the spouse of Ms. Chu Siu Fong. Therefore, Baoma is an associate of Ms. Chu Siu Fong and accordingly is connected person of the Company.

For further details on the Aggregated Tenancy Agreements, please refer to the announcement of the Company dated 1 February 2018 and the prospectus of the Company dated 13 October 2017.

## REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

The goal of the Group is to strengthen the position as a beauty products manufacturer and solutions provider of beauty bags, and leverage on our competitive advantages to expand the Group's operation scale. As our current representative office in the PRC is fully occupied, the Group entered into the Lease Agreement for the lease of additional office space. The Group will keep on identifying suitable and sizeable premises to cope with its further expansion.

The Directors (including the independent non-executive Directors) are of the opinion that:

- (i) the terms of the Lease Agreement are on normal commercial terms or better that are fair and reasonable;
- (ii) the Annual Caps are fair and reasonable; and
- (iii) the continuing connected transaction contemplated under the Lease Agreement is and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Ms. Chu Siu Fong is one of the controlling shareholders of the Company, and also mother of Mr. Or Naam and Mr. Or Huen and mother-in-law of Ms. Chan Hoi Yan Polly, all are executive Directors of the Company and have abstained from voting on the resolution of the Board approving the Lease Agreement.

#### **INFORMATION ON THE GROUP**

The Group is principally engaged in (i) the design, development, manufacture and sale of beauty products; and (ii) the design, development and sale of beauty bags.

Takbo, a wholly-owned subsidiary of the Company, is principally engaged in the design, development and sale of beauty products and beauty bags.

#### **INFORMATION ON BAOMA**

Baoma is a company established in the PRC with limited liability and wholly-owned by Tak Bo Hong, which in turn is a partnership registered in Hong Kong jointly and severally owned by Ms. Chu Siu Fong, one of the substantial shareholders through a controlled corporation holding 75% issued shares of the Company, and Mr. Or Tak Ming, the spouse of Ms. Chu Siu Fong. Baoma is therefore an associate of theirs and accordingly is a connected person of the Company within the GEM Listing Rules. Hence, the Lease Agreement constitutes a continuing connected transaction of the Company under the GEM Listing Rules. Baoma is engaged in the manufacture and sale of bags in the PRC.

#### GEM LISTING RULES IMPLICATIONS

The Group, through its wholly-owned subsidiaries, have entered into and maintained within the last 12month period, the Aggregated Tenancy Agreements for a term of at least 3 years or more, which all involved the rental of premises from the same connected person or parties associated with each other. Therefore, pursuant to Rule 20.79 of the GEM Listing Rules, the transactions contemplated under the Lease Agreement and Aggregated Tenancy Agreements shall be aggregated and treated as if they were one transaction.

Since all the applicable percentage ratios set out in Rule 19.07 of the Listing Rules in respect of the Aggregated Transactions contemplated under the Lease Agreements and the Aggregated Tenancy Agreements (as aggregated) are less than 25% and the total consideration in respect of the aggregated annual caps is less than HK\$10,000,000, the above transactions are therefore exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

#### DEFINITIONS

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

"Aggregated Tenancy Agreements" collectively, Hong Kong Office Tenancy Agreement 1, Hong Kong Office Tenancy Agreement 2, Residential Tenancy Agreement, Factory Tenancy Agreement 1, Factory Tenancy Agreement 2, Factory Tenancy Agreement 3, Factory Tenancy Agreement 4 and PRC Office Tenancy Agreement

"Annual Caps"	the proposed annual caps for the continuing connected transaction contemplated under the Lease Agreement for the two years ending 31 December 2020
"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Baoma"	Shantou Baoma Processing Complex Company Limited* (汕頭寶馬工 藝製品廠有限公司), a company established in the PRC with limited liability on 5 June 1992 and wholly-owned by Tak Bo Hong and therefore a connected person of the Company
"Board"	the board of Directors
"Company"	Takbo Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability under the Cayman Islands Companies Law on 8 February 2017
"connected person"	has the meaning ascribed thereto under the GEM Listing Rules
"controlling shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Director(s)"	the director(s) of the Company
"Cosbe"	Cosbe Laboratory Inc.* (廣東一芙化妝品有限公司) (formerly known as 汕頭一芙化妝品有限公司), a company established in the PRC with limited liability on 28 June 2002, is an indirect wholly-owned subsidiary of our Company
"Factory Tenancy Agreement 1"	a lease agreement entered into between Cosbe (as tenant) and Baoma (as landlord) dated 31 December 2016, which was supplemented by a supplemental agreement dated 29 September 2017
"Factory Tenancy Agreement 2"	a lease agreement entered into between Cosbe (as tenant) and Baoma (as landlord) dated 1 January 2017, which was supplemented by a supplemental agreement dated 29 September 2017
"Factory Tenancy Agreement 3"	a lease agreement entered into between Cosbe (as tenant) and Baoma (as landlord) dated 28 November 2016, which was supplemented by a supplemental agreement dated 29 September 2017
"Factory Tenancy Agreement 4"	a lease agreement entered into between Cosbe (as tenant) and Baoma (as landlord) dated 8 March 2017, which was supplemented by a supplemental agreement dated 29 September 2017
"GEM"	GEM of the Stock Exchange

"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
"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 he PRC
"Hong Kong Office Tenancy Agreement 1"	a lease agreement entered into between Sky Choice (as landlord) and Takbo (as tenant) dated 1 February 2018
"Hong Kong Office Tenancy Agreement 2"	a lease agreement entered into between Sky Choice (as landlord) and Takbo (as tenant) dated 29 September 2017
"Lease Agreement"	a lease agreement entered into between Baoma (as landlord) and Takbo (as tenant) dated 31 December 2018 in respect of the Premises
"PRC"	the People's Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
"PRC Office Tenancy Agreement"	a lease agreement entered into between Takbo (as tenant) and Baoma (as landlord) dated 29 September 2017
"Premises"	1st level of 2nd Floor of Block C, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC with gross floor area of 506.53 square meters plus ancillary facilities
"Residential Tenancy Agreement"	a lease agreement entered into between Takbo (as tenant) and Smart Path (as landlord) dated 29 September 2017
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	holder(s) of the ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
"Sky Choice"	Sky Choice Development Limited, a company incorporated in Hong Kong with limited liability on 20 April 2017 and owned in equal shares by Mr. Or Naam and Ms. Chu Siu Fong, both being controlling shareholders of the Company
"Smart Path"	Smart Path Development Limited, a company incorporated in Hong Kong on 2 April 2007 with limited liability and owned in equal shares by Mr. Or Naam and Ms. Chan Hoi Yan Polly, and therefore a connected person of our Company

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Takbo"	Takbo Limited (formerly known as Tak Bo Hong Company Limited), a company incorporated in Hong Kong with limited liability on 20 December 1994 and is an indirect wholly-owned subsidiary of the Company
"Tak Bo Hong"	Tak Bo Hong, a partnership registered in Hong Kong jointly and severally owned by Ms. Chu Siu Fong, a controlling shareholder of the Company and Mr. Or Tak Ming, the spouse of Ms. Chu Siu Fong, and therefore a connected person of the Company
"%"	per cent
	By Order of the Board

#### Takbo Group Holdings Limited Or Naam

Executive Director and Chief Executive Officer

Hong Kong, 31 December 2018

As at the date of this announcement, the executive Directors are Mr. Or Naam, Ms. Chan Hoi Yan Polly and Mr. Or Huen; and the independent non-executive Directors are Mr. Tan Chong Huat, Mr. Sung Chi Keung and Mr. Wong, Irving Holmes Weng Hoong.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page on the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.takbogroup.com.

\* For identification purpose only