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Plover Bay Technologies Limited

珩灣科技有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1523)

**CONNECTED TRANSACTIONS
IN RELATION TO THE SALES OF THE ENTIRE ISSUED
SHARE CAPITAL OF THE TARGET COMPANIES
ASSIGNMENT OF SALE LOANS AND LEASEBACK ARRANGEMENT**

THE AGREEMENTS

The Board announces that on 10 December 2021 (after trading hours), the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into (i) the A3A Agreement and (ii) the A3B Agreement in relation to the sale and purchase of the Sale Shares and assignment of the Sale Loans of the Target Companies at an aggregate Consideration of HK\$7,900,000. Upon Completion, the Target Companies will cease to be subsidiaries of the Company and the financial results of Target Companies will no longer be consolidated into the financial statements of the Company.

THE LEASEBACK ARRANGEMENT

The Target Companies currently hold the Properties which are used as warehouses and offices of the Group. Pursuant to the Agreements, upon Completion, the Purchaser shall procure the Target Companies to lease back the Properties to Pegatrack, an indirect wholly-owned subsidiary of the Company as tenant from the Completion Date to 31 December 2023 (both days inclusive) for a period of not more than two years.

LISTING RULES IMPLICATION

As at the date of this announcement, the Purchaser, Mr. Chan, is the executive Director, the Chairman and the controlling shareholder of the Company, and hence is a connected person of the Company and the transactions contemplated under each of the A3A Agreement and A3B Agreement constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.81 of the Listing Rules, the A3A Agreement and A3B Agreement should be aggregated for the purpose of calculating the percentage ratios. As the highest applicable aggregated percentage ratio (as defined in the Listing Rules) in respect of the Sales is more than 0.1% but less than 5%, the Sales is subject to the reporting and the announcement requirements but exempt from the circular and the independent Shareholders' approval requirements under the Listing Rules.

Upon the execution of the Tenancy Agreements on Completion Date and in accordance with HKFRS 16 applicable to the Company, the Group shall recognise an additional asset representing its right to use the Properties in the total amount of approximately HK\$710,721 calculated with reference to the present value of aggregated lease payments as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the entire term of the Tenancy Agreements. As such, the transactions contemplated under the Tenancy Agreements will be recognized as acquisitions of right-of-use assets which will constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules. Given that (i) the Purchaser and his associates are connected persons of the Company; (ii) the Tenancy Agreements will be conducted on normal commercial terms; and (iii) the highest applicable aggregated percentage ratio (as defined in the Listing Rules) in respect of the Tenancy Agreements is more than 0.1% but less than 5%, the transactions contemplated under the Tenancy Agreements are subject to the reporting and the announcement requirements but exempt from the circular and the independent Shareholders' approval requirements under the Listing Rules.

Mr. Chan, who is also the Purchaser and an executive Director, has a material interest in the Sales and has abstained from voting on the relevant Board meeting for approving the Agreements and the transactions contemplated thereunder.

INTRODUCTION

The Board announces that on 10 December 2021 (after trading hours), the Vendor and the Purchaser entered into (i) the A3A Agreement and (ii) the A3B Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire, (a) the Sale Shares and (b) the Sale Loans on the Completion Date, at an aggregate Consideration of HK\$7,900,000.

In addition, upon Completion (which is expected to be 28 February 2022), the Purchaser shall procure to lease back the Properties to Ultra Land and Ultra Prosper for the use of the Group for a period of not more than two years commencing on Completion Date to 31 December 2023.

THE AGREEMENTS

Date: 10 December 2021 (after trading hours)

Parties: (1) Protean, as the Vendor
(2) Mr. Chan, as the Purchaser

Mr. Chan, is the executive Director, the Chairman and the controlling shareholder of the Company, and hence is a connected person of the Company under the meaning of Chapter 14A of the Listing Rules.

Assets to be disposed of:

Subject to the terms and conditions of the Agreements, the Vendor, as the legal and beneficial owner, agreed to sell, and the Purchaser agreed to acquire, (a) the Sale Shares and (b) the Sale Loans free from all encumbrances and together with all rights and entitlements which the Vendor has in the Sale Shares and the Sale Loans on the Completion Date.

The Sale Shares represent the entire issued share capital of each of the Target Companies. The Sale Loans represent the entire sum owing by the Target Companies to the Group as at the Completion Date. As at the date of the Agreements, the aggregate amount of the Sale Loans is HK\$ 6,342,150.

As at the date of this announcement, the Target Companies hold the Properties at following locations which are used as warehouses and offices by the Group:

<u>Target company</u>	<u>Property</u>	<u>Gross area</u>	<u>Use</u>
(i) Ultra Land	A3A Property	900 sq.ft.	Warehouse and office
(ii) Ultra Prosper	A3B Property	821 sq.ft.	Warehouse and office

Upon Completion, the Target Companies will cease to be subsidiaries of the Company and the financial results of Target Companies will no longer be consolidated into the financial statements of the Group.

Consideration

The Consideration comprises (i) the consideration for Ultra Land Sale Share and Ultra Land Sale Loans of HK\$4,100,000 and (ii) the consideration for Ultra Prosper Sale Shares and Ultra Prosper Sale Loans of HK\$3,800,000.

The Consideration payable for the sale and purchase of the Sale Shares and the Sale Loans shall be settled in the following manner:

- (a) deposits in the amounts of HK\$410,000 and HK\$380,000 have been settled by way of cash upon the execution of the A3A Agreement and A3B Agreement respectively and as part payment of the Consideration; and
- (b) the balance of the Consideration in the amount of HK\$3,690,000 and HK\$3,420,000 shall be settled for the A3A Agreement and A3B Agreement by way of cash respectively upon Completion.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms and with reference to the carrying value of the Properties and the market values of comparable properties in Hong Kong.

Conditions Precedent

Completion is conditional upon and subject to the following conditions:

- (a) all payments required to be paid to the Vendor pursuant to the Agreements have been fully paid;
- (b) there being no encumbrances over the Sale Shares, Sale Loans and the Properties;
- (c) the Vendor being able to show and give good title to the Properties in accordance with section 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);
- (d) duly discharge of any encumbrance over the Properties; and
- (e) there being no material adverse change in the Target Companies between the date of the Agreements and Completion Date as contemplated under the Agreements.

If any of the conditions set out above have not been fulfilled or waived (as the case may be) on or before the Completion Date, then the Purchaser may give written notice to the Vendor to either (i) postpone the Completion to a date falling not more than 20 business days after the original Completion Date; or (ii) terminate the Agreements whereupon all rights and obligations of the Vendor and the Purchaser will cease immediately upon termination and the deposits shall be returned to the Purchaser without interest upon demand in writing by the Purchaser in accordance with the Agreements.

Completion

The Completion date shall be 28 February 2022 or such other date as the parties under the Agreements may agree in writing.

INFORMATION OF THE PURCHASER

The Purchaser, Mr. Chan, is an executive Director, the Chairman and a controlling shareholder of the Company and therefore a connected person of the Company.

INFORMATION RELATING TO THE GROUP, PROTEAN, PEGATRACK AND TARGET COMPANIES

The Group is principally engaged in the designing, development and marketing of SD-WAN routers and provision of software licences and warranty and support services.

Protean is a direct wholly-owned subsidiary of the Company, and is principally engaged in investment holding.

Pegatrack is an indirect wholly-owned subsidiary of the Company and is principally engaged in provision of management services, including entering into the tenancy agreements for our office premises in Hong Kong.

Ultra Land is a company incorporated in Hong Kong with limited liability and is principally engaged in property holding in Hong Kong. As at the date of this announcement, Ultra Land holds the property at Unit A3A, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon with Cooling Tower Space No. 1 on 4/F.

Ultra Prosper is a company incorporated in Hong Kong with limited liability and is principally engaged in property holding in Hong Kong. As at the date of this announcement, Ultra Prosper holds the property at Unit A3B, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon.

FINANCIAL INFORMATION OF THE TARGET COMPANIES

The following is a summary of the audited financial information of the Target Companies for the two financial years ended 31 December 2019 and 31 December 2020 are set out below:

	For the year ended 31 December	
	2019	2020
	(HK\$)	(HK\$)
Ultra Land	(Audited)	(Audited)
Net loss before taxation	(106,224)	(95,318)
Net loss after taxation	(104,673)	(100,176)

The audited total asset value and net liability value of Ultra Land as at 31 December 2020 were approximately HK\$4,189,142 and HK\$414,607, respectively.

	For the year ended 31 December	
	2019	2020
	(HK\$)	(HK\$)
Ultra Prosper	(Audited)	(Audited)
Net loss before taxation	(153,144)	(141,954)
Net loss after taxation	(145,989)	(141,954)

The audited total asset value and net liability value of Ultra Prosper as at 31 December 2020 were approximately HK\$4,825,485 and HK\$520,306 respectively.

LEASEBACK ARRANGEMENT

The Target Companies hold the Properties which are currently used as warehouses and offices of the Group. Pursuant to the Agreements, after Completion, the Purchaser shall procure Ultra Land (as landlord) and Ultra Prosper (as landlord) to lease back the Properties to Pegatrack (as tenant), respectively, subject to the following major terms of the Tenancy Agreements:

	<u>A3A Tenancy Agreement</u>	<u>A3B Tenancy Agreement</u>
1. Parties:	(i) Ultra Land as landlord (ii) Pegatrack as tenant	(i) Ultra Prosper as landlord (ii) Pegatrack as tenant
4. Property:	A3A Property	A3B Property
3. Term of the Tenancy Agreement:	From the Completion Date to 31 December 2023 (both days inclusive)	
4. Monthly rent (inclusive of government rent and rates):	2022: HK\$17,100 per month 2023: HK\$17,613 per month	2022: HK\$15,599 per month 2023: HK\$16,067 per month
5. Rental deposit:	2022: HK\$51,300 2023: HK\$52,839	2022: HK\$46,797 2023: HK\$48,201

The monthly rents were determined after arm's length negotiations between the Group and the Purchaser with reference to the prevailing market rents for comparable premises in the area where the Properties are situated.

Upon Completion, Ultra Land and Ultra Prosper will be wholly-owned by the Purchaser and hence will be considered as connected persons of the Company.

As such, the transactions contemplated under the Tenancy Agreements will be recognised as acquisitions of right-of-use assets which will constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is principally engaged in the designing, development and marketing of SD-WAN routers and provision of software licenses and warranty and support services businesses.

The Board considers that the Sales represent a good opportunity for the Group to sell the Sale Shares, assign the Sale Loans to the Purchaser and dispose of the Properties for the best interest of the Group. The Properties are currently used as the Group's warehouse and offices. The Directors consider that the disposal of the Properties would consolidate the administration of all leases of the Group's office space with the Purchaser to enhance operational efficiency of the Group and to streamline internal resources to focus on its core businesses. The leaseback arrangement will also ensure that there would not be any interruption to the Group's operations. It is estimated that the net proceeds (after transaction costs such as legal expenses, stamp duty and other related expenses) from the Sales would be approximately HK\$7,800,000. The Group intends to use the net proceeds from the Sales as general working capital of the Group.

The Directors (including the independent non-executive Directors) consider that the terms and conditions for the Agreements and the leaseback arrangement are on normal commercial terms, and are fair and reasonable and in the interest of the Group and its Shareholders as a whole.

Mr. Chan, who is also the Purchaser and an executive Director, has a material interest in the Sales and has abstained from voting on the relevant Board meeting for approving the Agreements and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser, Mr. Chan, is the executive Director, the Chairman and the controlling shareholder of the Company, and hence is a connected person of the Company and the transactions contemplated under each of the A3A Agreement and A3B Agreement constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.81 of the Listing Rules, the A3A Agreement and A3B Agreement should be aggregated for the purpose of calculating the percentage ratios. As the highest applicable aggregated percentage ratio (as defined in the Listing Rules) in respect of the Sales is more than 0.1% but less than 5%, the Sales is subject to the reporting and the announcement requirements but exempt from the circular and the independent Shareholders' approval requirements under the Listing Rules.

Upon the execution of the Tenancy Agreements on Completion Date and in accordance with HKFRS 16 applicable to the Company, the Group shall recognise an additional asset representing its right to use the Properties in the total amount of approximately HK\$710,721 calculated with reference to the present value of aggregated lease payments as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the entire term of the Tenancy Agreements. As such, the transactions contemplated under the Tenancy Agreements will be recognised as acquisitions of right-of-use assets which will constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules. Given that (i) the Purchaser and his associates are connected persons of the Company; (ii) the Tenancy Agreements will be conducted on normal commercial terms; and (iii) the highest applicable aggregated percentage ratio (as defined in the Listing Rules) in respect of the Tenancy Agreements is more than 0.1% but less than 5%, the transactions contemplated under the Tenancy Agreements are subject to the reporting and the announcement requirements but exempt from the circular and the independent Shareholders' approval requirements under the Listing Rules.

Mr. Chan, who is also the Purchaser and an executive Director, has a material interest in the Sales and has abstained from voting on the relevant Board meeting for approving the Agreements and the transactions contemplated thereunder.

DEFINITIONS

In this announcement, unless it is defined or the context requires otherwise, the following terms shall have the following meanings:

“A3A Agreement”	the agreement dated 10 December 2021 entered into between the Vendor and the Purchaser relating to the sales of entire share capital of Ultra Land and assignment of sale loans to Purchaser
“A3A Property”	Unit A3A, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon with Cooling Tower Space No. 1 on 4/F, which is held by Ultra Land
“A3A Tenancy Agreement”	the tenancy agreement for the A3A Property to be entered into between Ultra Land as landlord and Pegatrack as tenant for a term of not more than two years commencing from the Completion Date to 31 December 2023 (both days inclusive)
“A3B Agreement”	the agreement dated 10 December 2021 entered into between the Vendor and the Purchaser relating to the sales of entire share capital of Ultra Prosper and assignment of sale loans to Purchaser
“A3B Property”	Unit A3B, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon, which is held by Ultra Prosper
“A3B Tenancy Agreement”	the tenancy agreement for the A3B Property to be entered into between Ultra Prosper as landlord and Pegatrack as tenant for a term of not more than two years commencing from the Completion Date to 31 December 2023 (both days inclusive)
“Agreements”	the A3A Agreement and the A3B Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Completion”	completion of the Sales in accordance with the terms and conditions of the Agreements
“Completion Date”	28 February 2022 or such other date as the parties under the Agreements may agree in writing
“Company”	Plover Bay Technologies Limited 珩灣科技有限公司, a company incorporated in Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“Consideration”	the aggregate consideration payable by the Purchaser for the Sale Shares and the Sale Loans amounting to HK\$7,900,000
“Controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deposits”	the aggregate sum of HK\$790,000 paid at the execution of the Agreements

“Director(s)”	the director(s) of the Company
“Group”	Plover Bay Technologies Limited 珩灣科技有限公司, together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Wing Hong Alex (陳永康先生), the Chairman, an executive Director and a controlling shareholder of the Company
“Pegatrack”	Pegatrack Limited, a company incorporated in Hong Kong with limited liability, and is an indirect wholly-owned subsidiary of the Company
“Properties”	A3A Property and A3B Property
“Protean”	Protean Holdings Limited, a company incorporated in British Virgin Islands with limited liability, and is a direct wholly-owned subsidiary of the Company
“Purchaser”	Mr. Chan
“Sales”	the sales of the Sale Shares and the assignment of the Sale Loans by the Vendor to the Purchaser
“Sale Loans”	the Ultra Land Sale Loans and the Ultra Prosper Sale Loans, with the aggregate amount of Sale Loans of approximately HK\$6,342,150 as at the date of this announcement
“Sale Shares”	the Ultra Land Sale Share and the Ultra Prosper Sale Share
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Target Companies”	Ultra Land and Ultra Prosper
“Tenancy Agreements”	the A3A Tenancy Agreement and the A3B Tenancy Agreement to be entered into upon Completion
“Vendor”	Protean Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Ultra Land”	Ultra Land Limited, a company incorporated in Hong Kong with limited liability, and is an indirect wholly-owned subsidiary of the Company immediately prior to the Completion
“Ultra Land Sale Loans”	the loan due from Ultra Land to the Group as at the date of Completion
“Ultra Land Sale Share”	1 ordinary share of Ultra Land, representing 100% of the entire issued share capital of Ultra Land

“Ultra Prosper”	Ultra Prosper Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company immediately prior to the Completion
“Ultra Prosper Sale Loans”	the loan due from Ultra Prosper to the Group as at the date of Completion
“Ultra Prosper Sale Share”	1 ordinary share of Ultra Prosper, representing 100% of the entire issued share capital of Ultra Prosper
“%”	per cent.

By Order of the Board of
Plover Bay Technologies Limited
Chan Wing Hong Alex
Chairman and executive Director

Hong Kong, 10 December 2021

As at the date of this announcement, the executive Directors are Mr. Chan Wing Hong Alex, Mr. Chau Kit Wai, Mr. Chong Ming Pui and Mr. Yeung Yu; the independent non-executive Directors are Dr. Yu Kin Tim, Mr. Ho Chi Lam and Mr. Wan Sze Chung.