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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 TENANCY AGREEMENTS 2021**

#### **THE TENANCY AGREEMENTS 2021**

On 30 December 2021 (after trading hours), Pegatrack, an indirect wholly-owned subsidiary of the Company as tenant, (a) has entered into the Renewal Tenancy Agreements and Dragon Tenancy Agreement with certain Leasing Companies as landlord for the lease in respect of the Renewal Premises and Premise Dragon for a term of two years commencing from 1 January 2022 and expiring on 31 December 2023, and (b) will enter into the Spinners Agreements with certain Leasing Companies as landlord for the lease in respect of the Premises Spinners for a term of one year and ten months commencing from 1 March 2022 and expiring on 31 December 2023. The uses of the Premises are for office, warehouse and product development purposes.

As at the date of this announcement, each of the Leasing Companies is wholly-owned or will become wholly-owned by Mr. Chan, an executive Director, the Chairman and a controlling shareholder of the Company. Therefore, each of the Leasing Companies is or will become an associate of Mr. Chan and a connected person of the Company. Thus, each of the lease transactions contemplated under each of the Tenancy Agreements 2021 constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

## **LISTING RULES IMPLICATIONS**

The right-of-use assets acquired under the Tenancy Agreements 2021 will be recognized by the Group in its consolidated statement of financial position in accordance with the HKFRS 16 Leases. Accordingly, the entering of the Tenancy Agreements 2021 and the transactions contemplated thereunder will be deemed as acquisition of right-of-use assets by the Group. The total value of the right-of-use assets is estimated to be approximately HK\$15,557,000 (equivalent to approximately US\$2,007,000), which is calculated with reference to the present value of the aggregated lease payments to be made under the Tenancy Agreements 2021. As the highest applicable percentage ratio of the estimated value of the right-of-use assets to be recognized by the Group under the Tenancy Agreements 2021 is more than 0.1% but less than 5%, the entering of the Tenancy Agreements 2021 and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 20 December 2018 in relation to the Tenancy Agreements 2018. The Tenancy Agreements 2018 will expire on 31 December 2021.

Reference is also made to the announcement of the Company dated 10 December 2021 in relation to the leaseback arrangement.

On 30 December 2021 (after trading hours), Pegatrack, an indirect wholly-owned subsidiary of the Company as tenant, (a) has entered into the Renewal Tenancy Agreements and Dragon Tenancy Agreement with certain Leasing Companies as landlord for the lease in respect of the Renewal Premises and Premise Dragon for a term of two years commencing from 1 January 2022 and expiring on 31 December 2023, and (b) will enter into the Spinners Agreements with certain Leasing Companies as landlord for the lease in respect of the Premises Spinners for a term of one year and ten months commencing from 1 March 2022 and expiring on 31 December 2023. The uses of the Premises are for office, warehouse and product development purposes.

## THE TENANCY AGREEMENTS 2021

### *RENEWAL TENANCY AGREEMENTS*

On 30 December 2021, Pegatrack, an indirect wholly-owned subsidiary of the Company as tenant, and the Leasing Companies below, which are wholly owned by Mr. Chan, as landlord, entered into the Renewal Tenancy Agreements for a term of two years starting from 1 January 2022 to 31 December 2023 (both days inclusive) in respect of the Renewal Premises.

Principal terms of the Renewal Tenancy Agreements and details of the Renewal Premises are set out below:

Landlord	Location	Gross area	Term	Annual rent payable	Rental deposit
Real Energy Limited	Unit A1, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	1,077 sq. ft.	1 January 2022 to 31 December 2023	2022: HK\$245,556 2023: HK\$253,311	HK\$61,389
Open Gain Limited	Unit A2, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	1,276 sq. ft.	1 January 2022 to 31 December 2023	2022: HK\$290,928 2023: HK\$300,115	HK\$72,732
PBS Ventures Limited	Unit A5, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	2,953 sq. ft.	1 January 2022 to 31 December 2023	2022: HK\$673,284 2023: HK\$694,546	HK\$168,321
Nice Achieve Limited	Unit A6, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	1,844 sq. ft.	1 January 2022 to 31 December 2023	2022: HK\$420,432 2023: HK\$433,709	HK\$105,108
Perfect Giant Limited	Unit A7, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	2,083 sq. ft.	1 January 2022 to 31 December 2023	2022: HK\$474,924 2023: HK\$489,922	HK\$118,731

Landlord	Location	Gross area	Term	Annual rent payable	Rental deposit
Talent Trend International Limited	Unit A8, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	2,083 sq. ft.	1 January 2022 to 31 December 2023	2022: HK\$474,924 2023: HK\$489,922	HK\$118,731
Advance Action Limited	Unit A9, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	2,083 sq. ft.	1 January 2022 to 31 December 2023	2022: HK\$474,924 2023: HK\$489,922	HK\$118,731
Conficiency Limited	Unit 8, 7/F, W668, 668/680 Castle Peak Road, Kowloon	1,035 sq. ft.	1 January 2022 to 31 December 2023	2022: HK\$322,920 2023: HK\$332,856	HK\$80,730
Rise Gold Limited	Unit A, 5/F, Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon	7,012 sq. ft.	1 January 2022 to 31 December 2023	2022: HK\$1,346,304 2023: HK\$1,405,205	HK\$336,576
Plan Smart Limited	Unit B, 5/F, Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon	7,323 sq. ft.	1 January 2022 to 31 December 2023	2022: HK\$1,406,016 2023: HK\$1,467,529	HK\$351,504
Total		28,769 sq. ft.		2022: HK\$6,130,212 2023: HK\$6,357,037	HK\$1,532,553

## **NEW TENANCY AGREEMENTS**

On 30 December 2021, Pegatrack, an indirect wholly-owned subsidiary of the Company as tenant, and the Leasing Companies below, which are wholly owned by Mr. Chan (save for Ultra Land Limited and Ultra Prosper Limited, which are currently wholly-owned subsidiaries of the Group and are expected to become wholly-owned subsidiaries of Mr. Chan on 28 February 2022 pursuant to the Completion of the sales and purchase of the entire issued share capital and assignment of sale loans of these two companies to Mr. Chan as announced on 10 December 2021), as landlord (a) entered into the Dragon Tenancy Agreement for a term of two years commencing from 1 January 2022 to 31 December 2023 (both days inclusive) in respect of the Premise Dragon and (b) will enter into the Spinners Tenancy Agreements for a term of one year and ten months commencing from 1 March 2022 to 31 December 2023 (both days inclusive) in respect of the Premises Spinners.

The principal terms of the New Tenancy Agreements and details of the Premise Dragon and Premises Spinners are set out below:

<b>Landlord</b>	<b>Location</b>	<b>Gross area</b>	<b>Term</b>	<b>Annual rent payable</b>	<b>Rental deposit</b>
Ultra Land Limited	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	900 sq. ft.	1 March 2022 to 31 December 2023	2022: HK\$171,000 2023: HK\$211,680	HK\$51,300
Ultra Prosper Limited	Unit A3B, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	821 sq. ft.	1 March 2022 to 31 December 2023	2022: HK\$155,990 2023: HK\$193,099	HK\$46,797
Mega Deal Limited	Unit A, 11/F, Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon	7,012 sq. ft.	1 January 2022 to 31 December 2023	2022: HK\$1,346,304 2023: HK\$1,405,205	HK\$336,576
<b>Total</b>		<b>8,733 sq. ft.</b>		<b>2022: HK\$1,673,294 2023: HK\$1,809,984</b>	<b>HK\$434,673</b>

The monthly rent payable by Pegatrack shall be settled on a monthly basis. The deposit is non-interest bearing and shall be returned to Pegatrack (subject to deduction, if applicable) upon the expiration of the each of the Tenancy Agreements 2021. The aggregate amount payable under the Tenancy Agreements 2021 is approximately HK\$16 million, which are exclusive of management fee. The rent payable for Tenancy Agreements 2021 is determined after arm's length negotiations between Pegatrack and the Leasing Companies after taking into consideration the prevailing market price of comparable premises in the vicinity of the Premises.

The comparison of annual rent payable for Tenancy Agreements 2021 and the historical rental payments for Tenancy Agreements 2018 are set out below:

	<b>Proposed amounts for the</b>		<b>Historical amounts for the years ended</b>		
	<b>years ending</b>		<b>31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Aggregated rental paid/payable	7,803,506	8,167,021	6,177,264	6,428,736	6,688,716
Total gross area as at 31 December	37,502 sq. ft.	37,502 sq. ft.	28,769 sq. ft.	28,769 sq. ft.	28,769 sq. ft.
Average monthly rent per sq. ft.	17.34	18.15	17.89	18.62	19.37

## **THE RIGHT-OF-USE ASSET**

The value of the right-of-use asset to be recognized by the Group under the Tenancy Agreements 2021 amounts to approximately HK\$15,557,000, which is calculated with reference to the present value of the aggregated lease payments to be made under the Tenancy Agreements 2021 in accordance with HKFRS 16 Leases.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENTS 2021**

Reference is made to the announcement of the Company dated 20 December 2018 in respect of the Tenancy Agreements 2018 which will expire on 31 December 2021. Due to business growth of the Group, more warehouse facilities and office space are also required. The Tenancy Agreements 2021 will ensure sufficient space for immediate business expansion and avoid any interruption to the Group's operations incurred in the case of a relocation. Compared to the Tenancy Agreements 2018, the average monthly rent per square feet is also adjusted downward to re-align with prevailing market rates, and the tenor of the Tenancy Agreements 2021 is two years or less to allow for more flexibility for the Group. The Board therefore considers that the Tenancy Agreements 2021 would be beneficial to the Group as a whole.

The terms of each of the leases in the Tenancy Agreements 2021 were negotiated on arm's length negotiations with reference to the prevailing market rent for comparable premises in the vicinity. The Directors, including the independent non-executive Directors, but excluding Mr. Chan who has material interest or conflict of role in the Tenancy Agreements 2021, are of the opinion that (i) the Group has been operating in the Premises as office, warehouse and product development since 2012; (ii) entering of the Tenancy Agreements 2021 will enable the Group to continue its operations at the Premises; (iii) the terms of each of the Tenancy Agreements 2021 are agreed on normal commercial terms which are fair and reasonable; (iv) the proposed aggregate annual rent payable for the Tenancy Agreements 2021 are fair and reasonable; and (v) the connected transactions contemplated under each of the Tenancy Agreements 2021 are 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.

## **INFORMATION RELATING TO THE GROUP, PEGATRACK, AND THE LEASING COMPANIES AND CONNECTED RELATIONSHIP BETWEEN THE PARTIES**

### **The Group**

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.

### **Pegatrack**

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

### **The Leasing Companies**

The Leasing Companies, namely Real Energy Limited, Open Gain Limited, PBS Ventures Limited, Nice Achieve Limited, Perfect Giant Limited, Talent Trend International Limited, Advance Action Limited, Conficiency Limited, Rise Gold Limited, Plan Smart Limited, Ultra Land Limited, Ultra Prosper Limited and Mega Deal Limited, are property holding companies incorporated in Hong Kong. Each of the Leasing Companies is wholly-owned by Mr. Chan, save for Ultra Land Limited and Ultra Prosper Limited, which are currently wholly-owned subsidiaries of the Group and are expected to become wholly-owned subsidiaries of Mr. Chan on 28 February 2022 pursuant to the Completion of the sales and purchase of the entire issued share capital and assignment of sale loans of these two companies to Mr. Chan as announced on 10 December 2021.



## LISTING RULES IMPLICATIONS

As at the date of this announcement, each of the Leasing Companies is wholly-owned by Mr. Chan (save for Ultra Land Limited and Ultra Prosper Limited, which are currently wholly-owned subsidiaries of the Group and are expected to become wholly-owned subsidiaries of Mr. Chan on 28 February 2022 pursuant to the Completion of the sales and purchase of the entire issued share capital and assignment of sale loans of these two companies to Mr. Chan as announced on 10 December 2021), an executive Director, the Chairman and a controlling shareholder of the Company. Therefore, each of the Leasing Companies is or will become an associate of Mr. Chan and a connected person of the Company and each of the transactions contemplated under each of the Tenancy Agreements 2021 constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 Leases, the Group if entering into lease transactions as lessee will recognise an additional asset representing its right to use the Premises in the total amount of approximately HK\$15,557,000 calculated with reference to the present value of the aggregated lease payments to be made under the Tenancy Agreements 2021. As such, the transactions contemplated under the Tenancy Agreements 2021 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 Mr. Chan and his associates are connected persons of the Company; (ii) the Tenancy Agreements 2021 will be conducted on normal commercial terms; and (iii) the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Tenancy Agreements 2021 is more than 0.1% but less than 5%, the transactions contemplated under the Tenancy Agreements 2021 are subject to the reporting and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Chan, an executive Director, the Chairman and a controlling shareholder of the Company, is or will become the beneficial owner of the Leasing Companies and therefore considered as having a material interest in the Tenancy Agreements 2021 and accordingly abstained from voting on the resolutions of the Board for the approval of the Tenancy Agreements 2021.

Save as disclosed above, none of the Directors has any material interest in the Tenancy Agreements 2021 and no Directors are required to abstain from voting on the resolutions of the Board approving the transactions contemplated thereunder.

## DEFINITIONS

“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
“A3B Property”	Unit A3B, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chairman”	the Chairman of the Board
“Completion”	completion of the transactions in accordance with the terms and conditions of the agreements dated 10 December 2021 entered into between Protean Holdings Limited, a company incorporated in British Virgin Islands with limited liability, and a direct wholly-owned subsidiary of the Company and Mr. Chan relating to the sales of entire issued share capital of Ultra Land Limited and Ultra Prosper Limited and assignment of sale loans to Mr. Chan
“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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dragon Tenancy Agreement”	the tenancy agreement for the Premise Dragon entered into between Mega Deal Limited as landlord and Pegatrack as tenant on 30 December 2021 for a term of two years commencing from 1 January 2022 to 31 December 2023 (both days inclusive)
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS 16 Leases”	Hong Kong Financial Reporting Standards 16 “Leases” which includes standards and interpretations promulgated by the Hong Kong Institute of Certified Public Accounts
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Leasing Companies”	the 13 leasing companies, namely Real Energy Limited, Rise Gold Limited, Open Gain Limited, PBS Ventures Limited, Nice Achieve Limited, Perfect Giant Limited, Talent Trend International Limited, Advance Action Limited, Plan Smart Limited, Conficiency Limited, Mega Deal Limited, Ultra Land Limited and Ultra Prosper Limited, all companies are incorporated in Hong Kong with limited liabilities and are wholly-owned by Mr. Chan as at the date of this announcement, save for Ultra Land Limited and Ultra Prosper Limited which are currently wholly-owned subsidiaries of the Group and are expected to be wholly owned by Mr. Chan on 28 February 2022 pursuant to the Completion of the sales and purchase of the entire issued share capital and assignment of sale loans of Ultra Land Limited and Ultra Prosper Limited to Mr. Chan as announced on 10 December 2021
“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
“New Tenancy Agreements”	the Dragon Tenancy Agreement and the Spinners Tenancy Agreements
“Pegatrack”	Pegatrack Limited, a company incorporated in Hong Kong with limited liability, and is an indirect wholly-owned subsidiary of the Company
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules

“Premises”	Units A1, A2, A3B, A5, A6, A7, A8, A9 on the 5th floor of Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon, A3A Property, Units A, B on the 5th floor and Unit A on the 11th floor of Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon and Unit 8 on the 7th floor of W668, 668/680 Castle Peak Road, Kowloon
“Premise Dragon”	Unit A on the 11th floor of Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon
“Premises Spinners”	the A3A Property and A3B Property
“Renewal Premises”	Units A1, A2, A5, A6, A7, A8, A9 on the 5th floor of Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon, Units A, B on the 5th floor of Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon and Unit 8 on the 7th floor of W668, 668/680 Castle Peak Road, Kowloon
“Renewal Tenancy Agreements”	the 10 tenancy agreements dated 30 December 2021, entered into between Pegatrack as tenant and the Leasing Companies, associates of Mr. Chan as landlord for the use of the Renewal Premises
“SD-WAN”	software defined wide area network
“Shareholder(s)”	holder(s) of shares of the Company
“Spinners Tenancy Agreements”	the tenancy agreements for the Premises Spinners to be entered into between Pegatrack as tenant and Ultra Land Limited as landlord for A3A Property, Ultra Prosper Limited as landlord for A3B Property upon Completion of the sales and purchase of the entire issued share capital and assignment of sale loans of Ultra Land Limited and Ultra Prosper Limited to Mr. Chan as announced on 10 December 2021
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreements 2018”	the 10 tenancy agreements dated 20 December 2018, entered into between Pegatrack as tenant and certain associates of Mr. Chan as landlord for the use of the Renewal Premises, details of which were disclosed in the announcement dated 20 December 2018

“Tenancy Agreements 2021” the Renewal Tenancy Agreements, the Dragon Tenancy Agreement and the Spinners Tenancy Agreements

“%” per cent.

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

Hong Kong, 30 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.*