

CONNECTED TRANSACTIONS

During the Track Record Period and up to the Latest Practicable Date, our Group entered into certain related party transactions with its related parties ("**Related Party Transactions**"). Details of Related Party Transactions are set out in note 31 to the Accountants' Report in Appendix I to this document.

Immediately following the [REDACTED], we will have certain ongoing transactions with parties who will, upon the [REDACTED], become our connected persons within the meaning given under Chapter 14A of the Listing Rules. These on-going transactions constitute continuing connected transactions of our Company and their details are as follows:

CONNECTED PERSONS

Set out below is the list of connected persons which had transactions with our Group during the Track Record Period and will continue to have transactions with our Company upon the [REDACTED]:

1. Tanda International was incorporated on 7 April 2004 in Hong Kong with limited liability and has been principally engaged in trading of fire protection materials. As at the Latest Practicable Date, Tanda International was held as to 70% by Mr. Ng Ching Ho, father of Mr. Dave Ng and Mr. Vincent Ng, and 30% by Mr. Cheung Wai, an Independent Third Party. Hence, Tanda International is an associate of our connected person of our Group; and
2. Greatec Engineering was incorporated on 20 September 2004 in Hong Kong with limited liability and has been principally engaged in trading of fire protection materials. As at the Latest Practicable Date, Greatec Engineering was held as to 70% by Mr. Johnny Ng (brother of Mr. Dave Ng and Mr. Vincent Ng), and 30% by Mr. Lau Yi Fai, an Independent Third Party. Hence, Greatec Engineering is an associate of our connected person of our Group.

Besides, Warwick Building was incorporated on 9 September 2005 in Hong Kong with limited liability and has been principally engaged in general trading. As at the Latest Practicable Date, Warwick Building was held as to 50% by Mr. Ng Ching Ho, father of Mr. Dave Ng and Mr. Vincent Ng, and 50% by Mr. Woo Yat Wa, an Independent Third Party and they are also the two directors. As Mr. Ng Ching Ho cannot exercise or control the exercise of more than 50% of the voting power at general meetings, or control the composition of the majority of the board of directors of Warwick Building, Mr. Ng Ching Ho does not majorly control Warwick Building pursuant to Rule 14A.06(23) and Rule 14A.12(2)(b) of the Listing Rules, Warwick Building is considered as a "deemed connected person" of our Company under Rule 14A.20 of the Listing Rules.

Further, the following related parties (as defined in the HKFRS) which had transactions with our Group during the Track Record Period will continue to have transactions with our Group upon the [REDACTED]:

1. Goldin Innovation was incorporated on 16 March 2016 in Hong Kong with limited liability and has been principally engaged in general trading. As at the Latest Practicable Date, Goldin Innovation was held as to 20% by Mr. Dave Ng and the remaining 80% by three Independent Third Parties. Mr. Dave Ng is also one of the four directors of Goldin Innovation, the other three directors of Goldin Innovation are Independent Third Parties.

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2. Dongguan Tanda was established on 26 June 2019 in the PRC with limited liability and has been principally engaged in trading of metal components. As at the Latest Practicable Date, Dongguan Tanda was held as to 99% by Goldin Innovation and 1% by an Independent Third Party and is a subsidiary of Goldin Innovation.

As Mr. Dave Ng holds 20% in Goldin Innovation and is a director thereof, Goldin Innovation and its subsidiary, Dongguan Tanda, are considered as "deemed connected persons" of our Company pursuant to Rule 14A.20 of the Listing Rules, and therefore, the agreement for purchase of materials with Goldin Innovation Group is also treated as a connected transaction for our Company under Chapter 14A of the Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Master purchase agreement

During the Track Record Period, Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda have been supplying materials to our Group in the ordinary and usual course of our Group's business.

In order to govern the purchases of our Group with Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda upon the [REDACTED] of our Group, on [●] 2023, a master purchase agreement was entered into amongst Easy Smart Engineering (as purchaser), Tanda International, Greatec Engineering, Warwick Building and Goldin Innovation Group (as sellers/suppliers) ("**Master Purchase Agreement**").

Pursuant to the Master Purchase Agreement,

- (i) Tanda International, Greatec Engineering and Warwick Building may sell fire protection materials to our Group on a non-exclusive basis;
- (ii) Goldin Innovation Group may sell metal parts and components to our Group on a non-exclusive basis;
- (iii) the purchase price, payment time, payment method and other specific terms and conditions (if any) shall be fixed by the relevant parties in the purchase orders on case-by-case basis; and
- (iv) the terms of the Master Purchase Agreement will commence on the [REDACTED] and expire on 30 June 2025.

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Pricing policy of the Master Purchase Agreement

In accordance with our normal practice, our materials are typically purchased from suppliers selected from a list of approved suppliers for our principal materials. For further details of our quality control measures, please refer to the section headed "Business — Quality control" in this document.

The purchase price of materials under the Master Purchase Agreement is determined with reference to the prevailing market prices of the same or comparable kind of materials. Such market price shall be determined with reference to (i) the prevailing market price of the same or similar materials obtained from suppliers who are Independent Third Parties based on normal commercial terms and in the ordinary and usual course of business; or (ii) if (i) is not available, the purchase prices of the same materials offered by the relevant seller to its customers who are Independent Third Parties based on normal commercial terms and in the ordinary and usual course of business. We will regularly contact our suppliers (including Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation Group and Independent Third Parties) to understand the market conditions and determine the prevailing market rate of the relevant type of materials.

Reasons for entering into the Master Purchase Agreement

We have been procuring materials from Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda in the ordinary and usual course of our business during the Track Record Period. Our Directors consider that the procurement of materials from them would benefit our Group for the following reasons:

- our Group has an established business relationship with Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda and understand the business operations, construction requirements, quality control and other requirements of each other, which enable smooth cooperation and operation and help save costs;
- Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda are capable of supplying our Group with such materials with sufficient quantity, reliable quality and in a timely manner, which will ensure smooth business operation of our Group;

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- although Warwick Building and Goldin Innovation have been principally engaged in general trading, their trades have been respectively focusing on materials which are required or commonly used for the provision of passive fire protection works. Warwick Building has been focusing on trading fire-resistant paints, plasters and fire retardant wool, whereas Dongguan Tanda being a subsidiary of Goldin Innovation has been producing metal parts and components which are our commonly used materials for passive fire protection works of our Group. Furthermore, based on the unit price of materials supplied by Warwick Building or Goldin Innovation as compared to the unit price quoted by Independent Third Party suppliers, we estimate cost savings through the selection of Warwick Building for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 of approximately HK\$0.6 million, HK\$0.2 million, HK\$0.2 million and HK\$0.3 million, representing approximately 8.0%, 13.2%, 19.9% and 18.1% of the total amount of purchases from Warwick Building for each year/period, respectively and cost savings through the selection of Goldin Innovation for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 of approximately HK\$0.3 million, HK\$0.3 million, HK\$0.3 million and HK\$37,000, representing approximately 9.4%, 11.2%, 11.8% and 11.4% of the total amount of purchases from Goldin Innovation for each year/period, respectively;
- Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda offered us competitive selling prices and with standard of qualities that met our standards;
- the fire protection materials and components to be supplied to our Group under the Master Purchase Agreement are to be used by our Group in our provision of passive fire protection and ancillary works. Since the procurement and installation of appropriate passive fire protection materials and components is in our ordinary and usual course of business of our Group, the transactions under the Master Purchase Agreement will provide a steady control on costs of our Group; and
- the prices and terms for the procurement of such materials by our Group under the Master Purchase Agreement would be no less favourable to our Group than those provided by suppliers who are Independent Third Parties.

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Historical amounts

The historical transaction amounts for our purchases of materials from Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda during the Track Record Period were approximately as follows:

	For the year ended 30 June			Four months ended 31 October 2022
	2020	2021	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase from Tanda International	1,541	3,474	1,472	196
Purchase from Greatec Engineering	37	585	171	–
Purchase from Warwick Building	7,065	1,235	856	1,930
Purchase from Goldin Innovation	3,478	3,008	2,218	364
Purchase from Dongguan Tanda	–	827	–	–
	12,121	9,129	4,717	2,490
	12,121	9,129	4,717	2,490

Proposed annual cap and basis of cap

The proposed annual cap of the Master Purchase Agreement (the "Annual Cap") for the years ending 30 June 2023, 2024 and 2025 are as follows:

	For the year ending 30 June		
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate purchases from Tanda International, Greatec Engineering, Warwick Building and Goldin Innovation Group	9,000	9,000	9,000
	9,000	9,000	9,000

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In arriving at the Annual Cap, our Directors had considered that:

- (a) there were fluctuations in the historical purchase amounts from Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda with reasons as elaborated below which justify our Group to adopt an aggregate amount as its Annual Cap from the date of the [REDACTED] for providing better and flexible utilisation, management and planning of our Group's resources:
 - (i) the aggregate purchases from Tanda International and Greatec Engineering increased to approximately HK\$4.1 million for the year ended 30 June 2021 mainly because we purchased materials from Tanda International that were required for Project 5024, which involved relatively high original contract sum of approximately HK\$48.0 million and we were required to implement such works within the relatively shorter timeframe;
 - (ii) the aggregate purchases from Warwick Building was higher for the year ended 30 June 2020 mainly because of our large purchases from Warwick Building for fire-resistant paints, plasters and fire retardant wool (which were the main types of materials traded by Warwick Building) that were required for certain sizeable projects, particularly Projects 4659 with an original contract sum of approximately HK\$23.1 million;
 - (iii) the aggregate purchases from Goldin Innovation Group increased from the year ended 30 June 2020 to the year ended 30 June 2021, but the aggregate purchase from Goldin Innovation Group decreased for the year ended 30 June 2022 mainly because of our decrease in demand for metal parts and components for our projects for the year ended 30 June 2022;
- (b) the aggregate purchases from Tanda International, Greatec Engineering, Warwick Building, Goldin Innovation and Dongguan Tanda for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 were approximately HK\$12.1 million, HK\$9.1 million, HK\$4.7 million and HK\$2.5 million respectively, with an average of the historical purchase amounts for the three recent full financial years (i.e. the years ended 30 June 2020, 2021 and 2022) of approximately HK\$8.7 million; and
- (c) the expected demand from our Group of the fire protection materials to be supplied by Tanda International, Greatec Engineering and Warwick Building, and the metal parts and components to be supplied by Goldin Innovation Group for our works in the existing and secured projects (including the five earmarked projects, namely, Projects 5330, 5121, 5399, 5153 and 5411).

CONNECTED TRANSACTIONS

Listing Rules implications

Since the terms and nature of the Master Purchase Agreement are substantially the same, and the counterparties and/or the ultimate beneficial owner of the counterparties under all the Master Purchase Agreement are connected persons or deemed connected persons of our Company pursuant to Rule 14A of the Listing Rules, the transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions of our Company and should be aggregated pursuant to the Listing Rules, and are subject to the reporting, annual review and announcement requirements but will be exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view, and the Sole Sponsor concurs, that the transactions contemplated therein together with the Annual Cap set forth above are fair and reasonable, and that they have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

INTERNAL CONTROL MEASURES

To ensure sound and effective operation of our Company with the adoption of the Master Purchase Agreement, the management of our Group plans to take the following measures:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee, the Board and the management of our Company are jointly responsible for evaluating the terms under the Master Purchase Agreement for the continuing connected transactions, in particular, the fairness of the pricing policies and the Annual Cap;
- the Audit Committee, the Board and the management of our Company also regularly monitor the fulfillment status and the transaction updates under the Master Purchase Agreement. In addition, the management of our Company also regularly reviews the pricing policies of the specific business agreements entered into under the Master Purchase Agreement;
- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the Master Purchase Agreement and provide annual confirmation to ensure that in accordance with Rules 14A.55 and 14A.56 of the Listing Rules the transactions are conducted in accordance with the terms of the Master Purchase Agreement, on normal commercial terms and in accordance with the relevant pricing policies;

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- when considering amounts for purchase of the materials to be provided to our Group by the above connected persons or deemed connected persons, our Group will regularly research into prevailing market conditions and practices and make reference to the pricing and terms between our Group and Independent Third Parties for similar transactions, to make sure that the terms and conditions offered by the above connected persons and deemed connected persons from mutual commercial negotiations (as the case may be) are fair and reasonable and are based on normal or no less favorable commercial terms than those offered by other comparable Independent Third Parties; and
- when considering any renewal or revisions to the Master Purchase Agreement after [REDACTED], the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings or Shareholders' general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed Annual Cap) are fair and reasonable, and on normal commercial terms and in the interests of our Company and our Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the Master Purchase Agreement to the extent that they constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER

Since the highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the Master Purchase Agreement, when aggregated as a series of transactions, for the years ending 30 June 2023, 2024 and 2025 calculated for the purpose of Chapter 14A of the Listing Rules are expected to exceed 5% but below 25% and the expected annual aggregated transaction amount will be less than HK\$10 million, the transactions contemplated under the Master Purchase Agreement will, upon the [REDACTED], constitute continuing connected transactions of our Company subject to annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules but will be exempt from the independent Shareholders' approval requirement under Rule 14A.76 of the Listing Rules.

Notwithstanding that the transactions contemplated under the Master Purchase Agreement and any existing transaction or renewal thereof constitute our continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirement set out under Chapter 14A of the Listing Rules.

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We have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the transactions contemplated under the Master Purchase Agreement, provided that the total transaction amount for each of the years ending 30 June 2023, 2024 and 2025 will not exceed the relevant proposed Annual Cap.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

(i) Employment agreement with Ms. Wong Kwai Ying ("Ms. Wong")

Ms. Wong is the spouse of Mr. Dave Ng, one of our executive Directors, hence Ms. Wong is a connected person of our Company under Rule 14A.12(1)(a) of the Listing Rules. Ms. Wong has been a secretary of our Group since 1 January 2018 and has been responsible for providing secretarial support to us. With the experience of Ms. Wong in our Group, our Group considers it suitable to continue the employment with Ms. Wong, so we entered into a fixed term employment agreement with Ms. Wong as our Group's secretary up to 30 June 2025 ("**Employment Agreement with Ms. Wong**"). Our Directors estimate that the annual salary payable to Ms. Wong shall not exceed HK\$450,000 for each of the years ending 30 June 2023, 2024 and 2025, as determined by our Directors with reference to the salaries and other allowance paid by our Group to Ms. Wong for the years ended 30 June 2020, 2021, 2022 and the four months ended 31 October 2022 of HK\$408,000, HK\$378,000, HK\$418,000 and HK\$134,000, respectively. Our Directors consider that entering into the Employment Agreement with Ms. Wong is in our ordinary and usual course of business and the terms therein are on normal commercial terms and are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

(ii) Employment agreement with Ms. Lim

Ms. Lim is the mother of Mr. Dave Ng and Mr. Vincent Ng, our executive Directors, hence Ms. Lim is a connected person of our Company under Rule 14A.12(2)(a) of the Listing Rules. During the Track Record Period, Ms. Lim was a director of Easy Smart Engineering and E-Build Technology and was responsible for overseeing the general administrative works and operation of our Group. Although she resigned as a director of Easy Smart Engineering in September 2021, our Group considers it suitable to continue retaining Ms. Lim as a senior administrative manager so that she may continue serving our Group by overseeing our overall general administration and operation of our principal subsidiaries, Easy Smart Engineering and Easy Smart Maintenance, while also remaining as one of the directors of E-Build Technology without charging us a director's fee. We entered into a fixed term employment agreement for the position of a senior administrative manager with Ms. Lim up to 30 June 2025 ("**Employment Agreement with Ms. Lim**"). Our Directors estimate that the annual salary payable to Ms. Lim shall not exceed HK\$250,000 for each of the years ending 30 June 2023, 2024 and 2025, as determined by our Directors with reference to the salaries and other allowance paid by our Group to Ms. Lim for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 of approximately HK\$222,000, HK\$222,000, HK\$230,000 and HK\$80,000, respectively. Our Directors consider that entering into the Employment Agreement with Ms. Lim is in our ordinary and usual course of business and the terms therein are on normal commercial terms and are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

(iii) Employment agreement with Mr. Johnny Ng

Mr. Johnny Ng is a brother of Mr. Dave Ng and Mr. Vincent Ng, our executive Directors, hence Mr. Johnny Ng is a connected person of our Company under Rule 14A.12(2)(a) of the Listing Rules. Mr. Johnny Ng has been an assistant project manager of our Group since May 2003 and was promoted to the position of senior quantity surveyor manager in April 2017. Mr. Johnny Ng has been responsible for assisting us in handling costs and quantities, payment applications and approving procurements for our Group.

With his experience in our Group, our Group considers it suitable to continue the employment with Mr. Johnny Ng, so we entered into a fixed term employment agreement with Mr. Johnny Ng as our Group's senior quantity surveyor manager up to 30 June 2025 ("**Employment Agreement with Mr. Johnny Ng**").

Our Directors estimate that the annual salary payable to Mr. Johnny Ng shall not exceed HK\$550,000 for each of the years ending 30 June 2023, 2024 and 2025, as determined by our Directors with reference to the salaries and other allowance paid by our Group to Mr. Johnny Ng for the years ended 30 June 2020, 2021 and 2022 and the four months ended 31 October 2022 of approximately HK\$476,000, HK\$482,000, HK\$503,000 and HK\$146,000, respectively. Our Directors consider that entering into the Employment Agreement with Mr. Johnny Ng is in our ordinary and usual course of business and the terms therein are on normal commercial terms and are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Listing Rules implications

Since the terms and nature of the Employment Agreement with Ms. Wong, the Employment Agreement with Ms. Lim and the Employment Agreement with Mr. Johnny Ng are substantially the same, and Ms. Wong, Ms. Lim and Mr. Johnny Ng are family members and are connected persons of each other, the transactions contemplated under the Employment Agreement with Ms. Lim, the Employment Agreement with Ms. Wong and the Employment Agreement with Mr. Johnny Ng should be aggregated pursuant to the Listing Rules.

Since all of the applicable percentage ratios (other than the profits ratio) for the Employment Agreement with Ms. Wong, the Employment Agreement with Ms. Lim and the Employment Agreement with Mr. Johnny Ng are less than 5% and the total consideration is less than HK\$3,000,000, the Employment Agreement with Ms. Wong, the Employment Agreement with Ms. Lim and the Employment Agreement with Mr. Johnny Ng will be fully exempt under Chapter 14A of the Listing Rules upon the [REDACTED].

TRANSACTIONS ENTERED INTO BEFORE THE [REDACTED] WHICH WOULD OTHERWISE CONSTITUTE CONNECTED TRANSACTIONS

We have entered into certain tenancy agreements with Mr. Dave Ng, Mr. Johnny Ng and Ms. Lim, which were entered into before the [REDACTED] and are accounted as one-off in nature under HKFRS 16. If these transactions were entered into after the [REDACTED], these transactions would have constituted connected transaction of our Group. Details of these transactions are set out below in order to facilitate potential investors to anticipate that we have, before the [REDACTED], entered into transactions which would otherwise be considered as connected transactions should our Company be [REDACTED] on the Stock Exchange at the time of the relevant transactions.

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Tenancy agreements

As at the Latest Practicable Date, our Group has entered into three tenancy agreements (the "Tenancy Agreements") for renting the following properties ("Properties"), details of which are set out as follows:

Date of tenancy agreement	Property address	Parties	Approximate size of property (sq. ft.)	Total rental under the tenancy (HK\$)	Term of tenancy	Actual usage
25 May 2022	Factory E on 7 th Floor of Kingsway Industrial Building Phase II, Nos. 167-175 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	Landlord: Mr. Dave Ng Tenant: Easy Smart Engineering	3,374.9	900,000 (inclusive of government rates, government rent and management fees) (i.e. HK\$36,000 per month)	1 June 2022 to 30 June 2024	Workshop and warehouse
25 May 2022	Factory F on 7 th Floor of Kingsway Industrial Building Phase II, Nos. 167-175 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	Landlord: Mr. Johnny Ng Tenant: Easy Smart Engineering	2,243.6	600,000 (inclusive of government rent and government rates but exclusive of management fees) (i.e. HK\$24,000 per month)	1 June 2022 to 30 June 2024	Workshop and warehouse
25 May 2022	Factory G on 7 th Floor of Kingsway Industrial Building Phase II, Nos. 167-175 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	Landlord: Ms. Lim Tenant: Easy Smart Engineering	3,372.3	850,000 (inclusive of government rent but exclusive of government rates and management fees) (i.e. HK\$34,000 per month)	1 June 2022 to 30 June 2024	Workshop and warehouse

CONNECTED TRANSACTIONS

Basis of determining the rental payable

The rents were on normal commercial terms determined after arm's length negotiations based on the prevailing market rents no less favourable to those offered by Independent Third Parties for comparable properties in a similar location. In respect of the payment of rental expenses to Mr. Dave Ng, Mr. Johnny Ng and Ms. Lim, the Independent Valuer has reviewed the relevant tenancy agreements and confirmed that, with reference to the transacted rentals of relevant comparable properties and compared the differences of various factors of the relevant properties, and the relevant comparable properties such as location, quality, size and time, etc., the rental of those properties paid to Mr. Dave Ng, Mr. Johnny Ng and Ms. Lim were no less favourable to the tenant, Easy Smart Engineering. The other terms and conditions contained in the relevant tenancy agreements, including the rental payment term, rental deposit and lease period, are on normal commercial terms under prevailing market conditions and are considered as fair and reasonable. Having considered the view of the Independent Valuer, our Directors are of the view that the terms of the Tenancy Agreements are on normal commercial terms.

Reasons for the Tenancy Agreements

We have historically been using the Properties as our workshops and warehouse. Having considered that the rents of the Properties under the Tenancy Agreements are comparable to the prevailing market rents of comparable properties in similar locations, and the Tenancy Agreements have been entered into in the ordinary and usual course of business, on terms no less favourable to us than from those available to Independent Third Parties, our Directors consider that the terms of the Tenancy Agreement are fair and reasonable and it is in the interests of our Company and our Shareholders as a whole to continue using the Properties.

Accounting treatment of the Tenancy Agreements

Our Group has adopted HKFRS 16 for the accounting period beginning on 1 July 2019, pursuant to which, for the accounting period beginning on 1 July 2019, our Group as lessee shall recognize a liability to make rental payments and an asset representing the right to use the underlying asset during the term of the Tenancy Agreements. Accordingly, the transactions under the Tenancy Agreement would be regarded as acquisitions of assets by the tenant for the purpose of the Listing Rules.

Implication under the Listing Rules

As the landlords are Mr. Dave Ng, Mr. Johnny Ng and Ms. Lim who are family members and are connected persons of each other, the transactions contemplated under the Tenancy Agreements are required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. As each of the relevant percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules in respect of the aggregated value of the right-of-use of the Properties was less than 5% and the aggregated value of the right-of-use was less than HK\$3.0 million, the relevant transactions would constitute de minimis connected transactions under Rule 14A.76 of the Listing Rules and would be fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules should our Company be [REDACTED] on the Stock Exchange at the time of the relevant transactions.