

Members of our Group have entered into a number of transactions with companies controlled by (i) Ms. Tam, namely China Gold Industries Limited (*China Gold*); (ii) Mr. Leung Kai Kuen, namely Lai Wah Shipping Company; (iii) Mr. Leung Tat Piu, namely Fook Woo Waste Paper Company; (iv) Mr. Leung Ting Yu and Ms. Leung Hoi Ying, namely, E&I Development Limited (*E&I*) in respect of the leasing of certain properties and provision of waste collection services to us. As Ms. Tam and Mr. Leung Kai Kuen are our Controlling Shareholders, Mr. Leung Tat Piu is a Director and Mr. Leung Ting Yu and Ms. Leung Hoi Ying are the son and the daughter of Mr. Leung Kai Kuen, our executive Director and a Controlling Shareholder, each of them is a connected person of our Company. In addition, our Controlling Shareholders have also entered into the Deed of Non-Competition and the Deed of Indemnity in favor of us, details of which are more particularly disclosed in the section headed “Relationship with Our Controlling Shareholders — Non-Competition Undertakings” in this prospectus. Any transactions entered into between us and any of the aforementioned persons and/or companies controlled by any of them will constitute connected transactions for our Company upon the Listing under the Listing Rules. Details of the connected transactions between our Group and China Gold, Lai Wah Shipping Company, Fook Woo Waste Paper Company and E&I are set out below.

A. Continuing connected transactions which are exempted from the independent shareholders’ approval requirement, reporting and announcement requirements under Rule 14A.33(3) of the Listing Rules

(i) Tenancy Agreement

We have leased the premises situated at Flat A, 32nd Floor, Block 2, Parc Palais, 18 Wylie Road, King’s Park, Kowloon with a gross floor area of 2,537 sq.ft. since September 1, 2004 for residential use as our staff quarters. On August 31, 2009, Fook Woo Waste Paper, a member of our Group, entered into a tenancy agreement with China Gold, which is owned as to approximately 99.99% by Ms. Tam and 0.0001% by Mr. Leung Ting Yu, for a term of three years at a monthly rental of HK\$82,000 (exclusive of management fees and government rates).

For the years ended March 31, 2007, 2008 and 2009 and six months ended September 30, 2009, the annual rental paid by our Group for the leasing of the abovementioned property amounted to HK\$984,000, HK\$984,000, HK\$984,000 and HK\$492,000, respectively.

It is expected that the annual amount of the rentals charged by China Gold in relation to the leasing of the abovementioned property will not exceed HK\$984,000, HK\$984,000 and HK\$984,000 for the years ending March 31, 2010, 2011 and 2012, respectively. The relevant estimates have been determined by reference to the historical value of the tenancy arrangement regarding the abovementioned property.

Our Directors (including our independent non-executive Directors) are of the view that the tenancy agreement was negotiated on an arm’s length basis and its terms represent normal commercial terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

A A Property Services Limited, an independent valuer, has confirmed that the rental under the tenancy agreement is fair and reasonable and reflects the then market rate. The Joint Sponsors also take the view that such transaction is conducted on normal commercial terms.

(iii) Provision of services by Fook Woo Waste Paper Company

On March 11, 2010, we entered into a service agreement with Fook Woo Waste Paper Company, a sole proprietorship, pursuant to which Fook Woo Waste Paper Company will provide waste paper management services to us at the site of Dai Kwai Street, Tai Po, New Territories at a monthly service fee of HK\$80,000 for a term of three years. Pursuant to the terms of the service agreement, Fook Woo Waste Paper Company agreed to provide such services to us exclusively during the term of the service agreement.

Fook Woo Waste Paper Company is wholly-owned by Mr. Leung Tat Piu, our executive Director, and is therefore an associate of Mr. Leung Tat Piu and a connected person of our Company.

The site at Dai Kwai Street, Tai Po, New Territories was leased to Fook Woo Waste Paper Company by the Hong Kong Government, an Independent Third Party, as landlord. The tenancy is for a term of three years commencing on June 28, 2002 and thereafter quarterly until such time as determined under the relevant tenancy agreement. The tenancy may be terminated at the expiry of the third year by either party giving to the other at least three calendar months' notice in writing to that effect. In the event that no such notice is given, the tenancy may be terminated by either party giving to the other at least three calendar months' notice in writing. The rental was (i) HK\$115,516.60 for the period from June 28, 2002 to September 30, 2002, (ii) HK\$111,000 per quarter for the period from October 1, 2002 to June 27, 2005 and (iii) for the period as from June 28, 2005, the rental was determined in accordance with the tenancy agreement which provides that in the event the tenancy created is not terminated within three years from its commencement, the rental may be increased by the Hong Kong Government at its sole discretion on or after the expiry of every third year of the tenancy, upon the Hong Kong Government giving to the tenant not less than three calendar months' prior notice to that effect. The rent was revised to HK\$120,180.00 per quarter with effect from June 28, 2008 until further notice.

Prior to March 11, 2010, no service agreement was entered into between Fook Woo Waste Paper Company and us. No payments were made by us to Fook Woo Waste Paper Company. However, costs (comprising rental, electricity and water expenses) incurred by Fook Woo Waste Paper Company were borne directly by us. The costs incurred by us for the years ended March 31, 2007, 2008 and 2009 and the six months ended September 30, 2009 were HK\$818,000, HK\$835,000, HK\$782,000 and HK\$361,000, respectively. It is expected that the annual amount of the service fee charged by Fook Woo Waste Paper Company in relation to provision of the waste paper packaging service at the above site will not exceed HK\$1,000,000, HK\$1,000,000 and HK\$1,000,000 for the years ending March 31, 2010, 2011 and 2012, respectively. The annual service fee for packaging of waste paper of HK\$1,000,000 was determined based on the actual costs estimated to be incurred by Fook Woo Waste Paper Company in the relevant periods (comprising rental, electricity and water expenses and salaries of security guards) plus a reasonable service charge calculated based on an estimated margin of 10% to 15% on top of the actual costs which are estimated to be incurred in the relevant periods. Although no service agreement has been signed in relation to such provision of services, Fook Woo Waste Paper Company provided such services to the Group exclusively in the past and A A Property Services Limited, an independent valuer, has confirmed that the rental expenses included in the service charge are fair and reasonable and reflect the prevailing market rate. As such, the Directors are of the view that the costs incurred in the past in providing such services by the relevant company should be taken into account in determining the service fees for the three years ending December 31, 2012.

Fook Woo Waste Paper Company does not carry on any business other than the provision of the waste paper management services. As such, our Directors are of the view that Fook Woo Waste Paper Company does not compete or is likely to compete with our business. In addition, since the relevant lease agreement does not allow Fook Woo Waste Paper Company to sub-lease the relevant premises to third parties, we are unable to enter into any sub-lease or sub-license agreement with respect to the relevant premises. It is expected that when the tenancy agreement entered into between Fook Woo Waste Paper Company and the Hong Kong Government is terminated and if the opportunity arises, we may then consider entering into the tenancy agreement directly with the Hong Kong Government.

As Fook Woo Waste Paper Company is a sole proprietorship with unlimited liability, the Group did not acquire it since acquiring it would expose the Group to unlimited liability for Fook Woo Waste Paper Company's obligations. Our Directors are of the view that it is not a viable alternative to acquire the business of Fook Woo Waste Paper Company given that its only business is the provision of waste paper management services to us on an exclusive basis.

Our Directors (including our independent non-executive Directors) are of the view that the service agreement was negotiated on an arm's length basis and its terms represent normal commercial terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole. The Joint Sponsors also take the view that such transaction is conducted on normal commercial terms.

(iii) Provision of services by Lai Wah Shipping Company

On March 11, 2010, we entered into a service agreement with Lai Wah Shipping Company pursuant to which Lai Wah Shipping Company will provide waste loading services to us at the site of Berth No.KT-5 of Kwun Tong Pier at a monthly service fee of HK\$82,000 for a term of three years. Pursuant to the terms of the service agreement, Lai Wah Shipping Company agreed to provide such services to us exclusively during the term of the service agreement.

Lai Wah Shipping Company is wholly-owned by Mr. Leung Kai Kuen, our founder, Chairman and Chief Executive Officer and one of our Controlling Shareholders, and is therefore an associate of Mr. Leung Kai Kuen and a connected person of our Company.

The site of Berth No. KT-5 of Kwun Tong Pier was licensed to Lai Wah Shipping Company by the Hong Kong Government, an Independent Third Party, as licensor. The license is for a term of three years commencing on August 1, 2008 and ending on July 31, 2011. The license may be terminated at any time by either party giving the other at least three calendar months' notice in writing to that effect. The monthly license fee is HK\$31,936. Effective from April 1, 2009, the monthly license fee is adjusted yearly for the Government Consumption Expenditure Deflator (GCED) according to the terms of the license agreement.

Prior to March 11, 2010, no service agreement was entered into between Lai Wah Shipping Company and us and no payments were made by us to Lai Wah Shipping Company. However, rental costs incurred by Lai Wah Shipping Company were borne directly by us. The rental costs incurred by us for the years ended March 31, 2007, 2008 and 2009 and the six months ended September 30, 2009 were HK\$418,000, HK\$425,000, HK\$447,000 and HK\$190,000, respectively. It is expected that the annual amount of the

service fees charged by Lai Wah Shipping Company in relation to provision of the waste loading service at the above site will not exceed HK\$1,000,000, HK\$1,000,000 and HK\$1,000,000 for the three years ending March 31, 2010, 2011 and 2012, respectively. The annual service fee for loading services of HK\$1,000,000 was determined based on the actual costs estimated to be incurred by Lai Wah Shipping Company in the relevant periods (comprising rental, electricity and water expenses, salaries of security guards and other general expenses) plus a reasonable service charge calculated based on an estimated margin of 10% to 15% on top of the actual costs which are estimated to be incurred in the relevant periods. Although no service agreement was signed in relation to the provision of services by Lai Wah Shipping Company prior to March 11, 2010 Lai Wah Shipping Company provided services to the Group exclusively in the past and A A Property Services Limited, an independent valuer, has confirmed that the rental expenses included in the service charge incurred in the past are fair and reasonable and reflect the prevailing market rate. As such, our Directors are of the view that the rental costs incurred in the past in providing such services by Lai Wah Shipping Company should be taken into account in determining the service fees for the three years ending March 31, 2012.

Lai Wah Shipping Company does not carry on any business other than the provision of the waste loading services to us exclusively. As such, our Directors are of the view that Lai Wah Shipping Company does not compete nor is likely to compete with our business. In addition, since the license agreement does not allow Lai Wah Shipping Company to sub-lease the relevant premises to third parties, we are unable to enter into any sub-lease or sub-license agreement with respect to the relevant premises. It is expected that when the license agreement entered into between Lai Wah Shipping Company and the Hong Kong Government is terminated and if the opportunity arises, we may then consider entering into the license agreement directly with the Hong Kong Government.

As Lai Wah Shipping Company is a sole proprietor with unlimited liability, the Group did not acquire it since acquiring it would expose the Group to unlimited liability for Lai Wah Shipping Company's obligations. Our Directors are of the view that it is not a viable alternative to acquire the business of Lai Wah Shipping Company given that Lai Wah Shipping Company's only business is the provision of waste loading services to us on an exclusive basis.

Our Directors (including our independent non-executive Directors) are of the view that the service agreement was negotiated on an arm's length basis and its terms represent normal commercial terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole. The Joint Sponsors also take the view that such transaction is conducted on normal commercial terms.

Neither Mr. Leung Kai Kuen nor Mr. Leung Tat Piu is interested in any business which competes or is likely to compete with the Group's business as none of the companies excluded from the Group in which Mr. Leung Kai Kuen or Mr. Leung Tat Piu has an interest in is engaged in any business save and except for the waste paper management and waste loading services provided exclusively by Fook Woo Waste Paper Company and Lai Wah Shipping Company, respectively, to the Group as disclosed in this section.

CONNECTED TRANSACTIONS

(iv) Service Agreements with Relevant Employees

We have entered into service agreements with several employees (the *Relevant Employees*) who are connected persons of our Company to perform the services set out in the table below for a term of not more than three years. Their relationship with our Controlling Shareholders and Directors and their respective duties within the Group are set out below:

Relevant Employee	Connected person relationship	Title	Duties/Services
Ms. Leung Hui Zhen (梁惠珍)	Mr. Leung Kai Kuen's younger sister	Treasurer	Responsible for cash management in FWHZ
Mr. Zhu Ben Jian (朱本健).....	Ms. Leung Hui Zhen's husband and Mr. Leung Kai Kuen's brother-in-law	Department Head of PRC Recovered Paper Business	Responsible for the recovered paper business in the PRC
Mr. Zhu Yong Guang (朱永光).....	Son of Ms. Leung Hui Zhen and Mr. Zhu Ben Jian	Sales Manager	Responsible for the sales of recovered paper in the PRC
Mr. Leung Ting Yu (梁定宇).....	Son of Mr. Leung Kai Kuen and Ms. Tam, and the husband of Ms. Cheung Nga Lai, Carol	Overseas Sales Manager	Responsible for the sales of paper products (excluding recovered paper) in Hong Kong and overseas
Ms. Cheung Nga Shuen, Candy (張雅璇)	Sister of Ms. Cheung Nga Lai, Carol	Head of Administration, Human Resources and Purchasing	In charge of the Group's Administration and Human Resources

The Relevant Employees have each entered into a service agreement with our Group. Pursuant to each of their service agreements, each of their annual remuneration for the three years ending March 31, 2010, 2011 and 2012 will not exceed HK\$1,000,000.

Our Directors (including our independent non-executive Directors) are of the view that each of the service agreements was negotiated on an arm's length basis and its terms represent normal commercial terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole. The Joint Sponsors also take the view that such transactions were conducted on normal commercial terms.

Given that each of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the above continuing connected transactions is less than 0.1% and hence fall within the de minimis threshold under Rule 14A.33(3) of the Listing Rules, these transactions will be exempted from all the reporting, announcement and the independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

B. Continuing connected transaction which is exempted from the independent shareholders' approval requirement, but subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules

Tenancy Agreement

We have leased the premises situated at 3 Kui Sik Street, Fanling, New Territories (*Fanling Property*) for industrial and ancillary accommodation purposes and as our headquarters in Hong Kong from E&I since April 1, 2009. The Fanling Property has a gross floor area of 4,369 sq.m. On March 18, 2009, Fook Woo Waste Paper, a member of our Group, entered into a tenancy agreement with E&I for a term of three years commencing from April 1, 2009 at a monthly rental of HK\$250,000 (exclusive of management fees and government rates).

E&I is owned as to 50% by Astoria Group Ltd. (*Astoria*) and 50% by Inter-Oriental Investments Ltd. (*Inter-Oriental*), both of which hold the issued shares in E&I on trust for Mr. Leung Ting Yu (in the case of Astoria) and Ms. Leung Hoi Ying (in the case of Inter-Oriental), respectively. As Mr. Leung Ting Yu and Ms. Leung Hoi Ying are the son and the daughter of Mr. Leung Kai Kuen, an executive Director and our Controlling Shareholder, they are therefore connected persons of our Company.

For the years ended March 31, 2007, 2008 and 2009 and six months ended September 30, 2009, the annual rental paid by our Group for the leasing of the Fanling Property amounted to HK\$2,394,000, HK\$2,394,000, HK\$2,394,000 and HK\$1,500,000, respectively.

It is expected that the annual amount of the rental charged by E&I in relation to the leasing of the Fanling Property will not exceed HK\$3,000,000, HK\$3,000,000 and HK\$3,000,000 for the years ending March 31, 2010, 2011 and 2012, respectively. The relevant estimates have been determined by reference to the historical value of the tenancy arrangement for the Fanling Property.

Our Directors (including our independent non-executive Directors) and the Joint Sponsors are of the view that the tenancy agreement was negotiated on terms reflecting the ordinary and usual course of business, and on an arm's length basis and its terms represent normal commercial terms and are fair and reasonable (including the respective annual caps) and in the interests of our Company and our Shareholders as a whole.

A A Property Services Limited, an independent valuer, has confirmed that the rental under the tenancy agreement is fair and reasonable and reflects the then market rate.

Given that each of the applicable percentage ratios under Chapter 14 of the Listing Rules is on an annual basis more than 0.1% but less than 2.5% and the annual consideration is more than HK\$1,000,000, the

CONNECTED TRANSACTIONS

tenancy arrangement will be exempted from the independent shareholders’ approval requirements but subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules.

APPLICATION FOR A WAIVER

We have applied to the Stock Exchange, and the Stock Exchange has agreed to grant, a waiver to us from strict compliance with the announcement requirements under the Listing Rules, relating to the continuing connected transactions referred to in the section headed “— Continuing connected transaction which is exempted from the independent shareholders’ approval requirement, but subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules” above on the condition that the aggregate value of such non-exempt continuing connected transaction for each financial year does not exceed the relevant cap as set out above. We will comply with the requirements specified under Rule 14A. 42(3) of the Listing Rules and will be subject to the annual cap amounts as described above.

A summary of the relevant annual caps for each financial year is set forth below:

Relevant Connected Transactions	Annual caps for the year ending March 31,		
	2010	2011	2012
	(HK\$)	(HK\$)	(HK\$)
Exempted from the independent shareholders’ approval requirements, but subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules			
Tenancy Agreement relating to the Fanling Property	3,000,000	3,000,000	3,000,000