

Connected Transactions

The following connected transactions (“Transactions”) entered into between the Group and Tem Fat Hing Fung (Holdings) Limited (“TFHF”) and its subsidiaries (the “TFHF Group”) for the year ended 30th April, 2001. Transactions (1) and (2) below are covered by the waiver letter dated 21st January, 1997 granted by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Waivers”):-

- (1) indemnities given by Mr. Chan Fat Chu, Raymond, Mr. Chan Fat Leung, Alexander and TFHF to the Group dated 18th November, 1996 in respect of any Hong Kong estate duty which might be payable by any members of the Group by reason of transfer of property to the Group;
- (2) indemnity given by TFHF to the Group dated 8th November, 1996 against all costs and expenses which the Group may incur with respect to the transfer of the title of various properties set out below from Malayan Marine Industries Berhad to M.A.H.F. Precious Metal Refinery Sdn. Bhd. or RNA Goldsmith And Refinery (M) Sdn. Bhd., as the case may be.

Ground Floor and Unit No.6 on 6th Floor,
Unit Nos. 1, 4, 5 and 8 on 1st Floor,
Unit Nos. 1, 4, and 8 on 2nd Floor,
Unit Nos. 1, 4 and 5 on 3rd Floor, and
Unit Nos.1 and 4 on 6th Floor,
The Penang Gold and Jewellery Exchange Centre,
122 Jalan Sungai,
Town of Georgetown,
North East District,
Penang.

Lot No. 1469 and part of Lot No. 1470, Section 9W,
Jalan Sungai,
Town of Georgetown,
North East District,
Penang.

The Waivers are subject to the following conditions:-

- (a) Transactions (1) and (2) will be carried out in accordance with the terms of the agreement relating to the transaction in question or in the usual and ordinary course of business of the Group on normal commercial terms and are fair and reasonable so far as the shareholders of the Company are concerned.
- (b) details of Transactions (1) and (2) will be disclosed in the annual report and accounts of the Company as set out in Rules 14.25(1)(A) to (D) of the Listing Rules.
- (c) the independent non-executive directors of the Company shall review annually Transactions (1) and (2) and confirm in the annual report of the Company that:
 - (i) Transactions (1) and (2) have been entered into by the Group in the ordinary and usual course of its business;
 - (ii) Transactions (1) and (2) have been entered into either on normal commercial terms or on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and

Connected Transactions *(Continued)*

- (iii) Transactions (1) and (2) have been carried out in accordance with the terms of the agreement governing Transactions (1) and (2).
- (d) The auditors of the Company shall be engaged to review Transactions (1) and (2) annually and provide the board of directors of the Company with a letter ("Auditors' Letter") stating that:
 - (i) Transactions (1) and (2) have received the approval of the independent non-executive directors of the Company; and
 - (ii) Transactions (1) and (2) have been entered into on normal commercial terms or in accordance with the terms of the respective agreements relating to Transactions (1) and (2).

The conditions set out in (a) to (d) to above have been fulfilled.

- (3) An agreement (the "Property Income Agreement") was entered into between TFHF and Tem Fat Hing Fung Investments (Holdings) Limited ("Tem Fat Investments"), a wholly-owned subsidiary of the Company, on 16th April, 1999 pursuant to which TFHF has agreed to retain the sole benefit of HK\$10,000,000, being payment of rental in advance by an existing independent third party tenant of certain areas of Cheung Fat Building located at 7-9 Hill Road, Western District, Hong Kong (in lieu of rent for the period from February 1999 to May 2004), and in consideration for this TFHF shall pay Tem Fat Investments monthly a sum of HK\$250,000 for 60 consecutive months commenced on 3rd May, 1999. A total of HK\$15,000,000 will be payable by Tem Fat Investments over a five year period pursuant to the Property Income Agreement.

As the Company acquired Tem Fat Investments from TFHF Group and it became an indirect wholly-owned subsidiary of the Company on 6th May, 1999, the payment made by TFHF to Tem Fat Investments pursuant to the Property Income Agreement constituted a connected transaction for the Company. The Property Income Agreement was approved by the independent shareholders at the special general meeting of the Company held on 5th May, 1999.

- (4) On 6th May, 1999, twelve tenancy agreements were entered into between Tem Fat Investments as landlord and TFHF or the TFHF Group as tenants for the leasing of an aggregate of approximately 1,664.90 square metres of certain areas in Cheung Fat Building located at 7-9 Hill Road, Western District, Hong Kong for a term of 2 years commencing from 1st May, 1999 at an average monthly rental of approximately HK\$255,113. The Tenancy Agreements can be terminated by Tem Fat Investments giving six months' notice to the TFHF Group or by the TFHF Group giving one month's notice to Tem Fat Investments. Six of which were terminated with effect from 1st March, 2001 for an aggregate of approximately 921.26 square metres at the aggregate monthly rental of approximately HK\$118,500.

As the aggregate annual rental payable of each tenancy agreement by the TFHF Group to Tem Fat Investments under the Tenancy Agreements fall within the de minimis level as stipulated under paragraph 14.25(1) of the Listing Rules, no approval of the independent shareholders of the Company was required.

Details of Transaction (4) were given in the circular to shareholders of the Company dated 19th April, 1999.

- (5) On 11th April, 2001, TFHF and the Company jointly announced that a conditional subscription agreement was entered into between Chimstar Limited ("Chimstar") (a wholly-owned subsidiary of TFHF) and the Company, pursuant to which Chimstar agreed to subscribe for up to 133,780,000 new shares of HK\$0.10 each in the capital of the Company ("Share") at HK\$0.202 per Share upon completion of the placing of 133,780,000 Shares by Chimstar to independent investors at HK\$0.202 per Share.

Connected Transactions *(Continued)*

The following Transactions entered into between the Group and Trasy Gold Ex Limited (“Trasy”), which became a 58.46% subsidiary of the Company upon the listing of its shares on the Growth Enterprise Market of the Stock Exchange on 7th December, 2000, and its subsidiaries (the “Trasy Group”) for the year ended 30th April, 2001. Transaction (8) is covered by the waiver letter dated 30th March, 2001 granted by the Stock Exchange.

- (6) On 12th October, 1999, an agreement (the “Development Agreement”) was entered into between Hing Fung Goldsmith And Refinery Limited (“HFGR”), a wholly-owned subsidiary of the Company, and Trasy Technology Limited, a wholly-owned subsidiary of Trasy, for the engagement of HFGR as electronic dealing system main contractor to procure the development of a real-time online electronic bullion trading system for a fee of US\$400,000 and reimbursement of up to US\$600,000 and a maintenance fee of HK\$0.015 per tael of gold actually traded through the system for a term of three years. The Development Agreement was conditionally terminated by the respective letters dated 19th February, 2000, 11th July, 2000 and 6th September, 2000. Trasy Group paid HK\$780,000 and HK\$2,340,000 in relation to the fixed fee of the agreement and HK\$313,847 and HK\$781,378 as reimbursement of purchases of fixed assets to HFGR.
- (7) On 1st April, 2000, two tenancy agreements were entered into between Tem Fat Investments as landlord and Wing Shing Loong Goldsmith and Refinery Co. Limited (“Wing Shing Loong”) as tenant, a wholly-owned subsidiary of Trasy, for the leasing by Wing Shing Loong of an aggregate of 733.78 square metres on the 1st and 14th floors of Cheung Fat Building for terms of two years commencing from 1st May, 2000 and 1st April, 2000 respectively at an aggregate monthly rental of HK\$108,000.
- (8) Giant Dragon Limited (“Giant Dragon”), a wholly-owned subsidiary of the Company, entered into an agreement with The Gold On-Line Trading Limited, a wholly-owned subsidiary of Trasy, on 12th July, 2000 which was subsequently replaced by a replacement agreement dated 16th October, 2000 (collectively the “Sales and Marketing Support Agreements”) for the provision of sales and marketing support to the Trasy Group including, but not limited to, supply of expertise and technical knowledge in the precious metals trading business at a fee based on actual costs incurred plus 20%, subject to a cap of HK\$1,000,000 per project.

The waiver is subject to the following conditions:

- (a) the Transaction is:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms;
 - (iii) fair and reasonable so far as the shareholders of the Company are concerned; and
 - (iv) entered into in accordance with the terms and conditions of the Sales and Marketing Support Agreements;
- (b) details of the Transaction as set out in Rule 14.25(1)(A) to (D) of the Listing Rules shall be disclosed in the Company’s next and each successive annual reports;
- (c) in any financial year, the total fees payable to Giant Dragon under the Transaction will not exceed the annual cap of HK\$10,000,000;

Connected Transactions *(Continued)*

- (d) the independent non-executive directors of the Company shall review annually the Transaction and confirm in the annual report of the Company that the Transaction has been conducted in the manner as stated in (a) above;
- (e) the auditors of the Company shall be engaged to provide the board of directors with a letter (“Auditors’ Letter”) stating that:
 - (i) the Transaction received the approval of the board of directors of the Company;
 - (ii) the Transaction has not exceed the limit as stipulated in (c) above; and
 - (iii) the Transaction has been entered into in accordance with the terms of the Sales and Marketing Support Agreements;

The conditions set out in (a) to (e) above have been fulfilled.

- (9) HFGR is one of the principals conducting precious metals trading through the trading platform “TRASY” provided by Trasy from time to time. Trasy Group charges the transaction fees at the same rates as other users of TRASY. The transaction fees charged by the Trasy Group for the financial year ended amounts to HK\$5,929,323.27.

The Company confirms that all disclosure requirements as required by Chapter 14 of the Listing Rules have been complied with for each of the connected transactions numbered (5) to (9).