
CONNECTED TRANSACTION

EXEMPT CONTINUING CONNECTED TRANSACTION

Prior to the [REDACTED], we entered into the following transaction with a related party who will, upon [REDACTED], become our connected person within the meaning given in Chapter 14A of the Listing Rules. After the [REDACTED], we will continue to carry out the following transaction with such party and such transaction will constitute exempt continuing connected transaction of our Company for the purpose of Chapter 14A of the Listing Rules:

Headquarter Office Tenancy Agreement

Background of Hoi Sing Holdings (HK) Limited (“Hoi Sing Holdings”)

Hoi Sing Holdings is principally engaged in property investment. As at the Latest Practicable Date, Hoi Sing Holdings is directly owned as to 50% by Mr. Man and as to 50% by Mrs. Man, each a Director and Controlling Shareholder, and hence Hoi Sing Holdings is a connected person of our Company under Rule 14A.07 of the Listing Rules. For details, please see the section headed “Relationship with our Controlling Shareholders” in this document.

Nature of transaction

On [•] 2018, a tenancy agreement (the “**Headquarter Office Tenancy Agreement**”) was entered into between Hoi Sing Holdings as landlord, and our Company as tenant, under which Hoi Sing Holdings agreed to lease Unit 8, 39/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong with a gross floor area of 2,755 square feet, for a term ending on 31 March 2021 to our Company for office use. Pursuant to the Headquarter Office Tenancy Agreement, the monthly rental payable to Hoi Sing Holdings shall be in the sum of HK\$44,000 (exclusive of government rent, management fees and other utilities outgoings which are payable by our Group).

The term of the Headquarter Office Tenancy Agreement may be renewed as the parties thereto mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons for and benefits for the transaction

Since 2011, our Group has been leasing the abovementioned properties from Hoi Sing Holdings for use as our office premise. As our office premise is well established and known to our business partners, we currently do not, and in a foreseeable future will not, have any plan to relocate to alternative properties, which we believe is in the interest of our Company and our Shareholders as a whole in terms of cost, time and operational stability.

Our Directors (including the independent non-executive Directors) consider that the terms of the Headquarter Office Tenancy Agreement are conducted on an arms’ length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group and our Shareholders as a whole.

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Historical transaction value

For the years ended 31 March 2016, 2017 and 2018, the aggregate rentals paid by our Group to Hoi Sing Holdings were approximately HK\$432,000, HK\$432,000 and HK\$432,000 respectively.

Pricing policy

The annual rental payable under the Headquarter Office Tenancy Agreement was determined after arms’ length negotiations between the parties thereto with reference to the prevailing market rates in respect of the same or similar properties in the same locality. An independent property valuer has reviewed the annual rental payable under the Headquarter Office Tenancy Agreement and has confirmed that the terms thereof are fair, reasonable and are consistent with the prevailing market rates for similar premises in similar locations in Hong Kong.

Proposed annual caps

Our Directors estimated that the aggregate annual rental payable by our Group to Hoi Sing Holdings under the Headquarter Office Tenancy Agreement is HK\$528,000. Therefore, the proposed annual caps for the tenancy under the Headquarter Office Tenancy Agreement, for each of the years ending 31 March 2019, 2020 and 2021, are approximately HK\$528,000, HK\$528,000 and HK\$528,000 respectively.

Basis of annual caps

The proposed annual caps set out above for the three years ending 31 March 2019, 2020 and 2021 in respect of the properties to be leased from Hoi Sing Holdings are determined with reference to annual rental payable under the Headquarter Office Tenancy Agreement.

The Sole Sponsor is of the view that the proposed annual caps for the rental payable by our Group to Hoi Sing Holdings under the Headquarter Office Tenancy Agreement are fair, reasonable and are consistent with the prevailing market rates for similar premises in similar locations as at the date of the Headquarter Office Tenancy Agreement.

Listing Rules implications

It is anticipated that on an annual basis, the annual rental to be paid by our Group under the Headquarter Office Tenancy Agreement for each of the three years ending 31 March 2019, 2020 and 2021 will not be more than HK\$528,000 per annum, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Headquarter Office Tenancy Agreement is, on an annual basis, less than 5% and the total consideration is less than HK\$3,000,000. Therefore, the transaction contemplated under the Headquarter Office Tenancy Agreement qualifies as a de

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minimis transaction, constitutes an exempt continuing connected transaction under Rule 14A.76(1)(c) of the Listing Rules and will be exempted from independent Shareholders’ approval, annual review and all disclosure requirements under the Listing Rules.