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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)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO TENANCY AGREEMENTS AND PURCHASE AGREEMENT

TERMINATION OF CONTINUING CONNECTED TRANSACTION

CONNECTED TRANSACTIONS

Tenancy Agreement

The Board wishes to announce that on 23 October 2020, the following agreements have been executed:

- (i) Takbo (as tenant), an indirect wholly-owned subsidiary of the Company, has entered into the New Residential Tenancy Agreement with Smart Path (as landlord) for the lease of Residential Premise for a period from 27 October 2020 to 26 October 2023 upon the expiration of the Previous Residential Tenancy Agreement on 27 October 2020;
- (ii) Takbo (as tenant), an indirect wholly-owned subsidiary of the Company, has entered into the New PRC Office Tenancy Agreement 1 with Baoma (as landlord) for the lease of PRC Office 1 for a period from 27 October 2020 to 26 October 2023 upon the expiration of the Previous PRC Office Tenancy Agreement 1 on 27 October 2020;
- (iii) Takbo (as tenant), an indirect wholly-owned subsidiary of the Company, has entered into the New PRC Office Tenancy Agreement 2 with Baoma (as landlord) for the lease of PRC Office 2 for a period from 1 January 2021 to 31 December 2023 upon the expiration of the Previous PRC Office Tenancy Agreement 2 on 31 December 2020; and
- (iv) Cosbe (as tenant), an indirect wholly-owned subsidiary of the Company, has entered into the New PRC Office Tenancy Agreement 3 with Baoma (as landlord) for the lease of PRC Office 3 and PRC Office 4 for a period from 1 January 2021 to 31 December 2023.

In accordance with HKFRS 16 “Leases”, the Group is required to recognize an additional asset representing its right to use the properties under the above tenancy agreements, and as a result, the entering into all the above tenancy agreements and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group for the purpose of the GEM Listing Rules. The depreciation of right-of-use assets under the related tenancy agreements will be recognized as expenses of the Group over the term of the tenancy agreements.

CONTINUING CONNECTED TRANSACTIONS

Tenancy Agreement

The Board also announces that on 23 October 2020, Takbo (as tenant), an indirect wholly-owned subsidiary of the Company, has entered into the New Hong Kong Office Tenancy Agreement with Sky Choice (as landlord) for the lease of Hong Kong Office for a period from 27 October 2020 to 31 December 2020 upon the expiration of the Previous Hong Kong Office Tenancy Agreement on 27 October 2020.

Purchase Agreement

The Board also announces that on 23 October 2020, Takbo, an indirect wholly-owned subsidiary of the Company, has entered into the New Purchase Framework Agreement with Baoma, pursuant to which Baoma agreed to sell and Takbo agreed to purchase beauty bags for a period of two years from 27 October 2020 to 26 October 2022 upon the expiration of the Previous Purchase Framework Agreement on 27 October 2020.

TERMINATION OF CONTINUING CONNECTED TRANSACTION

The Board further announces that Takbo (as tenant), an indirect wholly-owned subsidiary of the Company, has entered into the Termination Agreement with Sky Choice (as landlord) to terminate the Lease Agreement for the leasing of Hong Kong Office 1 with effect from 31 December 2020.

As neither Takbo nor Sky Choice is required to make any payment to each other under the Termination Agreement, the Termination Agreement is exempt from the announcement, reporting and independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

GEM LISTING RULES IMPLICATIONS

Baoma is a company established in the PRC with limited liability and wholly-owned by Tak Bo Hong, which in turn is a partnership registered in Hong Kong jointly and severally owned by Ms. Chu Siu Fong, one of substantial shareholders through a controlled corporation holding 75% issued shares of the Company, and Mr. Or Tak Ming, the spouse of Ms. Chu Siu Fong. Baoma is therefore an associate of theirs and accordingly is a connected person of the Company within the GEM Listing Rules. Hence, the New PRC Office Tenancy Agreements 1 to 3 as well as the New Purchase Framework Agreement constitute connected transaction and continuing connected transactions of the Company under the GEM Listing Rules.

Sky Choice is a limited liability company incorporated in Hong Kong and owned in equal shares by Mr. Or Naam, an executive Director and a controlling shareholder of the Company, and Ms. Chu Siu Fong, a controlling shareholder of the Company. Sky Choice is therefore an associate of theirs and accordingly is a connected person of the Company within the GEM Listing Rules. Hence, the Hong Kong Office Tenancy Agreement constitutes continuing connected transaction of the Company under the GEM Listing Rules.

Smart Path is a limited liability company incorporated in Hong Kong and owned in equal shares by Mr. Or Naam and Ms. Chan Hoi Yan Polly, both are executive Directors and controlling Shareholders of the Company. Smart Path is therefore an associate of theirs and accordingly is a connected person of the Company within the GEM Listing Rules. Hence, the New Residential Tenancy Agreement constitute connected transaction of the Company under the GEM Listing Rules.

CONNECTED TRANSACTIONS

The Group, through its wholly-owned subsidiaries, have entered into and will maintain within the last 12-month period the New PRC Office Tenancy Agreements 1 to 3 and New Residential Tenancy Agreement for a term of 3 years or more, which 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 New PRC Office Tenancy Agreements 1 to 3 and New Residential Tenancy Agreement shall be aggregated and treated as if they were one transaction for the purpose of calculating the percentage ratios for right-of use assets.

CONTINUING CONNECTED TRANSACTIONS

The Group, through its wholly-owned subsidiaries, have entered into and will maintain within the last 12-month period the Factory Tenancy Agreements 1 to 4 for the remaining of approximately 7 years, which 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 New Hong Kong Office Agreement shall be aggregated and treated as if they were one transaction for the purpose of calculating the percentage ratios for continuing connected transactions.

Since all the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the aggregated value of right-of use assets or continuing connected transactions under the related tenancy agreements and New Purchase Framework Agreement are less than 5% or less than 25% and total consideration in respect of the aggregated value of right-of use assets and continuing connected transactions is less than HK\$10,000,000, all the above transactions are therefore exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, but is subject to the annual review and reporting and announcement requirements under Chapter 20 of the GEM Listing Rules.

TERMINATION OF CONTINUING CONNECTED TRANSACTION

As the continuing connected transaction under the Lease Agreement was terminated, the Company is subject to the announcement requirement under Rule 19.36 of the GEM Listing Rules to keep the market and shareholders informed.

INTRODUCTION

Reference is made to the prospectus of the Company dated 13 October 2017, announcements dated 1 February 2018 and 31 December 2018 in relation to the continuing connected transactions regarding the Previous Hong Kong Office Tenancy Agreement, Previous Residential Premise Tenancy Agreement, Previous PRC Office Tenancy Agreement 1 and the Previous PRC Office Tenancy Agreement 2.

CONNECTED TRANSACTIONS

The Board wishes to announce that on 23 October 2020, the following agreements have been executed:

- (i) Takbo (as tenant), an indirect wholly-owned subsidiary of the Company, has entered into the New Residential Tenancy Agreement with Smart Path (as landlord) for the lease of Residential Premise for a period from 27 October 2020 to 26 October 2023 upon the expiration of the Previous Residential Tenancy Agreement on 27 October 2020;
- (ii) Takbo (as tenant), an indirect wholly-owned subsidiary of the Company, has entered into the New PRC Office Tenancy Agreement 1 with Baoma (as landlord) for the lease of PRC Office 1 for a period from 27 October 2020 to 26 October 2023 upon the expiration of the Previous PRC Office Tenancy Agreement 1 on 27 October 2020;
- (iii) Takbo (as tenant), an indirect wholly-owned subsidiary of the Company, has entered into the New PRC Office Tenancy Agreement 2 with Baoma (as landlord) for the lease of PRC Office 2 for a period from 1 January 2021 to 31 December 2023 upon the expiration of the Previous PRC Office Tenancy Agreement 2 on 31 December 2020; and
- (iv) Cosbe (as tenant), an indirect wholly-owned subsidiary of the Company, has entered into the New PRC Office Tenancy Agreement 3 with Baoma (as landlord) for the lease of PRC Office 3 and PRC Office 4 for a period from 1 January 2021 to 31 December 2023.

The principal terms of the above tenancy agreements are set out below:

New Residential Tenancy Agreement

Date : 23 October 2020

Parties : (1) Smart Path (as landlord)
(2) Takbo (as tenant)

Premises : House 62, The Giverny, Man Kei Toi, Pak Sha Wan, Sai Kung, New Territories, Hong Kong

Term : 36 months from 27 October 2020 to 26 October 2023

Use : Residential

Rental : HK\$100,000, payable in advance on a monthly basis

Pricing : The monthly rental was determined after arm's length negotiations between the parties to the New Hong Kong Residential Tenancy Agreement with reference to the prevailing market rent for similar properties (e.g. with respect to floor space and age of the building) in the vicinity when the related agreement was entered into.

New PRC Office Tenancy Agreement 1

Date : 23 October 2020

Parties : (1) Baoma (as landlord)
(2) Takbo (as tenant)

Premises : 2nd level of 2nd Floor of Block C, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC (中國廣東省汕頭市大學路金平區疊金工業區三片區金浦路1號(C)幢二層廠房的第二層場地) with gross floor area of 506.53 square meters

Term : 36 months from 27 October 2020 to 26 October 2023

Use : Representative Office in the PRC

Rental : RMB3,545.71, payable in advance on a monthly basis

Pricing : The monthly rental was determined after arm's length negotiations between the parties to the New PRC Office Tenancy Agreement 1 with reference to the prevailing market rent for similar properties (e.g. with respect to floor space and age of the building) in the vicinity when the related agreement was entered into.

New PRC Office Tenancy Agreement 2

Date : 23 October 2020

Parties : (1) Baoma (as landlord)
(2) Takbo (as tenant)

Premises : 1st level of 2nd Floor of Block C, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC (中國廣東省汕頭市大學路金平區疊金工業區三片區金浦路1號(C)幢二層廠房的第一層場地) with gross floor area of 506.53 square meters

Term : 36 months from 1 January 2021 to 31 December 2023

Use : Representative Office in the PRC

Rental : RMB3,545.71, payable in advance on a monthly basis

Pricing : The monthly rental was determined after arm's length negotiations between the parties to the New PRC Office Tenancy Agreement 2 with reference to the prevailing market rent for similar properties (e.g. with respect to floor space and age of the building) in the vicinity when the related agreement was entered into.

New PRC Office Tenancy Agreement 3

Date : 23 October 2020

Parties : (1) Baoma (as landlord)
(2) Cosbe (as tenant)

Premises : 5th Floor, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC (中國廣東省汕頭市大學路金平區疊金工業區三片區金浦路1號第五層) with gross floor area of 916 square meters; and

6th Floor, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC (中國廣東省汕頭市大學路金平區疊金工業區三片區金浦路1號第六層) with gross floor area of 625 square meters

Term	: 36 months from 1 January 2021 to 31 December 2023
Use	: Office
Rental	: RMB12,328, payable in advance on a monthly basis
Pricing	: The monthly rental was determined after arm's length negotiations between the parties to the New PRC Office Tenancy Agreement 3 with reference to the prevailing market rent for similar properties (e.g. with respect to floor space and age of the building) in the vicinity when the related agreement was entered into.

RIGHT-OF-USE ASSET

In accordance with HKFRS 16 “Leases”, the Group is required to recognize an additional asset representing its right to use the properties under the above tenancy agreements, and as a result, the entering into all the above tenancy agreements and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group for the purpose of the GEM Listing Rules. The depreciation of right-of-use assets under the related tenancy agreements will be recognized as expenses of the Group over the term of the tenancy agreements.

The value of the right-of-use asset to be recognised by the Company under the above new tenancy agreements amount to approximately HK\$4,191,215, which is the present value of aggregated lease payments to be made under the all the above new tenancy agreements in accordance with HKFRS 16 “Leases”.

CONTINUING CONNECTED TRANSACTION

New Hong Kong Office Tenancy Agreement

The Board also announces that on 23 October 2020, Takbo (as tenant), an indirect wholly-owned subsidiary of the Company, has entered into the New Hong Kong Office Tenancy Agreement with Sky Choice (as landlord) for the lease of Hong Kong Office for a period from 27 October 2020 to 31 December 2020 upon the expiration of the Previous Hong Kong Office Tenancy Agreement on 27 October 2020.

The principal terms of the New Hong Kong Office Tenancy Agreement are set out below:

Date	: 23 October 2020
Parties	: (1) Sky Choice (as landlord) (2) Takbo (as tenant)
Premises	: Room B, 35th Floor, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong (“EGL Tower”) and car parking space nos. P24, P25 and P26 located on 2nd Floor, EGL Tower
Term	: For a term of period from 27 October 2020 to 31 December 2020
Use	: Office and car parking space
Rental	: HK\$73,100, payable in advance on a monthly basis
Pricing	: The monthly rental was determined after arm’s length negotiations between the parties to the New Hong Kong Office Tenancy Agreement with reference to the prevailing market rent for similar properties (e.g. with respect to floor space and age of the building) in the vicinity when the related agreement was entered into.

The maximum cap of the continuing connected transaction under the New Hong Kong Office Tenancy Agreement for period from 27 October 2020 to 31 December 2020 is HK\$160,000, which was determined based on the fixed monthly rental payable under the New Hong Kong Office Tenancy Agreement.

The Group, through its wholly-owned subsidiaries, have entered into and will maintain within the last 12-month period the Factory Tenancy Agreements 1 to 4 for the remaining of approximately 7 years, which 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 New Hong Kong Office Agreement shall be aggregated and treated as if they were one transaction for the purpose of calculating the percentage ratios for continuing connected transactions.

The following table summarized the related transactions contemplated under New Hong Kong Office Tenancy Agreement, Previous Hong Kong Office Tenancy Agreement, Lease Agreement and Factory Tenancy Agreements 1 to 4 within the last 12 months:

Agreement	Parties	Term	Location	Maximum annual cap during the 3 years ending 31 January 2022 (HK\$)
New Hong Kong Office Tenancy Agreement	Takbo (as tenant) and Sky Choice (as landlord)	from 27 October 2020 to 31 December 2020	Room B, 35th Floor, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong (“EGL Tower”) and car parking space nos. P24, P25 and P26 located on 2nd Floor, EGL Tower	160,000
Previous Hong Kong Office Tenancy Agreement	Takbo (as tenant) and Sky Choice (as landlord)	from 27 October 2017 to 26 October 2020	Room B, 35th Floor, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong (“EGL Tower”) and car parking space nos. P24, P25 and P26 located on 2nd Floor, EGL Tower	731,000
Lease Agreement	Takbo (as tenant) and Sky Choice (as landlord)	3 years from 1 February 2018 to 31 January 2020	Room C2, 35th Floor, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong	202,000
Factory Tenancy Agreement 1	Cosbe (as tenant) and Baoma (as landlord)	10 years from 27 October 2017	Factory, warehouse and office premise at No. 5 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC	4,200,000 for Factory Tenancy Agreements 1 to 4
Factory Tenancy Agreement 2	Cosbe (as tenant) and Baoma (as landlord)	10 years from 27 October 2017	Factory premise at No. 5 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC	
Factory Tenancy Agreement 3	Cosbe (as tenant) and Baoma (as landlord)	10 years from 27 October 2017	1st to 4th Floors of South Building, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC	
Factory Tenancy Agreement 4	Cosbe (as tenant) and Baoma (as landlord)	10 years from 27 October 2017	1st to 4th Floors of North Building and West Building, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC	

New Purchase Framework Agreement

The Board also announces that on 23 October 2020, Takbo, an indirect wholly-owned subsidiary of the Company, has entered into the New Purchase Framework Agreement with Baoma, pursuant to which Baoma agreed to sell and Takbo agreed to purchase beauty bags for a period of two years from 27 October 2020 to 26 October 2022 upon the expiration of the Previous Purchase Framework Agreement on 27 October 2020.

The principal terms of the New Purchase Framework Agreement are set out below:

Date	: 23 October 2020	
Parties	: (1) Baoma (supplier) (2) Takbo (purchaser)	
Term	: 24 months from 27 October 2020 to 26 October 2022	
Purchase Commitment	: No purchase commitment on any beauty bags supplied by Baoma	
Pricing	: The price was determined after arm's length negotiations between the parties to the New Purchase Framework Agreement with reference to the prevailing market price and historical transactions amount of beauty bags based on quality, quantity, acceptability by our customers and delivery timeline of the beauty bags when the related agreement was entered into.	
Annual Caps	: 27 October 2020 to 31 December 2020 1 January 2021 to 31 December 2021 1 January 2022 to 26 October 2022	HK\$1,650,000 HK\$9,950,000 HK\$8,300,000
Basis of annual caps	: (1) Historical transaction amounts purchased by Takbo (2) Estimated purchase volume (3) Projected market price	
Historical transaction	: Year ended 31 December 2019 Year ended 31 December 2018 Year ended 31 December 2017	HK\$9,628,000 HK\$10,785,000 HK\$12,924,000
Termination	: No termination clause	

REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENTS AND PURCHASE FRAMEWORK AGREEMENT

Hong Kong Office

Sky Choice has been leasing Hong Kong Office to the Group since the listing of the Company on 27 October 2020 and decided not to renew the tenancy agreement with Takbo upon expiry on 26 October 2020. The Company is in the process of identifying appropriate premises for use as office of the Group and expects that relocation of office can be completed by 31 December 2020. Having considered the relocation and renovation timeframe for our new Hong Kong Office to fit with the business operation of the Group, the Board is of the view that the entering into the New Hong Kong Office Tenancy Agreement for the period up to 31 December 2020 is beneficial to the Group and the Shareholders as a whole as it enables the Group to continue to secure a temporary term of use of office until the relocation is completed.

Residential Premise

Smart Path has been leasing Residential Premise to the Group as staff quarter since the listing of the Company on 27 October 2020. Having considered the needs of the Group to provide accommodation to executive Directors and that stable sources of residential premise as staff quarter is required for the fringe benefit to executive Directors, the Board is of the view that the entering into of the New Residential Tenancy Agreement is beneficial to the Group and the Shareholders as a whole as it enables the Group to secure a longer term of use of residential premise as staff quarter and to save relocation and renovation expenses, commission to agent for identifying suitable residential premise and related administration costs.

PRC Offices

Baoma has been leasing PRC Offices to the Group as representative office since the listing of the Company on 27 October 2020 and 1 January 2019, respectively. Having considered the business needs of the Group and that stable sources of office is required for the administrative operation of the Group in the PRC, the Board is of the view that the entering into of the three New PRC Office Tenancy Agreements is beneficial to the Group and the Shareholders as a whole as it enables the Group to secure a longer term of use of offices for expansion of the operation of the Group in the PRC where demand for office facilities is high so as to save relocation and administration costs.

Purchase of Beauty Bags

Baoma has been providing and the Group has been purchasing beauty bags from Baoma since the listing of the Company on 27 October 2020. Having considered the long term relationship, quality, quantity, price, acceptance by our major customers and delivery timeline of the products supplied by Baoma over the contracting period, the Board is of the view that the entering into of the New Purchase Framework Agreement is beneficial to the Group and the Shareholders as a whole as it enables the Group to secure a stable and competitive terms of products supplied with quality acceptable by our customers.

The terms (including the monthly rents) of the new tenancy agreements were determined upon arm's length negotiations with reference to the market rates at the same or similar type of premises in the vicinity. The Directors (including the independent non-executive Directors) are of the view that: (i) the terms of all new tenancy agreements are on normal commercial terms that are fair and reasonable; and (ii) the connected transactions contemplated under each of the new tenancy agreements 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.

The terms (including the purchase price of beauty bags supplied) of the New Purchase Framework Agreement were determined upon arm's length negotiations with reference to the prevailing market, which are no less favourable to the Company than offered to other independent third parties who supplied same/similar products. The Directors (including the independent non-executive Directors) are of the view that: (i) the terms of New Purchase Framework Agreement are on normal commercial terms that are fair and reasonable; and (ii) the continuing connected transactions contemplated under New Purchase Framework Agreement 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.

Mr. Or Naam and Ms. Chan Hoi Yan Polly are both executive Directors and controlling shareholders of the Company who have a material interest in the above new tenancy agreements and New Purchase Framework Agreement, and accordingly Mr. Or and Ms. Chan have abstained from voting on the resolution of the Board approving the New Tenancy Agreements.

INFORMATION ON THE COMPANY, THE TENANT AND THE LANDLORD

The Company

The Company was an exempted company incorporated in the Cayman Islands with limited liability under the Cayman Islands Companies Law on 8 February 2017. The Company is an investment holding company and its subsidiaries are principally engaged in (i) the design, development, manufacture and sale of beauty products; and (ii) the design, development and sale of beauty bags.

Cosbe

Cosbe is a company established in the PRC with limited liability on 28 June 2002 and is an indirect wholly-owned subsidiary of our Company. Cosbe is principally engaged in the design, development, manufacture and sale of beauty products.

Takbo

Takbo, an indirect wholly-owned subsidiary of the Company, is principally engaged in the design, development and sale of beauty products and beauty bags.

Baoma

Baoma is a company established in the PRC with limited liability on 5 June 1992 and is a wholly-owned by Tak Bo Hong and therefore a connected person of the Company. Baoma is an investment holding company.

Sky Choice

Sky Choice is a limited liability company incorporated in Hong Kong on 20 April 2007 and owned in equal shares by Mr. Or Naam, an executive Director and a controlling shareholder of the Company, and Ms. Chu Siu Fong, a controlling shareholder of the Company. Sky Choice is an investment holding company.

Smart Path

Smart Path is a limited liability company incorporated in Hong Kong on 2 April 2007 and owned in equal shares by Mr. Or Naam and Ms. Chan Hoi Yan Polly, both are executive Directors and controlling shareholders of the Company. Smart Path is an investment holding company.

GEM LISTING RULES IMPLICATIONS

Baoma is a company established in the PRC with limited liability and wholly-owned by Tak Bo Hong, which in turn is a partnership registered in Hong Kong jointly and severally owned by Ms. Chu Siu Fong, one of substantial shareholders through a controlled corporation holding 75% issued shares of the Company, and Mr. Or Tak Ming, the spouse of Ms. Chu Siu Fong. Baoma is therefore an associate of theirs and accordingly is a connected person of the Company within the GEM Listing Rules. Hence, the New PRC Office Tenancy Agreements 1 to 3 as well as the New Purchase Framework Agreement constitute connected transaction and continuing connected transactions of the Company under the GEM Listing Rules.

Sky Choice is a limited liability company incorporated in Hong Kong and owned in equal shares by Mr. Or Naam, an executive Director and a controlling shareholder of the Company, and Ms. Chu Siu Fong, a controlling shareholder of the Company. Sky Choice is therefore an associate of theirs and accordingly is a connected person of the Company within the GEM Listing Rules. Hence, the Hong Kong Office Tenancy Agreement constitutes continuing connected transaction of the Company under the GEM Listing Rules.

Smart Path is a limited liability company incorporated in Hong Kong and owned in equal shares by Mr. Or Naam and Ms. Chan Hoi Yan Polly, both are executive Directors and controlling Shareholders of the Company. Smart Path is therefore an associate of theirs and accordingly is a connected person of the Company within the GEM Listing Rules. Hence, the New Residential Tenancy Agreement constitute connected transaction of the Company under the GEM Listing Rules.

The Group, through its wholly-owned subsidiaries, have entered into and will maintain within the last 12-month period the New PRC Office Tenancy Agreements 1 to 3 and New Residential Tenancy Agreement for a term of 2 years or more, which 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 New PRC Office Tenancy Agreements 1 to 3 and New Residential Tenancy Agreement shall be aggregated and treated as if they were one transaction for the purpose of calculating the percentage ratios for right-of use assets.

The Group, through its wholly-owned subsidiaries, have also entered into and will maintain within the last 12-month period the PRC Office Tenancy Agreements 1 to 4 for the remaining of approximately 7 years, which 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 New Hong Kong Office Tenancy Agreement shall be aggregated and treated as if they were one transaction for the purpose of calculating the percentage ratios for continuing connected transactions.

Since all the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the aggregated value of right-of use assets or continuing connected transactions under the related tenancy agreements and New Purchase Framework Agreement are less than 5% or less than 25% and total consideration in respect of the aggregated value of right-of use assets and continuing connected transactions is less than HK\$10,000,000, all the above transactions are therefore exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, but is subject to the annual review and reporting and announcement requirements under Chapter 20 of the GEM Listing Rules.

TERMINATION OF CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 1 February 2018 (the "Announcement"). As disclosed in the Announcement, Takbo (as tenant) entered into the Lease Agreement with Sky Choice (as landlord) on 1 February 2018, pursuant to which Takbo agreed to the leasing of the Hong Kong Office 1 for a term commencing from 1 February 2018 to 31 January 2021 at a monthly rent of HK\$16,789.

TERMINATION AGREEMENT

Takbo, an indirect wholly-owned subsidiary of the Company, has entered into the Termination Agreement with Sky Choice to terminate the Lease Agreement for the leasing of the Hong Kong Office 1 with effect from 31 December 2020. Pursuant to the Termination Agreement, (i) Takbo shall surrender and deliver up vacant possession of the Hong Kong Office 1 to Sky Choice on 31 December 2020; (ii) Takbo will be discharged from its payment and obligations under the Lease Agreement upon termination; and (iii) neither Sky Choice nor Takbo would have any claims against each other as a result of the termination of the Lease Agreement other than the rent, air conditioning expense, management fee and government rates up to 31 December 2020.

The Board believes that entering into the Termination Agreement will not cause any material adverse impact to the Group's business and operational activities.

REASONS FOR ENTERING INTO THE TERMINATION AGREEMENT

As disclosed above, Sky Choice decided not to renew the tenancy agreement with Takbo for the leasing of the Hong Kong Office upon expiry on 26 October 2020. The Company is in the process of identifying appropriate premises for use as office of the Group and expects that relocation of office can be completed by 31 December 2020. Having considered the relocation and renovation timeframe for our new Hong Kong Office, the Board is of the view that the entering into the Termination Agreement for the leasing of the Hong Kong Office 1, which is next to Hong Kong Office, would allow the Group to save its rental expenses for the remaining term of the Lease Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Termination Agreement have been arrived at after arm's length negotiations, entered into in the ordinary and usual course of business of the Company and are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Sky Choice is a limited liability company incorporated in Hong Kong and owned in equal shares by Mr. Or Naam, an executive Director and a controlling shareholder of the Company, and Ms. Chu Siu Fong, a controlling shareholder of the Company. Sky Choice is therefore an associate of theirs and accordingly is a connected person of the Company within the GEM Listing Rules. Hence, Mr. Or Naam and Ms. Chan Hoi Yan Polly (an executive Director), is the spouse of Mr. Or Naam, who both are considered to have a material interest in the Termination Agreement and accordingly Mr. Or Naam and Ms. Chan Hoi Yan Polly have abstained from voting on the resolution of the Board approving the Termination Agreement.

As neither Takbo nor Sky Choice is required to make any payment to each other under the Termination Agreement, the Termination Agreement is exempt from the announcement, reporting and independent Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As the continuing connected transaction under the Lease Agreement was terminated, the Company is subject to the announcement requirement under Rule 19.36 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Baoma”	Shantou Baoma Processing Complex Company Limited* (汕頭寶馬工藝製品廠有限公司), a company established in the PRC with limited liability on 5 June 1992 and wholly-owned by Tak Bo Hong and therefore a connected person of the Company
“Board”	the board of Directors of the Company
“Company”	Takbo Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability under the Cayman Islands Companies Law on 8 February 2017
“connected person”	has the meaning ascribed thereto under the GEM Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the GEM Listing Rules
“Directors”	the director(s) of the Company
“Cosbe”	Cosbe Laboratory Inc.* (廣東一美化妝品有限公司) (formerly known as 汕頭一美化妝品有限公司), a company established in the PRC with limited liability on 28 June 2002, is an indirect wholly-owned subsidiary of our Company
“Factory Tenancy Agreement 1”	a lease agreement entered into between Cosbe (as tenant) and Baoma (as landlord) dated 31 December 2016, which was supplemented by a supplemental agreement dated 29 September 2017
“Factory Tenancy Agreement 2”	a lease agreement entered into between Cosbe (as tenant) and Baoma (as landlord) dated 1 January 2017, which was supplemented by a supplemental agreement dated 29 September 2017
“Factory Tenancy Agreement 3”	a lease agreement entered into between Cosbe (as tenant) and Baoma (as landlord) dated 28 November 2016, which was supplemented by a supplemental agreement dated 29 September 2017
“Factory Tenancy Agreement 4”	a lease agreement entered into between Cosbe (as tenant) and Baoma (as landlord) dated 8 March 2017, which was supplemented by a supplemental agreement dated 29 September 2017
“GEM”	the Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
“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 PRC
“Hong Kong Office”	Room B, 35th Floor, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong (“EGL Tower”) and car parking space nos. P24, P25 and P26 located on 2nd Floor, EGL Tower
“Hong Kong Office 1”	Room C2, 35th Floor, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong
“Lease Agreement”	a lease agreement dated 1 February 2018 entered into between Sky Choice (as landlord) and Takbo (as tenant) for the lease of Hong Kong Office 1
“New Hong Kong Office Tenancy Agreement”	the tenancy agreement entered into between Sky Choice (as landlord) and Takbo (as tenant) dated 23 October 2020 for the lease of Hong Kong Office
“New PRC Office 1 Agreement”	the tenancy agreement entered into between Baoma (as landlord) and Takbo (as tenant) dated 23 October 2020 for the lease of PRC Office 1
“New PRC Office 2 Agreement”	the tenancy agreement entered into between Baoma (as landlord) and Takbo (as tenant) dated 23 October 2020 for the lease of PRC Office 2
“New PRC Office 3 Agreement”	the tenancy agreement entered into between Baoma (as landlord) and Cosbe (as tenant) dated 23 October 2020 for the lease of PRC Office 3 and PRC Office 4
“New Purchase Framework Agreement”	the purchase agreement entered into between Baoma and Takbo dated 23 October 2020 for the purchase of beauty bags
“New Residential Tenancy Agreement”	the tenancy agreement entered into between Takbo (as tenant) and Smart Path (as landlord) dated 23 October 2020 for the lease of Residential Premise
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan

“PRC Office 1”	2nd level of 2nd Floor of Block C, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC
“PRC Office 2”	1st level of 2nd Floor of Block C, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC
“PRC Office 3”	5th Floor, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC
“PRC Office 4”	6th Floor, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC
“Previous Hong Kong Office Tenancy Agreement”	the tenancy agreement entered into between Sky Choice (as landlord) and Takbo (as tenant) for the lease of the Hong Kong Office expiry on 27 October 2020
“Previous Purchase Framework Agreement”	the purchase agreement entered into between Baoma and Takbo for the purchase of beauty bags expiry on 27 October 2020
“Previous Residential Premise Tenancy Agreement”	the tenancy agreement entered into between Smart Path (as landlord) and Takbo (as tenant) for the lease of the Residential Premise expiry on 27 October 2020
“Previous PRC Office Tenancy Agreement 1”	the tenancy agreement entered into between Baoma (as landlord) and Takbo (as tenant) for the lease of the PRC Office 1 expiry on 27 October 2020
“Previous PRC Office Tenancy Agreement 2”	the tenancy agreement entered into between Sky Choice (as landlord) and Takbo (as tenant) for the lease of the PRC Office 2 up to 31 December 2020
“Residential Premise”	House 62, The Giverny, Man Kei Toi, Pak Sha Wan, Sai Kung, New Territories, Hong Kong
“Sky Choice”	Sky Choice Development Limited, a company incorporated in Hong Kong with limited liability on 20 April 2007 and owned in equal shares by Mr. Or Naam and Ms. Chu Siu Fong, both being controlling shareholders of the Company
“Smart Path”	Smart Path Development Limited, a company incorporated in Hong Kong on 2 April 2007 with limited liability and owned in equal shares by Mr. Or Naam and Ms. Chan Hoi Yan, both being executive Directors and controlling shareholders of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takbo”	Takbo Limited (formerly known as Tak Bo Hong Company Limited), a company incorporated in Hong Kong with limited liability on 20 December 1994 and is an indirect wholly-owned subsidiary of our Company
“Tak Bo Hong”	Tak Bo Hong, a partnership registered in Hong Kong jointly and severally owned by Ms. Chu Siu Fong, a controlling shareholders of the Company and Mr. Or Tak Ming, the spouse of Ms. Chu Siu Fong and therefore a connected person of the Company
“Termination Agreement”	the termination agreement entered into between Sky Choice (as landlord) and Takbo (as tenant) for the termination of Lease Agreement
“%”	per cent

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

Hong Kong, 23 October 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. Hui Ha Lam.

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.

* For identification purpose only