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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)

ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTIONS IN RELATION TO EXISTING TENANCY AND PURCHASE FRAMEWORK AGREEMENTS

Reference is made to the section headed “Non-exempt Continuing Connected Transactions” in the prospectus dated 13 October 2017 (the “Prospectus”) of Takbo Group Holdings Limited (the “Company”) in relation to the continuing connected transactions contemplated under the existing tenancy agreements and purchase framework agreement. Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

From 1 January 2020 to the date of this announcement, the Group did not purchase any beauty bags from connected persons under the Purchase Framework Agreement (as defined below); while an amount of approximately HK\$850,000 has been paid to Baoma, smart Path and Sky Choice, the connected persons, under the Aggregate Agreements (as defined below), which are all less than 1% of all the applicable percentage ratios as defined under Rule 19.07 of the GEM Listing Rules.

The expiry date of Aggregate Agreements and the Purchase Framework Agreement are set out below:

1. Purchase Framework Agreement will expire on 26 October 2020
(the “Purchase Framework Agreement”)
2. New Hong Kong Office Tenancy Agreement will expire on 26 October 2020
3. New Residential Tenancy Agreement will expire on 26 October 2020
4. New PRC Office Tenancy Agreement will expire on 26 October 2020
(the “Aggregate Tenancy Agreements”)

5. Factory Tenancy Agreement 1 will expire on 26 October 2027
6. Factory Tenancy Agreement 2 will expire on 26 October 2027
7. Factory Tenancy Agreement 3 will expire on 26 October 2027
8. Factory Tenancy Agreement 4 will expire on 30 October 2027

(the “Aggregate Factory Agreements”)

(the Aggregate Tenancy Agreements and Aggregate Factory Agreements, collectively the “Aggregate Agreements”)

The Group expects that the Aggregate Agreements and the Purchase Framework Agreement will continue for business needs. Therefore, the Board resolved to set the annual caps in respect of the transactions contemplated under the Aggregate Tenancy Agreements and the Purchase Framework Agreement for their remaining term to 26 October 2020, and the Aggregate Factory Agreements for the three years ending 31 December 2022.

AGGREGATE AGREEMENTS AND PURCHASE FRAMEWORK AGREEMENT

Historical figures

The table below sets out the actual amounts received by Baoma, Smart Path and Sky Choice, all are connected persons, under the Aggregate Agreements and the Purchase Framework Agreement for each of the three years ended 31 December 2019:

	For the year ended 31 December		
	2017	2018	2019
	HK\$	HK\$	HK\$
New Hong Kong Office Tenancy Agreement	877,000	877,000	877,000
New Residential Tenancy Agreement	1,200,000	1,200,000	1,200,000
Factory Tenancy Agreements 1 and 2	1,143,000	1,480,000	1,323,000
Factory Tenancy Agreements 3 and 4	1,485,000	1,333,000	1,760,000
New PRC Office Tenancy Agreement	37,000	47,000	50,000
Purchase Framework Agreement	12,924,000	10,785,000	9,628,000

New annual caps for the Aggregate Agreements and Purchase Framework Agreement

The table below sets out the proposed amounts to be received by Baoma, Smart Path and Sky Choice under the Aggregate Tenancy Agreements and the Purchase Framework Agreement for their remaining term to 26 October 2020, and the Aggregate Factory Agreements for each of the three years ended 31 December 2022:

	For the period up to 26 October 2020 HK\$	For the year ended 31 December		
		2020 HK\$	2021 HK\$	2022 HK\$
New Hong Kong Office Tenancy Agreement	731,000	—	—	—
New Residential Tenancy Agreement	1,000,000	—	—	—
Factory Tenancy Agreements 1 to 4	—	3,900,000	4,000,000	4,200,000
New PRC Office Tenancy Agreement	45,000	—	—	—
Purchase Framework Agreement	9,950,000	—	—	—

The annual caps of the Aggregate Agreements for the period up to 26 October 2020 were determined based on the fixed monthly rental payable to Baoma, Smart Path and Sky Choice under the existing lease agreements respectively, the estimated amount of utility expenses associated with the related lease agreements with reference to the historical expenses and the appreciation of RMB against HK dollar.

The annual caps of the Purchase Framework Agreement for the three years ended 31 December 2022 were determined after taking into account the historical transaction amounts and the estimated demand and market price of the beauty products of our business.

For further details on the Aggregated Agreements and Purchase Framework Agreement, please refer to the Prospectus of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

The Directors believe that the Aggregated Agreements and Purchase Framework Agreement will continue to contribute to the business and operation efficiency of the Group.

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

- (i) the terms of the Aggregated Agreements and Purchase Framework Agreement are on normal commercial terms or better that are fair and reasonable;
- (ii) the above annual caps are fair and reasonable; and

(iii) the continuing connected transaction contemplated under the Aggregated Agreements and Purchase Framework Agreement are and shall 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 all of them have abstained from voting on the resolution of the Board approving the transactions contemplated under the Aggregated Agreements and Purchase Framework Agreement.

GEM LISTING RULES IMPLICATIONS

The Group, through its wholly-owned subsidiaries, have entered into and maintained the Aggregated Agreements and two other lease agreements which were executed on 1 February 2018 and 31 December 2018, respectively, 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 each of the Aggregated Agreements and the two other lease 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 Aggregated Agreements and the two other lease agreements 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.

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

By Order of the Board
Takbo Group Holdings Limited
Or Naam
Executive Director and Chief Executive Officer

Hong Kong, 26 March 2020

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.