
CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

Prior to the Listing, our Group has entered into the following transactions with the following parties, which are connected persons of the Company pursuant to the GEM Listing Rules. All of these transactions between our Group and the connected persons will continue after the Listing and constitute continuing connected transactions (as defined under the GEM Listing Rules) on the part of the Company under the GEM Listing Rules.

Non-exempt continuing connected transactions

Software OEM Distributorship Agreement

On 2 January 2003, ELL, a member of our Group, entered into a distributorship agreement with ETL. Pursuant to which, ELL has appointed ETL as a distributor to sell and distribute the perpetual licence to use the WISE-xb System to the end users in Hong Kong, the PRC and Macau (the “**Territory**”) for a term of one year. The software OEM distributorship agreement will be automatically renewed for successive one year unless prior written notification of termination or non-renewal is delivered by one of the parties. On 2 January 2011, a supplemental agreement (which together with the above agreement dated 2 January 2003, the “**Software OEM Distributorship Agreement**”) was entered into between ELL and ETL, pursuant to which, ETL (which is not a member of the Group) has been appointed by ELL as a distributor to sell and distribute the licence (without any time limit) to use the WISE-xb System for a term of one year commencing from 2 January 2011 which will be automatically renewed for two successive terms of one year each unless prior notification of termination or non-renewal is delivered by one of the parties. The end users who pay licence fees to ETL are granted the licence (without any time limit) to use the WISE-xb System, but the ownership of the WISE-xb System remains with our Group. ETL is not restricted by the Software OEM Distributorship Agreement to distribute other software similar to the WISE-xb System or other contact center software but ETL did not perform such distributions as at the Latest Practicable Date.

The Directors consider that the distribution business of ETL does not compete with that of the Group as ETL can provide customization services of the WISE-xb System to customers based on the customers’ needs and request, whereas the provision of such customization services are not our Group’s focus and we will not provide customization services to customers when selling such licences. The Directors consider that the provision of customization services by ETL will assist the Group to sell the licence to customers who require further customization to the WISE-xb System to suit their specific needs, and therefore broaden the customer base to use our WISE-xb System. In addition, on or about 21 December 2011, the Covenantors have entered into the Deed of Non-competition in favour of the Company to avoid any competition with the Group after Listing.

For the two years ended 31 December 2010 and the six months ended 30 June 2011, the numbers of the perpetual licence to use the WISE-xb System sold and distributed by ETL were 3, 5 and 0 respectively and the related amounts received by ELL from ETL were HK\$394,000, HK\$511,000 (the average licence fees of each set of the WISE-xb System received by ELL from ETL are approximately HK\$131,000 and HK\$102,000 respectively) and HK\$0 respectively. ETL has entered into 7 sales

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contracts by the end of October 2011 (the average licence fee of each set of the WISE-xb System received by ELL from ETL was approximately HK\$92,000) and ELL is expected to receive licence fees from ETL in the amount of approximately HK\$649,000 by the end of December 2011. The decrease in the average licence fees was due to the Group's strategy to lower the licence fee to attract customers to purchase the rights to use the WISE-xb System. According to the Software OEM Distributorship Agreement, the licence fees payable by ETL to ELL are 50% of the amount of the sales of the licences to use the WISE-xb System.

Historical transaction value

For the two years ended 31 December 2010 and the six months ended June 2011, the licence fees in respect of the WISE-xb System received by ELL from ETL were approximately HK\$394,000, HK\$511,000 and HK\$0 respectively.

Annual caps

The proposed annual cap amounts of the licence fees in respect of the WISE-xb System to be paid by ETL to ELL for each of the three years ending 31 December 2013 are HK\$649,000, HK\$828,000 and HK\$1,012,000 respectively. Such proposed cap amounts are determined with reference to, among other factors, (i) the historical amounts of sales of licence to use the WISE-xb System by ETL pursuant to the Software OEM Distributorship Agreement from 2003 to 2010; (ii) the expected increase in sales demand of the licence to use the WISE-xb System based on the historical increasing trend of the number of the WISE-xb System sold by ETL to the end users; (iii) the continuous growth rate based on the historical increasing trend of the number of the WISE-xb System sold by ETL to the end users; and (iv) the expected continuous growth of the customer base in the multi-media contact service market in the PRC region based on the historical increasing trend of the number of the WISE-xb System sold by ETL to the end users. The Board expects that the numbers of the WISE-xb System to be sold for the three years ending 31 December 2013 will be 7, 9 and 11 respectively, and based on the historical average licence fee of each set of the WISE-xb System received by ELL from ETL of approximately HK\$92,000 for the six months ended June 2011, the expected total licence fees of the WISE-xb System receivable by ELL from ETL for the three years ending 31 December 2013 are approximately HK\$649,000, HK\$828,000 and HK\$1,012,000 respectively. The Directors consider that the annual cap amounts were arrived at after due and careful consideration.

As the applicable percentage ratios (other than the profits ratio) for the annual caps for the Software OEM Distributorship Agreement for each of the three years ending 31 December 2013 are more than 5% but less than 25% and the transaction value on an annual basis would not exceed HK\$10,000,000, the Software OEM Distributorship Agreement is exempted from independent Shareholders' approval requirement but is subject to the reporting and announcement requirements as set out in Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

GEM Listing Rules Implication

As Mr. Wong and Mr. Ling, who are the executive Directors, are indirectly interested in 47% and 46% of ETL respectively, ETL is a connected person (within the meaning of Chapter 20 of the GEM Listing Rules) of the Company. Accordingly, the transactions contemplated under the Software OEM Distributorship Agreement constitute continuing connected transactions for the Company.

The Directors (including the independent non-executive Directors) and the Sole Sponsor have confirmed that the Software OEM Distributorship Agreement was entered into in the ordinary and normal course of our Group's business and the terms thereof (including the respective annual caps) are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Technical Research Subcontracting Agreement

On 17 December 2010, ELL entered into a subcontracting agreement with Guangzhou EproTech, pursuant to which ELL subcontracted to Guangzhou EproTech the technical programming and development of the WISE-xb System for the following functions and features: (1) contact centre monitor system terminal (呼叫中心系統監管終端); (2) built-in fax in the WISE-xb System (WISE-xb系統整合傳真功能); and (3) Synway PBX support IP phone (三滙卡PBX增加IP電話支持項目). ELL is responsible for the strategic design, development and control of the WISE-xb System, while Guangzhou EproTech is responsible for programming for the WISE-xb System in view of the fact that it is more cost-effective to engage programmers in Guangzhou when compared to Hong Kong, as the average monthly salary of a programmer in Guangzhou EproTech is approximately HK\$7,800 while the average monthly salary of a programmer in ELL is much higher at approximately HK\$14,400. The subcontracting arrangement is mainly for cost-saving in the enhancement and development of the WISE-xb System and the three research projects have to be accomplished within a year from the date of the agreement.

According to the above agreement, Guangzhou EproTech is entitled to receive a subcontracting fee of RMB800,000.00 in three stages which are that (i) 30% of the fee is payable 30 days after signing of the agreement; (ii) three payments of 20% of the fee each are payable on the third month, the sixth month and the ninth month upon the start of the research; and (iii) 10% of the fee is payable upon completion of the research and the satisfactory testing results being obtained. The "three stage" payment schedule is based on the commercial decisions of the Group.

On 19 December 2011, ELL entered into a master technical research subcontracting agreement (the "**Technical Research Subcontracting Agreement**") with Guangzhou EproTech, pursuant to which ELL would subcontract to Guangzhou EproTech from time to time during the term of the Technical Research Subcontracting Agreement such technical research and development services for a subcontracting fee to be agreed between our Group and Guangzhou EproTech from time to time. The subcontracting fee would be negotiated by our Group and Guangzhou EproTech in good faith towards each other on a

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case by case basis after taking into account, among other factors, the specifications and contents of the services, the complexity of the services required, the time required to complete the services and the rates of the fees offered by other subcontracting services providers providing similar services as Guangzhou EproTech.

Historical transaction value

For the two years ended 31 December 2010, the six months ended 30 June 2011, and the 10 months ended 31 October 2011, the subcontracting fees paid by ELL for the technical research and development services provided by Guangzhou EproTech are approximately HK\$0, HK\$1,144,600, HK\$0 and HK\$878,049 (which is equivalent to RMB720,000 calculated at the rate of HK\$1.00=RMB0.82) respectively. Prior to the entering into of the subcontracting agreement between ELL and Guangzhou EproTech dated 17 December 2010, the Group had entered into a subcontracting agreement with Guangzhou EproTech dated 1 October 2009. The fees for the year ended 31 December 2010 refers to the contract sum of RMB1,000,000 (which is equivalent to approximately HK\$1,144,600 calculated at the rate of HK\$1.00 = RMB0.87367) paid by ELL to Guangzhou EproTech in 2010 after the completion of such subcontracting agreement dated 1 October 2009.

Annual caps

The proposed annual cap amounts of the subcontracting fees to be paid by ELL for the technical research and development services provided by Guangzhou EproTech for each of the three years ending 31 December 2013 are approximately HK\$1.0 million, HK\$1.05 million and HK\$1.1 million respectively. Such proposed cap amounts are determined based on (i) the nature and complexity of the technical research; (ii) the value of the historical transactions; (iii) the expected relatively stable amount of technical research and development work without great fluctuations subcontracted to Guangzhou Epro for the three years ending 31 December 2013; and (iv) the expected increase of the average monthly salary of a programmer in Guangzhou EproTech.

As the applicable percentage ratios (other than the profits ratio) for the annual caps for the Technical Research Subcontracting Agreement for each of the three years ending 31 December 2013 are more than 5% but less than 25% and the transaction value on an annual basis would not exceed HK\$10,000,000, the Technical Research Subcontracting Agreement is exempted from independent Shareholders' approval requirement but is subject to the reporting and announcement requirements as set out in Chapter 20 of the GEM Listing Rules.

GEM Listing Rules Implication

As Mr. Wong and Mr. Ling, who are the executive Directors, are indirectly interested in 47% and 46% of Guangzhou EproTech respectively, Guangzhou EproTech is a connected person (within the meaning of Chapter 20 of the GEM Listing Rules) of the Company.

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The Directors (including the independent non-executive Directors) and the Sole Sponsor have confirmed that the Technical Research Subcontracting Agreement was entered into in the ordinary and usual course of our Group's business and the terms thereof (including the respective annual caps) are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Sub-lease Agreement

On 1 November 2010, Always Beyond Limited (“**Always**”), an Independent Third Party and Epro BPO Services Limited (“**Epro BPO**”) entered into a tenancy agreement (the “**Tenancy Agreement**”), pursuant to which Always agreed to let and Epro BPO agreed to take the factory (the “**Premises**”) located on the first floor including the flat roof thereof of Block I of Camelpaint Building Block I and Block II, No. 62 Hoi Yuen Road, Kowloon, Hong Kong for a term of three years from 2 November 2010 to 1 November 2013 at a monthly rental of HK\$195,800, which is opined by DTZ Debenham Tie Leung Limited as a fair market value with an option to renew for 2 years. On 19 December 2011, Epro BPO and ETS entered into a sub-lease agreement (the “**Sub-lease Agreement**”), pursuant to which Epro BPO agreed to sub-lease and ETS agreed to take the Premises for the period commencing from 2 November 2010 to 1 November 2013 at the monthly rental equivalent to the rent payable by Epro BPO under the Tenancy Agreement and ETS would pay the rents directly to Always. On the same date, Always and Epro BPO entered into a supplemental tenancy agreement (the “**Supplemental Tenancy Agreement**”), pursuant to which (i) Always agreed to delete the provisions which restricted the sub-leasing by Epro BPO under the Tenancy Agreement with effect from 1 November 2010; (ii) Always agreed to ratify the sub-leasing of the Premises by Epro BPO to ETS for the period commencing from 2 November 2010 to the date immediately before the date of the Sub-lease Agreement; (iii) Always consented to the sub-leasing of the Premises by Epro BPO to ETS for the period commencing from the date of the Sub-lease Agreement to 1 November 2013; (iv) Always ratified and consented that the Premises had been and would be occupied by the Group but not by and to the exclusion of Epro BPO; and (v) Always acknowledged that ETS had paid and would pay the rents under the Tenancy Agreement directly to Always.

Historical transaction value

For the two years ended 31 December 2010 and the six months ended 30 June 2011, the rental paid by ETS for the Premises was approximately HK\$0, HK\$391,600, and HK\$1,174,800.

Annual caps

The proposed annual cap amounts of the monthly rental to be paid by ETS for the Premises for each of the two years ending 31 December 2012 and the 10 months ending 31 October 2013 are approximately HK\$2.35 million, HK\$2.35 million and HK\$1.96 million respectively. Such proposed cap amounts are determined based on the current monthly rental payable by ETS.

CONNECTED TRANSACTIONS

As the applicable percentage ratios (other than the profits ratio) for the annual caps for the Sub-lease Agreement for each of the three years ending 31 December 2013 are more than 5% but less than 25% and the transaction value on an annual basis would not exceed HK\$10,000,000, the Sub-lease Agreement is exempted from independent Shareholders' approval requirement but is subject to the reporting and announcement requirements as set out in Chapter 20 of the GEM Listing Rules.

GEM Listing Rules Implication

As Mr. Wong and Mr. Ling, who are the executive Directors, are indirectly interested in 47% and 46% of Epro BPO respectively, Epro BPO is therefore a connected person (within the meaning of Chapter 20 of the GEM Listing Rules) of the Company.

The Directors (including the independent non-executive Directors) and the Sole Sponsor have confirmed that the Sub-lease Agreement was entered into in the ordinary and usual course of the Group's business, and the terms thereof (including the respective annual caps) are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

APPLICATION FOR WAIVERS UNDER THE GEM LISTING RULES

The Directors (including the independent non-executive Directors) confirm that the continuing connected transactions contemplated under the Software OEM Distributorship Agreement, the Technical Research Subcontracting Agreement and the Sub-lease Agreement (the "**Continuing Connected Transactions**") have been and shall be entered into in the ordinary and usual course of business of our Group, and on normal commercial terms, and the terms of the Continuing Connected Transactions and the proposed annual caps in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Based on the applicable ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules (other than the profit ratios), the Continuing Connected Transactions constitute continuing connected transactions which are subject to the reporting and announcement requirements but are exempted from independent Shareholders' approval requirements. If the annual values of the continuing connected transactions mentioned above exceed the annual caps, the Company will further comply with all the relevant requirements of Chapter 20 of the GEM Listing Rules.

The Company has applied to the Stock Exchange for a waiver from strict compliance with the announcement requirements pursuant to Rule 20.42(3) of the GEM Listing Rules and the Stock Exchange has agreed to grant such waiver to the Company from compliance with the announcement requirements in respect of each of the Software OEM Distributorship Agreement, the Technical Research Subcontracting Agreement and the Sub-lease Agreement.

CONNECTED TRANSACTIONS

The Company would comply with the other requirements set out in Chapter 20 of the GEM Listing Rules, including Rules 20.32 and 20.45 to 20.47 of the GEM Listing Rules in relation to the Continuing Connected Transactions and the annual caps under each of the Software OEM Distributorship Agreement, the Technical Research Subcontracting Agreement and the Sub-lease Agreement.

On the basis of the information supplied to it, the Sole Sponsor is of the view that the Continuing Connected Transactions under this section headed “Connected Transactions” in this prospectus are conducted in the ordinary and usual course of the Company’s business and on normal commercial terms, and that the terms of the Continuing Connected Transactions and the proposed annual caps in relation thereto are fair and reasonable and in the interests of the Shareholders as a whole.

Exempted continuing connected transactions

Licence Agreement for WISE-xb System

On 30 July 2010, ELL, a member of the Group, entered into a licence agreement (the “**Licence Agreement**”) with Guangzhou Epro pursuant to which ELL has agreed to license the WISE-xb system to Guangzhou Epro. The WISE-xb system used by Guangzhou Epro is different from that of the Group as it is specially designed for Guangzhou Epro to support Chinese characters and allow users to input Chinese characters on various applications. Therefore, a trial period from November 2010 to August 2011 was stipulated in the Licence Agreement to allow Guangzhou Epro to use the WISE-xb system on a trial basis and to allow ELL to test and adjust the WISE-xb system before initial testing and final testing are performed on the WISE-xb system.

The trial period was ended in August 2011, and the joint initial testings by ELL and Guangzhou Epro have been successfully completed in September 2011. As at the Latest Practicable Date, the final joint testings were being performed by ELL and Guangzhou Epro.

According to the Licence Agreement, the total licence fee for the WISE-xb system is RMB1,305,000.00, which is payable conditionally on: (i) RMB435,000.00 has to be paid within seven days after the successful completion of the final joint testings; (ii) RMB435,000.00 has to be paid within seven days after the conclusion of further negotiation between both parties when Guangzhou Epro requires an addition of 100 users; and (iii) RMB435,000.00 has to be paid within seven days after the conclusion of further negotiations between both parties when Guangzhou Epro requires an addition of 100 users. This payment schedule is based on the commercial decisions of the Group and it is expected that the licence fee from Guangzhou Epro will be received by ELL by the end of December 2011. The Directors expect that there will be an addition of 100 users for the year ending 31 December 2012 and another addition of 100 users for the year ending 31 December 2013.

CONNECTED TRANSACTIONS

Historical transaction value

For the two years ended 31 December 2010 and the six months ended June 2011, the licence fees received by ELL under the Licence Agreement are approximately HK\$0, HK\$0 and HK\$0 respectively.

Annual transaction value

The Directors expect that the annual fee receivable from Guangzhou Epro will not be more than HK\$0.54 million (which is approximately equivalent to RMB435,000 calculated at the rate of HK\$1.00=RMB0.82) for each of the three years ending 31 December 2013. On such basis, the transaction value on an annual basis is more than 0.1% but less than 5% and the transaction value on an annual basis will not exceed HK\$1,000,000. Accordingly, the Licence Agreement will fall within the exemption from the reporting, announcement and independent Shareholders' approval requirements under Rule 20.31 of the GEM Listing Rules.

GEM Listing Rules Implication

As Mr. Wong, Mr. Ling and Ms. Chang, who are the executive Directors, are indirectly interested in approximately 58.8% of Guangzhou Epro in total, Guangzhou Epro is a connected person (within the meaning of Chapter 20 of the GEM Listing Rules) of the Company. Accordingly, the transactions contemplated under the Licence Agreement constitute continuing connected transactions for the Company.

The Directors (including the independent non-executive Directors) and the Sole Sponsor have confirmed that the Licence Agreement was entered into in the ordinary and normal course of the Group's business and the terms thereof (including the respective annual caps) are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.