
CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of transactions with entities which will become our Connected Persons upon Listing and such transactions will, upon Listing, constitute continuing connected transactions (as defined under the Listing Rules) for our Company. These entities which will continue to have non-exempt continuing connected transactions with our Group after the Listing include the following:

Evergood

Evergood is wholly owned by TEHL which is owned as to approximately 71% by Kowen. Kowen is owned as to approximately 60% and 40% by Mr. Ko and Mrs. Ko respectively. Evergood is an associate of Mr. Ko and Mrs. Ko. Pursuant to Rules 1.01 and 14A.11(4) of the Listing Rules, Evergood is a Connected Person of our Company.

Red & White System

Red & White System is directly owned as to 50% by Colvin & Horne Assets Management Limited which is wholly owned by Mr. Kelvin Ko. Red & White System is an associate of Mr. Ko and Mrs. Ko. Pursuant to Rules 1.01 and 14A.11(4) of the Listing Rules, Red & White System is a Connected Person of our Company.

CCIL

CCIL is directly owned as to approximately 88% by Colvin & Horne Assets Management Limited which is wholly owned by Mr. Kelvin Ko. CCIL is an associate of Mr. Ko and Mrs. Ko. Pursuant to Rules 1.01 and 14A.11(4) of the Listing Rules, CCIL is a Connected Person of our Company.

Hombest

Hombest is directly owned as to 50% by Colvin & Horne Assets Management Limited which is wholly owned by Mr. Kelvin Ko. Hombest is an associate of Mr. Ko and Mrs. Ko. Pursuant to Rules 1.01 and 14A.11(4) of the Listing Rules, Hombest is a Connected Person of our Company.

1. Lease of properties owned by connected persons of the Company (“Leases”):

a) *Tenancy agreement with Evergood*

(i) *Tenancy agreement*

Pursuant to an agreement dated 8 November 2010 and entered into between Evergood and TEL, Evergood has agreed to lease and TEL has agreed to take the lease of Shop

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D, LG/F, Splendid Place, No. 39 Taikoo Shing Road, Quarry Bay, Hong Kong with a net floor area of approximately 655 sq. ft. The property is used by our Group as one of our Group's retail shops.

ii) *Rental term and amount*

The term of the lease commenced on 1 December 2010 and will expire on 30 November 2012. The annual rental amount payable in monthly instalments in advance by our Group is HK\$864,000 (exclusive of rates, electricity charges, management fee and other outgoings).

A deposit of HK\$216,000 (representing three months' fixed rent) was paid to Evergood and is refundable to TEL without interest when the tenancy expires.

The terms were arrived at after arm's length negotiations between the parties and determined by reference to the market rent of the above property. CB Richard Ellis Limited, the property valuer of our Company, considers the annual rent fair and within the reasonable range of the prevailing market rental.

b) *Tenancy agreement with Red & White System*

i) *Tenancy agreement*

Pursuant to an agreement dated 25 January 2010 and entered into between Red & White System and TEL, Red & White System has agreed to lease and TEL has agreed to take the lease of Shop 19 on 1/F, Shop 60B on G/F, Mirador Mansion, 54-64B Nathan Road, 9A Carnarvon Road, Tsim Sha Tsui, Kowloon with an aggregate lettable area of approximately 700 sq. ft. The property is used by our Group as one of our Group's retail shops.

ii) *Rental term and amount*

The term of the lease commenced on 1 February 2010 and will expire on 31 January 2012. The annual rental amount payable in monthly instalments in advance by our Group is HK\$1,140,000 (exclusive of rates, water charges, electricity charges, management fee and other outgoings).

A deposit of HK\$285,000 (representing three months' fixed rent) was paid to Red & White System and is refundable to TEL without interest when the tenancy expires.

The terms were arrived at after arm's length negotiations between the parties and determined by reference to the market rent of the above property. CB Richard Ellis Limited, the property valuer of our Company, considers the annual rent fair and within the reasonable range of the prevailing market rental.

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c) *1st Tenancy agreement with CCIL*

i) *Tenancy agreement*

Pursuant to an agreement dated 29 December 2009 and entered into between CCIL and TEL, CCIL has agreed to lease and TEL has agreed to take the lease of the whole first floor, Grand Building, 18 Connaught Road, Central, Hong Kong with a lettable area of approximately 4,000 sq. ft. The property is used by our Group as one of our Group's retail shops and offices.

ii) *Rental term and amount*

The term of the lease commenced on 1 January 2010 and will expire on 31 December 2011. The annual rental amount payable in monthly instalments in advance by our Group is HK\$1,200,000 (exclusive of rates, electricity charges, management fee and other outgoings). A rent-free period in total of three months, being the first three months of the commencement of the lease, in an aggregate rental amount of HK\$300,000 was granted by CCIL.

A deposit of HK\$300,000 (representing three months' fixed rent) was paid to CCIL and is refundable to TEL without interest when the tenancy expires.

The terms were arrived at after arm's length negotiations between the parties and determined by reference to the market rent of the above property. CB Richard Ellis Limited, the property valuer of our Company, considers the annual rent to be fair and reasonable and consistent with the prevailing market rents for similar properties in similar locations.

d) *2nd Tenancy agreement with CCIL*

iii) *Tenancy agreement*

Pursuant to an agreement dated 7 April 2010 and entered into between CCIL and TEL, CCIL has agreed to lease and TEL has agreed to take the lease of the ground floor, Far East Consortium Building, 115 Des Voeux Road, Central, Hong Kong with a lettable area of approximately 2,100 sq. ft. The property is used by our Group as one of our Group's retail shops and offices.

iv) *Rental term and amount*

The term of the lease commenced on 8 April 2010 and will expire on 7 April 2012. The annual rental amount payable in monthly instalments in advance by our Group is HK\$2,160,000 (exclusive of rates, electricity charges, management fee and other outgoings). A rent-free period of one month, being the first month of the commencement of the lease, in a rental amount of HK\$180,000 was granted by CCIL.

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A deposit of HK\$540,000 (representing three months' fixed rent) was paid to CCIL and is refundable to TEL without interest when the tenancy expires.

The terms were arrived at after arm's length negotiations between the parties and determined by reference to the market rent of the above property. CB Richard Ellis Limited, the property valuer of our Company, considers the annual rent to be fair and within the reasonable range of the prevailing market rental.

e) *Tenancy agreement with Hombest*

i) *Tenancy agreement*

Pursuant to an agreement dated 2 August 2010 and entered into between Hombest and TEOL, Hombest has agreed to lease and TEOL has agreed to take the lease of Shops A and B, ground floor, Ngai Hing Mansion, 74-76 Hak Po Street, 2-24 Pak Po Street and 5 Yim Po Fong Street, Kowloon, Hong Kong with a net floor area of approximately 278 sq. ft. The property is used by our Group as one of our Group's retail shops.

ii) *Rental term and amount*

The term of the lease commenced on 1 September 2010 and will expire on 31 August 2012. The annual rental amount payable in monthly instalments in advance by our Group is HK\$156,000 (exclusive of rates, water charges, electricity charges, management fee and other outgoings).

A deposit of HK\$39,000 (representing three months' fixed rent) was paid to Hombest and is refundable to TEOL without interest when the tenancy expires.

The terms were arrived at after arm's length negotiations between the parties and determined by reference to the market rent of the above property. CB Richard Ellis Limited, the property valuer of our Company, considers the annual rent fair and within the reasonable range of the prevailing market rental.

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- f) Historical figures for the three years ended 31 March 2011 and the aggregate expected annual consideration payable by the Group for the two years ending 31 March 2013 are as follows:

Transactions	Year ended 31 March			
	2009	2010	2011	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Lease between Evergood and TEL	340	765	832	Pursuant to the agreement entered into between Evergood and TEL dated 18 November 2008, Evergood leased to the Group, Shop D, LG/F, Splendid Place for the term commenced on 1 December 2008 and expired on 30 November 2010. The monthly rental amount payable in monthly instalments in advance by our Group to Evergood was HK\$85,000. Pursuant to a letter issued by Evergood to TEL on 31 December 2009, Evergood agreed to grant a rental relief to our Group for three months from 1 January 2010 to 31 March 2010. Pursuant to a letter issued by Evergood to TEL dated 1 March 2010, Evergood agreed to adjust the monthly rental to HK\$68,000 per month effective from 1 April 2010 until 30 November 2010. On 8 November 2010, TEL entered into the tenancy agreement with Evergood for the lease of Shop D, LG/F, Splendid Place for the term from 1 December 2010 to 30 November 2012 at the monthly rental of HK\$72,000.
Lease between Red & White System and TEL	1,140	1,080	1,140	Pursuant to the agreement entered into between Red & White System and TEL dated 31 August 2007, Red & White System leased to our Group, shop 60 on G/F, Mirador Mansion for the term commenced on 1 September 2007 and expired on 29 February 2008. The monthly rental amount payable by our Group was HK\$55,000. Pursuant to the agreement entered into between Red & White System and TEL dated 28 January 2008, the monthly rental amount was adjusted to HK\$95,000 effective on 1 February 2008. The term of the agreement was up to 31 January 2009. On 29 January 2009, Red & White System and TEL entered into another tenancy agreement to extend the lease on a monthly basis with effect from 1 February 2009. Pursuant to a letter issued by Red & White System to TEL dated 1 April 2009, Red & White System confirmed that the lease with our Group will not be renewed with effect from 1 May 2009.

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Transactions	Year ended 31 March			
	2009	2010	2011	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
				<p>On 25 April 2009, TEL entered into the lease agreement with Red & White System whereby Red & White System agreed to lease to our Group, shop 59 on G/F, Mirador Mansion for the term commenced on 1 May 2009 at the monthly rental amount of HK\$95,000. On 30 April 2009, Red & White System agreed to reduce the monthly rental amount from HK\$95,000 to HK\$75,000 effective from 1 May 2009 to 31 July 2009. The monthly rental was resumed to HK\$95,000 from 1 August 2009.</p> <p>On 25 January 2010, TEL entered into the tenancy agreement with Red & White System for the lease of shop 19 on 1/F and shop 60B on G/F of Mirador Mansion for the term from 1 February 2010 to 31 January 2012 at the monthly rental amount of HK\$95,000.</p>
Lease between CCIL and TEL — First floor of Grand Building	2,160	1,620	1,200	<p>Pursuant to the agreement entered into between CCIL and TEL dated 29 December 2007, CCIL agreed to lease the property located on the first floor of Grand Building to our Group for the term from 1 January 2008 to 31 December 2008 at a monthly rental amount payable by our Group of HK\$180,000. The lease was extended for the term from 1 January 2009 to 31 December 2009 on 29 December 2008 at the same monthly rental amount. On 29 December 2009, CCIL and TEL agreed to adjust the monthly rental amount to HK\$100,000 for the term from 1 January 2010 to 31 December 2011 and CCIL agreed to grant a three-month rent-free period to TEL from 1 January 2010 to 31 March 2010. TEL has exercised its rent-free benefit at the beginning of the current lease and pays rental of HK\$100,000 per month for the remainder of the lease period. Therefore, the amount of transaction subject to the lease for the year ended 31 March 2011 was HK\$1,200,000 whilst the amount of related party transactions as disclosed in note 30 to the Accountants' Report for the year ended 31 March 2011 is prepared on the basis that the rent-free entitlement is averaged over the entire lease period.</p>

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Transactions	Year ended 31 March			
	2009	2010	2011	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Lease between CCIL and TEL — Ground floor of Far East Consortium Building	Nil	Nil	1,939	Pursuant to the agreement entered into between CCIL and TEL on 7 April 2010, CCIL agreed to lease the property located on the ground floor, Far East Consortium Building to our Group for the term from 8 April 2010 to 7 April 2012 at a monthly rental amount payable by our Group of HK\$180,000. A rent-free period of one month for the first month of the commencement of the lease was granted by CCIL. TEL has exercised its rent-free benefit at the beginning of the current lease and pays rental of HK\$180,000 per month for the remainder of the lease period. Therefore, the amount of transaction subject to the lease for the year ended 31 March 2011 was approximately HK\$1,939,000 whilst the amount of related party transactions as disclosed in note 30 to the Accountants' Report for the year ended 31 March 2011 is prepared on the basis that the rent-free benefit is averaged over the entire lease period.
Lease between Hombest and TEOL	Nil	Nil	91	Pursuant to the agreement entered into between Hombest and TEOL on 2 August 2010, Hombest agreed to lease Shops A and B, ground floor, Ngai Hing Mansion to our Group for the term from 1 September 2010 to 31 August 2012 at a monthly rental of HK\$13,000.
Total	<u>3,640</u>	<u>3,465</u>	<u>5,202</u>	

Transactions	Year ended 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Lease between Evergood and TEL	864	576
Lease between Red & White System and TEL	950	Nil
Lease between CCIL and TEL — First floor of Grand Building	900	Nil
Lease between CCIL and TEL — Ground floor of Far East Consortium Building	2,160	42
Lease between Hombest and TEOL	<u>156</u>	<u>65</u>
Aggregate expected annual consideration payable by the Group	<u><u>5,030</u></u>	<u><u>683</u></u>

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g) *Listing Rules requirements and proposed annual cap*

All of the Leases involve the lease of properties from entities which are Mr. Ko and/or Mrs. Ko's associates. Pursuant to Rule 14A.25 of the Listing Rules, the continuing connected transactions represented by the tenancy agreements with Evergood, Red & White System, CCIL and Hombest should be aggregated and treated as if they were one transaction.

Based on the aggregate expected annual consideration payable by the Group in respect of the Leases for the year ending 31 March 2012, it is expected that the relevant percentage ratios as set out in Rule 14.07 for the Leases will be more than 0.1% but less than 5% on an aggregated and annual basis. In accordance with Rule 14A.34 of the Listing Rules, the transactions contemplated under the Leases are only 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 independent shareholders' approval requirement. The Company proposes an annual cap for the consideration payable by the Group in respect of the Leases to be HK\$5,500,000.

Pursuant to Rule 14A.42(3) of the Listing Rules, our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with announcement requirements under Rule 14A.47 of the Listing Rules in respect of the transaction contemplated under the Leases for the year ending 31 March 2012. In addition, we will comply with the relevant requirements as set out in Chapter 14A of the Listing Rules, including Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this prospectus on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

The aggregate expected annual consideration payable by the Group in respect of the Leases is HK\$683,000 for the year ending 31 March 2013. The transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirement under Rule 14A.33(3) of the Listing Rules.

h) *Confirmation from our Directors*

Our Directors (including the INEDs) confirm that the continuing connected transactions with respect to and contemplated under the Leases will be carried out in the ordinary and usual course of business of our Group and are on normal commercial terms, and the terms and the proposed annual cap amounts in respect of such transactions are fair and reasonable as far as our Company is concerned and are in the interests of our Company and Shareholders as a whole.

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i) *Confirmation from the Sole Sponsor*

The Sole Sponsor is of the view that, (i) the continuing connected transactions with respect to the Leases will be carried out in the ordinary and usual course of business of our Group and are on normal commercial terms, and (ii) the terms and the proposed annual cap amount of such transactions for the year ending 31 March 2012 are fair and reasonable as far as our Company is concerned and are in the interests of our Shareholders as a whole.

j) *Confirmation from the Property Valuer*

CB Richard Ellis Limited, an independent professional property valuer, has reviewed the tenancy agreements in respect of the Leases and confirmed that the terms of such tenancy agreements are normal commercial terms and that the rentals payable under these agreements correspond to the fair market rentals.

RELATED PARTY TRANSACTIONS

Save for the continuing connected transaction disclosed above, we also entered into certain related party transactions during the Reporting Period which are contained in Note 30 to the Accountants' Report.