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## CONNECTED TRANSACTIONS

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### OVERVIEW

Prior to the [REDACTED], we entered into certain transactions with parties who will, upon [REDACTED], become our connected persons within the meaning given in Chapter 20 of the GEM Listing Rules. After the [REDACTED], we will continue to carry out the following transactions with these parties and such transactions will constitute continuing connected transactions of our Company under Chapter 20 of the GEM Listing Rules.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### Master Services Agreement

##### *Background of and reason for the transactions*

Certain Ma Companies have been engaging our Group for the provision of security services, namely Yan Yan Motors, Yan Yan Ho Motors Limited, Better Coin Industrial Limited, Deluxe Tower Limited, Express Top Industries Limited, Golden Way Public Light Bus (Scheduled) Service Company Limited, Koon Wing Motors Limited, Sheung Shui Public Light Bus (Scheduled) Service Company Limited, Success Transportation Limited and Tung Wan Public Light Bus (Scheduled) Service Company Limited, and facility management services for their own real estates and public light bus facilities in Hong Kong during the Track Record Period and up to the date hereof. Before the entering of the Master Services Agreement, such Ma Companies and us either entered into service agreements usually for a period of one to two years, or we issued invoices, as the case may be, for our provision of security and facility management services to the Ma Companies when needed. The Ma Companies shall continue to engage our Group for the provision of the security and facility management services.

For the purpose of the [REDACTED], we entered into the Master Services Agreement with the Ma Family (for itself and on behalf of its affiliates) pursuant to which we agreed to provide security and facility management services to the Ma Companies. The Master Services Agreement is effective from the date of the Master Services Agreement to 31 March 2022 and is renewable upon expiry subject to the applicable requirements under the GEM Listing Rules unless otherwise terminated by the parties.

Each of such Ma Companies is ultimately owned and controlled by the Ma Family, certain members of whom are executive Directors and/or Controlling Shareholders. Accordingly, each member of the Ma Family is a connected person of our Group under Rule 20.07 of the GEM Listing Rules. Hence, the transactions under the Master Services Agreement which are expected to continue under Chapter 20 of the GEM Listing Rules after the [REDACTED] will constitute continuing connected transactions of our Company.

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### *Historical transaction amounts*

The table below sets out the historical aggregate annual transaction amounts of the Services with the Ma Companies for the Track Record Period:

	<b>Historical transaction amounts</b>		
	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Transaction amount of provision of			
– security services	5,569	7,053	7,845
– facility management services	1,265	6,109	9,816
<b>Aggregate transaction amounts</b>	<b>6,834</b>	<b>13,162</b>	<b>17,661</b>

### *Proposed annual caps*

The maximum aggregated annual caps for the transactions contemplated with the Ma Companies in respect of the provision of security and facility management services receivable from our Group for each of the years ending 31 March 2020, 2021 and 2022 should not exceed the following caps:

	<b>Proposed annual caps for</b>		
	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Transaction amount of provision of			
– security services	8,500	10,000	11,000
– facility management services	13,500	15,000	17,000
<b>Maximum aggregate transaction amounts</b>	<b>22,000</b>	<b>25,000</b>	<b>28,000</b>

### *Pricing policy*

The service fees receivable by our Group from the Ma Companies under the Master Services Agreement was determined after arm’s length negotiations between the parties and on a cost-plus basis with no material difference as compared to our Group’s other Independent Third Party customers, and with reference to a number of factors, including the then prevailing market price for similar services offered in the market, the then terms shall in any event be no more favourable to the Ma Companies than that offered by our Group to any of our other Independent Third Party customers, the number of workers expected to be deployed for each project, the potential impact of change in statutory minimum wage pursuant to the Minimum Wage Ordinance from time to time, management fees, expected repair and maintenance costs to be incurred and inflation.

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### *Basis of annual caps*

The basis of the annual caps in respect of provision of security services was calculated based on (i) the historical total transaction amounts for FY2019; and (ii) the estimated growth rates for FY2020, FY2021 and FY2022 of approximately 11.0%, 11.0% and 11.0%, respectively, based on (a) the historical growth rate of approximately 10.6% in FY2019 due to increase in transaction amount of approximately HK\$0.7 million from FY2018 to FY2019; and (b) our Directors’ estimate in light of the current market conditions after taking into account (ba) the existing projects we were awarded with as at 31 March 2019 pursuant to the terms of the respective contracts with the aggregated contract sum of approximately HK\$18.4 million, of which approximately HK\$7.4 million is expected to be recognised as revenue in FY2020, and (bb) the newly awarded and potential contracts with the expected revenue of approximately HK\$0.8 million, HK\$1.6 million and HK\$1.7 million to be recognised in each of the three years ending FY2022.

The basis of the annual caps in respect of provision of facility management services was calculated based on (i) the historical total transaction amounts for FY2019; and (ii) the estimated growth rates for FY2020, FY2021 and FY2022 of approximately 30.0%, 10.0% and 10.0%, respectively, based on (a) the historical growth rate of approximately 60.4% in FY2019 due to increase in transaction amount of approximately HK\$3.7 million from FY2018 to FY2019; and (b) our Directors’ estimate in light of the current market conditions after taking into account (ba) the existing projects we were awarded with as at 31 March 2019 pursuant to the terms of the respective contracts with the aggregated contract sum of approximately HK\$25.4 million, of which approximately HK\$12.8 million is expected to be recognised as revenue in FY2020, and (bb) the newly awarded and potential contracts with the expected revenue of approximately HK\$0.5 million, HK\$0.9 million and HK\$1.0 million to be recognised in each of the three years ending FY2022. The Directors have taken a relatively prudent approach in estimating the respective growth rates for FY2020, FY2021 and FY2022 by taking the historical growth rate in FY2019 at a discount.

### *GEM Listing Rules implications*

Given that the applicable percentage ratios for the Non-exempt Continuing Connected Transactions calculated with reference to Rule 19.07 of the GEM Listing Rules are expected to exceed 25% and the aggregate consideration is expected to exceed HK\$10.0 million, the Non-exempt Continuing Connected Transactions will be subject to the reporting, announcement, circular, annual review and independent shareholders’ approval requirements under the GEM Listing Rules.

### **WAIVER FROM THE STOCK EXCHANGE**

Under the GEM Listing Rules, the Non-exempt Continuing Connected Transactions under the Master Service Agreement will be subject to the reporting, announcement, circular, annual review and independent shareholders’ approval requirements. Pursuant to Rule 20.103 of the GEM Listing Rules, we have applied to the Stock Exchange for and the Stock Exchange has

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granted a waiver to us from strict compliance with the announcement, circular and independent shareholders’ approval requirements relating to the Non-exempt Continuing Connected Transactions, subject to (i) each of the annual caps stated above is not exceeded; and (ii) apart from the abovementioned announcement, circular and independent shareholders’ approval requirements of which a waiver is sought, our Company will comply with the relevant requirements under Chapter 20 of the GEM Listing Rules upon [REDACTED].

### CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that all the Non-exempt Continuing Connected Transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole. The proposed aggregate annual caps for the Non-exempt Continuing Connected Transactions are fair and reasonable and are in the interests of the Shareholders as a whole.

### CONFIRMATION FROM OUR SOLE SPONSOR

The Sole Sponsor has reviewed the relevant documents, information and historical figures provided by our Company and has participated in due diligence and discussion with our Company. Based on the above, the Sole Sponsor is of the view that the Non-Exempt Continuing Connected Transactions (i) have been entered into in the ordinary and usual course of business of our Company, (ii) are based on normal commercial terms (as defined under Chapter 20 of the GEM Listing Rules), fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (iii) the proposed aggregate annual caps for the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.