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## CONNECTED TRANSACTIONS

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### EXEMPT CONTINUING CONNECTED TRANSACTION

The Group has entered into the following transactions which are expected to continue after the Listing and which will constitute exempt continuing connected transactions of the Group under the Listing Rules after the Listing that are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### *Tenancy agreements entered into between the Group and its connected persons*

The Group has entered into 3 tenancy agreements as tenant (collectively, the “**Tenancy Agreements**”) with various connected persons, the particulars of which are set out below:

Date of the Tenancy Agreement	Landlord	Tenant	Usage	Term	Annual rental (HK\$)	Property
19 March 2011	Mr. Lee Wing Chung ( <i>Note 1</i> )	Manli Group	Commercial	From 1 May 2011 to 30 April 2013	115,200	Unit 1601, 16/F, Seaview Centre, 139-141 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
19 March 2011	Mr. Man Wai Hung ( <i>Note 2</i> )	Manli Group	Commercial	From 1 May 2011 to 30 April 2013	115,200	Unit 1602, 16/F, Seaview Centre, 139-141 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
10 May 2010	Joinrich (HK) Investment Limited ( <i>Note 3</i> )	ASK Group	Industrial	From 1 June 2010 to 31 May 2012	600,000	Units A & B, 21/F, Mai Wah Industrial Building, 1-7 Wah Sing Street, Kwai Chung, New Territories, Hong Kong

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*Notes:*

1. Mr. Lee Wing Chung is a director of Manli Group and will become a connected person of the Company under the Listing Rules once the Shares are listed on the Stock Exchange.
2. Mr. Man Wai Hung is a director of Manli Group and an executive Director and will become a connected person of the Company under the Listing Rules once the Shares are listed on the Stock Exchange.
3. Joinrich (HK) Investment Limited is a wholly-owned Company of Mr. Ho Nai Nap, an executive Director of the Company and will become a connected person of the Company under the Listing Rules once the Shares are listed on the Stock Exchange.

The total amount of rental paid by the Group in respect of the lease of the above premises for the three years ended 31 December 2010 and in the six months ended 30 June 2011 were HK\$470,000, HK\$768,000, HK\$768,000 and HK\$394,000, respectively.

According to a rental appraisal report issued by an independent qualified valuer, Jones Lang LaSalle Sallmanns Limited, the rents payable under the Tenancy Agreements are fair and reasonable and consistent with the current market rents, and are on normal commercial terms for similar premises in similar location.

Since the annual rental payable by the Group pursuant to each of the Tenancy Agreements is less than HK\$1 million, the transactions contemplated under the Tenancy Agreements are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules pursuant to Rule 14A.33 of the Listing Rules.

***Provision of services by NALA Sales to Zotac Nevada relating to sales, promotion and distribution of products of Zotac Nevada***

NALA Sales, has since 2008 been providing services relating to the sales, promotion and distribution of products in the United States to Zotac Nevada (the “**Sales Agent Services**”). Since NALA Sales was an indirect non-wholly owned subsidiary of PC Partner Holdings prior to 11 January 2011, the provision of the Sales Agent Services was an intra-group transaction and no service fees were charged by NALA Sales for such arrangement. Zotac Nevada had reimbursed NALA Sales of the expenses actually incurred by NALA Sales during the course of provision of the Sales Agent Services. The amounts of the sales expenses referred to above for the three years ended 31 December 2010 were US\$1,087,740, US\$1,585,000 and US\$2,659,143 respectively.

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On 11 January 2011, NALA Sales and Zotac Nevada entered into a sales agent and services agreement (“**Sales Agent Agreement**”) pursuant to which NALA Sales agreed to act as non-exclusive sales agent for Zotac Nevada within the United States and to provide the Sales Agent Services to Zotac Nevada for an initial term from 11 January 2011 to 31 December 2013 subject to automatic renewal for successive three year terms unless terminated by not less than 6 months written notice prior to the expiration of the then current term. Pursuant to the Sales Agent Agreement, Zotac Nevada shall pay to NALA Sales an annual service fee, the amount of which shall be calculated with reference to the after-tax net earnings of Zotac Nevada for the relevant financial year (“**ZOTAC Net Profits**”) in the following manner:

- (1) 40% of the ZOTAC Net Profits between US\$0 and US\$2,000,000, if any; plus
- (2) 35% of the ZOTAC Net Profits between US\$2,000,000 and US\$4,000,000, if any; plus
- (3) 30% of the ZOTAC Net Profits between US\$4,000,000 and US\$6,000,000, if any; plus
- (4) 25% of the ZOTAC Net Profits between US\$6,000,000 and US\$8,000,000, if any; plus
- (5) 20% of the ZOTAC Net Profits in excess of US\$8,000,000, if any,

provided that, with respect to each of the annual service fee payable for the first four years, US\$620,000 shall be subtracted from each such calculation.

Pursuant to the Sales Agent Agreement, Zotac Nevada will also reimburse NALA Sales of the expenses actually incurred by NALA Sales during the course of provision of the Sales Agent Services.

Zotac Nevada has been operating at a loss during the three years ended 31 December 2010. Accordingly, no service fees would have been payable to NALA Sales for such periods had the Sales Agent Agreement been in place at the beginning of such periods.

It is expected that the service fees and expenses reimbursement payable by Zotac Nevada to NALA Sales for the year ending 31 December 2011 and the one month ending 31 January 2012 would not exceed US\$3.3 million and US\$300,000 respectively (the “**ZOTAC Cap Amounts**”). The ZOTAC Cap Amounts were determined based on the estimated

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ZOTAC Net Profits and the estimated expenses to be reimbursed to NALA Sales in connection with the provision of the Sales Agent Services for such period with reference to historical figures.

As NALA Sales has been providing the Sales Agent Services to Zotac Nevada since 2008, it is familiar with the features and functions of Zotac Nevada's products and also has knowledge of the needs and requirements of existing and potential customers of Zotac Nevada. As such, the Directors considered that continuing to engage NALA Sales to provide the Sales Agent Services to Zotac Nevada is both administrative and cost efficient and can ensure the continuous smooth operation of Zotac Nevada since Zotac Nevada will not need to incur additional administrative time and costs to build up its own experienced sales team to replace NALA Sales in performing the Sales Agent Services.

NALA Sales was previously owned as to 40% by Mr. Sean Tang and 60% by PC Partner International and Zotac Nevada was previously owned as to 40% by Mr. Sean Tang and 60% by PC Partner International. Pursuant to the Reorganisation, NALA Sales became wholly-owned by Mr. Sean Tang on 11 January 2011, Zotac Nevada became wholly-owned by PC Partner International on 11 January 2011 and Mr. Sean Tang resigned as a director of Zotac Nevada on 11 January 2011. As NALA Sales is a company wholly-owned by Mr. Sean Tang who was a director of the Company's subsidiary Zotac Nevada within the preceding 12 months from the Listing Date, it will become a connected person of the Company within the meaning of the Listing Rules upon Listing, and the transactions contemplated under the Sales Agent Agreement will constitute continuing connected transactions for the Company under the Listing Rules during the period commencing from the Listing Date to 10 January 2012, being the date falling 12 months after the date of resignation of Mr. Sean Tang from his directorship in Zotac Nevada (the "**Relevant Period**"). As from 11 January 2012, NALA Sales will cease to be a connected person of the Company and the transactions contemplated under the Sales Agent Agreement will no longer be continuing connected transactions of the Company under the Listing Rules.

The Directors (including the independent non-executive Directors) considered that the transactions contemplated under the Sales Agent Agreement was entered into, and will continue to be entered into, in the ordinary and usual course of business of the Group, on arm's length basis and are on normal commercial terms, and both the terms of the Sales Agent Agreement and the ZOTAC Cap Amounts are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

As the relevant percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of Zotac Nevada's total assets, revenue and net profits before tax and extraordinary items and the consideration ratio calculated in accordance with Rule

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14.07 of the Listing Rules in respect of the ZOTAC Cap Amounts are all less than 10% and the transaction is a connected transaction only because it involves a person who is a connected person of the Company by virtue of its relationship with the Company's subsidiary, the transactions contemplated under the Sales Agent Agreement are exempt from the reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules pursuant to Rules 14A.31(9) and 14A.33(5) of the Listing Rules. In the event that the service fees and reimbursement paid by Zotac Nevada to NALA Sales exceed the ZOTAC Cap Amounts during the Relevant Period, the Company shall re-comply with the relevant reporting, annual review, announcement or independent shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules as appropriate.

### **Confirmation from Sponsor**

The Sponsor is of the view that the Sales Agent Agreement and the transactions contemplated under the Sales Agent Agreement were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, and both the terms of the Sales Agent Agreement and the ZOTAC Cap Amounts are fair and reasonable and in the interests of the Group and the Shareholders as a whole.