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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 2023

THE TENANCY AGREEMENTS 2023

On 29 December 2023 (after trading hours), Pegatrack, an indirect wholly-owned subsidiary of the Company as tenant, has entered into the Renewal Tenancy Agreements and New W668 Tenancy Agreement (collectively, the “Tenancy Agreements 2023”) with certain Leasing Companies as landlord for the lease in respect of the Renewal Premises and the New W668 Premise for a term of two years commencing from 1 January 2024 and expiring on 31 December 2025. 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 beneficially owned by Mr. Chan, an executive Director, the Chairman and a controlling shareholder of the Company. Therefore, each of the Leasing Companies is 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 2023 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 2023 will be recognised by the Group in its consolidated statement of financial position in accordance with the HKFRS 16 Leases. Accordingly, the entering of the Tenancy Agreements 2023 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\$20,092,000 (equivalent to approximately US\$2,576,000), which is calculated with reference to the present value of the aggregated lease payments to be made under the Tenancy Agreements 2023. 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 2023 is more than 0.1% but less than 5%, the entering of the Tenancy Agreements 2023 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 announcements of the Company dated 30 December 2021 and 12 April 2022 in relation to the Tenancy Agreements 2021. The Tenancy Agreements 2021 will expire on 31 December 2023.

On 29 December 2023 (after trading hours), Pegatrack, an indirect wholly-owned subsidiary of the Company as tenant, has entered into the Renewal Tenancy Agreements and New W668 Tenancy Agreement with certain Leasing Companies as landlord for the lease in respect of the Renewal Premises and the New W668 Premise for a term of two years commencing from 1 January 2024 and expiring on 31 December 2025. The uses of the Premises are for office, warehouse and product development purposes.

THE TENANCY AGREEMENTS 2023

RENEWAL TENANCY AGREEMENTS

On 29 December 2023, Pegatrack, an indirect wholly-owned subsidiary of the Company as tenant, and the Leasing Companies below, which are beneficially owned by Mr. Chan, as landlord, entered into the Renewal Tenancy Agreements for a term of two years starting from 1 January 2024 to 31 December 2025 (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
RealEnergy 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 2024 to 31 December 2025	2024: HK\$253,310 2025: HK\$258,480	HK\$63,328
OpenGain 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 2024 to 31 December 2025	2024: HK\$300,115 2025: HK\$306,240	HK\$75,029
Ultra Land Limited	Unit A3A, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	900 sq. ft.	1 January 2024 to 31 December 2025	2024: HK\$211,680 2025: HK\$216,000	HK\$52,920
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 January 2024 to 31 December 2025	2024: HK\$193,099 2025: HK\$197,040	HK\$48,275
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 2024 to 31 December 2025	2024: HK\$694,546 2025: HK\$708,720	HK\$173,637
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 2024 to 31 December 2025	2024: HK\$433,709 2025: HK\$442,560	HK\$108,427

Landlord	Location	Gross area	Term	Annual rent payable	Rental deposit
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 2024 to 31 December 2025	2024: HK\$489,922 2025: HK\$499,920	HK\$122,481
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 2024 to 31 December 2025	2024: HK\$489,922 2025: HK\$499,920	HK\$122,481
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 2024 to 31 December 2025	2024: HK\$489,922 2025: HK\$499,920	HK\$122,481
Winning Castle Limited	Unit B, 5/F, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	7,206 sq. ft.	1 January 2024 to 31 December 2025	2024: HK\$1,694,851 2025: HK\$1,729,440	HK\$423,713
Conficiency Limited	Unit 8, 7/F, W668, 668/680 Castle Peak Road, Kowloon	1,035 sq. ft.	1 January 2024 to 31 December 2025	2024: HK\$353,970 2025: HK\$366,390	HK\$88,493
Rise Gold Limited	Unit A, 5/F, Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon	7,012 sq. ft.	1 January 2024 to 31 December 2025	2024: HK\$1,430,448 2025: HK\$1,472,520	HK\$357,612
Plan Smart Limited	Unit B, 5/F, Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon	7,323 sq. ft.	1 January 2024 to 31 December 2025	2024: HK\$1,493,892 2025: HK\$1,537,830	HK\$373,473
Mega Deal Limited	Unit A, 11/F, Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon	7,012 sq. ft.	1 January 2024 to 31 December 2025	2024: HK\$1,430,448 2025: HK\$1,472,520	HK\$357,612
Total		44,708 sq. ft.		2024: HK\$9,959,834 2025: HK\$10,207,500	HK\$2,489,962

NEW W668 TENANCY AGREEMENT

On 29 December 2023, Pegatrack, an indirect wholly-owned subsidiary of the Company as tenant, and Smart Act International Limited, which is beneficially owned by Mr. Chan, as landlord entered into the New W668 Tenancy Agreement for a term of two years commencing from 1 January 2024 to 31 December 2025 (both days inclusive) in respect of the New W668 Premise.

The principal terms of the New W668 Tenancy Agreement and details of the New W668 Premise are set out below:

Landlord	Location	Gross area	Term	Annual rent payable	Rental deposit
Smart Act International Limited	Unit 7, 7/F, W668, 668/680 Castle Peak Road, Kowloon	853 sq. ft.	1 January 2024 to 31 December 2025	2024: HK\$291,726 2025: HK\$301,962	HK\$72,932

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 2023. The aggregate amount payable under the Tenancy Agreements 2023 is approximately HK\$21 million, which are exclusive of management fee. The rent payable for Tenancy Agreements 2023 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 2023 and the historical rental payments for Tenancy Agreements 2021 are set out below:

	Proposed amounts for the years ending 31 December		Historical amounts for the years ended 31 December	
	2024	2025	2022	2023
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Aggregated rental paid/payable	10,251,560	10,509,462	7,803,506	8,167,021
Total gross area as at 31 December	45,561 sq. ft.	45,561 sq. ft.	37,502 sq. ft.	37,502 sq. ft.
Average monthly rent per sq. ft.	18.75	19.22	17.34	18.15

THE RIGHT-OF-USE ASSET

The value of the right-of-use asset to be recognised by the Group under the Tenancy Agreements 2023 amounts to approximately HK\$20,092,000, which is the present value of the aggregated lease payments payable over the lease term of two-years, discounted using the incremental borrowing rate of the Group, which reflects the fixed rate at which the Group could borrow an amount similar to the value of the right-of-use asset.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENTS 2023

Reference is made to the announcements of the Company dated 30 December 2021 and 12 April 2022 in relation to the Tenancy Agreements 2021 which will expire on 31 Dember 2023. The Group has been using the Premises for office, warehouse and product development purposes. The Tenancy Agreements 2023 serve to renew the leases on the Premises. The Board considers that the continued use of the Premises for office, warehouse and product development purposes would be beneficial to the Group as a whole in terms of saving on relocation and relevant administrative costs.

The terms of each of the leases in the Tenancy Agreements 2023 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 2023, are of the opinion that (i) the Group has been operating in the Premises for office, warehouse and product development purposes since 2012; (ii) entering of the Tenancy Agreements 2023 will enable the Group to continue its operations at the Premises; (iii) the terms of each of the Tenancy Agreements 2023 are agreed on normal commercial terms which are fair and reasonable; (iv) the proposed aggregate annual rent payable for the Tenancy Agreements 2023 are fair and reasonable; and (v) the connected transactions contemplated under each of the Tenancy Agreements 2023 are 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, Ultra Land Limited, Ultra Prosper Limited, PBS Ventures Limited, Nice Achieve Limited, Perfect Giant Limited, Talent Trend International Limited, Advance Action Limited, Winning Castle Limited, Conficiency Limited, Rise Gold Limited, Plan Smart Limited, Mega Deal Limited, and Smart Act International Limited are property holding companies incorporated in Hong Kong. Each of the Leasing Companies is beneficially owned by Mr. Chan.

LISTING RULES IMPLICATIONS

As at the date of this announcement, each of the Leasing Companies is beneficially owned by Mr. Chan, an executive Director, the Chairman and a controlling shareholder of the Company. Therefore, each of the Leasing Companies is an associate of Mr. Chan and a connected person of the Company and each of the transactions contemplated under each of the Tenancy Agreements 2023 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\$20,092,000, calculated with reference to the present value of the aggregated lease payments to be made under the Tenancy Agreements 2023. As such, the transactions contemplated under the Tenancy Agreements 2023 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) Mr. Chan and his associates are connected persons of the Company; (ii) the Tenancy Agreements 2023 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 2023 is more than 0.1% but less than 5%, the transactions contemplated under the Tenancy Agreements 2023 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 the beneficial owner of the Leasing Companies and therefore considered as having a material interest in the Tenancy Agreements 2023 and accordingly abstained from voting on the resolutions of the Board for the approval of the Tenancy Agreements 2023.

Save as disclosed above, none of the Directors has any material interest in the Tenancy Agreements 2023 and no Directors are required to abstain from voting on the resolutions of the Board approving the transactions contemplated thereunder.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chairman”	the Chairman of the Board
“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
“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 15 leasing companies, namely Real Energy Limited, Open Gain Limited, Ultra Land Limited, Ultra Prosper Limited, PBS Ventures Limited, Nice Achieve Limited, Perfect Giant Limited, Talent Trend International Limited, Advance Action Limited, Winning Castle Limited, Conficiency Limited, Rise Gold Limited, Plan Smart Limited, Mega Deal Limited, and Smart Act International Limited, all companies are incorporated in Hong Kong with limited liabilities and are beneficially owned by Mr. Chan as at the date of this announcement
“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 W668 Tenancy Agreement”	the tenancy agreement for the New W668 Premise entered into between Smart Act International Limited as landlord and Pegatrack as tenant on 29 December 2023 for a term of two years commencing from 1 January 2024 to 31 December 2025 (both days inclusive)
“New W668 Premise”	Unit 7 on the 7th floor of W668, 668/680 Castle Peak Road, Kowloon
“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, A3A, A3B, A5, A6, A7, A8, A9 and Unit B 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 and Unit A on the 11th floor of Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon and Units 7, 8 on the 7th floor of W668, 668/680 Castle Peak Road, Kowloon
“Renewal Premises”	Units A1, A2, A3A, A3B, A5, A6, A7, A8, A9 and Unit B 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 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
“Renewal Tenancy Agreements”	the 14 tenancy agreements dated 29 December 2023, 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreements 2021”	the 14 tenancy agreements 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 announcements dated 30 December 2021 and 12 April 2022

“Tenancy Agreements 2023” the Renewal Tenancy Agreements and the New W668 Tenancy Agreement

“%” per cent.

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

Hong Kong, 29 December 2023

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.