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TK Group (Holdings) Limited

東江集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2283)

CONTINUING CONNECTED TRANSACTIONS LEASING FRAMEWORK AGREEMENT

On 22 December 2023, the Company, TK Technology (Shenzhen) and TK Technology Holdings entered into the Leasing Framework Agreement in respect of the Transactions.

As each of TK Technology (Shenzhen) and TK Technology Holdings is indirectly held as to 45% by Mr. Li and his spouse, 28.0% by Mr. Yung and 27.0% by Mr. Lee, therefore TK Technology (Shenzhen) and TK Technology Holdings are connected persons of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81, 14A.82 and 14A.83 of the Listing Rules, the Transactions under the Leasing Framework Agreement have been aggregated for the purposes of determining the category of connected transaction that such agreements should fall into under the Listing Rules. As all applicable percentage ratios (other than the profits ratio) as defined in Rule 14.07 of the Listing Rules in respect of the New Annual Cap is expected to be less than 5%, the Transactions are subject to the reporting and disclosure requirements and exempt from shareholders' approval under Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

On 22 December 2023, the Company, TK Technology (Shenzhen) and TK Technology Holdings entered into the Leasing Framework Agreement in respect of the Transactions. The principal terms of the Leasing Framework Agreement are set out below.

LEASING FRAMEWORK AGREEMENT

Members of the Group as lessee and TK Technology (Shenzhen) and TK Technology Holdings as lessor had, in the past, entered into certain leasing/tenancy agreements for the leasing of premises in accordance with the Former Leasing Framework Agreement. The Company, TK Technology (Shenzhen) and TK Technology Holdings may maintain current leasing/tenancy agreements and may from time to time enter into new leasing/tenancy agreements for the leasing of properties by the Group from TK Technology (Shenzhen) and TK Technology Holdings by entering into the Leasing Framework Agreement.

Date

22 December 2023

Parties

- (1) The Company;
- (2) TK Technology (Shenzhen); and
- (3) TK Technology Holdings.

General terms for the Transactions

Members of the Group as lessee and TK Technology (Shenzhen) and TK Technology Holdings as lessor may from time to time enter into Definitive Agreement(s) in relation to any Transactions upon, and subject to, the terms and conditions in compliance with the Leasing Framework Agreement as may be agreed between members of the Group and TK Technology (Shenzhen) and TK Technology Holdings.

If TK Technology (Shenzhen) and/or TK Technology Holdings intend to sell any of the relevant properties during the duration of the Leasing Framework Agreement (including the renewal term), 30 days prior written notice should be given to the Company and during such period the Company shall have the pre-emptive right to purchase the relevant property under the same conditions.

With effect from 1 January 2024, the Transactions shall be conducted:

- a. in the usual and ordinary course of business of the Company;
- b. on normal commercial terms and based on the then prevailing market rates; and
- c. in compliance with all applicable provisions of the Listing Rules (including the New Annual Cap), the applicable laws, the Leasing Framework Agreement and the relevant Definitive Agreement.

Consideration

The consideration for each Definitive Agreement will be determined according to normal commercial terms and with reference to the following:

- i. the prevailing market rent of similar properties in the vicinity; and/or
- ii. quote(s) obtained from Independent Third Parties in the market for similar property(ies); and/or
- iii. a valuation prepared by an independent professional valuer.

Duration

The Leasing Framework Agreement shall commence on 1 January 2024, and shall continue for a period of one year up to and including 31 December 2024, unless terminated earlier in accordance with the terms of the Leasing Framework Agreement. Subject to compliance with the Listing Rules and any applicable laws and regulations by the Group or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, a leasing framework agreement will be negotiated separately.

HISTORICAL TRANSACTION AMOUNT AND NEW ANNUAL CAP

The aggregate transaction amount under the Former Leasing Framework Agreement for the financial year ending 31 December 2023 will be approximately HK\$64,884,627. The previous annual cap under the Former Leasing Framework Agreement will expire on 31 December 2023. Pursuant to Rule 14A.54(2) of the Listing Rules, in respect of the Transactions under the Leasing Framework Agreement, the Company has set an annual cap of approximately HK\$61,610,000 for the year ending 31 December 2024.

In arriving at the above New Annual Cap, the Directors have taken into account the following factors:

- i. the New Annual Cap being determined based on the historical transaction amount under the Former Leasing Framework Agreement, taking into account adjustments for potential increase or decrease in rental and/or changes in areas of premises in connection with any lease/tenancy agreements and/or the entering into any new lease/tenancy agreements in respect of other premises in the future;
- ii. the Group has continued to effectively consolidate its leased premises by concentrating its equipment and personnel into smaller areas, which has resulted in a continuous reduction in the area of leased premises under the Lease Framework Agreements;
- iii. the waiver of the rental deposit by TK Technology (Shenzhen) and TK Technology Holdings for the duration of the Leasing Framework Agreement and a reduction in the annual rental of leased premises under the Leasing Framework Agreement based on a valuation report prepared by an independent professional valuer; and
- iv. the potential appreciation in the RMB and other foreign currencies against HKD.

The table below shows the approximate areas and rental of the leased premises under the Former Leasing Framework Agreement and the Leasing Framework Agreement (as applicable) for the two years ending 31 December 2024:

	For the year ending 31 December 2023 (per month)	For the year ending 31 December 2024 (per month)
Areas of leased premises under the Former Leasing Framework Agreement or Leasing Framework agreement	116,066 sq.m.	109,457 sq.m.
Rental of leased premises under the Former Leasing Framework Agreement or Leasing Framework agreement	HK\$46.59/sq.m.	HK\$46.91/sq.m.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASING FRAMEWORK AGREEMENT

As it is contemplated that members of the Group, TK Technology (Shenzhen) and TK Technology Holdings may maintain current lease/tenancy agreements and may from time to time consider entering into new lease/tenancy agreements for the renting of production base and/or office premises, and in order to reduce the administrative burden of the Company in respect of all the lease/tenancy agreements between the Group, TK Technology (Shenzhen) and TK Technology Holdings for the purposes of Chapter 14A of the Listing Rules, the Company, TK Technology (Shenzhen) and TK Technology Holdings decided to enter into the Leasing Framework Agreement.

The Group will satisfy the consideration of the Transactions under the Leasing Framework Agreement by its internal resources.

LISTING RULES IMPLICATIONS

As each of TK Technology (Shenzhen) and TK Technology Holdings is indirectly held as to 45.0% by Mr. Li and his spouse, 28.0% by Mr. Yung and 27.0% by Mr. Lee, therefore TK Technology (Shenzhen) and TK Technology Holdings are connected persons of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81, 14A.82 and 14A.83 of the Listing Rules, the Transactions under the Leasing Framework Agreement have been aggregated for the purposes of determining the category of connected transaction that such agreements should fall into under the Listing Rules. As all applicable percentage ratios (other than the profits ratio) as defined in Rule 14.07 of the Listing Rules in respect of the New Annual Cap is expected to be less than 5%, the Transactions are subject to the reporting and disclosure requirements and exempt from shareholders' approval under Rule 14A.76(2) of the Listing Rules.

The Directors (including the independent non-executive Directors, except Mr. Li, Mr. Yung and Mr. Lee who, being shareholders and directors of each of TK Technology (Shenzhen) and TK Technology Holdings, have abstained from voting on the relevant resolutions in the Board meeting approving the Leasing Framework Agreement and the New Annual Cap) confirm that it is in the interests of the Company to proceed with the Transactions under Leasing Framework Agreement and that the Transactions are conducted on normal commercial terms or terms that are not less favorable to the Company than those available from the Independent Third Parties in the ordinary and usual course of business of the Company and are fair and reasonable and in the interest of the Shareholders as a whole.

INFORMATION OF THE GROUP, TK TECHNOLOGY (SHENZHEN) AND TK TECHNOLOGY HOLDINGS

The Company is an investment holding company and the Group is principally engaged in the designing and manufacturing of plastic components, including plastic components mechanical design, mold design, mold fabrication, plastic components manufacturing and secondary processing services.

Each of TK Technology (Shenzhen) and TK Technology Holdings is held as to 45.0% by Mr. Li and Mrs. Li Zhi Ying, Mr. Li's spouse, 28.0% by Mr. Yung and 27.0% by Mr. Lee. TK Technology (Shenzhen) and TK Technology Holdings are mainly engaged in property investment.

DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the same meanings set out below:

“Board”	the board of Directors
“Company”	TK Group (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and listed on the Stock Exchange
“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
“Definitive Agreement(s)”	definitive agreement(s) which has been entered or may be entered into between any member(s) of the Group as lessee and TK Technology (Shenzhen) and TK Technology Holdings as lessor from time to time in relation to any of the Transactions at any time during the term of the Leasing Framework Agreement
“Director(s)”	the director(s) of the Company
“Former Leasing Framework Agreement”	the leasing framework agreement dated 30 December 2022 entered into between the Company, TK Technology (Shenzhen) and TK Technology Holdings, details of which were disclosed in the announcement of the Company dated 30 December 2022
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with any of the Directors, chief executive, substantial Shareholders or any of its subsidiaries and their respective associates

“Leasing Framework Agreement”	the leasing framework agreement entered into on 22 December 2023 in relation to the Transactions entered into between the Company, TK Technology (Shenzhen) and TK Technology Holdings
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lee”	Mr. Lee Leung Yiu, an executive Director
“Mr. Li”	Mr. Li Pui Leung, an executive Director, the chairman of the Group and a Controlling Shareholder
“Mr. Yung”	Mr. Yung Kin Cheung, Michael, an executive Director and the chief executive officer of the Company
“New Annual Cap”	the annual maximum rental amount payable by the Group to TK Technology (Shenzhen) and TK Technology Holdings in respect of the Transactions for the financial year ending 31 December 2024, details of which are set out in the paragraph headed “Historical Transaction Amount and New Annual Cap” in this announcement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) with nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TK Technology (Shenzhen)”	東江科技(深圳)有限公司 (TK Technology (Shenzhen) Ltd.*), a company established in the PRC on 28 March 2001, which was indirectly wholly-owned as to 45.0% by Mr. Li and his spouse, 28.0% by Mr. Yung and 27.0% by Mr. Lee as at the date of this announcement, and is a connected person of the Company

“TK Technology Holdings”	TK Technology Holdings Limited (東江科技集團有限公司), a company incorporated in Hong Kong on 2 March 1990, which was ultimately beneficially interested as to 45.0% by Mr. Li and his spouse, 28.0% by Mr. Yung and 27.0% by Mr. Lee as at the date of this announcement, and is a connected person of the Company
“Transactions”	all transactions including future transactions between members of the Group, TK Technology (Shenzhen) and TK Technology Holdings arising from leases or tenancy agreements between members of the Group as lessee and TK Technology (Shenzhen) and TK Technology Holdings as lessor as contemplated under the Leasing Framework Agreement
“%”	per cent.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board
TK Group (Holdings) Limited
Li Pui Leung
Chairman

Hong Kong, 22 December 2023

As at the date of this announcement, the executive Directors are Mr. Li Pui Leung, Mr. Yung Kin Cheung Michael, Mr. Lee Leung Yiu and Mr. Cheung Fong Wa; and the independent non-executive Directors are Dr. Chung Chi Ping Roy, Miss Christine Wan Chong Leung and Mr. Tsang Wah Kwong.

* *For identification purposes only*