

### CONTINUING CONNECTED TRANSACTION

#### Connected Person

The Group has entered into a transaction with Long Rise, a company which is held in equal shares by Madam Wong, an executive Director and one of the Controlling Shareholders and her father, and is a connected person of the Group by virtue of Rules 1.01 and 14A.11(1) of the Listing Rules.

#### Headquarter Tenancy Agreement

In view of (i) the need for larger office space to, among other things, establish a showcase room for the sample collection designed by the Group, (ii) the expiry of the previous tenancy in December 2010; (iii) the acquisition of an office located in Kwun Tong by Long Rise in April 2010 with the total gross area of 8,887ft<sup>2</sup> which the Directors consider suitable for expansion of the Group in terms of its location and space; and (iv) the costs and time to be saved from searching other possible premises in the public property market, on 30 March 2011, the Group entered into a new tenancy agreement with Long Rise, pursuant to which the Group agreed to lease from Long Rise all that Unit A, 32nd Floor, Legend Tower, 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong (“Premises”) as the headquarter of the Company in Hong Kong. The term of the Headquarter Tenancy Agreement is for three years commencing from 1 December 2010. The annual rent is HK\$1,800,000, exclusive of rates, Government rent and management fees, with a rent-free period commencing from 1 December 2010 to 31 January 2011. The Directors estimate that the annual rent payable by the Group to Long Rise for each of the three years commencing on 1 January 2011 will not exceed the annual cap of approximately HK\$1,800,000. In the event that the Headquarter Tenancy Agreement is renewed, the relevant Listing Rules will be complied with. The rent payable to Long Rise by the Group was determined on an arm’s length basis with reference to the prevailing market rent.

The Valuer has reviewed the Headquarter Tenancy Agreement and confirmed that the rent payable under the Headquarter Tenancy Agreement is fair and reasonable and is consistent with prevailing market rates for similar premises in similar locations in Hong Kong and the terms of the Headquarter Tenancy Agreement are on a normal commercial terms.

For the three years ended 31 December 2010, no rental expenses were incurred for the Group in respect of the leasing of the Premises as the Group only leased the Premises as its headquarter since 1 December 2010 and the monthly rental for December 2010 was waived by the lessor. For the four months ended 30 April 2011, the rental expense amounted to approximately HK\$558,000. In arriving at the above annual cap of HK\$1,800,000, the Directors considered information provided by the Valuer in respect of rental income of similar premises in comparable locations in Hong Kong and the overall market conditions in Hong Kong.

#### Listing Rules implication

Based on the relevant annual cap stated above for the Headquarter Tenancy Agreement, the Directors expect that the consideration ratio, being the only applicable percentage ratio mentioned in Rule 14.07 of the Listing Rules, will on an annual basis be either less than 5% or less than 25% and the

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annual consideration is less than HK\$10,000,000. Therefore, the transactions contemplated under the Headquarter Tenancy Agreement are not subject to independent Shareholders' approval requirements but are subject to reporting and announcement requirements contained in Chapter 14A of the Listing Rules.

Given the recurring nature of the transactions contemplated under the Headquarter Tenancy Agreement, the Directors consider that strict compliance with the announcement requirements would be impractical and would add unnecessary administrative costs to the Company.

Accordingly, pursuant to Rule 14A.42(3) of the Listing Rules, the Company has applied for a waiver from strict compliance with the announcement requirements contained in Rule 14A.47 of the Listing Rules upon Listing, provided that the annual value of the transactions contemplated under the Headquarter Tenancy Agreement does not exceed the relevant annual cap stated above for each of the three financial years ending 31 December 2013.

### **Confirmation from the Directors**

The Directors (including the independent non-executive Directors) confirm that the continuing connected transaction with respect to and contemplated under the Headquarter Tenancy Agreement will be carried out in the ordinary and usual course of business of the Group and is on normal commercial terms, and the terms and the proposed annual cap amount of such transaction is fair and reasonable as far as the Company is concerned and are in the interests of the Shareholders as a whole.

### **Confirmation from the Sponsor**

The Sponsor is of the view that the continuing connected transaction with respect to and contemplated under the Headquarter Tenancy Agreement will be carried out in the ordinary and usual course of business of the Group and is on normal commercial terms, and the terms and the proposed annual cap amount of such transaction is fair and reasonable and are in the interests of the Shareholders as a whole.