
CONNECTED TRANSACTIONS

OVERVIEW

Following the completion of the Global Offering, we will continue to be party to certain transactions that constitute continuing connected transactions of our Company as defined by the Listing Rules. Set out below is a summary of these transactions and the waivers we have applied for and have been granted by the Stock Exchange.

<u>Transaction Type</u>	<u>Applicable Stock Exchange Listing Rule</u>	<u>Waivers Applied for and Granted</u>
Property leases	Rule 14A.34	Waiver from announcement requirement
Cleaning and ancillary services	Rule 14A.34	Waiver from announcement requirement
Food and beverage supply and services	Rule 14A.34	Waiver from announcement requirement

CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING AND ANNOUNCEMENT REQUIREMENTS

Upon the completion of the Global Offering, the following transactions will be regarded as continuing connected transactions subject to reporting and announcement requirements under Rule 14A.34 of the Listing Rules. For the purpose of illustration only, certain amounts denominated in Japanese yen in this section are translated into Hong Kong dollars at the rate of ¥10.64 to HK\$1.00, which is the exchange rate prevailing on 30 March 2012 (i.e. the last business day during the Track Record Period).

Property lease agreements

Food and beverage retail outlet leases

Background

As at 31 March 2012, Dynam, a wholly-owned subsidiary of the Company, let as lessor 325 separate premises (the “Humap Premises”), being premises located next to 325 of 355 pachinko halls operated by Dynam as at 31 March 2012, to Humap, a wholly-owned subsidiary of DYH, as lessee, for use as restaurants next to the pachinko halls (the “Humap Restaurants”). The total gross floor area is approximately 12,546.09 sq.m. It is anticipated that the total rentals payable by Humap to Dynam for each of the financial years ending 31 March 2013, 2014 and 2015 will be ¥180.5 million (equivalent to approximately HK\$17.0 million), ¥193.9 million (equivalent to approximately HK\$18.2 million) and ¥207.2 million (equivalent to approximately HK\$19.5 million), respectively. It is anticipated that the total amount of utilities payable by Humap to Dynam for each of the financial years ending 31 March 2013, 2014 and 2015 will be ¥147.7 million (equivalent to approximately HK\$13.9 million), ¥158.8 million (equivalent to approximately HK\$14.9 million) and ¥169.7 million (equivalent to approximately HK\$15.9 million), respectively. The rentals were determined by the parties through arm’s length negotiations with reference to the market rates for similar premises in the vicinity of each pachinko hall.

Relationship

Humap, being a wholly-owned subsidiary of DYH, is indirectly owned by Mr. Sato, our Chief Executive Officer, Rich-O and the Sato Family Members, collectively as to approximately 83.5%, and is therefore a connected person of our Company under the Listing Rules.

CONNECTED TRANSACTIONS

Historical transaction amounts

Humap first leased premises from Dynam in 1982. The aggregate amounts of rent paid by Humap to our Group for each of the financial years ended 31 March 2010, 2011 and 2012 were approximately ¥151.4 million, ¥160.5 million and ¥165.4 million (equivalent to approximately HK\$15.5 million), respectively. The aggregate amounts of utilities paid by Humap to our Group for each of the three years ended 31 March 2010, 2011 and 2012 were approximately ¥129.2 million, ¥138.2 million and ¥141.5 million (equivalent to approximately HK\$13.3 million), respectively.

Future services

In anticipation of the Global Offering, our Company entered into a new master lease agreement with DYH on 19 June 2012 (the “Master Lease Agreement”), pursuant to which DYH has agreed to procure Humap to lease from Dynam the Humap Premises. The term of the leases granted under the Master Lease Agreement are valid from 19 June 2012 to 31 March 2015. The rent and utilities payable under the Master Lease Agreement are capped.

The Master Lease Agreement is renewable at the option of our Group. Should there be any renewal of the term of the Master Lease Agreement, our Company will ensure compliance with all relevant requirements under Chapter 14A of the Listing Rules.

Estimated annual cap on future transaction amounts

In accordance with Listing Rule 14A.35(2), the maximum aggregate annual amount of rent and utilities payable to our Group with respect to the Humap Premises shall not exceed the estimated annual caps for the financial years indicated in the following table:

	Year ending 31 March					
	2013		2014		2015	
	¥	HK\$	¥	HK\$	¥	HK\$
			<i>(in millions)</i>			
Total amount payable	328.2	30.8	352.7	33.1	376.9	35.4

In arriving at the above estimated annual caps, our Directors have considered (i) the historical rent and utilities paid by Humap; and (ii) the market rental and utilities of the properties in the same area and of similar grade to the Humap Premises. Our Directors and the property valuer, DTZ Debenham Tie Leung Limited, after reviewing the Master Lease Agreement, have confirmed that (i) its terms and conditions are fair and reasonable to the parties thereto; and (ii) the amounts payable thereunder reflect market rates.

Indoor golf simulator business premises lease

Background

On 9 August 2011, Dynam Land, a wholly-owned subsidiary of our Group, entered into a lease agreement (the “First Lease Agreement”) to let as lessor a total gross floor area of approximately 50 sq.m at the Dynam Kanamachi Minamiguchi Building to X-Golf, a wholly-owned subsidiary of DYH, for X-Golf to prepare its impending indoor golf simulation business.

On 13 October 2011, Dynam Land and X-Golf terminated the First Lease Agreement and on 14 October 2011, entered into a new lease agreement (the “Second Lease Agreement”), whereby the lettable gross floor area was increased to approximately 487 sq.m. at the Dynam Kanamachi Minamiguchi Building. It is anticipated that the total fees (including rental charges, property management fee and utilities) payable by X-Golf to Dynam Land under the Second

CONNECTED TRANSACTIONS

Lease Agreement for each of the financial years ending 31 March 2013, 2014 and 2015 will be ¥24.6 million (equivalent to approximately HK\$2.3 million), ¥24.6 million (equivalent to approximately HK\$2.3 million) and ¥24.6 million (equivalent to approximately HK\$2.3 million), respectively. These fees were determined by the parties through arm's length negotiations with reference to the market rates for similar premises in the vicinity.

Relationship

X-Golf, being a wholly-owned subsidiary of DYH, is indirectly owned by Mr. Sato, Rich-O and the Sato Family Members, collectively as to approximately 83.5%, and is therefore a connected person of our Company under the Listing Rules.

Historical transaction amounts

Dynam Land initially let a total gross floor area of approximately 50 sq.m. to X-Golf during the period from 9 August 2011 to 13 October 2011, at a monthly fee (including rental charges, property management fee and utilities) of ¥210,000. Starting from 14 October 2011, Dynam Land increased the lettable gross floor area let to X-Golf to approximately 487 sq.m. The Second Lease Agreement provides that, until X-Golf officially commenced its golf simulation business at the lettable premises, the monthly fee (including rental charges, property management fee and utilities) payable by X-Golf would be ¥204,920. On 17 January 2012, X-Golf officially commenced its business on the lettable premises and started to pay a monthly fee (including rental charges, property management fee and utilities) of ¥2,049,200 (equivalent to approximately HK\$192,594) in accordance with the Second Lease Agreement.

From 9 August 2011 to 31 March 2012, the aggregate amount of fees paid by X-Golf to our Group under the First Lease Agreement and Second Lease Agreement was approximately ¥6.1 million (equivalent to approximately HK\$0.6 million).

Future services

The Master Lease Agreement also applies to the premises that are the subject of the Second Lease Agreement, pursuant to which DYH agreed to procure X-Golf to lease such premises from Dynam Land. The term of the leases granted under the Master Lease Agreement are valid from 19 June 2012 to 31 March 2015. The fees (including rental charges, property management fee and utilities) payable under the Master Lease Agreement are capped.

The Master Lease Agreement is renewable at the option of our Group. Should there be any renewal of the term of the Master Lease Agreement, our Company will ensure compliance with all relevant requirements under Chapter 14A of the Listing Rules.

Estimated annual cap on future transaction amounts

In accordance with Listing Rule 14A.35(2), the maximum aggregate annual amount of fees (including rental charges, property management fee and utilities) payable to our Group with respect to the premises leased to X-Golf shall not exceed the estimated annual caps for the financial years indicated in the following table:

	Year ending 31 March					
	2013		2014		2015	
	¥	HK\$	¥	HK\$	¥	HK\$
			<i>(in millions)</i>			
Total amount payable	24.6	2.3	24.6	2.3	24.6	2.3

CONNECTED TRANSACTIONS

In arriving at the above estimated annual fee caps (including rental charges, property management fee and utilities) our Directors have taken into account the market rental of the properties in the same area of Tokyo and of similar grade to the premises leased to X-Golf. Our Directors and the property valuer, DTZ Debenham Tie Leung Limited, after reviewing the Master Lease Agreement, have confirmed that (i) its terms and conditions are fair and reasonable to the parties thereto; and (ii) the amounts payable thereunder reflect market rates.

Hot stone sauna business premises lease

Background

As at 31 March 2012, Dynam let premises as lessor (the “DCL Premises”) to Dynam Investment, a wholly-owned subsidiary of DYH, as lessee, for use by Dynam Investment in carrying on a hot stone sauna leisure business. The business carried on by Dynam Investment is unrelated to the business carried on by our Group. The total gross floor area is approximately 312 sq.m., consisting of a single property operated within one of the pachinko halls operated by Dynam. It is anticipated that the total rentals payable by Dynam Investment to Dynam for each of the financial years ending 31 March 2013, 2014 and 2015 will be ¥8.0 million (equivalent to approximately HK\$0.8 million), ¥8.0 million (equivalent to approximately HK\$0.8 million) and ¥8.0 million (equivalent to approximately HK\$0.8 million), respectively. The rentals were determined by the parties through arm’s length negotiations with reference to the market rates for similar premises in the vicinity.

Relationship

Dynam Investment, being a wholly-owned subsidiary of DYH, is indirectly owned by Mr. Sato, Rich-O and the Sato Family Members, collectively as to approximately 83.5%, and is therefore a connected person of our Company under the Listing Rules.

Historical transaction amounts

Dynam first let the DCL Premises to Dynam Investment in 2006. The aggregate amounts of rent paid by Dynam Investment to our Group for each of the financial years ended 31 March 2010, 2011 and 2012 were approximately ¥7.7 million, ¥7.7 million and ¥7.7 million (equivalent to approximately HK\$0.7 million), respectively.

Future services

The Master Lease Agreement also applies to the DCL Premises, pursuant to which our Company has agreed to procure Dynam to lease the DCL Premises to Dynam Investment. The term of the leases granted under the Master Lease Agreement are valid from 19 June 2012 to 31 March 2015. The rent payable under the Master Lease Agreement is capped.

The Master Lease Agreement is renewable at the option of our Group. Should there be any renewal of the term of the Master Lease Agreement, our Company will ensure compliance with all relevant requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Estimated annual cap on future transaction amounts

In accordance with Listing Rule 14A.35(2), the maximum aggregate annual amount of rent payable to our Group with respect to the DCL Premises shall not exceed the estimated annual caps for the financial years indicated in the following table:

	Year ending 31 March					
	2013		2014		2015	
	¥	HK\$	¥	HK\$	¥	HK\$
			<i>(in millions)</i>			
Total amount payable	8.0	0.8	8.0	0.8	8.0	0.8

In arriving at the above estimated annual caps, our Directors have considered (i) the historical rental paid by Dynam Investment; and (ii) the market rental of the properties in the same area and of similar grading as the DCL Premises. Our Directors and the property valuer, DTZ Debenham Tie Leung Limited, after reviewing the Master Lease Agreement, have confirmed that (i) its terms and conditions are fair and reasonable to the parties thereto; and (ii) the amounts payable thereunder reflect market rates.

Training centre

Background

As at 31 March 2012, Dynam as lessee leased premises (the “Training Centre”) from Dynam Investment as lessor for use by Dynam as a training centre and conference facility centre. The business carried on by Dynam Investment is unrelated to the business carried on by our Group. The total gross floor area is approximately 11,634 sq.m. It is anticipated that the total rent payable by Dynam to Dynam Investment for each of the financial years ending 31 March 2013, 2014 and 2015 will be ¥44.9 million (equivalent to approximately HK\$4.2 million), ¥44.9 million (equivalent to approximately HK\$4.2 million) and ¥44.9 million (equivalent to approximately HK\$4.2 million), respectively. The rentals were determined by the parties through arm’s length negotiations with reference to the market rates for similar premises in the vicinity.

Relationship

Dynam Investment, being a wholly-owned subsidiary of DYH, is indirectly owned by Mr. Sato, Rich-O and the Sato Family Members, collectively as to approximately 83.5%, and is therefore a connected person of our Company under the Listing Rules.

Historical transaction amounts

Dynam Investment first let the Training Centre to Dynam in 2004. The aggregate amounts of rent paid to Dynam Investment by our Group for each of the financial years ended 31 March 2010, 2011 and 2012 were approximately ¥44.9 million, ¥44.9 million and ¥44.9 million (equivalent to approximately HK\$4.2 million), respectively.

Future services

The Master Lease Agreement also applies to the Training Centre, pursuant to which our Company has agreed to procure Dynam to lease the Training Centre from Dynam Investment. The term of the leases granted under the Master Lease Agreement are valid from 19 June 2012 to 31 March 2015. The rent payable under the Master Lease Agreement is capped.

CONNECTED TRANSACTIONS

The Master Lease Agreement is renewable at the option of our Group. Should there be any renewal of the term of the Master Lease Agreement, our Company will ensure compliance with all relevant requirements under Chapter 14A of the Listing Rules.

Estimated annual cap on future transaction amounts

In accordance with Listing Rule 14A.35(2), the maximum aggregate annual amount of rent payable by our Group with respect to the Training Centre shall not exceed the estimated annual caps for the financial years indicated in the following table:

	Year ending 31 March					
	2013		2014		2015	
	¥	HK\$	¥	HK\$	¥	HK\$
	<i>(in millions)</i>					
Total amount payable	44.9	4.2	44.9	4.2	44.9	4.2

In arriving at the above estimated annual caps, our Directors have considered (i) the historical rental paid to Dynam Investment; and (ii) the market rent of the properties in the same area and of similar grading as the Training Centre. Our Directors and the property valuer, DTZ Debenham Tie Leung Limited, after reviewing the Master Lease Agreement, have confirmed that (i) its terms and conditions are fair and reasonable to the parties thereto; and (ii) the amounts payable thereunder reflect market rates.

Bicycle parking area

Background

As at 31 March 2012, Dynam as lessee leased premises (the “Bicycle Parking Area”) from Dynam Investment as lessor for use by Dynam as a bicycle parking area available to the customers of a nearby pachinko hall in Tokyo. The business carried on by Dynam Investment is unrelated to the business carried on by our Group. The total gross floor area is approximately 348.41 sq.m. It is anticipated that the total rentals payable by Dynam to Dynam Investment for each of the financial years ending 31 March 2013, 2014 and 2015 will be ¥9 million (equivalent to approximately HK\$0.8 million), ¥9 million (equivalent to approximately HK\$0.8 million) and ¥9 million (equivalent to approximately HK\$0.8 million), respectively. The rentals were determined by the parties through arm’s length negotiations with reference to the market rates for similar premises in the vicinity.

Relationship

Dynam Investment, being a wholly-owned subsidiary of DYH, is indirectly owned by Mr. Sato, Rich-O and the Sato Family Members, collectively as to approximately 83.5%, and is therefore a connected person of our Company under the Listing Rules.

Historical transaction amounts

Dynam Investment first let the Bicycle Parking Area to Dynam in 2003. The aggregate amounts of rent paid to Dynam Investment by our Group for each of the financial years ended 31 March 2010, 2011 and 2012 were approximately ¥10.4 million, ¥9 million and ¥9 million (equivalent to approximately HK\$0.8 million), respectively.

CONNECTED TRANSACTIONS

Future services

The Master Lease Agreement also applies to the Bicycle Parking Area, pursuant to which our Company has agreed to procure Dynam to lease the Bicycle Parking Area from Dynam Investment. The term of the leases granted under the Master Lease Agreement are valid from 19 June 2012 to 31 March 2015. The rent payable under the Master Lease Agreement is capped.

The Master Lease Agreement is renewable at the option of our Group. Should there be any renewal of the term of the Master Lease Agreement, our Company will ensure compliance with all relevant requirements under Chapter 14A of the Listing Rules.

Estimated annual cap on future transaction amounts

In accordance with Listing Rule 14A.35(2), the maximum aggregate annual amount of rent payable by our Group with respect to the Bicycle Parking Area shall not exceed the estimated annual caps for the financial years indicated in the following table:

	Year ending 31 March					
	2013		2014		2015	
	¥	HK\$	¥	HK\$	¥	HK\$
			<i>(in millions)</i>			
Total amount payable	9.0	0.8	9.0	0.8	9.0	0.8

In arriving at the above estimated annual caps, our Directors have considered (i) the historical rental paid to Dynam Investment; and (ii) the market rental of the properties in the same area and of similar grading as the Bicycle Parking Area. Our Directors and the property valuer, DTZ Debenham Tie Leung Limited, after reviewing the Master Lease Agreement, have confirmed that (i) its terms and conditions are fair and reasonable to the parties thereto; and (ii) the amounts payable thereunder reflect market rates.

Cleaning and ancillary service agreements

Hall Cleaning and Ancillary Services

Background

During the Track Record Period, Dynam procured pachinko hall cleaning and ancillary services (which includes general repair and maintenance services of pachinko halls) (the “Hall Cleaning and Ancillary Services”) from Humap. It is anticipated that the total fees payable to Humap for each of the financial years ending 31 March 2013, 2014 and 2015 will be ¥4,500 million (equivalent to approximately HK\$422.9 million), ¥5,000 million (equivalent to approximately HK\$469.9 million) and ¥5,500 million (equivalent to approximately HK\$516.9 million), respectively. The fees for the Hall Cleaning and Ancillary Services were determined by the parties through arm’s length negotiations with reference to market rates.

Save for nine pachinko halls where cleaning and ancillary services were performed by external third party service providers and/or employees of our Group, Humap performed Hall Cleaning and Ancillary Services in all pachinko halls operated by our Group during the Track Record Period.

CONNECTED TRANSACTIONS

Relationship

Humap, being a wholly-owned subsidiary of DYH, is indirectly owned by Mr. Sato, Rich-O and the Sato Family Members, collectively as to approximately 83.5%, and is therefore a connected person of our Company under the Listing Rules.

Historical transaction amounts

The historical amounts charged to Dynam for each of the financial years ended 31 March 2010, 2011 and 2012 were approximately ¥4,595 million, ¥4,207 million and ¥4,254 million (equivalent to approximately HK\$400 million), respectively, and such fees were calculated on the basis of market rates during such periods. The amount paid by Dynam for the Hall Cleaning and Ancillary Services for the year ended 31 March 2011 was less than the amount paid for the year ended 31 March 2010 due to a review of hall cleaning expenses and a resulting reduction of the scope and frequency of such services.

Future services

In anticipation of the Global Offering, our Company entered into a hall cleaning and ancillary services agreement with DYH (for and on behalf of Humap) on 19 June 2012 (the "Hall Cleaning and Ancillary Services Agreement"), which will expire on 31 March 2015. Under the Hall Cleaning and Ancillary Services Agreement, our Company will continue to procure Dynam, Okuwa Japan, Cabin Plaza and Daikokuten to procure the Hall Cleaning and Ancillary Services from Humap.

Estimated annual cap on future transaction amounts

In accordance with Listing Rule 14A.35(2), the maximum aggregate annual amounts payable for the Hall Cleaning and Ancillary Services by our Group to Humap shall not exceed the estimated annual caps for the financial years indicated in the following table:

	Year ending 31 March					
	2013		2014		2015	
	¥	HK\$	¥	HK\$	¥	HK\$
Total amount payable	4,500.0	422.9	5,000.0	469.9	5,500.0	516.9

In arriving at the above estimated annual caps, our Directors have considered (i) the transaction amounts charged by Humap during the Track Record Period; (ii) the rate commanded elsewhere in the market for services analogous to the Hall Cleaning and Ancillary Services; and (iii) our Group's need for Hall Cleaning and Ancillary Services on a basis commensurate with the 75 new pachinko halls that our Group may open before 31 March 2015, representing an approximately 21% increase from the number of pachinko halls as at 31 March 2012. Our Directors, after reviewing the Hall Cleaning and Ancillary Services Agreement, have confirmed that its terms and conditions are fair and reasonable to the parties thereto; and (ii) the amounts payable thereunder reflect market rates.

Office Cleaning and Ancillary Services

Background

For the financial year ended 31 March 2010, our Group procured office premises cleaning and ancillary services (which includes general repair and maintenance of office premises) (the "Office Cleaning and Ancillary Services") from Humap and external third party service providers, and continued to do so through February 2011. In March 2011, our Group ceased to procure the

CONNECTED TRANSACTIONS

Office Cleaning and Ancillary Services from Humap and began to procure such services from Business Partners. For the financial year ended 31 March 2012, our Group procured Office Cleaning and Ancillary Services from Business Partners and external third party service providers. It is anticipated that, upon the Listing, the Office Cleaning and Ancillary Services will be exclusively performed by Business Partners and the estimated total fees payable to Business Partners for the Office Cleaning and Ancillary Services for each of the financial years ending 31 March 2013, 2014 and 2015 will be ¥18.0 million (equivalent to approximately HK\$1.7 million), ¥20.0 million (equivalent to approximately HK\$1.9 million), and ¥23.0 million (equivalent to approximately HK\$2.2 million), respectively. The amounts payable for the Office Cleaning and Ancillary Services were determined by the parties through arm's length negotiations with reference to market rates.

Relationship

Business Partners, being a wholly-owned subsidiary of DYH, is indirectly owned by Mr. Sato, Rich-O and the Sato Family Members, collectively as to approximately 83.5%, and is therefore a connected person of our Company under the Listing Rules.

Historical transaction amounts

For the financial year ended 31 March 2010, our Group procured Office Cleaning and Ancillary Services from Humap and external third party service providers. The historical amount charged by Humap during the same period was approximately ¥0.7 million, and such fee was calculated on the basis of market rates. The historical amount charged by external third party service providers during the same period totaled approximately ¥21.3 million in the aggregate.

From April 2010 to February 2011, our Group continued to procure Office Cleaning and Ancillary Services from Humap and external third party service providers. In March 2011, our Group ceased to procure the Office Cleaning and Ancillary Services from Humap and began to procure such services from Business Partners. The historical amount charged by Humap for the financial year ended 31 March 2011 was approximately ¥0.9 million and the historical amount charged by Business Partners during the same period was approximately ¥0.1 million. The historical amount charged by external third party service providers during the same period totaled approximately ¥19.4 million in the aggregate.

For the financial year ended 31 March 2012, our Group procured Office Cleaning and Ancillary Services only from Business Partners and external third party service providers. The historical amount charged by Business Partners during this period was approximately ¥9.3 million (equivalent to approximately HK\$0.9 million). The historical amount charged by external third party service providers during the same period totaled approximately ¥15.0 million (equivalent to approximately HK\$1.4 million) in the aggregate.

The following table sets out Office Cleaning and Ancillary Service providers by period:

	Financial year ended 31 March 2010	April 2010 to February 2011	March 2011	April 2011 to March 2012	Upon Listing
Humap	✓	✓			
Third party service providers .	✓	✓	✓	✓	
Business Partners			✓	✓	✓

It is anticipated that upon Listing, the Office Cleaning and Ancillary Services will be exclusively conducted by Business Partners.

CONNECTED TRANSACTIONS

Future services

In anticipation of the Global Offering, our Company entered into an office cleaning and ancillary services agreement with DYH (for and on behalf of Business Partners) on 19 June 2012 (the “Office Cleaning and Ancillary Services Agreement”), which will expire on 31 March 2015. Under the Office Cleaning and Ancillary Services Agreement, our Company will continue to procure members of our Group to procure the Office Cleaning and Ancillary Services from Business Partners.

Estimated annual cap on future transaction amounts

In accordance with Listing Rule 14A.35(2), the maximum aggregate annual amounts payable for Office Cleaning and Ancillary Services by our Group to Business Partners shall not exceed the estimated annual caps for the financial years indicated in the following table:

	Year ending 31 March					
	2013		2014		2015	
	¥	HK\$	¥	HK\$	¥	HK\$
	<i>(in millions)</i>					
Total amount payable	18.0	1.7	20.0	1.9	23.0	2.2

In arriving at the above estimated annual caps, our Directors have considered (i) the transaction amounts charged by Humap and Business Partners during the Track Record Period; (ii) the rate commanded elsewhere in the market for services analogous to the Office Cleaning and Ancillary Services; (iii) our Group’s need for Office Cleaning and Ancillary Services on a basis commensurate with our Group’s current office leasing agreements; and (iv) the projected increase in aggregate office space that would require the Office Cleaning and Ancillary Services due to the expected growth in our headcount and office infrastructure in anticipation of our future growth by 31 March 2015. Our Directors, after reviewing the Office Cleaning and Ancillary Services Agreement, have confirmed that (i) its terms and conditions are fair and reasonable to the parties thereto; and (ii) the amounts payable thereunder reflect market rates.

By way of reference, the aggregate cleaning expenses attributable to the Office Cleaning and Ancillary Services performed by Humap, Business Partners and external third party service providers were approximately ¥22.0 million, ¥20.4 million and ¥24.3 million (equivalent to approximately HK\$2.3 million) for each of the financial years ended 31 March 2010, 2011 and 2012, respectively. The estimated annual caps are moderately lower than our historical cleaning expenses during the Track Record Period due to the fact that cleaning expenses for the premises leased to X-Golf, a subsidiary of DYH, on 9 August 2011 are at the expense of X-Golf.

Food and beverage supply and services agreements

General prizes procurement

Background

During the Track Record Period, Dynam purchased pastry, coffee and tobacco products to be offered as general prizes at the pachinko halls operated by our Group (the “General Prizes”). It is anticipated that the total amounts payable to Humap for each of the financial years ending 31 March 2013, 2014 and 2015 will be ¥610 million (equivalent to approximately HK\$57.3 million), ¥660 million (equivalent to approximately HK\$62.0 million) and ¥710 million (equivalent

CONNECTED TRANSACTIONS

to approximately HK\$66.7 million), respectively, taking into account new halls that our Group may open before 31 March 2015. The amounts payable for the General Prizes were determined by the parties through arm's length negotiations with reference to market rates.

Relationship

Humap, being a wholly-owned subsidiary of DYH, is indirectly owned by Mr. Sato, Rich-O and the Sato Family Members, collectively as to approximately 83.5%, and is therefore a connected person of our Company under the Listing Rules.

Historical transaction amounts

The historical amounts charged to Dynam by Humap for the General Prizes for each of the financial years ended 31 March 2010, 2011 and 2012 were approximately ¥788 million, ¥602 million and ¥518 million (equivalent to approximately HK\$48.7 million), respectively, and such fees were calculated on the basis of market rates over such periods after arm's length negotiations. The amounts charged to Dynam by Humap were more favourable to Dynam as compared to amounts chargeable to third party customers by Humap for similar products. The decreasing trend in the amount paid by Dynam to Humap for the General Prizes was due to the gradual decrease of pastry, coffee and tobacco products being offered as general prizes to our customers during the Track Record Period.

Future services

In anticipation of the Global Offering, our Company entered into a general prizes agreement with DYH (for and on behalf of Humap) on 19 June 2012 (the "General Prizes Supply Agreement"), which will expire on 31 March 2015. Under the General Prizes Supply Agreement, our Company will continue to procure Dynam to procure the General Prizes from Humap.

Estimated annual cap on future transaction amounts

In accordance with Listing Rule 14A.35(2), the maximum aggregate annual amounts payable for the General Prizes by Dynam to Humap shall not exceed the estimated annual caps for the financial years indicated in the following table:

	Year ending 31 March					
	2013		2014		2015	
	¥	HK\$	¥	HK\$	¥	HK\$
	<i>(in millions)</i>					
Total amount payable	610.0	57.3	660.0	62.0	710.0	66.7

In arriving at the above annual caps, our Directors have considered (i) the transaction amounts charged by Humap during the Track Record Period; (ii) the prices commanded elsewhere in the market for analogous commercial arrangements; (iii) our Group's projected need for General Prizes commensurate with future business growth; and (iv) the number of new halls that our Group may open before 31 March 2015. Our Directors, after reviewing the General Prizes Supply Agreement have confirmed that (i) its terms and conditions are fair and reasonable to the parties thereto; and (ii) the amounts payable thereunder reflect market rates.

CONNECTED TRANSACTIONS

Vending Machine Licence

Background

During the Track Record Period, Dynam and Humap were parties to a coffee vending machines royalty arrangement pursuant to which Dynam allowed Humap to install coffee vending machines at the pachinko halls operated by our Group (the “Vending Machine Licence”) in exchange for a fixed fee of ¥10,000 per machine and an additional royalty of 20% of the sales generated from the vending machines. Provided as a means of start-up allowance, the fixed fee of ¥10,000 per machine was not chargeable for the financial year ended 31 March 2010. It is anticipated that the total amounts payable to our Group for each of the financial years ending 31 March 2013, 2014 and 2015 will be ¥26 million (equivalent to approximately HK\$2.4 million), ¥35 million (equivalent to approximately HK\$3.3 million) and ¥43 million (equivalent to approximately HK\$4.0 million), respectively. The amounts chargeable for the Vending Machine Licence were determined by the parties through arm’s length negotiations with reference to market rates.

Relationship

Humap is indirectly owned by Mr. Sato, Rich-O and the Sato Family Members, collectively as to approximately 83.5%, and is therefore a connected person of our Company under the Listing Rules.

Historical transaction amounts

The historical amounts paid to Dynam by Humap by way of royalties from the sale of coffee from vending machines under the Vending Machine Licence for each of the financial years ended 31 March 2010, 2011 and 2012 were approximately ¥1.1 million, ¥10.3 million and ¥25.7 million (equivalent to approximately HK\$2.4 million), respectively, and such fees were determined after arm’s length negotiations. Provided as a means of start-up allowance, the fixed fee of ¥10,000 per machine was not chargeable for the financial year ended 31 March 2010. The amounts payable to Dynam by Humap were more favourable to Dynam as compared to amounts payable by third party service providers for similar services.

The increase in historical amounts paid to Humap by Dynam under the Vending Machine Licence was due to (i) increase in the number of vending machines installed at our pachinko halls; and (ii) growth in the revenue generated through such vending machines.

Future services

In anticipation of the Global Offering, our Company entered into a vending machine licence agreement with DYH (for and on behalf of Humap) on 19 June 2012 (the “Vending Machine Licence Agreement”), which will expire on 31 March 2015. Under the Vending Machine Licence Agreement, our Company will continue to procure Dynam to procure the Vending Machine Licence from Humap.

CONNECTED TRANSACTIONS

Estimated annual cap on future transaction amounts

In accordance with Rule 14A.35(2), the maximum aggregate annual amounts payable for the Vending Machine Licence by Humap to Dynam shall not exceed the estimated annual caps for the financial years indicated in the following table:

	Year ending 31 March					
	2013		2014		2015	
	¥	HK\$	¥	HK\$	¥	HK\$
			<i>(in millions)</i>			
Total amount payable	26.0	2.4	35.0	3.3	43.0	4.0

In arriving at the above estimated annual caps, our Directors have considered (i) the royalties paid by Humap during the Track Record Period; (ii) the prices commanded elsewhere in the market for analogous commercial arrangements; (iii) the benefits of the Vending Machine Licence; (iv) the number of new halls that our Group may open before 31 March 2015; and (v) the number of vending machines we expect to install at our existing and new pachinko halls by 31 March 2015. Our Directors, after reviewing the Vending Machine Licence Agreement, have confirmed that (i) its terms and conditions are fair and reasonable to the parties thereto; and (ii) the amounts payable thereunder reflect market rates.

Coffee Wagon Licence

Background

During the Track Record Period, Dynam and Humap were parties to a coffee wagon services arrangement whereby Dynam allowed Humap to sell coffee from coffee wagons and service carts at the pachinko halls operated by our Group (the “Coffee Wagon Licence”). Under the Coffee Wagon Licence, Dynam is entitled to a royalty of 15% of the revenue generated from the coffee wagon services, except for sales attributable to purchases by Dynam’s employees. By way of employee benefit, it has been the practice of Dynam to offer a discount of ¥50 or ¥100 per cup, depending on the retail price, to its employees and to write off that amount from the royalty payments due to it from Humap.

It is anticipated that the total amounts of the royalties payable by Humap to our Group for each of the financial years ending 31 March 2013, 2014 and 2015 will be ¥27 million (equivalent to approximately HK\$2.5 million), ¥29 million (equivalent to approximately HK\$2.7 million), and ¥32 million (equivalent to approximately HK\$3.0 million), respectively. The amounts chargeable for the Coffee Wagon Licence were determined by the parties through arm’s length negotiations with reference to market rates.

Relationship

Humap is indirectly owned by Mr. Sato, Rich-O and the Sato Family Members, collectively as to approximately 83.5%, and is therefore a connected person of our Company under the Listing Rules.

Historical transaction amounts

The historical amounts paid to Dynam by Humap by way of royalties from the sales of coffee from wagons under the Coffee Wagon Licence for each of the financial years ended 31 March 2010, 2011 and 2012 were approximately ¥29.2 million, ¥27.6 million and ¥26.6 million (equivalent to approximately HK\$2.5 million), respectively, and such fees were determined with reference to market rates after arm’s length negotiations.

CONNECTED TRANSACTIONS

Future services

In anticipation of the Global Offering, our Company entered into a coffee wagon licence agreement with DYH (for and on behalf of Humap) on 19 June 2012 (the “Coffee Wagon Licence Agreement”), which will expire on 31 March 2015. Under the Coffee Wagon Licence Agreement, our Company will continue to procure Dynam to grant the Coffee Wagon Licence to Humap.

Estimated annual cap on future transaction amounts

In accordance with Rule 14A.35(2), the maximum aggregate annual amounts payable for the Coffee Wagon Licence by Humap to Dynam shall not exceed the estimated annual caps for the financial years indicated in the following table:

	Year ending 31 March					
	2013		2014		2015	
	¥	HK\$	¥	HK\$	¥	HK\$
			<i>(in millions)</i>			
Total amount payable	27.0	2.5	29.0	2.7	32.0	3.0

In arriving at the above estimated annual caps, our Directors have considered (i) royalties paid by Humap during the Track Record Period; (ii) the prices commanded elsewhere in the market by other providers of similar beverage services; (iii) the benefits of the Coffee Wagon Licence; (iv) the number of new halls that our Group may open before 31 March 2015; and (v) the number of existing and new pachinko halls at which we expect to allow Humap to conduct coffee sales by way of wagon services by 31 March 2015. Our Directors, after reviewing the Coffee Wagon Licence Agreement have confirmed that (i) its terms and conditions are fair and reasonable to the parties thereto; and (ii) the amounts payable thereunder reflect market rates.

Staff cafeteria service

Background

During the Track Record Period, Dynam entered into arrangements with Humap whereby Humap agreed to (i) operate a cafeteria for the benefit of our employees from premises at our headquarters licensed to Humap (the “Staff Cafeteria Services”); and (ii) provide staff working at our pachinko halls with a discount on the retail price of food at the Humap Restaurants (the “Discount Services”) (collectively, the “Cafeteria Services”). It is anticipated that the total amounts payable to Humap for each of the financial years ending 31 March 2013, 2014 and 2015 will be ¥60.0 million (equivalent to approximately HK\$5.6 million), ¥65.0 million (equivalent to approximately HK\$6.1 million) and ¥80.0 million (equivalent to approximately HK\$7.5 million), respectively. The amounts payable for the Cafeteria Services are fixed prices which differ depending on the type of food and were determined after arm’s length negotiations.

Relationship

Humap is indirectly owned by Mr. Sato, Rich-O and the Sato Family Members, collectively as to approximately 83.5%, and is therefore a connected person of our Company under the Listing Rules.

Historical transaction amounts

The historical amounts paid by Dynam to Humap for the Cafeteria Services for each of the financial years ended 31 March 2010, 2011 and 2012 were approximately ¥89.6 million, ¥51.0 million and ¥53.8 million (equivalent to approximately HK\$5.1 million), respectively, and such fees were calculated on the basis of market rates during such periods. The historical amount for

CONNECTED TRANSACTIONS

the financial year ended 31 March 2010 was significantly higher than the amounts for other periods during the Track Record Period due to non-recurring fees for a series of staff events that took place in the financial year ended 31 March 2010.

Future services

In anticipation of the Global Offering, our Company entered into an agreement with respect to the Staff Cafeteria Services (the “Staff Cafeteria Agreement”) and an agreement with respect to the Discount Services (the “Staff Discount Agreement”) with DYH (for and on behalf of Humap) on 19 June 2012 (collectively, the “Staff Cafeteria and Discount Agreements”), both of which will expire on 31 March 2015. Under the Staff Cafeteria and Discount Agreements, our Company will continue to procure Dynam to procure the Cafeteria Services from Humap.

Estimated annual cap on future transaction amounts

In accordance with Listing Rule 14A.35(2), the maximum aggregate annual amounts payable for the Cafeteria Services by Dynam to Humap shall not exceed the estimated annual caps for the financial years indicated in the following table:

	Year ending 31 March					
	2013		2014		2015	
	¥	HK\$	¥	HK\$	¥	HK\$
Total amount payable	60.0	5.6	65.0	6.1	80.0	7.5

In arriving at the above estimated annual caps, our Directors have considered (i) the transaction amounts charged by Humap during the Track Record Period; (ii) our Group’s projected need for the Cafeteria Services; and (iii) the number of new pachinko halls our Group may open before 31 March 2015. Our Directors, after reviewing the Staff Cafeteria and Discount Agreements have confirmed that (i) their terms and conditions are fair and reasonable to the parties thereto; and (ii) the amounts payable thereunder reflect market rates.

APPLICATION FOR WAIVERS

Our Directors (including our independent non-executive Directors) are of the opinion that the transactions described in this section have been entered into, and will be carried out following the completion of the Global Offering, in the ordinary and usual course of our businesses and on normal or better than normal commercial terms, as the case may be, from the perspective of our Company, and that the terms of the transactions and the Proposed Annual Caps (as defined below) are fair and reasonable and in the interests of our Shareholders as a whole.

Waivers from compliance with announcement requirements

With respect to the transactions described in this section, each of the percentage ratios (other than profit ratio), calculated by reference to Rule 14.07 of the Listing Rules are expected to be less than 5% on an annual basis. Accordingly, these transactions are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the prior independent Shareholders’ approval requirement set out in Rule 14A.48 of the Listing Rules.

As these transactions are expected to continue on a recurring basis after the Listing, have been entered into prior to the Listing Date, have been fully disclosed in this Prospectus, potential investors will participate in the Global Offering on the basis of such disclosure, our

CONNECTED TRANSACTIONS

Directors consider that it would not be practical, and would add unnecessary administrative costs to our Company, to make disclosure of each of such transactions in compliance with the reporting and announcement requirements in Rules 14A.45 to 14A.47 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver pursuant to Rule 14A.42(3) of the Listing Rules to exempt these transactions from compliance with the announcement requirement under the Listing Rules. In addition, we confirm that we will comply with Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules with respect to these transactions.

The following table presents the applicable limits for the financial years indicated on the maximum aggregate annual amounts (the “Proposed Annual Caps”) for the transactions described in this section in respect of Rules 14A.35(2) and 14A.36(1) of the Listing Rules.

Nature of transaction(s)	Year ending 31 March					
	2013		2014		2015	
	¥	HK\$	¥ (in millions)	HK\$	¥	HK\$
Food and beverage retail outlet lease	328.2	30.8	352.7	33.1	376.9	35.4
Indoor golf simulator business premises lease	24.6	2.3	24.6	2.3	24.6	2.3
Hot stone sauna business premises lease	8.0	0.8	8.0	0.8	8.0	0.8
Training centre	44.9	4.2	44.9	4.2	44.9	4.2
Bicycle parking area	9.0	0.8	9.0	0.8	9.0	0.8
Hall Cleaning and Ancillary Services Agreement	4,500.0	422.9	5,000.0	469.9	5,500.0	516.9
Office Cleaning and Ancillary Services Agreement	18.0	1.7	20.0	1.9	23.0	2.2
General Prizes Supply Agreement	610.0	57.3	660.0	62.0	710.0	66.7
Vending Machine Licence Agreement	26.0	2.4	35.0	3.3	43.0	4.0
Coffee Wagon Licence Agreement	27.0	2.5	29.0	2.7	32.0	3.0
Staff Cafeteria and Discount Agreements	60.0	5.6	65.0	6.1	80.0	7.5
	<u>5,655.7</u>	<u>531.3</u>	<u>6,248.2</u>	<u>587.1</u>	<u>6,851.4</u>	<u>643.8</u>

Confirmation from the Joint Sponsors

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by our Company in relation to the transactions described in this section and have also conducted due diligence by discussing with our Company and our Company’s advisers and have obtained the necessary representations and information from our Company. On this basis, the Joint Sponsors are of the view that (i) the transactions described in this section have been entered into in the ordinary and usual course of our Company’s business, on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the respective annual caps set for the transactions described in this section are fair and reasonable and in the interests of our Shareholders as a whole.