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Plover Bay Technologies Limited

玊灣科技有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1523)

CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF TENANCY AGREEMENTS

The Board is pleased to announce that on 20 December 2018, Pegatrack, an indirect wholly-owned subsidiary of the Company as tenant, and the Leasing Companies as landlords, entered into the Tenancy Agreements for the renewal of the Premises for a term of three years from 1 January 2019 to 31 December 2021 (both days inclusive).

As at the date of this announcement, each of the Leasing Companies is wholly-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 constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the aggregated annual caps for the Tenancy Agreements is more than 0.1% but less than 5%, the transactions contemplated under the Tenancy Agreements are subject to reporting, announcement and annual review requirements, but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

TENANCY AGREEMENTS

On 20 December 2018, Pegatrack, an indirect wholly-owned subsidiary of the Company as tenant, and the Leasing Companies as landlords, entered into the Tenancy Agreements for a term of three years from 1 January 2019 to 31 December 2021 (both days inclusive) in respect of the Premises. Details of the Tenancy Agreements and the Premises are set out below:

Landlord	Location	Gross area	Term	Annual rent payable	Rental deposit	Purpose of property	Historical rent
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 2019 to 31 December 2021	2019: HK\$236,508 2020: HK\$246,072 2021: HK\$255,900	HK\$59,127	Industrial / office	2016: HK\$80,000 2017: HK\$211,200 2018: HK\$232,320
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 2019 to 31 December 2021	2019: HK\$280,212 2020: HK\$291,540 2021: HK\$303,180	HK\$70,053	Industrial / office	2016: HK\$220,000 2017: HK\$264,000 2018: HK\$290,400
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 2019 to 31 December 2021	2019: HK\$648,480 2020: HK\$674,700 2021: HK\$701,628	HK\$162,120	Industrial / office	2016: HK\$484,000 2017: HK\$580,800 2018: HK\$638,880
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 2019 to 31 December 2021	2019: HK\$404,940 2020: HK\$421,320 2021: HK\$438,132	HK\$101,235	Office and product development	2016: HK\$308,000 2017: HK\$369,600 2018: HK\$406,560
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 2019 to 31 December 2021	2019: HK\$457,428 2020: HK\$475,920 2021: HK\$494,916	HK\$114,357	Industrial / office	2016: HK\$341,000 2017: HK\$409,200 2018: HK\$450,120
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 2019 to 31 December 2021	2019: HK\$457,428 2020: HK\$475,920 2021: HK\$494,916	HK\$114,357	Industrial / office	2016: HK\$341,000 2017: HK\$409,200 2018: HK\$450,120
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 2019 to 31 December 2021	2019: HK\$457,428 2020: HK\$475,920 2021: HK\$494,916	HK\$114,357	Office	2016: HK\$341,000 2017: HK\$409,200 2018: HK\$450,120
Conficiency Limited	Unit 8, 7/F W668, 668/680 Castle Peak Road, Kowloon	1,035 sq. ft.	1 January 2019 to 31 December 2021	2019: HK\$310,500 2020: HK\$326,028 2021: HK\$342,168	HK\$77,625	Office	2016: Nil 2017: Nil 2018: HK\$207,000
Rise Gold Limited	Unit A, 5/F Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon	7,012 sq. ft.	1 January 2019 to 31 December 2021	2019: HK\$1,430,448 2020: HK\$1,487,664 2021: HK\$1,547,172	HK\$357,612	Office and warehouse	2016: HK\$392,500 2017: HK\$1,036,800 2018: HK\$1,140,000
Plan Smart Limited	Unit B, 5/F Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon	7,323 sq. ft.	1 January 2019 to 31 December 2021	2019: HK\$1,493,892 2020: HK\$1,553,652 2021: HK\$1,615,788	HK\$373,473	Office and warehouse	2016: HK\$902,000 2017: HK\$1,082,400 2018: HK\$1,190,640

The rental for the Premises are exclusive of management fee, government rent and rates.

AGGREGATE ANNUAL CAPS FOR THE TENANCY AGREEMENTS

Based on the annual rental payable under each of the Tenancy Agreements, the aggregate annual caps for the Tenancy Agreements for the three years ending 31 December 2019, 31 December 2020 and 31 December 2021, compared to the historical amounts, are as follows:

	Historical amounts for the years ended			Proposed aggregated annual caps for		
	31 December			the years ending 31 December		
	2016	2017	2018	2019	2020	2021
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Aggregated rental paid/payable	3,409,500	4,772,400	5,456,160	6,177,264	6,428,736	6,688,716
Total gross area as at 31 December	27,734 sq. ft.	27,734 sq. ft.	28,769 sq. ft.	28,769 sq. ft.	28,769 sq. ft.	28,769 sq. ft.
Average monthly rent per sq. ft. as at 31 December	13.03	14.34	16.10	17.89	18.62	19.37

The Company intends to use its internal resources and cash flows generated from its operations to fund the rentals payable under the Tenancy Agreements.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENTS

Reference is made to the section headed “Continuing Connected Transactions – Non-exempt Continuing Connected Transactions under Rule 14A.76(2) of the Listing Rules - Tenancy Agreements” of the Prospectus announced dated 30 June 2016 and the announcement of the Company dated 1 August 2016 in relation to the continuing connected transactions in respect of the Disclosed Tenancy Agreements, the Spinners Tenancy Agreement and the Dragon Tenancy Agreement which will expire on 31 December 2018.

On 1 May 2018, Pegatrack as tenant, and Conficiency Limited as landlord, entered into the W668 Tenancy Agreement in respect of the lease of the Premise W668 for a term of eight months from 1 May 2018 to 31 December 2018 (both days inclusive). Conficiency Limited is a company wholly-owned by Mr. Chan and therefore an associate of Mr. Chan and a connected person of the Company, as such the W668 Tenancy Agreement constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As each of the applicable ratios calculated with reference to the highest annual rent payable over the period under the W668 Tenancy Agreement, being HK\$207,000, was less than 0.1%, pursuant to Rule 14A.76 of the Listing Rules, the W668 Tenancy Agreement was exempt from the reporting, announcement, annual review requirements, circular (including independent financial advice) and independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The Group has been using the Premises as its office and warehouse facilities (the “**Premises**”). Each of the leases entered into for the use of the Premises will expire on 31 December 2018. The Tenancy Agreements serve to renew the leases on the Premises. The Board considers that the continued use of the Premises as office and warehouse facilities would be beneficial to the Company as a whole in terms of saving on relocation and relevant administrative costs.

The terms of each of the Tenancy Agreements were negotiated on arm’s length negotiations with reference to the prevailing market rent for comparable premises in the vicinity and the long term historical trend of average rents and prices of private flatted factories industrial buildings published by the Rates and Valuation Department of the Government of the Hong Kong Special Administrative Region. The Directors, including the independent non-executive Directors, are of the opinion that (i) the terms of each of the Tenancy Agreements are agreed on normal commercial terms which are fair and reasonable; (ii) the proposed aggregate annual caps for the Tenancy Agreements are fair and reasonable; and (iii) the continuing connected transactions contemplated under each of the Tenancy Agreements 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 is principally engaged in the designing, development and marketing of SD-WAN routers and provision of software licenses and warranty and support services.

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, 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 and Conficiency Limited, are investment holding companies incorporated in Hong Kong. Each of the Leasing Companies is wholly-owned by Mr. Chan.

CONNECTED RELATIONSHIP BETWEEN THE PARTIES AND LISTING RULES IMPLICATIONS

As at the date of this announcement, each of the Leasing Companies is wholly-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 constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the aggregated annual caps for the Tenancy Agreements is more than 0.1% but less than 5%, the transactions contemplated under the Tenancy Agreements are subject to reporting, announcement and annual review requirements, but exempt from independent Shareholders' approval requirement 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 and accordingly abstained from voting on the resolutions of the Board for the approval of the Tenancy Agreements.

Save as disclosed above, none of the Directors has any material interest in the Tenancy Agreements 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
“Company”	Plover Bay Technologies Limited, a company incorporated in Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited
“connected person(s)”	Has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	Has the meaning ascribed to it under the Listing Rules
“Director(s)”	The director(s) of the Company

“Disclosed Premises”	Units A2, A5, A6, A7, A8, A9 on the 5 th floor of Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon and Unit B on the 5 th floor of Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon
“Disclosed Tenancy Agreements”	The 7 tenancy agreements entered into between Pegatrack as tenant and certain associates of Mr. Chan as landlord for the use of the Disclosed Premises, details of which were disclosed in the section headed “Continuing Connected Transactions – Non-exempt Continuing Connected Transactions under Rule 14A.76(2) of the Listing Rules – Tenancy Agreements” of the Prospectus dated 30 June 2016
“Dragon Tenancy Agreement”	The tenancy agreement for the Premise Dragon entered into between Rise Gold Limited as landlord and Pegatrack as tenant on 1 August 2016 for a term of two years and five months commencing from 1 August 2016 to 31 December 2018 (both days inclusive)
“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 the People’s Republic of China
“Leasing Companies”	The 10 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 and Conficiency Limited, all companies incorporated in Hong Kong and wholly-owned by Mr. Chan
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Mr. Chan”	Mr. Chan Wing Hong Alex, 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
“percentage ratio(s)”	Has the meaning ascribed to it under the Listing Rules
“Premises”	the Disclosed Premises, Premise Dragon, Premise Spinners and Premise W668
“Premise Dragon”	Unit A on the 5 th Floor of Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong
“Premise Spinners”	Unit A1 on the 5 th Floor of Hong Kong Spinners Industrial Building Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong
“Premise W668”	Unit 8, 7 th Floor of W668, 668/680 Castle Peak Road, Kowloon
“Prospectus”	The prospectus of the Company dated 30 June 2016
“SD-WAN”	Software defined wide area network
“Shareholder(s)”	Holder(s) of the ordinary shares of HK\$0.01 each in the capital of the Company
“Spinners Tenancy Agreement”	The tenancy agreement for the Premise Spinners entered into between Real Energy Limited as landlord and Pegatrack as tenant on 1 August 2016 for a term of two years and five months commencing from 1 August 2016 to 31 December 2018 (both days inclusive)
“Tenancy Agreements”	The tenancy agreements for the Premises entered into between the Leasing Companies as landlords and Pegatrack as tenant on 20 December 2018 for a term of three years commencing from 1 January 2019 to 31 December 2021 (both days inclusive)
“W668 Tenancy Agreement”	The tenancy agreement for the Premise W668 entered into between Conficiency Limited as landlord and Pegatrack as tenant on 1 May 2018 for a term of eight months from 1 May 2018 to 31 December 2018 (both days inclusive)

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

Hong Kong, 20 December 2018

As at the date of this announcement, the executive Directors are Mr. Chan Wing Hong Alex, Mr. Chau Kit Wai, Mr. Yip Kai Kut Kenneth, 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.