
CONNECTED TRANSACTIONS

CONNECTED PERSONS

Busy Trade is one of our Controlling Shareholders and is wholly-owned by Tang’s Family, among which, 70.2% is owned by Mr. Tang, 5.0% is owned by Ms. Tang, 12.4% is owned by Mr. CL Tang and 12.4% is owned by Mr. CM Tang. Therefore, each of Busy Trade, Mr. Tang, Ms. Tang, Mr. CL Tang and Mr. CM Tang, being a Controlling Shareholder, is a connected person of our Company.

Dongguan Chengtian Zhiye Company Limited* (東莞市成田置業有限公司) (“**Chengtian Zhiye**”) was a limited liability company established on 5 January 2000 in the PRC. As at the Latest Practicable Date, Chengtian Zhiye was owned as to 30% by Dongguan Baihui Toys Company Limited* (東莞柏輝玩具有限公司) (“**Dongguan Baihui**”), a limited liability company established on 17 March 2009 in the PRC. As at the Latest Practicable Date, Dongguan Baihui was wholly-owned by Cansum Industries Limited, a company incorporated in Hong Kong with limited liability and indirectly and non-wholly owned by Tang’s Family, and therefore, both Chengtian Zhiye and Dongguan Baihui are associates of each member of Tang’s Family and connected persons of our Company.

Compass Technology Company Limited (“**Compass Technology**”) is indirectly owned as to 41.4% by Mr. Cheung Chee Wah, our non-executive Director. Hence, Compass Technology is an associate of Mr. Cheung Chee Wah and a connected person of our Company.

(I) CONNECTED TRANSACTIONS

(A) UBoT Enterprise Property Leasing Arrangement

Background and Principal Terms

During the Track Record Period, UBoT Enterprise leased from Chengtian Zhiye a manufacturing plant located at Chengtian Industrial Zone, Zhenmin Village, Shatian, Dongguan, the PRC as its production factory and dormitory.

On 27 December 2021, UBoT Enterprise renewed the tenancy and entered into a new tenancy agreement (the “**UBoT Enterprise Tenancy Agreement**”) with Chengtian Zhiye as landlord, pursuant to which Chengtian Zhiye agreed to lease a manufacturing plant located at Chengtian Industrial Zone, Zhenmin Village, Shatian, Dongguan, the PRC comprising (a) a three-storey factory building B1 of the total gross area of 2,888.6 square metres; (b) a three-storey factory building B12 of the total gross area of 2,888.6 square metres; and (c) a six-storey staff dormitory of total gross area of 2,629.92 square metres together with the right to use the open area and infrastructures in the nearby vicinity (collectively the “**UBoT Enterprise Leased Properties**”), at a monthly rent of RMB123,681 for a term of three years commencing from 1 January 2022 and ending on 31 December 2024 (both days inclusive), as its production factory and dormitory. Pursuant to the UBoT Enterprise Tenancy Agreement, UBoT Enterprise has the right to renew the tenancy agreement by giving written notice to Chengtian

CONNECTED TRANSACTIONS

Zhiye on or before 6 months from the expiry date of the UBoT Enterprise Tenancy Agreement and subject to the terms mutually agreed by the parties.

The UBoT Enterprise Tenancy Agreement was entered into (i) in the ordinary and usual course of business of our Group, (ii) on arm’s length basis, and (iii) on normal commercial terms with the rent being determined with reference to, among others, the prevailing market rates for similar properties in the same vicinity. For the three years ended 31 December 2023, the annual rent of UBoT Enterprise Leased Properties were approximately RMB1.7 million, RMB1.3 million and RMB1.4 million, respectively.

Reasons for and Benefits of the Transaction

We have been using the UBoT Enterprise Leased Properties for our production factory and workers’ dormitory during the Track Record Period. The continuation of such lease is cost efficient and is beneficial to our operations. In light of the above, our Directors are of the view that such arrangement is in the best interest of our Group and our Shareholders as a whole. Notwithstanding the above, our Directors (including the independent non-executive Directors) are of the view that the contemplated connected transactions under the UBoT Enterprise Tenancy Agreement will have no negative impact on our Group, and do not affect our operational independence. For more details, please see “Relationship with Controlling Shareholders – Independence from Controlling Shareholders – Operational Independence”.

GEM Listing Rules Implications

In accordance with IFRS 16, UBoT Enterprise recognized a right-of-use asset on its balance sheet in connection with the lease of the UBoT Enterprise Leased Properties. Therefore, the lease of the UBoT Enterprise Leased Properties will be regarded as an acquisition of a capital asset and an one-off connected transaction of the Company for the purposes of the GEM Listing Rules. Accordingly, the reporting, announcement, annual review and independent shareholders’ approval requirements in Chapter 20 of the GEM Listing Rules will not be applicable.

CONNECTED TRANSACTIONS

(B) UBOTIC MEMS Property Leasing Arrangement

Background and Principal Terms

During the Track Record Period, UBOTIC MEMS leased from Chengtian Zhiye a manufacturing plant located at Chengtian Industrial Zone, Zhenmin Village, Shatin, Dongguan, the PRC as its production factory.

On 27 December 2021, UBOTIC MEMS renewed the tenancy and entered into a new tenancy agreement (the “**UBOTIC MEMS Tenancy Agreement**”) with Chengtian Zhiye as landlord, pursuant to which Chengtian Zhiye agreed to lease a manufacturing plant located at Block H, Chengtian Industrial Zone, Zhenmin Village, Shatin, Dongguan, the PRC comprising a two-storey factory building of the total gross area of 847 square metres together with the open area and infrastructures in the nearby vicinity (collectively the “**UBOTIC MEMS Leased Property**”), at a monthly rent of RMB16,870 for a term of three years commencing from 1 January 2022 and ending on 31 December 2024 (both days inclusive), as its production factory. Pursuant to the UBOTIC MEMS Tenancy Agreement, UBOTIC MEMS has the right to renew the tenancy agreement by giving written notice to Chengtian Zhiye on or before 6 months from the expiry date of the UBOTIC MEMS Tenancy Agreement and subject to the terms mutually agreed by the parties.

The UBOTIC MEMS Tenancy Agreement were entered into (i) in the ordinary and usual course of business of our Group, (ii) on arm’s length basis, and (iii) on normal commercial terms with the rent being determined with reference to, among others, the prevailing market rates for similar properties in the same vicinity. For the three years ended 31 December 2023, the annual rent of UBOTIC MEMS Leased Property were approximately RMB193,000, RMB193,000 and RMB193,000, respectively.

Reasons for and Benefits of the Transaction

We have been using the UBOTIC MEMS Leased Property for our research and development laboratory and workshop during the Track Record Period. The location of the UBOTIC MEMS Leased Property is in the same vicinity of UBoT Enterprise Leased Properties and will facilitate the operation of the production of our Group. The continuation of such lease is cost efficient and is beneficial to our operations. In light of the above, our Directors are of the view that such arrangement is in the best interest of our Group and our Shareholders as a whole. Notwithstanding the above, our Directors (including the independent non-executive Directors) are of the view that the contemplated connected transactions under the UBOTIC MEMS Tenancy Agreement will have no negative impact on our Group, and do not affect our operational independence. For more details, please see “Relationship with Controlling

CONNECTED TRANSACTIONS

Shareholders – Independence from Controlling Shareholders – Operational Independence”

GEM Listing Rules Implications

In accordance with IFRS 16, UBOTIC MEMS recognized a right-of-use asset on its balance sheet in connection with the lease of the UBOTIC MEMS Leased Properties. Therefore, the lease of the UBOTIC MEMS Leased Properties will be regarded as an acquisition of a capital asset and an one-off connected transaction of the Company for the purposes of the GEM Listing Rules. Accordingly, the reporting, announcement, annual review and independent shareholders’ approval requirements in Chapter 20 of the GEM Listing Rules will not be applicable.

(II) FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

(A) Sharing of Electricity Supply

Background and Principal Terms

During the Track Record Period, the factory premises which form part of the UBoT Enterprise Leased Properties together with the dormitory for the Hong Kong staff in the factory owned by Dongguan Baihui shared the one and same electricity meter because the two factories are in the same neighbourhood and the electric power company which supplies electricity in Chengtian Industrial Zone only provided one electricity meter for that area. Given that (i) the electricity meter was built in the premises of the UBoT Enterprise Leased Properties and registered under the name of UBoT Enterprise; (ii) the main user of the electricity was UBoT Enterprise as Dongguan Baihui’s consumption of electricity only stems from its dormitory for their Hong Kong staff; and (iii) additional costs would be required when the parties separate the electricity meter (including but not limited to additions of machineries/equipment and renovations), UBoT Enterprise installed a device which counts the actual electricity consumption by Dongguan Baihui from the main electricity meter but not otherwise. It was the practice for the staff of UBoT Enterprise to record the reading of the device on a monthly basis which shows the actual electricity utilisation of Dongguan Baihui and to pay the electricity bills in respect of the electricity meter, while Dongguan Baihui would review the records monthly and make the electricity bills payment to UBoT Enterprise once each year (the “**Electricity Sharing Arrangement**”).

UBoT Enterprise will enter into a written agreement (the “**Electricity Agreement**”) with Dongguan Baihui in relation to the electricity supply and sharing for a term commencing from the date of the Electricity Agreement and ending on 31 December 2026. Pursuant to which, the parties shall agree that the electricity supply and sharing arrangement will be continued during the term of the Electricity Agreement and Dongguan Baihui shall be liable to pay UBoT Enterprise based on the actual electricity utilisation. Based on the historical transaction amounts, the parties propose to set out the annual caps for the three years ending 31 December 2026.

CONNECTED TRANSACTIONS

Historical Transaction Amounts, Proposed Annual Caps and Basis of Determination

The historical transaction amounts incurred by Dongguan Baihui under the Electricity Sharing Arrangement during the three years ended 31 December 2023 and the proposed annual cap to be contemplated under the Electricity Agreement for the three years ending 31 December 2026 are set out below:

Approximate historical figures (HK\$)			Proposed annual cap (HK\$)		
For the year ended 31 December			The proposed annual cap for the year ended 31 December		
2021	2022	2023	2024	2025	2026
55,000	58,000	67,000	150,000	150,000	150,000

The proposed annual caps with respect to the Electricity Agreement were determined by the parties thereto on an arm's length basis, and based on, among others, (i) the historical electricity consumption amounts of Dongguan Baihui; (ii) the possible annual increment in the electricity fee charged by the local electricity power company; and (iii) possible increment in the electricity consumption by Dongguan Baihui if and when the economy in the PRC booms after the pandemic. Our Directors (including independent non-executive Directors) have reviewed the Electricity Agreement and are of the view that the entering into of the Electricity Agreement will be in the ordinary and usual course of business and in the interest of our Shareholders as a whole and the terms therein are normal commercial terms, and are fair and reasonable.

GEM Listing Rules Implications

The transaction contemplated under the Electricity Agreement will be of continuing nature and will constitute continuing connected transactions of our Company. Upon [REDACTED], the relevant applicable percentage ratios thereunder, on an annual basis, is less than 5% and the annual consideration is less than HK\$3,000,000. Hence, the transactions contemplated thereunder will be exempt from the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Common Suppliers used by our Group and Dongguan Baihui

As our Group and Dongguan Baihui are located in the same vicinity, i.e. Chengtian Industrial Zone, Zhenmin Village, Shatin, Dongguan, the PRC, we used to source materials, consumable products and services around the vicinity. During Track Record Period, our Group and Dongguan Baihui shared several common suppliers for indirect materials, namely pigment powder and polyethylene plastic bags, consumable products, such as electronic balance and lubricant and glue stain remover and injection mold machines maintenance service. All of the above mentioned transactions were incurred in the ordinary course of business of our Group. During the Track Record

CONNECTED TRANSACTIONS

Period, save for the procurement of polyethylene plastic bags, the transaction amounts for other goods and service incurred by the Group were immaterial.

Set out below are the transaction amounts incurred by the Group for the goods or services supplied by common suppliers with Dongguan Baihui during the Track Record Period.

Goods/services	FY2021	FY2022	FY2023
	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Pigment powder	37,000	22,000	13,000
Polyethylene plastic bags	254,000	344,000	226,000
Electronic balance	11,000	10,000	1,600
Lubricant and glue stain remover	55,000	–	1,500
Injection mold machines maintenance service	–	–	1,000

Save as disclosed above, there was no overlap of suppliers nor sharing of resources between our Group and Dongguan Baihui. Save for (a) Chengtian Zhiye which entered into (1) the UBoT Enterprise Tenancy Agreement with UBoT Enterprise and (2) the UBOTIC MEMS Tenancy Agreement with UBOTIC MEMS; and (b) Dongguan Baihui which entered into the Electricity Sharing Arrangement with UBoT Enterprise, none of the Shareholders have or had any past or present relationship with the Company or its subsidiaries, or any of their respective associates.

(B) Product Procurement by Compass Technology

Background and Principal Terms

During the Track Record Period, Compass Technology was one of our customers which purchased trays from our Group.

CONNECTED TRANSACTIONS

UBoT Inc. (HK) will enter into a framework agreement (the “**Framework Agreement**”) with Compass Technology in relation to the sale and purchase of products manufactured by UBoT Inc. (HK) including trays. Pursuant to the Framework Agreement, Compass Technology may, from time to time, procure from our Group certain types of our products including trays in the ordinary course of business. The terms are to be no less favorable to our Group than those for transactions between Compass Technology and Independent Third Parties under the same conditions. The initial term of the Framework Agreement shall commence on the date of the Framework Agreement, ending on 31 December 2026.

Historical Transaction Amounts, Proposed Annual Caps and Basis of Determination

The historical procurement amounts by Compass Technology from our Group during the three years ended 31 December 2023 and the proposed annual cap to be contemplated under the Framework Agreement for the three years ending 31 December 2026 are set out below:

Approximate historical figures (HK\$)			Proposed annual cap (HK\$)		
For the year ended 31 December			The proposed annual cap for the year ended 31 December		
2021	2022	2023	2024	2025	2026
430,000	460,000	60,000	900,000	900,000	900,000

The proposed annual caps with respect to the Framework Agreement were determined by the parties thereto on an arm’s length basis, and based on, among others, (i) the historical procurement amounts of Compass Technology; and (ii) possible increment in the procurement by Compass Technology if and when the economy in the PRC and worldwide booms after the pandemic. Our Directors (including independent non-executive Directors) have reviewed the Framework Agreement and are of the view that the entering into of the Framework Agreement will be in the ordinary and usual course of business and in the interest of our Shareholders as a whole and the terms therein are normal commercial terms, and are fair and reasonable.

GEM Listing Rules Implications

The transaction contemplated under the Framework Agreement will be of continuing nature and will constitute continuing connected transactions of our Company. Upon [REDACTED], the relevant applicable percentage ratios thereunder, on an annual basis, is less than 5% and the annual consideration is less than HK\$3,000,000. Hence, the transactions contemplated thereunder will be exempt from the reporting, announcement, circular and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.