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## CONNECTED TRANSACTIONS

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### CONNECTED PERSONS

Ms. Chiu is the spouse of Mr. Tony Wong, who is an executive Director and a Controlling Shareholder. Shiu Mau is legally and beneficially owned by Mr. Tony Wong and Fortune Peace, which is in turn beneficially owned by Mr. Andy Wong who is a son of Mr. Tony Wong. Benease Limited (“**Benease**”) is legally and beneficially owned as to 10% by Mr. Kwong, 80% by Mr. Tony Wong and 10% by an Independent Third Party. Mr. Kwong is a director and a beneficial owner of Bennex International Limited (“**Bennex**”). As such, Ms. Chiu, Shiu Mau, Benease and Bennex are connected persons of our Company.

Kwan On – U-Tech 1 has been accounted as a subsidiary of our Company although Kwan On – U-Tech 1 is an unincorporated joint venture since its organizational and operational affairs (such as recruitment of the key personnel and decision on major subcontracts and general procurement strategy) are under the direction and management of the 10/WSD/10 Management Committee, which is constituted by 3 voting representatives appointed by Kwan On and 2 voting representatives appointed by U-Tech. Accordingly, U-Tech is regarded as a connected person of our Company by reason of its ability to exercise significant influence over the affairs of Kwan On – U-Tech 1 through its two voting representatives on the 10/WSD/10 Management Committee.

### CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM ANNUAL REVIEW, ALL DISCLOSURE AND SHAREHOLDERS’ APPROVAL REQUIREMENTS

During the Track Record Period, the following connected transactions had been entered into between our Group and the relevant connected persons of our Company which would be considered de minimis continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules upon Listing:

#### **Lease from Shiu Mau for two industrial units and a car parking space in Hong Kong**

##### ***Background***

On 10 December 2012, Shiu Mau and UEL entered into a lease agreement (the “**Shiu Mau Lease Agreement**”), pursuant to which Shiu Mau (as landlord) agreed to lease a property located at Workshop D and E on the 3rd Floor, Yiko Industrial Building, No.10 Ka Yip Street, Hong Kong with a total gross floor area of approximately 6,000 sq.ft. together with a Car Parking Space No.11 on the Basement of Yiko Industrial Building, No.10 Ka Yip Street, Hong Kong (the “**Chai Wan Properties**”) to UEL (as tenant), for a period of two years commencing from 1 January 2013 and expiring on 31 December 2014, at a total annual rental of HK\$900,000. On 19 December 2014, Shiu Mau (as landlord) and UEL (as tenant) entered into a tenancy agreement pursuant to which Shiu Mau and UEL agreed to renew the Shiu Mau Lease Agreement for 1 year from 1 January 2015 to 31 December 2015. Our Group had leased the Chai Wan Properties on monthly basis since commencement of the Track Record Period. As at the Latest Practicable Date, the Chai Wan Properties were being used by UEL for storage of documents and car parking space.

According to the Shiu Mau Lease Agreement, the monthly rentals payable by UEL is HK\$75,000 in advance and inclusive of government rents but exclusive of rates and taxes.

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The payment under the Shiu Mau Lease Agreement was calculated based on the proportion of floor area occupied by UEL in the Chai Wan Properties and market rent at similar premises at the relevant time.

### *Historical transaction amounts*

The annual rental paid by UEL to Shiu Mau for each of the two years ended 31 March 2014 and the six months ended 30 September 2014 amounted to HK\$900,000, HK\$900,000 and HK\$450,000, respectively.

### **Lease from Ms. Chiu in relation to staff’s quarters in Hong Kong**

#### *Background*

On 1 May 2014, Ms. Chiu and UEL entered into a lease agreement (the “**Heng Fa Chuen Lease Agreement**”) pursuant to which Ms. Chiu (as landlord) agreed to lease a property located at Unit 6 on the 16/F., Block 45, Heng Fa Chuen, No. 100 Shing Tai Road, Hong Kong with a total gross floor area of approximately 777 sq.ft. (the “**Heng Fa Chuen Property**”) to UEL (as tenant), for uses as staff’s quarter for a period of twelve months commencing from 1 May 2014 and expiring on 30 April 2015, at a total annual rental of HK\$264,000. Our Group had leased the Heng Fa Chuen Property on monthly basis since commencement of the Track Record Period.

According to the Heng Fa Chuen Lease Agreement, the monthly rentals payable by UEL is HK\$22,000 in advance and inclusive of government rents but exclusive of rates and taxes.

The payment under the Heng Fa Chuen Lease Agreement was calculated based on the proportion of floor area occupied by UEL in the Heng Fa Chuen Property and the market rent at similar premises at the relevant time.

#### *Historical transaction amounts*

The annual rental paid by UEL to Ms. Chiu for the Heng Fa Chuen Property for each of the two years ended 31 March 2014 and the six months ended 30 September 2014 amounted to HK\$216,000, HK\$216,000 and HK\$128,000, respectively.

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### *Proposed annual caps and basis of determination*

We expect the annual caps (the “**Annual Caps**”) for the rental payable by UEL to Ms. Chiu and Shiu Mau under the above continuing connected transactions for each of the three years ending 31 March 2017 for the Heng Fa Chuen Property and under the Shiu Mau Lease Agreement (collectively, the “**Lease Agreements**”) are set out below:

	<b>Historical amount for the year ended 31 March 2014 HK\$</b>	<b>For the year ending 31 March 2015 HK\$</b>	<b>Annual Caps For the year ending 31 March 2016 HK\$</b>	<b>For the year ending 31 March 2017 HK\$</b>
The Heng Fa Chuen Property	216,000	242,000	22,000	–
The Shiu Mau Lease Agreement	900,000	900,000	675,000	–
Aggregate amount	<u>1,116,000</u>	<u>1,142,000</u>	<u>697,000</u>	<u>–</u>

The Annual Caps mentioned above were determined by our Group with reference to the monthly rental amount in the open market.

### *GEM Listing Rules Implications*

Ms. Chiu is the spouse of Mr. Tony Wong and a Controlling Shareholder. Shiu Mau is legally and beneficially owned by Mr. Tony Wong and Fortune Peace, which is in turn beneficially owned by Mr. Andy Wong.

As such, the transactions contemplated under each of the Lease Agreements shall be aggregated.

Since the applicable percentage ratios (other than the profits ratio) calculated according to Rule 19.07 of the GEM Listing Rules based on the aggregate Annual Caps for the Lease Agreements are less than 5% and the aggregate annual cap for each of the three years ending 31 March 2017 is less than HK\$3,000,000, the transactions contemplated under the Lease Agreements are considered de minimis continuing connected transactions which are exempt from the annual review, all disclosure and Shareholders’ approval requirement under Rule 20.103 of the GEM Listing Rules.

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### DISCONTINUED CONNECTED TRANSACTIONS

During the Track Record Period, we had entered into the following connected transactions with the relevant connected persons of our Company which have ceased before the Latest Practicable Date:

#### **Lease from Ms. Chiu in relation to Director’s quarters in Hong Kong**

##### *Background*

On 22 November 2012, Ms. Chiu and UEL entered into a lease agreement (the “**Scenic Lease Agreement**”), pursuant to which Ms. Chiu (as landlord) agreed to lease a property located at Apartment F, on the 1st Floor, Block A-1, Scenic Villas, 2-28 Scenic Villa Drive, Hong Kong together with a Car Parking Space No.20 on the 1st Floor of the Garage, Scenic Villas, 2-28 Scenic Villa Drive, Hong Kong (collectively the “**Scenic Properties**”) with a total gross floor area of approximately 2,787 sq.ft. to UEL (as tenant), for uses as Director’s quarter for a period of thirteen months commencing from 1 December 2012 and expiring on 31 December 2013, at a total annual rental of HK\$720,000. Our Group had leased the Scenic Properties on monthly basis since commencement of the Track Record Period. The Scenic Lease Agreement has been mutually terminated by UEL and Ms. Chiu with effect from 1 August 2013.

##### *Historical transaction amounts*

Set out below are the annual rental paid by UEL to Ms. Chiu for the Scenic Properties during the Track Record Period:

	<b>For the period from 1 April 2012 to 31 March 2013 HK\$</b>	<b>For the period from 1 April 2013 to 31 July 2013 HK\$</b>
Rent	624,000	240,000

#### **Lease from Ms. Chiu in relation to staff’s quarters in Hong Kong**

##### *Background*

On 22 November 2012, Ms. Chiu and UEL entered into a lease agreement (the “**Old Heng Fa Chuen Lease Agreement**”), pursuant to which Ms. Chiu (as landlord) agreed to lease the Heng Fa Chuen Property to UEL (as tenant) for uses as staff’s quarters for a period of thirteen months commencing from 1 December 2012 and expiring on 31 December 2013, at a total annual rental of HK\$216,000. The Old Heng Fa Chuen Lease Agreement was ended upon its expiry.

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### *Historical transaction amounts*

Set out below are the annual rental paid by UEL to Ms. Chiu for the Old Heng Fa Chuen Lease Agreement during the Track Record Period:

	<b>For the period from 1 December 2012 to 31 March 2013 HK\$</b>	<b>For the period from 1 April 2013 to 31 December 2013 HK\$</b>
Rent	72,000	162,000

### **Lease from Benease in relation to open storage of our Group in Hong Kong**

#### *Background*

On 1 January 2013, Benease and UEL entered into a lease agreement (the "**Benease Lease Agreement**"), pursuant to which Benease (as landlord) agreed to lease a parcel of land at Section A of Sub-Section 2 of Section A of Lot No. 1297 in D.D. 121, Yuen Long, New Territories with a total gross floor area of approximately 5,000 sq.ft. (the "**Benease Property**") to UEL (as tenant), for uses as open storage of our Group for a period of two years commencing from 1 January 2013 and expiring on 31 December 2014, at a total annual rental of HK\$180,000. Our Group had leased the Benease Property on monthly basis since commencement of the Track Record Period. The Benease Lease Agreement has been mutually terminated by UEL and Benease with effect from 1 August 2013.

### *Historical transaction amounts*

Set out below are the annual rental paid by UEL to Benease for the Benease Property during the Track Record Period:

	<b>For the period from 1 April 2012 to 31 March 2013 HK\$</b>	<b>For the period from 1 April 2013 to 31 July 2013</b>
Rent	180,000	60,000

### **Lease from Bennex in relation to Section B of Lot No. 1394 in D.D. 77, North, New Territories**

#### *Background*

UECL leased a parcel of land situated at Section B of Lot No. 1394 in D.D. 77, North, New Territories with a total gross floor area of approximately 5,600 sq.ft. (the "**Bennex Property**") from Bennex since 1 January 2011, for uses as open storage of our Group, at a total annual rental of HK\$48,000 (the "**Bennex Lease**"). The Bennex Lease has been terminated by UECL with effect from 1 January 2013.

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### *Historical transaction amounts*

Set out below are the annual rental paid by UECL to Bennex for the Bennex Property during the Track Record Period:

	<b>For the period from 1 April 2012 to 31 December 2012 HK\$</b>
Rent	36,000

### **CONNECTED TRANSACTIONS EXEMPT FROM ANNUAL REVIEW, ALL DISCLOSURE AND SHAREHOLDERS' APPROVAL REQUIREMENTS**

#### **Joint operation for Kwan On – U-Tech 2**

On 16 December 2013, Kwan On and U-Tech entered into an agreement pursuant to which Kwan On and U-Tech agreed to share the surplus, loss, assets, liabilities, rights and obligations arising from their cooperation in the project for the contract 9/WSD/13 in equal shares. There is no monetary consideration payable by either party under this agreement and hence no historical transaction amount has been recorded for this connected transaction.

#### **Subcontracting arrangements**

##### ***Background***

During the Track Record Period, the following subcontracting arrangements had been entered into between certain members of our Group and U-Tech, and are expected to be completed after Listing:

- (1) on 31 January 2013 and 10 August 2013, Kwan On (as main contractor) and U-Tech (as subcontractor) entered into two articles of agreement pursuant to which Kwan On agreed to engage U-Tech as a subcontractor to perform the sewage and associated works at Sai Pin Wai, Yuen Long at approximately HK\$20.5 million and HK\$6.5 million (subject to adjustment) respectively as required under the main contract entered into between Kwan On and the Government for project DC/2012/05 with an estimated contract sum of approximately HK\$142.35 million (subject to actual final measurement by reference to the bill of quantities attached thereto). The subcontract sum shall be payable by Kwan On to U-Tech in stages in accordance with the terms of the article of agreement and based on the value of work done measured (the "**DC/2012/05 Subcontracting Arrangement**");
- (2) on 16 October 2012, Kwan On (as main contractor) and U-Tech (as subcontractor) entered into the articles of agreement pursuant to which Kwan On agreed to engage U-Tech as a subcontractor to perform the pipe laying work at approximately HK\$18.2 million (subject to adjustment) on a back to back basis as required under the main contract entered into between Kwan On and WSD for project 15/WSD/11 with an estimated contract sum of approximately HK\$164.47

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million (subject to actual final measurement by reference to the bill of quantities attached thereto). The contract sum shall be payable by Kwan On to U-Tech in stages in accordance with the terms of the article of agreement and based on the value of work done measured (the "**15/WSD/11 Subcontracting Arrangement**");

- (3) on 24 August 2011, Kwan On – U-Tech 1 (as main contractor) and U-Tech (as subcontractor) entered into the articles of agreement pursuant to which Kwan On – U-Tech 1 agreed to engage U-Tech as a subcontractor to perform water mains rehabilitation in Shatin and Sai Kung at approximately HK\$33.8 million (subject to adjustment) on a back to back basis as required under the main contract entered into between Kwan On – U-Tech 1 and WSD for project 10/WSD/10 with an estimated contract sum of approximately HK\$276.59 million (subject to actual final measurement by reference to the bill of quantities attached thereto). The contract sum shall be payable by Kwan On – U-Tech 1 to U-Tech in stages in accordance with the terms of the articles of agreement and based on the value of work done measured (the "**10/WSD/10 Subcontracting Arrangement**"); and
- (4) on 18 September 2013, Kwan On (as main contractor) and U-Tech (as subcontractor) entered into the articles of agreement pursuant to which Kwan On agreed to engage U-Tech as a subcontractor to perform the sub-contract for Box Culvert and pumping station at approximately HK\$70.4 million (subject to adjustment) on a back to back basis as required under the main contract entered into between Kwan On and the Government for project KL/2012/03 with an estimated contract sum of approximately HK\$811.44 million (subject to actual final measurement by reference to the bill of quantities attached thereto). The subcontract sum shall be payable by Kwan On to U-Tech in stages in accordance with the terms of the articles of agreement and based on the value of work done measured (the "**KL/2012/03 Subcontracting Arrangement**").

### *Historical transaction amounts*

The total contract sum under the DC/2012/05 Subcontracting Arrangement was determined based on the tender submitted by Kwan On. The contract sum paid by Kwan On to U-Tech under the DC/2012/05 Subcontracting Arrangement for each of the two years ended 31 March 2014 and the six months ended 30 September 2014 amounted to approximately HK\$1.0 million, approximately HK\$6.8 million and HK\$6.6 million respectively.

The total contract sum under the 15/WSD/11 Subcontracting Arrangement was determined based on the tender submitted by Kwan On. The contract sum paid by Kwan On to U-Tech under the 15/WSD/11 Subcontracting Arrangement for each of the two years ended 31 March 2014 and the six months ended 30 September 2014 amounted to approximately HK\$1.1 million, approximately HK\$7.1 million and HK\$1.3 million respectively.

The total contract sum under the 10/WSD/10 Subcontracting Arrangement was determined based on the schedule of rates agreed by Kwan On – U-Tech 1 and U-Tech by reference to the prevailing market rates. The contract sum paid by Kwan On – U-Tech 1 to

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U-Tech under the 10/WSD/10 Subcontracting Arrangement for each of the two years ended 31 March 2014 and the six months ended 30 September 2014 amounted to approximately HK\$1.1 million, approximately HK\$1.5 million and HK\$2.0 million respectively.

The total contract sum under the KL/2012/03 Subcontracting Arrangement was determined based on the tender submitted by Kwan On. The contract sum paid by Kwan On to U-Tech under the KL/2012/03 Subcontracting Arrangement for each of the two years ended 31 March 2014 and the six months ended 30 September 2014 amounted to nil, approximately HK\$7.4 million and approximately HK\$55.6 million respectively.

### **Confirmation by our Directors**

Our Directors have confirmed that the DC/2012/05 Subcontracting Arrangement, the 15/WSD/11 Subcontracting Arrangement, the 10/WSD/10 Subcontracting Arrangement and the KL/2012/03 Subcontracting Arrangement (collectively, the “**U-Tech Subcontracting Arrangements**”) have been ratified, confirmed and approved by our Board. In addition, our independent non-executive Directors have confirmed that the terms of each of the U-Tech Subcontracting Arrangements are fair and reasonable, each of the U-Tech Subcontracting Arrangements is on normal commercial terms and in the interests of our Company and our Shareholders as a whole.