

## Connected Transactions

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The following connected transactions (“Transactions”) were entered into between the Group and Tem Fat Hing Fung (Holdings) Limited (“TFHF”) and its subsidiaries (“TFHF Group”) during the year ended 30 April 2002. Transactions (1) and (2) below are covered by the waiver letter dated 21 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 18 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 8 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,  
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 and terms that 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 financial statements 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
  - (iii) Transactions (1) and (2) have been carried out in accordance with the terms of the agreement governing Transactions (1) and (2).

## Connected Transactions *(Continued)*

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- (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 (c) above have been fulfilled. As to condition (d), no claims had been made in relation to Transactions (1) and (2) above during the year. Hence, it is opined that there was no financial impact on the financial statements for the year ended 30 April 2002 arising thereof. Accordingly, no Auditors' Letter has been provided to the board of directors of the Company.

- (3) An agreement (the "Property Income Agreement") was entered into between TFHF and RNA Investments Limited (formerly known as Tem Fat Hing Fung Investment (Holdings) Limited) ("RNA Investments"), a wholly-owned subsidiary of the Company, on 16 April 1999 pursuant to which TFHF has agreed to retain the sole benefits 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 ("Cheung Fat Building") (in lieu of rent for the period from February 1999 to May 2004), and in consideration for this TFHF shall pay RNA Investments a sum of HK\$250,000 monthly for 60 consecutive months commenced on 3 May 1999. A total of HK\$15,000,000 will be received by RNA Investments over a five year period pursuant to the Property Income Agreement.

As the Company acquired RNA Investments from TFHF Group and it became an indirect wholly-owned subsidiary of the Company on 6 May 1999, the payment made by TFHF to RNA 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 5 May 1999.

- (4) On 1 August 2001, eight tenancy agreements ("Tenancy Agreements") were entered into between RNA Investments as landlord and TFHF or the TFHF Group as tenants for the leasing of an aggregate of approximately 1,159.97 square metres of certain areas in Cheung Fat Building for a term of four months commencing from 1 May, 2001 (six of the Tenancy Agreements) at an aggregate monthly rental of HK\$136,613 and a term of six months commencing from 1 March 2001 (two of the Tenancy Agreements) at an aggregate monthly rental of HK\$44,300. All the Tenancy Agreements expired on 31 August 2001 and were extended to 30 September 2001. TFHF Group paid to RNA Investments an aggregate monthly rental of HK\$28,834 for the leasing of an aggregate of approximately 194.22 square metres of certain areas in Cheung Fat Building from 1 October 2001 to 30 April 2002.
- (5) On 20 November 2001, the Company completed the subscription ("Subscription") by Messrs. Chan Fat Chu, Raymond and Chan Fat Leung, Alexander, both of whom are directors of the Company, of 85,000,000 and 85,000,000 new ordinary shares of HK\$0.10 each in the Company, respectively, at a subscription price of HK\$0.10 each. The Subscription was approved by the independent shareholders of the Company at the special general meeting of the Company held on 12 November 2001.

The following Transactions were entered into between the Group and Trasy Gold Ex Limited ("Trasy"), a former wholly-owned subsidiary of the Company 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 7 December 2000, and its subsidiaries (the "Trasy Group") for the year ended 30 April 2002. Transaction (6) is covered by the waiver letter dated 30 March 2001 granted by the Stock Exchange.

## Connected Transactions *(Continued)*

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- (6) 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 12 July 2000 which was subsequently replaced by a replacement agreement dated 16 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, the supply of expertise and technical knowledge in the precious metals trading business, at a fee based on the 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 (6) 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 (6) 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 (6) will not exceed an annual cap of HK\$10,000,000;
- (d) the independent non-executive directors of the Company shall review annually the Transaction (6) 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 stating that:
- (i) the Transaction (6) received the approval of the board of directors of the Company;
  - (ii) the Transaction (6) 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 (d) above have been fulfilled. As to condition (e), there had been no fees payable to Giant Dragon under the Transaction (6) during the year. Hence, it is opined that there was no financial impact on the financial statements for the year ended 30 April 2002 arising thereof. Accordingly, no Auditors’ Letter has been provided to the board of directors of the Company.

- (7) On 1 April 2000, two tenancy agreements were entered into between RNA Investments as landlord and Wing Shing Loong Goldsmith & 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 1 May 2000 and 1 April 2000, respectively, at an aggregate monthly rental of HK\$108,000.
- (8) Hing Fung Goldsmith And Refinery Limited, a wholly-owned subsidiary of the Group is one of the principals conducting precious metals trading through the trading platform “TRASY” provided by Trasy from time to time. The 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 30 April 2002 amounted to HK\$4,104,876.

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 (4), and (6) to (8).