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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 23 May 2014, the Company, TK Plastics (Shenzhen), TK Technology (Shenzhen) and TK Technology Holdings entered into the Leasing Framework Agreement in respect of the Transactions.

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

Pursuant to Rules 14A.25, 14A.26 and 14A.27 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 Caps are expected to be less than 5%, the Transactions are subject to the reporting and disclosure requirements under 14A.45 to 14A.47 of the Listing Rules.

INTRODUCTION

On 23 May 2014, the Company, TK Plastics (Shenzhen), 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.

Reference is also made to the Prospectus dated 11 December 2013. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

LEASING FRAMEWORK AGREEMENT

Members of the Group as lessee and TK Plastics (Shenzhen), TK Technology (Shenzhen) and TK Technology Holdings as lessor had in the past entered into certain leasing/tenancy agreements for the leasing of premises as disclosed in the Prospectus. The Company and TK Plastics (Shenzhen), TK Technology (Shenzhen) and TK Technology Holdings wish to continue the 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 Plastics (Shenzhen), TK Technology (Shenzhen) and TK Technology Holdings by entering into the Leasing Framework Agreement.

Date

23 May 2014

Parties

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

General terms for the Transactions

Members of the Group as lessee and TK Plastics (Shenzhen), 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 Plastics (Shenzhen), TK Technology (Shenzhen) and TK Technology Holdings. All terms and conditions under the Existing Leasing Agreements between members of the Group and TK Plastics (Shenzhen), TK Technology (Shenzhen) and TK Technology Holdings in respect of the Transactions will remain valid and will be treated as Definitive Agreements made pursuant to the Leasing Framework Agreement as from the Effective Date.

If TK Plastics (Shenzhen), TK Technology (Shenzhen) and 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 the Effective Date, 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 Caps), 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 the Effective Date, and shall continue for a period of 1 year and 8 months up to and including 31 December 2015, unless terminated earlier in accordance with the Leasing Framework Agreement. Subject to compliance with the Listing Rules and any applicable laws by the Group or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the Leasing Framework Agreement will be automatically renewed for a successive period of two years thereafter, unless terminated earlier in accordance with the Leasing Framework Agreement.

HISTORICAL FIGURE AND NEW ANNUAL CAP

The aggregate transaction amounts under the Existing Tenancy Agreements for each of the financial years ended ended 31 December 2013 and for the 4 months ended 30 April 2014 were approximately RMB6,112,305 (HK\$7,737,095) and RMB3,491,990 (HK\$4,420,241) respectively.

The existing aggregate annual cap in respect of the transactions under the Existing Tenancy Agreements for the two years ending 31 December 2014 and 31 December 2015 are RMB9,941,800 (HK\$12,584,557) and RMB10,106,800 (HK\$12,793,418). As the Group anticipates further leases may be entered into as a result of the expansion of the Group's operations, the aforesaid annual caps are expected to be exceeded. Pursuant to rule 14A.36(2) of the Listing Rules, the Company has set a New Annual Cap in respect of the Transactions under the Leasing Framework Agreement for the two years ending 31 December 2014 and 31 December 2015 are RMB18,658,000 (HK\$23,617,000) and RMB23,874,000 (HK\$30,221,000).

The New Annual Cap has been determined based on the historical transaction amount under the Existing Lease Agreements, the terms of the lease/tenancy agreements and the expected growth in premises or office space leased under the Leasing Framework Agreement. As the lease agreements for the Shenzhen Yulu Plant A which is owned by Independent Third Parties will expire on 15 June 2014, we will relocate our operations in Shenzhen Yulu Plant A to plants owned by TK Technology (Shenzhen) in the Shenzhen Tangjia Land. Additionally, the Company plans to expand its production capacity for establishing a manufacturing unit specializing in ultra-large standard molds and at the same time the Company is expected to have an increase in orders for the production of traditional molds for the period until 31 December 2015. In order to fully utilize the manufacturing base at Shenzhen Yulu Plant B which specializes in manufacturing plastic components, the Shenzhen Yulu Plant B Lease Agreements which are Definitive Agreements under the Leasing Framework Agreement will be renewed until 31 December 2015, upon which the Company will relocate such plants to the Shenzhen Tangjia Land.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASING FRAMEWORK AGREEMENT

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

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

LISTING RULE IMPLICATIONS

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

Pursuant to Rules 14A.25, 14A.26 and 14A.27 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 Caps are expected to be less than 5%, the Transactions are subject to the reporting and disclosure requirements under 14A.45 to 14A.47 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 TK Plastics (Shenzhen) and TK Technology (Shenzhen) had abstained from voting on the relevant resolutions in the board meeting approving the Leasing Framework Agreement and its annual caps) 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 favourable 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 PLASTICS (SHENZHEN), 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.

TK Plastics (Shenzhen), TK Technology (Shenzhen) and TK Technology Holdings are held as to 45.0% by Mr. Li, 28.0% by Mr. Yung and 27.0% by Mr. Lee. TK Plastics (Shenzhen), 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 in the Prospectus
“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 Plastics (Shenzhen), TK Technology (Shenzhen) and/or 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
“Effective Date”	1 May 2014

“Existing Lease Agreements”	the Hong Kong Tenancy Agreement, Shenzhen Yulu Plant B Lease Agreements and Shenzhen Tangjia Plants Lease Agreements
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Tenancy Agreement”	A tenancy agreement dated 21 May 2013 and as supplemented by a supplemental tenancy agreement dated 21 November 2013 entered into between TK Technology Holdings as landlord and our Company as tenant. Details of such agreement are set out in the Prospectus
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Leasing Framework Agreement”	the framework agreement in relation to the Transactions entered into between the Company, TK Plastics (Shenzhen), TK Technology (Shenzhen) and TK Technology Holdings
“Mr. Lee”	Mr. Lee Leung Yiu, an executive Director
“Mr. Li”	Mr. Li Pui Leung, an executive Director, chairman of the Group and a Controlling Shareholder
“Mr. Yung”	Mr. Yung Kin Cheung, Michael, an executive Director and chief executive officer of the Company
“New Annual Caps”	the annual maximum amounts payable by the Group to TK Plastics (Shenzhen), TK Technology (Shenzhen) and TK Technology Holdings in respect of the Transactions for each of the two financial years ending 31 December 2014 and 31 December 2015
“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
“Prospectus”	the prospectus of the Company dated 11 December 2013, containing <i>inter alia</i> , the continuing connected transactions of the Company
“Share(s)”	ordinary share(s) with nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

“Shenzhen Tangjia Land”	the piece of industrial land situated at TK Technology Park, Tangjia Community, Gongming Sub-district, Guangming New District, Shenzhen, the PRC with a gross site area of 182,219.89 square metres for use in high technology
“Shenzhen Tangjia Plants Lease Agreements”	the Shenzhen Tangjia Plant I Lease Agreement, the Shenzhen Tangjia Plant II Lease Agreement and the Shenzhen Tangjia Plant III Lease Agreement. Details of the Shenzhen Tangjia Plant I Lease Agreement, Shenzhen Tangjia Plant II Lease Agreement and Shenzhen Tangjia Plant III Lease Agreement are set out in the Prospectus
“Shenzhen Yulu Plant A”	our production base at Yulu Village of Guangming Town, Shenzhen, the PRC, with a gross floor area of 16,300 square metres
“Shenzhen Yulu Plant B”	Our production base on the piece of land (no. A603-0004) situated at Yulu Village of Guangming Town, Shenzhen, the PRC, with a total gross site area of 4,424 square metres
“Shenzhen Yulu Plant B Lease Agreements”	the Shenzhen Yulu Plant B (I) Lease Agreement, the Shenzhen Yulu Plant B (II) Lease Agreement and the Shenzhen Yulu Plant B (III) Lease Agreement. Details of the Shenzhen Yulu Plant B (I) Lease Agreement, the Shenzhen Yulu Plant B (II) Lease Agreement and the Shenzhen Yulu Plant B (III) Lease Agreement are set out in the Prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TK Plastics (Shenzhen)”	新東江塑膠(深圳)有限公司 (TK Plastics (Shenzhen) Ltd.*), a company established in the PRC on 26 June 2002, which was indirectly wholly-owned as to 45.0% by Mr. Li, 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 (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, 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, 28.0% by Mr. Yung and 27.0% by Mr. Lee as at the date of this announcement and a connected person of the Company

“Transactions”	all existing and future transactions between members of the Group and TK Plastics (Shenzhen), TK Technology (Shenzhen) and TK Technology Holdings arising from leases or tenancy agreements between members of the Group as lessee and TK Plastics (Shenzhen), 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
“RMB”	Renminbi, the lawful currency of the PRC

For the purpose of illustration only and unless otherwise stated, conversions of RMB into HK\$ in this announcement are based on the exchange rates of HK\$1 to RMB0.79. Such conversions should not be construed as a representation that any amount has been, could have been, or may be, exchanged at these or any other rates.

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

Hong Kong, 23 May 2014

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, Mr. Ho Kenneth Kai Chung and Mr. Tsang Wah Kwong.