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## CONNECTED TRANSACTIONS

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### **Leasing of property**

Pursuant to a lease agreement between Ledo Properties Limited and the Company dated 8 September, 2000, Ledo Properties Limited has agreed to lease to the Company an office premises situated on Unit F (also known as Unit 09), 41st Floor of Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong. The premise has a saleable area of 1,547 sq.ft. and is leased to the Company on normal commercial terms for a fixed term of two years from 1 June, 2000 to 31 May, 2002 with an option for the Company to renew the lease for a further term of one year at the then open market rent. The total annual rental consideration amounts to HK\$660,000 with monthly rental of HK\$55,000. All monthly rentals are exclusive of rates and management fees. The Company is required to pay a monthly management fee in the amount of HK\$9,486.

DTZ Debenham Tie Leung Limited has confirmed that the rental payable for the above mentioned property is fair and reasonable and the terms of the tenancy are at arm's length and on normal commercial terms.

After the Reorganisation and upon the listing of the Shares on the GEM, the tenancy agreement between Ledo Properties Limited, in which Mr. Tse Ping beneficially owns 50 per cent. equity interests and Mr. Tse Ping's wife (Ms. Cheng Cheung Ling) beneficially owns the other 50 per cent. equity interests, and the Company will constitute a connected transaction (as defined under the GEM Listing Rules), and is expected to continue in the future.

The Directors (including the independent non-executive Directors) and DBS Asia are of the view that the tenancy agreement described above has been entered into and carried out in the ordinary course of business of the Company, has been entered into on normal commercial terms and the transaction is fair and reasonable to the Company and its shareholders taken as a whole.

As such, the tenancy agreement falls under the de minimis exemption as a continuing connected transactions under Rule 20.25(3) and is exempted from all the reporting, announcement and shareholders' approval requirements set out in Rule 20.26, Rule 20.34, Rule 20.35 and Rule 20.36.

### **Licensing of patent**

Pursuant to a patent licensing agreement entered between Mr. Ling Peixue and CTF dated 1 February, 2000, Mr. Ling Peixue has agreed to grant a license to CTF free of charge to use the patent for his inventions until their expiry date. Particulars of these patent are set forth under "Intellectual property" of Appendix V to this prospectus.

Given that Mr. Ling Peixue is an executive director, and thus a connected person, of the Company, the licensing of these patents to CTF constitutes a connected transaction for the Company under the GEM Listing Rules after the listing of Shares on the GEM. The Directors are of the opinion that the patent licensing agreement described above has been entered into and carried out in the ordinary course of business and will be beneficial to the Group.

Under the de minimis exemption pursuant to Rule 20.23 (2), the patent licensing agreement is exempt from any disclosure or shareholders' approval requirements.