
CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

1. *Guarantee in relation to the Tuen Mun Lease Agreement*

Background

On 24 December 2009, Red Seasons, as the tenant, entered into a lease (the “**Tuen Mun Lease Agreement**”) with an Independent Third Party as the landlord and Mr. Sin as the guarantor in relation to the lease of premises with a total saleable area of approximately 790.78 sq.m. situated at Shop Nos. 6 and 4H (also known as Shop Nos. 6, 8S1, 8T1, 8U1 and 11 or known as Restaurant 7), Level 3, Waldorf Garden, No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong (the “**Tuen Mun Property**”) by Red Seasons from the landlord for the period from 15 December 2009 to 14 August 2013. The Tuen Mun Property was used by the Group as the restaurant premises of Tuen Mun Red Seasons.

Principal terms

Under the Tuen Mun Lease Agreement, the rent payable by Red Seasons to the landlord shall be paid in the following manner:

- i. a monthly basic rent (the “**Basic Rent**”) is payable in advance on the first day of each calendar month in the amount of (a) HK\$400,000 for the period from 15 December 2009 to 14 August 2010; and (b) HK\$411,000 for the period from 15 August 2010 to 14 August 2013; and
- ii. a monthly additional rent (the “**Additional Rent**”) is payable in arrear in an amount which equals to the difference between 12% of the aggregate of all sums of money or other consideration received or receivable from all business of any nature conducted at the Tuen Mun Property by Red Seasons each month (the “**Gross Receipts**”) and the Basic Rent, provided that if 12% of the Gross Receipts of any calendar month does not exceed the Basic Rent, no Additional Rent is payable for that calendar month.

Under the Tuen Mun Lease Agreement, Mr. Sin has guaranteed to the landlord the due performance of all the obligations of Red Seasons under the Tuen Mun Lease Agreement.

CONNECTED TRANSACTIONS

Connected person(s)

Mr. Sin, being a director of Red Seasons, is a connected person of the Company under the GEM Listing Rules. As the guarantee provided by Mr. Sin under the Tuen Mun Lease Agreement constitutes the provision of financial assistance to Red Seasons, it constitutes a connected transaction of the Company under the GEM Listing Rules upon Listing.

GEM Listing Rules Implication

As the guarantee provided by Mr. Sin under the Tuen Mun Lease Agreement amounts to the provision of financial assistance by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the same financial assistance, it is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

2. *Guarantee in relation to the Yuen Long Lease Agreement*

Background

On 18 August 2006, Jubilant, as the tenant, entered into a lease (the "**Yuen Long Lease Agreement**") with an Independent Third Party as the landlord and Ms. Lau LY as the guarantor in relation to the lease of premises with a total saleable area of approximately 1,007 sq.m. situated at Portion No. 2, 1st Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong (the "**Yuen Long Property**") by Jubilant from the landlord for the period from 1 May 2007 to 30 April 2017. The Yuen Long Property was used by the Group as a part of the restaurant premises of Plentiful Delight Banquet Restaurant.

Principal terms

Under the Yuen Long Lease Agreement, a monthly rent is payable by Jubilant to the landlord in the amount of HK\$323,000 for the period from 1 May 2007 to 30 April 2012 and HK\$345,000 for the period from 1 May 2012 to 30 April 2017.

Under the Yuen Long Lease Agreement, Ms. Lau LY has guaranteed to the landlord the due performance of all the obligations of Jubilant under the Yuen Long Lease Agreement.

CONNECTED TRANSACTIONS

Connected person(s)

Ms. Lau LY, being an executive Director and a Controlling Shareholder, is a connected person of the Company under the GEM Listing Rules. As the guarantee provided by Ms. Lau LY under the Yuen Long Lease Agreement constitutes the provision of financial assistance to Jubilant, it constitutes a connected transaction of the Company under the GEM Listing Rules upon Listing.

GEM Listing Rules Implication

As the guarantee provided by Ms. Lau LY under the Yuen Long Lease Agreement amounts to the provision of financial assistance by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the same financial assistance, it is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTION

Diesel Supply Agreement

Background

During the Track Record Period, Cheung Lee Petrol had been supplying diesel to the Group as fuel. The relevant historical transaction amounts for the years ended 31 December 2009 and 2010 were approximately HK\$646,000 and HK\$825,000, respectively.

Principal terms

A diesel supply and purchase agreement (the "**Diesel Supply Agreement**") was entered into between Cheung Lee Petrol and the Company on 25 June 2011, pursuant to which Cheung Lee Petrol had agreed to sell to the Company (or any of its subsidiaries as directed by the Company), diesel during its term on terms no less favourable than those offered by Cheung Lee Petrol to other Independent Third Parties. The purchase price, the quantity and specifications of the diesel concerned, the time and place of delivery and other relevant matters will be negotiated by the parties with reference to the then prevailing market prices of diesel in good faith. The purchase price and the other payment terms for diesel will be set out in the relevant purchase orders to be placed under the Diesel Supply Agreement. Such price, however, shall not be higher than the average price at which Cheung Lee Petrol charges other Independent Third Parties for the same kind of product during that month on normal commercial terms in its ordinary and usual course of business.

CONNECTED TRANSACTIONS

Connected person(s)

Cheung Lee Petrol is principally engaged in the retail of petrol and diesel in Hong Kong.

Ms. Lau LY, being an executive Director and a Controlling Shareholder, is a connected person of the Company under the GEM Listing Rules. As Mr. Lau Chi Man, brother of Ms. Lau LY, owns 100% interest in Cheung Lee Petrol, Cheung Lee Petrol is an associate of Ms. Lau LY, and is a connected person of the Company. Therefore, the Diesel Supply Agreement constitutes a continuing connected transaction of the Company under the GEM Listing Rules upon Listing.

Term

The term of the Diesel Supply Agreement is from 25 June 2011 to 31 December 2013. At any time during the Diesel Supply Agreement, either party may give the other not less than three months' prior written notice to terminate the agreement.

Reasons for and benefits of the transaction

Cheung Lee Petrol had been providing diesel to the Group during the Track Record Period, and had proven that it was capable of providing high quality diesel which satisfies the requirements of the Group at a fair and reasonable price.

Expected annual caps

The Directors estimate that the annual amount payable by the Group to Cheung Lee Petrol for the purchase of diesel under the Diesel Supply Agreement for each of the three years ending 31 December 2013 would not exceed HK\$980,000. In determining the annual caps, the Directors have considered (i) the historical transaction amounts for the purchase of diesel from Cheung Lee Petrol for the years ended 31 December 2009 and 2010; and (ii) the expected growth in demand of the Group for quality diesel for the three years ending 31 December 2013; and (iii) the expected increment of the market price of diesel in Hong Kong during the term of the Diesel Supply Agreement.

GEM Listing Rules implication

As each of the applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profits ratio) with respect to the transactions contemplated under the Diesel Supply Agreement is on an annual basis less than 5% and the annual consideration is less than HK\$1,000,000, the transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

A. Continuing connected transaction subject to reporting, annual review and announcement requirements

Shatin Lease Agreement

Background

Pursuant to a lease entered into between RS Corporation and U Investments on 1 January 2010 (the “**Shatin Lease Agreement**”), RS Corporation had agreed to lease from U Investments premises situated at Shop No. 33, Level 1 and Level 2, Garden Rivera, Nos. 20-30 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong and a covered carparking space (the “**Shatin Property**”) with a total saleable area of approximately 879.41 sq.m., at a monthly rent of HK\$250,000 for the period from 1 January 2010 to 31 December 2014. The Shatin Property has been used by RS Corporation as the restaurant premises of Shatin Red Seasons.

Principal terms

Pursuant to the Shatin Lease Agreement, U Investments had agreed to lease to RS Corporation the Shatin Property during the term of the Shatin Lease Agreement. The monthly rent is HK\$250,000, which was determined based on arm’s length negotiations with reference to the then market rent. Ample Appraisal Limited, an independent valuer, has confirmed that the rent reflects the then market rent of the Shatin Property and the terms of the Shatin Lease Agreement are fair and reasonable.

Connected person(s)

U Investments is principally engaged in property investment in Hong Kong.

Mr. Wong KM and Ms. Lau LY, both being Directors and Controlling Shareholders, are connected persons of the Company under the GEM Listing Rules. As each of Mr. Wong KM and Ms. Lau LY holds as to 50% of the issued share capital of U Investments, U Investments is an associate of each of Mr. Wong KM and Ms. Lau LY, and is a connected person of the Company. Therefore, the Shatin Lease Agreement constitutes a continuing connected transaction of the Company under the GEM Listing Rules.

CONNECTED TRANSACTIONS

Term

The term of the Shatin Lease Agreement is for a period of five years commencing from 1 January 2010 to 31 December 2014.

Rule 20.35(1) of the GEM Listing Rules requires that the term of an agreement governing continuing connected transactions of an issuer must not exceed three years except in special circumstances. The term of the Shatin Lease Agreement which remains after Listing will exceed three years.

The Directors are of the view that it is the industry norm for lease agreements for the purpose of operating restaurants to exceed three years and that the Shatin Lease Agreement will help the Group in securing the Shatin Property at a commercially reasonable price on a long term basis. The Directors are of the view that it will be in the interest of the Company and its Shareholders as a whole for the Group to have a term of lease with more than three years under the Shatin Lease Agreement.

The Company, under Rule 20.42(3) of the GEM Listing Rules, has applied for, and the Stock Exchange has granted to the Company, in respect of the continuing connected transaction under the Shatin Lease Agreement, a waiver from the announcement requirement of Chapter 20 of the GEM Listing Rules for the three years ending 31 December 2013. The Company will re-comply with all the applicable requirements under Chapter 20 of the GEM Listing Rules upon expiry of such waiver.

Reasons for and benefits of the transaction

RS Corporation has occupied and used the Shatin Property for restaurant operation since 1 January 2010. Further, the Directors consider that the terms of the Shatin Lease Agreement are fair and reasonable, on normal commercial terms and in the interest of the Group and the Shareholders as a whole.

Expected annual caps

Based on the current monthly rent, the Directors estimate that the annual rent payable by RS Corporation to U Investments for renting the Shatin Property for each of the three years ending 31 December 2013 will not exceed HK\$3,000,000.

GEM Listing Rules implication

As each of the applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profits ratio) with respect to the transaction contemplated under the Shatin Lease Agreement is on an annual basis less than 5%, the transaction is exempt from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

B. Continuing connected transactions subject to reporting, annual review, announcement and independent shareholders' approval requirements

During the Track Record Period, for its day-to-day restaurant operation, the Group had been purchasing pork and wine from companies controlled by Mr. Wong KM and Ms. Lau LY. The Company has entered into the agreements described below with the relevant companies setting out the terms for continuing these transactions after Listing. These transactions will constitute continuing connected transactions of the Company after Listing and are aggregated under the GEM Listing Rules.

Pork Supply Agreement and Wine Supply Agreement

Background

Throughout the Track Record Period, Wong Yuen Hing had been supplying pork and U Cellar had been supplying wine to the Group, respectively. The relevant historical transaction amounts for the years ended 31 December 2009 and 2010 were approximately HK\$4,122,000 and HK\$4,143,000 for the purchase of pork from Wong Yuen Hing and approximately HK\$342,000 and HK\$186,000 for the purchase of wine from U Cellar, respectively.

Principal terms of the Pork Supply Agreement

A pork supply and purchase agreement (the “**Pork Supply Agreement**”) was entered into between Wong Yuen Hing and the company on 25 June 2011, pursuant to which Wong Yuen Hing had agreed to sell to the Company (or any of its subsidiaries as directed by the Company) pork during the term of the Pork Supply Agreement on terms no less favourable than those offered by Wong Yuen Hing to other Independent Third Parties. The purchase price, the quantity and specifications of the pork concerned, the time and place of delivery and other relevant matters will be negotiated by the parties with reference to the then prevailing market prices of pork in good faith. The purchase price and the other payment terms for pork will be set out in the relevant purchase orders to be placed under the Pork Supply Agreement. Such price, however, shall not be higher than the average price at which Wong Yuen Hing charges other Independent Third Parties for the same kind of product during that month on normal commercial terms in its ordinary and usual course of business.

Principal terms of the Wine Supply Agreement

A wine supply and purchase agreement (the “**Wine Supply Agreement**”) was entered into between U Cellar and the Company on 25 June 2011, pursuant to which U-Cellar had agreed to sell to the Company (or any of its subsidiaries as directed by the Company) wine during the term of the Wine Supply Agreement on terms no less favourable than those offered by U Cellar to other Independent Third Parties. The purchase price, the quantity and specifications of the wine concerned, the time and place

CONNECTED TRANSACTIONS

of delivery and other relevant matters will be negotiated by the parties with reference to the then prevailing market prices of wine in good faith. The purchase price and the other payment terms for the wine will be set out in the relevant purchase orders to be placed under the Wine Supply Agreement. Such price, however, shall not be higher than the average price at which U Cellar charges other Independent Third Parties for the same kind of product during that month on normal commercial terms in its ordinary and usual course of business.

Connected person(s)

Wong Yuen Hing is principally engaged in the wholesale and retail of pork in Hong Kong. Wong Yuen Hing had a total of 5 retail outlets as at the Latest Practicable Date. The Group has contributed to approximately 12% and 10% of the revenue of Wong Yuen Hing for the two years ended 31 December 2010, respectively.

U Cellar is principally engaged in the business of supply and retail of wine in Hong Kong.

Mr. Wong KM and Ms. Lau LY, both being executive Directors and Controlling Shareholders, are connected persons of the Company under the GEM Listing Rules. As each of Mr. Wong KM and Ms. Lau LY holds as to 50% of the issued share capital of Wong Yuen Hing, Wong Yuen Hing is an associate of each of Mr. Wong KM and Ms. Lau LY, and is a connected person of the Company. As each of Mr. Wong KM and Ms. Lau LY holds as to 50% of the issued share capital of U Cellar, U Cellar is an associate of each of Mr. Wong KM and Ms. Lau LY, and is a connected person of the Company. Therefore, the transactions contemplated under the Pork Supply Agreement and the Wine Supply Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

Term

The term of each of the Pork Supply Agreement and the Wine Supply Agreement is from 25 June 2011 to 31 December 2013. At any time during the term of the Pork Supply Agreement and the Wine Supply Agreement, either party may give the other not less than three months' prior written notice to terminate the relevant agreement.

Reasons for and benefits of the transactions

Both of Wong Yuen Hing and U Cellar had been providing relevant products to the Group during the Track Record Period, and had proven that it was capable of providing high quality pork/wine which fulfil the requirements of the Group at a fair and reasonable price.

CONNECTED TRANSACTIONS

Expected annual caps

The Directors estimate that the annual amount payable by the Group to Wong Yuen Hing for the purchase of pork under the Pork Supply Agreement for the three years ending 31 December 2013 would not exceed HK\$10,000,000, HK\$12,500,000 and HK\$15,000,000, respectively.

In determining the annual caps for the purchase of pork under the Pork Supply Agreement, the Directors have considered (i) the historical transaction amount for the purchase of pork by the Group from Wong Yuen Hing during the period from January 2011 to April 2011; (ii) the expected significant growth in demand of the Group for quality pork for the three years ending 31 December 2013, taking into account the Group's future plan of opening the Red Royalty Banquet Restaurant by the end of 2011 and another restaurant (for details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus); and (iii) the expected increment of the market price of pork in Hong Kong during the term of the Pork Supply Agreement.

The transaction volume for the purchase of pork by the Group from Wong Yuen Hing during the four months ended 30 April 2011 amounted to approximately HK\$2,882,000, which represents a substantial increase as compared to the transaction amounts for the purchase of pork from Wong Yuen Hing of approximately HK\$4.1 million for each of the two financial years ended 31 December 2010. The Directors believe that the award by the Michelin Guide Hong Kong Macau 2011 of the Michelin Bib Gourmand to Lam Tei Red Seasons in December 2010 has generated extensive local media coverage which in turn has led to an increase in publicity and consumer awareness of the Group's restaurants. In particular, the recommendation by the Michelin Guide Hong Kong Macau 2011 of the roast suckling pig stuffed with glutinous rice and dried prawns (蝦禾米乳香豬) may have an effect in lifting the sale of the said menu, including the orders for dishes consumed in the Group's restaurants and takeaway orders, and other menus with pork as one of the major ingredients. Based on that, the annual amount payable by the Group under the Pork Supply Agreement for the year 2011 is expected to be approximately HK\$10,000,000 (i.e. HK\$2,882,000 times 3 plus an appropriate buffer).

It is currently expected that the Red Royalty Banquet Restaurant would be opened for business towards the end of 2011. After taking into account the expected demand from the Red Royalty Banquet Restaurant for pork under the Pork Supply Agreement in the aggregate sum of approximately HK\$2,000,000, being an estimate derived from the actual demand for pork of Plentiful Delight Banquet Restaurant and with reference to, the expanded floor area of Red Royalty Banquet Restaurant, an estimated inflation rate of approximately 5%, the expected annual amount payable by the Group to Wong Yuen Hing for the year ending 31 December 2012 which is likely to increase to approximately HK\$12,500,000.

CONNECTED TRANSACTIONS

The Group plans to open another new restaurant in 2013. After taking into account the expected demand from this new restaurant for pork under the Pork Supply Agreement in the sum of HK\$1,500,000, being an estimate derived from the actual demand for pork of Tsuen Wan Red Seasons which has a similar floor area as the new restaurant, and with reference to, an estimated inflation rate of approximately 5%, the expected annual amount payable by the Group to Wong Yuen Hing for the year ending 31 December 2013 which is likely to increase to approximately HK\$15,000,000.

The Directors estimate that the annual amount payable by the Group to U Cellar for the purchase of wine under the Wine Supply Agreement would not exceed HK\$500,000 for each of the three years ending 31 December 2013.

In determining the annual caps for the purchase of wine under the Wine Supply Agreement, the Directors have considered (i) the historical transaction amounts for the purchase of wine from U Cellar for the years ended 31 December 2009 and 2010 and the four months ended 30 April 2011 of approximately HK\$342,000, HK\$186,000 and HK\$51,400, respectively; and (ii) the expected growth in demand of the Group for quality wine for each of the three years ending 31 December 2013; and (iii) the expected increment of the market price of wine in Hong Kong during the term of the Wine Supply Agreement.

Accordingly, the Directors estimate that the aggregate annual amount payable by the Group, to Wong Yuen Hing for the purchase of pork under the Pork Supply Agreement and to U Cellar for the purchase of wine under the Wine Supply Agreement, for the three years ending 31 December 2013 would not exceed HK\$10,500,000, HK\$13,000,000 and HK\$15,500,000, respectively.

GEM Listing Rules Implication

As the continuing connected transactions contemplated under the Pork Supply Agreement and the Wine Supply Agreement were both entered into between the Company and companies wholly owned by Mr. Wong KM and Ms. Lau LY, and are similar in nature, they are aggregated pursuant to Rule 20.25 of the GEM Listing Rules. As one of the applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profits ratio) with respect to the transactions contemplated under the Pork Supply Agreement and the Wine Supply Agreement, when aggregated, is on an annual basis more than 25%, the transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

WAIVER FROM COMPLIANCE WITH THE GEM LISTING RULES

Given their recurring nature and the fact that the respective agreements for each of the continuing connected transactions mentioned in the paragraph headed “Non-exempt continuing connected transactions” in this section were entered into prior to the Listing Date, the Directors consider that compliance with the announcement and/or independent shareholders’ approval requirements would be impractical and would add unnecessary administrative costs to the Company. Accordingly, the Company, pursuant to Rule 20.42(3) of the GEM Listing Rules, has applied for, and the Stock Exchange has granted to the Company, a waiver with respect to its non-exempt continuing connected transactions referred to above from the announcement and/or independent shareholders’ approval requirements of Chapter 20 of the GEM Listing Rules.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) confirm that the continuing connected transactions referred to above have been entered into in the ordinary and usual course of business of the Group on normal commercial terms and the terms of the abovementioned transactions, including the proposed annual caps, are fair and reasonable and in the interests of the Shareholders as a whole. As such, the Directors (including the independent non-executive Directors) confirm that it is in the interest of the Shareholders and the Group as a whole to continue with these transactions after Listing.

In the event that the Group enters into any new transactions or agreements with any connected person in the future, the Company will comply with the relevant provisions of Chapter 20 of the GEM Listing Rules. In addition, if any of the continuing connected transactions shall continue after the expiry of the current waiver and/or if the transaction amount of any of the continuing connected transactions shall exceed the expected annual caps, the Company will comply with the relevant provisions of Chapter 20 of the GEM Listing Rules.

CONFIRMATION FROM THE SPONSOR

The Sponsor confirms that the non-exempt continuing connected transactions referred to above for which the waiver is sought have been entered into in the ordinary and usual course of business of the Group on normal commercial terms and the terms of the abovementioned transactions, including the proposed annual caps, are fair and reasonable and in the interests of the Shareholders as a whole.