

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS EXEMPTED FROM THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

For the year ended 31st December, 2004, the Group received rental income and professional services income of HK\$90,000 and HK\$150,000 respectively from ER2.

The Group leased an office premise from Independent Third Party vendors and shared part of the office space to ER2 during 2004. As the vendors were Independent Third Parties and the premise-related costs were determined after arm's length negotiations, the Directors therefore considered the premise-related costs were consistent with the prevailing market rates. The rental income received from ER2 was derived from the provision of office space by the Group. Given the amount recharged by the Group to ER2 were determined with reference to the premise-related costs paid by the Group to Independent Third Party vendors and the area occupied by ER2, the Directors considered that the rental income received from ER2 is consistent with the prevailing market rates.

The service income received from ER2 represents information technology and graphic design services rendered by the Group. It was determined with reference to the Group's staff time cost spent for the assignment. The Directors were of the opinion that the professional services income were charged at market price or where no market price was available, at cost plus a percentage profit mark-up.

The Directors considered that the transactions above were conducted on normal commercial terms and the terms are fair and reasonable. The transactions were connected transactions of the Group exempted from all reporting, announcement and independent Shareholders' approval requirements contained in Chapter 14A of the Listing Rules. The Directors confirm that the connected transactions above discontinued from 1st January, 2005.

Save as disclosed above, the Group has not entered into any transactions with its connected persons during the Track Record Period.