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## CONTINUING CONNECTED TRANSACTIONS

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### RELATIONSHIP BETWEEN OUR GROUP AND THE CONNECTED PERSONS

#### (1) Mr. Suen Yuen Fu

Mr. Peter Sun, being our chairman, our executive Director and one of the Controlling Shareholders, will become a connected person of our Company under Rule 14A.11(1) of the Listing Rules upon Listing.

Mrs. Chow Suen Christina, being our executive Director, will also become a connected person of our Company under Rule 14A.11(1) of the Listing Rules upon Listing.

Mr. Suen Yuen Fu is the father of Mr. Peter Sun and Mrs. Chow Suen Christina, and accordingly he is an associate of both Mr. Peter Sun and Mrs. Chow Suen Christina under Rule 14A.11(4) of the Listing Rules upon Listing.

Under the Listing Rules, for so long as either Mr. Peter Sun or Mrs. Chow Suen Christina remains a connected person of our Company, the following transaction between Mr. Suen Yuen Fu and our Group would constitute continuing connected transaction upon Listing.

#### (2) Innotech

As at the Latest Practicable Date, Innotech was owned as to 71% by Gold Joy and 29% by Mr. Alan Suen. Gold Joy was a company owned as to 52.94% by Mrs. Chow Suen Christina, our executive Director, 17.65% by Mr. Yau Lam Chuen, one of our Controlling Shareholders, 17.65% by Mr. David Wong, our executive Director and one of our Controlling Shareholders and 11.76% by Mr. Yung Ching Tak, one of our Controlling Shareholders. As Mrs. Chow Suen Christina, a connected person upon Listing as set out above, owned 52.94% of the entire issued share capital of Gold Joy, Gold Joy is a connected person under Rule 14A.11(4) of the Listing Rules. In view of such relationship, Innotech, being an associate of a connected person, is considered to be a connected person of our Company.

Under the Listing Rules, for so long as Mrs. Chow Suen Christina remains a connected person of our Company, the following transactions between the Innotech Group and our Group would constitute continuing connected transactions upon Listing.

### EXEMPTED CONTINUING CONNECTED TRANSACTION

The following connected transaction will constitute exempted continuing connected transaction for our Company under Rule 14A.33(3) of the Listing Rules and will be exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The following transaction is undertaken on normal commercial terms. The applicable percentage ratios (other than the profits ratio) of the following transaction on an annual basis are less than 0.1%.

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### **Tenancy Agreement**

#### *Background*

Since 1987, KFM-HK has been leasing Block A3, 10/F., Yee Lim Industrial Centre, 2-28 Kwai Lok Street, Kwai Chung, New Territories, Hong Kong (the “**Kwai Chung Property**”) as its office. Our Directors consider that the entering into of the Tenancy Agreement is in the interest of our Group as a whole.

#### *Principal terms*

On 20 April 2011, Mr. Suen Yuen Fu as landlord and KFM-HK as tenant entered into the Tenancy Agreement, pursuant to which Mr. Suen Yuen Fu agreed to let to KFM-HK the Kwai Chung Property as office for a term of two years from 1 April 2011 at a monthly rent of HK\$28,000, exclusive of utilities and other charges which are payable by the tenant. The Tenancy Agreement stipulated that KFM-HK shall not terminate the Tenancy Agreement during the term of the Tenancy Agreement, otherwise it is required to pay the rental for the remaining term of the Tenancy Agreement. If KFM-HK requests to terminate the Tenancy Agreement on or before 31 March 2012, Mr. Suen Yuen Fu is entitled to keep the deposit which is equivalent to one month’s rental.

### **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

The following continuing connected transactions will constitute non-exempt continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

#### **(1) Tooling Master Agreement**

##### *Background*

During the Track Record Period, the Innotech Group has been supplying tooling and moulding products to our Group. The historical transaction amounts for the purchase of tooling and moulding products from the Innotech Group were approximately HK\$1.44 million, HK\$2.26 million and HK\$2.10 million for the three years ended 31 March 2012, respectively.

For the year ended 31 March 2010, our Group has also been supplying other moulding products to the Innotech Group, which were different from the moulding products supplied by the Innotech Group to our Group, in the amount of approximately HK\$66,800. Our Group has ceased to supply these other moulding products to the Innotech Group for the two years ended 31 March 2012.

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## CONTINUING CONNECTED TRANSACTIONS

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### *Principal terms*

The Tooling Master Agreement was entered into by Innotech (on its own behalf and as trustee for the benefit of other members of the Innotech Group) and KFM-BVI (on its own behalf and as trustee for the benefit of other members of our Group) on 22 September 2012, pursuant to which the Innotech Group agreed to sell, and our Group agreed to purchase, tooling and moulding products during the term of the Tooling Master Agreement. The term of the Tooling Master Agreement was from 1 April 2012 to 31 March 2015, and at any time either party may give the other not less than three months' prior written notice to terminate the agreement. The purchase price or consideration, the quantity and specifications of tooling and moulding products concerned, the time and place of delivery of the tooling and moulding products concerned and other relevant matters will be negotiated by the parties with reference to the then prevailing market prices of the raw materials and accessories required for the manufacturing of the tooling and moulding products concerned, as well as, where applicable, prevailing market prices of similar products, and in good faith. The purchase price and the other payment terms for the tooling and moulding products will be set out in the relevant purchase orders to be placed under the Tooling Master Agreement.

### *Expected annual caps*

Our Directors estimate that the annual transaction amount for the purchases of tooling and moulding products under the Tooling Master Agreement for each of the three years ending 31 March 2015 will not exceed the annual cap of HK\$2.10 million. In determining the annual caps, our Directors have considered (a) the historical transaction amounts for the purchases of tooling and moulding products for the three years ended 31 March 2012, in particular those for the year ended 31 March 2012; (b) the targeted growth in demand for the tooling and moulding products under the Tooling Master Agreement for the three years ending 31 March 2015; and (c) the prevailing market prices of the tooling and moulding products under the Tooling Master Agreement. The calculation of the expected annual caps is based on the historical transaction amounts for the purchase of tooling and moulding products for the year ended 31 March 2012, and our Directors expect such trend to maintain for the three years ending 31 March 2015.

Our Directors consider the proposed annual caps for the three years ending 31 March 2015 under the Tooling Master Agreement are fair and reasonable and in the interests of our Shareholders as a whole.

### *Listing Rules implications*

The transactions contemplated under the Tooling Master Agreement constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing. The total annual transaction amount of the transactions contemplated under the Tooling Master Agreement and the Products Master Agreement for each of the three years ending 31 March 2015, in aggregate, is expected to be less than HK\$10

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## CONTINUING CONNECTED TRANSACTIONS

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million, and each of the applicable percentage ratios on an annual basis are less than 25%, such transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

### (2) Products Master Agreement

#### *Background*

During the Track Record Period, the Innotech Group has been supplying metal and plastic components and parts (the “**Products**”) to our Group. The historical transaction amounts for the purchase of the Products from the Innotech Group were approximately HK\$7.30 million, HK\$7.82 million and HK\$5.60 million for the three years ended 31 March 2012, respectively.

During the Track Record Period, our Group has also been supplying spare metal parts, which were different from the Products, to the Innotech Group. The historical transaction amounts for the sales of the spare metal parts to the Innotech Group were approximately HK\$78,840, HK\$113,960, and HK\$114,400 for the three years ended 31 March 2012, respectively.

#### *Principal terms*

The Products Master Agreement was entered into by Innotech (on its own behalf and as trustee for the benefit of other members of the Innotech Group) and KFM-BVI (on its own behalf and as trustee for the benefit of other members of our Group) on 22 September 2012, pursuant to which the Innotech Group agreed to sell, and our Group agreed to purchase, the Products during the term of the Products Master Agreement, and the Innotech Group agreed to purchase, and our Group agreed to sell, the spare metal parts during the term of the Products Master Agreement. The term of the Products Master Agreement was from 1 April 2012 to 31 March 2015, and at any time either party may give the other not less than three months’ prior written notice to terminate the agreement. The purchase price or consideration, the quantity and specifications of the Products and the spare metal parts concerned, the time and place of delivery of the Products and the spare metal parts concerned and other relevant matters will be negotiated by the parties with reference to the then prevailing market prices of the raw materials and accessories required for the manufacturing of the Products and the spare metal parts concerned, as well as, where applicable, prevailing market prices of similar products, and in good faith. The purchase price and the other payment terms for the Products and the spare metal parts will be set out in the relevant purchase orders to be placed under the Products Master Agreement.

#### *Expected annual caps*

Our Directors estimate that the annual transaction amount for the purchases of the Products under the Products Master Agreement for each of the three years ending 31 March 2015 will not exceed the annual cap of HK\$5.60 million. In determining the annual

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caps, our Directors have considered (a) the historical transaction amounts for the purchases of the Products for the three years ended 31 March 2012, in particular those for the year ended 31 March 2012; (b) the targeted growth in demand for the Products under the Products Master Agreement for the three years ending 31 March 2015; and (c) the prevailing market prices of the Products under the Products Master Agreement. The calculation of the expected annual caps is based on the historical transaction amounts for the purchase of Products for the year ended 31 March 2012 and our Directors expect such trend to maintain for the three years ending 31 March 2015.

Our Directors estimate that the annual transaction amount for the sales of the spare metal parts under the Products Master Agreement for each of the three years ending 31 March 2015 will not exceed the annual cap of HK\$114,400. In determining the annual caps, our Directors have considered (a) the historical transaction amounts for the sales of the spare metal parts for the three years ended 31 March 2012, in particular those for the year ended 31 March 2012; (b) the targeted growth in demand for the spare metal parts under the Products Master Agreement for the three years ending 31 March 2015; and (c) the prevailing market prices of the spare metal parts under the Products Master Agreement. The calculation of the expected annual caps is based on the historical transaction amounts for the sales of spare metal parts for year ended 31 March 2012 and our Directors expect such trend to maintain for the three years ending 31 March 2015.

Our Directors consider the proposed annual caps for the three years ending 31 March 2015 under the Products Master Agreement are fair and reasonable and in the interests of our Shareholders as a whole.

### *Listing Rules implications*

The transactions contemplated under the Products Master Agreement constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing. The total annual transaction amount of the transactions contemplated under the Tooling Master Agreement and the Products Master Agreement for each of the three years ending 31 March 2015, in aggregate, is expected to be less than HK\$10 million, and each of the applicable percentage ratios on an annual basis are less than 25%, such transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

## **CONFIRMATION FROM OUR DIRECTORS**

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described above are fair and reasonable and in the best interests so far as our Shareholders as a whole are concerned, and all such non-exempt continuing connected transactions have been entered into and will be carried out in the ordinary and usual course of business of our Company on normal commercial terms. In addition, our Directors (including our independent non-executive Directors) consider the respective annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Shareholders as a whole.

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## **CONTINUING CONNECTED TRANSACTIONS**

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### **CONFIRMATION FROM THE SOLE SPONSOR**

The Sole Sponsor is of the view that (i) the non-exempt continuing connected transactions described above have been entered into and will be carried out in the ordinary and usual course of business of our Company and on normal commercial terms, and that the terms of such transactions are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the respective proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Shareholders as a whole.

### **APPLICATION FOR WAIVER FROM STRICT COMPLIANCE OF THE LISTING RULES**

As the above non-exempt continuing connected transactions are expected to continue on a recurring basis and are expected to extend over a period of time, our Directors (including our independent non-executive Directors) consider that strict compliance with the announcement requirement would be impractical and in particular, would add unnecessary administrative costs to our Company. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to our Company under Rule 14A.42(3) of the Listing Rules from compliance with the announcement requirements under Chapter 14A of the Listing Rules, subject to the confirmations from our Directors and the Sole Sponsor stated above. We will comply with the relevant requirements under Chapter 14A of the Listing Rules, including, but not limited to, the proposed annual caps set out above, and will comply with the relevant rules of Chapter 14A of the Listing Rules (including shareholders' approval requirements as appropriate) if the waiver from the Stock Exchange expires or any of the respective annual caps set out above are exceeded, or when the relevant agreement expires or is renewed or when any terms of the non-exempt continuing connected transactions are materially altered or our Company enters into new agreements with any connected persons.

Our Company confirmed that we will comply with the applicable requirements under Chapter 14A of the Listing Rules as amended from time to time, and will immediately inform the Stock Exchange if there are any material changes to the aforesaid transactions.