
CONNECTED TRANSACTIONS

A. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following continuing connected transactions, each of which constitutes a non-exempt continuing connected transaction which is subject to the reporting and announcement requirements only under Chapter 14A of the Listing Rules:

- Long-term GSE maintenance services and vehicle repair services provided by Dah Chong Hong — Dragonair Airport GSE Service Limited (“DAS”) to Hong Kong Airport Services Limited (“HAS”) at the Hong Kong International Airport
- Outsourcing of GSE services by DAS to DAS Aviation Support Limited (“DSL”)
- Long-term maintenance services on ULD by DAS Nordisk Limited (“DAS Nordisk”) to Cathay Pacific Airways Limited (“CX”)
- Outsourcing of ULD maintenance services by DAS Nordisk to DAS
- Purchases of ULD spare parts from Nordisk Asia Pacific Ltd. by DAS Nordisk
- Leasing of premises for operations of the Group

1. Long-term airport GSE maintenance services and vehicle repair services provided by DAS to HAS at the Hong Kong International Airport

DAS, a joint venture company held as to 70% by Dah Chong Hong (Motor Service Centre) Limited (“MSC”) (a wholly-owned subsidiary of the Company) and 30% by Hong Kong Dragon Airlines Ltd. (“KA”), is one of the service providers in the field of airport GSE management and aviation support for the Hong Kong International Airport. As KA is a substantial shareholder of two of the Company’s subsidiaries (i.e. DAS and DSL), KA and its holding company CX, are connected persons of the Company.

From time to time, DAS has been providing GSE maintenance services to HAS. HAS, being a wholly-owned subsidiary of CX (the holding company of KA), is a connected person of the Company.

General Terms

By an agreement for GSE maintenance and repair entered into between HAS and DAS dated 17 July 1998, DAS, being one of the franchisees granted by the Hong Kong Airport Authority to provide GSE repair and maintenance services at the Hong Kong International Airport until 2013, agreed in its franchise period to provide the GSE repair and maintenance service to HAS’ fleet of GSE in the airport in accordance with HAS’ service standards, which in the aviation industry are very high, in particular where aviation safety is concerned, and to ensure HAS’ fleet of GSE is in good operational conditions throughout the years. This forms the basis of an operational agreement between the two parties which is to be entered into annually after negotiation of the labour rate and the number of GSE in the HAS’ fleet for a one-year term. HAS may terminate this agreement by giving a 3 months’ written notice to DAS. The term of this agreement has been agreed as part of the overall arrangement and was determined, according to market practice for the aviation support services industry.

CONNECTED TRANSACTIONS

As standards for GSE in the aviation industry are extremely high, in particular where aviation safety standards and requirements are concerned, a long term relationship is conducive to securing a consistent level of high standards in these services through mutual cooperation and accumulation of experiences. As such, both DAS and HAS expect partnerships to be of a long duration so as to ensure that the GSE are reliable and have a steady performance. Indeed, the Group considers that the term of this agreement is advantageous to the Group so as to secure a long and stable relationship with HAS, one of the key customers in the competitive aviation support services industry. The Company will re-comply with all applicable requirements under Chapter 14A of the Listing Rules upon the expiry of the three-year period ending 31 December 2009.

Reason for the transaction

HAS is one of DAS's customers in their ordinary course of business who is willing to offer competitive market price for the maintenance services rendered.

Pricing principles and annual caps

The total amount of maintenance fees payable by HAS to DAS under the agreement for the three years ended 31 December 2004, 2005 and 2006 were approximately HK\$17.9 million, HK\$17.4 million and HK\$18.1 million, respectively. The pricing for such maintenance and repair services were determined with reference to the relevant maintenance costs associated with the relevant type/model of GSE, actual engine hours and mileage consumed in respect of GSE concerned. There may be annual price adjustment which will be mutually agreed between the parties.

The amount of maintenance fees payable by HAS to DAS are fair and reasonable at market price in similar businesses and is expected to be subject to an annual cap of HK\$21.3 million, HK\$23.4 million and HK\$25.8 million respectively for each of the three years ending 31 December 2009.

The above annual caps, being the expected maximum annual transaction amount, have been determined on the basis of estimated volume of services required by HAS with reference to historical transaction value with DAS at market prices and the estimated potential passenger and cargo volume growth of not more than 10% by the Hong Kong Airport Authority. These transactions are exempted from the independent shareholders' approval requirements pursuant to Rule 14A.34(1) of the Listing Rules.

2. Outsourcing of GSE services by DAS to DSL

DSL, a joint venture company held as to 70% by MSC and 30% by KA, is engaged in providing parts/equipments for the GSE management and aviation support services.

From time to time, DAS is expected to outsource part of its GSE services (as mentioned in item A1 above) to DSL where DSL will provide the relevant parts required for the GSE concerned. Apart from DSL, DAS can outsource the GSE services to other Independent Third Party suppliers with similar terms and conditions. The Company has not excluded any alternative source of supply from Independent Third Party suppliers and if a more favourable offer is offered by any Independent Third Party suppliers, the Company will consider outsourcing the GSE services to such persons.

CONNECTED TRANSACTIONS

KA is a substantial shareholder of DSL and another subsidiary of the Company (i.e. DAS), and therefore is a connected person of the Company. DSL is also owned as to 30% by KA and therefore is an associate of the Company's connected person. As such, transactions between DAS and DSL are connected transactions of the Company.

General terms

On 28 September 2007, DSL entered into an outsourcing master agreement on GSE services with DAS, whereby DAS may from time to time outsource part of the GSE maintenance services and vehicle repair services to DSL.

Term

The term of the agreement is for three years commencing from 1 January 2007 and ending on 31 December 2009.

Reason for the transaction

DSL supplies the necessary parts/equipments for GSE in the aviation support services business on competitive market terms, which DAS would purchase regardless of their connections.

Pricing principles and annual caps

The total amount of outsourcing fees payable by DAS to DSL for the three years ended 31 December 2004, 2005 and 2006 were approximately HK\$9.0 million, HK\$11.0 million and HK\$24.0 million respectively. The pricing for the outsourcing fees were determined at the relevant costs associated with the frequency and amount of usage of, and the parts/equipments required for, the relevant GSE concerned. The increase in the amount in 2006 as compared with that paid in 2005 was attributed to the fact that the Group had purchased a few large-scale new equipments for trading purpose.

The amount of outsourcing fees payable by DAS to DSL are fair and reasonable at market price in similar businesses and is expected to be subject to an annual cap of HK\$29.8 million, HK\$31.6 million and HK\$33.6 million respectively for the three years ending 31 December 2009.

The above annual caps, being the expected maximum annual transaction amount, have been determined on the basis of estimated volume of services required by DAS with reference to historical transaction value with DSL at market price and the estimated potential passenger and cargo volume growth of not more than 10% by the Hong Kong Airport Authority. These transactions are exempted from the independent shareholders' approval requirements pursuant to Rule 14A.34(1) of the Listing Rules.

3. Long-term maintenance services on ULD by DAS Nordisk to CX

DAS Nordisk, a joint venture company held as to 70% by DSL (a 70%-owned subsidiary of MSC) and 30% by Nordisk Asia Pacific Pte. Ltd. ("NAP"), provides rental, repair and assembly services for aircraft unit load devices, repair services for meal carts and cargo loading systems.

As CX is the holding company of KA (the substantial shareholder of two 70%-owned subsidiaries of the Company (i.e. DAS and DSL)), CX is a connected person of the Company.

CONNECTED TRANSACTIONS

General terms

Pursuant to two contracts for ULD maintenance and repair entered into between DAS Nordisk and CX, and dated 1 July 2002 (with a term expired on 30 June 2005) and 1 July 2005 (with a term expiring on 30 June 2008) respectively, DAS Nordisk agreed to carry out maintenance and repair services on CX's ULD equipment at a service fee payable to DAS Nordisk.

Reason for the transaction

CX is one of DAS Nordisk's customers in their ordinary course of business who is willing to offer competitive market price for the services rendered by DAS Nordisk.

Pricing principles and annual caps

The total amount of maintenance fees payable by CX to DAS Nordisk under the contracts for the three years ended 31 December 2004, 2005 and 2006 were approximately HK\$19.1 million, HK\$18.8 million and HK\$19.0 million, respectively. The pricing for such maintenance services was determined with reference to the relevant costs associated with the estimated maintenance hours and the frequency of visit of the relevant type of ULD.

As a term of the contracts, different types of maintenance services are chargeable at a different rate. The amount of maintenance fees payable by CX to DAS Nordisk are fair and reasonable at market price and in any event is expected to be subject to an annual cap of HK\$21.5 million and HK\$24.7 million respectively for the two years ending 31 December 2008.

The above annual caps, being the expected maximum annual transaction amount, have been determined on the basis of estimated volume of services rendered by DAS Nordisk with reference to historical transaction value with CX at market price and the estimated potential cargo growth of not more than 10% by the Hong Kong Airport Authority. These transactions are exempted from the independent shareholders' approval requirements pursuant to Rule 14A.34(1) of the Listing Rules.

4. Outsourcing of ULD maintenance services by DAS Nordisk to DAS

DAS Nordisk is a joint venture company held as to 70% by DSL (a 70%-owned subsidiary of MSC) and 30% by NAP. KA is a substantial shareholder of DSL and another subsidiary of the Company (i.e. DAS), and therefore is a connected person of the Company. As DSL is owned as to 30% by KA, it is an associate of the Company's connected person. As such, transactions between DAS and DSL (including its 70%-owned subsidiary, DAS Nordisk) are connected transactions of the Company.

General terms

On 28 September 2007, DAS entered into an outsourcing master agreement with DAS Nordisk, whereby DAS Nordisk may from time to time outsource part of its maintenance services on ULD to DAS. DAS is one of the only two ULD maintenance service providers with appropriate airworthiness approvals in Hong Kong. The other service provider is the competitor to DAS.

Term

The term of the outsourcing master agreement is for three years commencing from 1 January 2007 and ending on 31 December 2009.

CONNECTED TRANSACTIONS

Reason for the transaction

DAS is one of the only two ULD repairers and who possess the appropriate airworthiness approvals at the Hong Kong International Airport.

Pricing principles and annual caps

The total amount of outsourcing fees payable by DAS Nordisk to DAS for the three years ended 31 December 2004, 2005 and 2006 were approximately HK\$18.0 million, HK\$20.0 million and HK\$21.0 million, respectively. The pricing for such maintenance services was determined with reference to labour time and the volume of services as estimated with reference to previous years' levels.

The amount of outsourcing fees payable by DAS Nordisk to DAS are fair and reasonable at market price in similar businesses and is expected to be subject to an annual cap of HK\$23.1 million, HK\$25.4 million and HK\$27.9 million respectively for the three years ending 31 December 2009.

The above annual caps, being the expected maximum annual transaction amount, have been determined on the basis of estimated volume of services required by DAS Nordisk with reference to historical transaction value with DAS at market price and the estimated potential cargo growth of not more than 10% by the Hong Kong Airport Authority. These transactions are exempted from the independent shareholders' approval requirements pursuant to Rule 14A.34(1) of the Listing Rules.

5. Purchases of ULD spare parts from Nordisk Asia Pacific Ltd. by DAS Nordisk

DAS Nordisk is a joint venture company held as to 70% by DSL (a 70%-owned subsidiary of the Company) and 30% by NAP. Nordisk Asia Pacific Ltd. is a fellow subsidiary of NAP (which is the substantial shareholder of DAS Nordisk), and therefore a connected person of the Company.

General terms

On 24 September 2007, Nordisk Asia Pacific Ltd. entered into a sale and purchase master agreement with DAS Nordisk, whereby DAS Nordisk may, from time to time purchase ULD spare parts from Nordisk Asia Pacific Ltd. As the ULD is manufactured by the Nordisk group, the purchases of the ULD spare parts could only be made from the manufacturer, i.e. the Nordisk group.

Term

The term of the sale and purchase agreement is for three years commencing from 1 January 2007 and ending on 31 December 2009.

Reason for the transaction

Nordisk Asia Pacific Ltd. provided the relevant ULD spare parts necessary for DAS Nordisk's business in ULD maintenance services at competitive market rates.

CONNECTED TRANSACTIONS

Pricing principles and annual caps

For the previous three years, DAS Nordisk has been purchasing ULD spare parts from Nordisk Aviation Products a.s., the holding company of Nordisk Asia Pacific Ltd. The total amount of payment payable by DAS Nordisk to Nordisk Aviation Products a.s. for the three years ended 31 December 2004, 2005 and 2006 were approximately HK\$3.9 million, HK\$4.5 million and HK\$5.4 million respectively. The pricing for these purchases was determined by the market price for the relevant ULD spare parts offered to Independent Third Party purchasers, generally in the open market in Hong Kong.

From September, 2007, DAS Nordisk will purchase ULD spare parts from Nordisk Asia Pacific Ltd., a wholly-owned subsidiary of Nordisk Aviation Products a.s., incorporated in Hong Kong. The amount payable by DAS Nordisk to Nordisk Asia Pacific Ltd. (including the amount paid to Nordisk Aviation Products a.s in 2007) are fair and reasonable at market price in similar businesses and is expected to be subject to an annual cap of HK\$6.0 million, HK\$6.3 million and HK\$6.5 million respectively for the three years ending 31 December 2009. The annual caps have been determined with reference to the market price in similar businesses. These transactions are exempted from the independent shareholders' approval requirements pursuant to Rule 14A.34(1) of the Listing Rules.

6. Leasing of premises for operations of the Group

General terms

The Group has entered into the following tenancy agreements ("Tenancy Agreements") with the respective landlords (all being wholly-owned subsidiaries of CITIC Pacific) for leasing the premises necessary for the operations of its business in Hong Kong and the PRC:

<u>Landlord</u>	<u>Location</u>	<u>Current monthly rental payable to the landlord</u>	<u>Commencement date</u>	<u>Expiry date</u>
Neostar Investment Limited	5/F, 7/F-12/F, 15/F and 16/F, Broadway Centre, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong	HK\$674,820.00	1 January 2006	31 December 2008, with an option to renew for a further term of 3 years*
Glenridge Company Limited	Block C of Yee Lim Industrial Centre, Nos. 2-6 Kwai Hei Street, Nos. 2-28 Kwai Lok Street, Kwai Chung, New Territories, Hong Kong	HK\$864,526.50	1 January 2006	31 December 2008, with an option to renew for a further term of 3 years*
Hamborex Company Limited	Factory Unit A (also known as Factory Unit 1), G/F (including loading and unloading platform) and Car Parking Space No. 112 on G/F of Tsuen Wan Industrial Centre, 220-248 Texaco Road, Tsuen Wan, New Territories, Hong Kong	HK\$203,968.00	1 January 2006	31 December 2008, with an option to renew for a further term of 3 years

CONNECTED TRANSACTIONS

Landlord	Location	Current monthly rental payable to the landlord	Commencement date	Expiry date
Tendo Limited	G/F, Portion of 1/F, Unit 1A on 1/F, 2/F, 3/F, 6/F, 7/F and 8/F of No. 111 Lee Nam Road, Ap Lei Chau, Hong Kong	HK\$861,572.10	1 January 2006	31 December 2008, with an option to renew for a further term of 3 years*
Tendo Limited	Unit 1B on 1/F of No. 111 Lee Nam Road, Ap Lei Chau, Hong Kong	HK\$22,061.85	1 April 2006	31 December 2008, with an option to renew for a further term of 3 years*
Borgia Limited	DCH Building, No. 20 Kai Cheung Road, Kowloon, Hong Kong	HK\$4,902,959.50	1 January 2006	31 December 2008, with an option to renew for a further term of 3 years*
上海中信泰富廣場有限公司 (Shanghai CITIC Square Co., Ltd.)	Unit 801-12, 8th Floor, CITIC Square, 1168 Nanjing West Road, Shanghai, PRC	US\$35,898.12	1 July 2006	30 June 2009, with an option to renew for a further term of 3 years

* For these properties, the landlord has the right to terminate with 6 – 12 months' advance notice for redevelopment purpose.

The respective landlords are the registered owners of the above leased premises and the Tenancy Agreements are legally binding, enforceable and are registered.

The following property is subject to an oral tenancy (the "Oral Tenancy") between Cranejoy Limited (a wholly-owned subsidiary of CITIC Pacific) and the Group:

Landlord	Location	Current monthly rental payable to the landlord
Cranejoy Limited	Yuen Long Town Lot No. 508 New Territories, Hong Kong	HK\$312,973.20

The Company understands that there was a recent land exchange between the landlord and the Hong Kong Government in respect of the above property. Under the Special Conditions to the Conditions of Exchange (New Grant Number 20394) dated 22 June 2007, the landlord has acknowledged the existence of the Oral Tenancy in respect of the old lot number and it is specifically stated therein that no written tenancy agreement in respect of the new lot number can be entered into by the landlord. By a surrender agreement dated 31 August 2007 entered into between the landlord and Dah Chong Hong, Dah Chong Hong will surrender the Oral Tenancy on or before 29 February 2008. The Company is in the process of relocating its existing business operation to new premises, also located in Yuen Long, at a comparable monthly rental. The relocation costs are approximately HK\$5,000,000 and the Company expects that the relocation exercise will complete on or before 29 February 2008.

CONNECTED TRANSACTIONS

Reason for the transaction

The Group has been operating in these premises in the past, and in view of administrative convenience will continue to do so provided the rentals are comparable to the market rates and are fair and reasonable.

Pricing principles and annual caps

The aggregate rentals paid by the Group to CITIC Pacific Group in each of the three years ended 31 December 2004, 2005 and 2006 were approximately HK\$88.0 million, HK\$95.0 million and HK\$98.0 million, respectively.

According to the Tenancy Agreements and the Oral Tenancy, the aggregate rentals to be paid by the Group for each of the two years ending 31 December 2008 are expected not to exceed HK\$98.0 million. The independent valuer, Knight Frank Petty Limited has confirmed that such rental charge is in line with the market rent.

Knight Frank Petty Limited has reviewed the Tenancy Agreements and the Oral Tenancy and confirmed that the rentals reflect the prevailing market rates.

These transactions are exempted from the independent shareholders' approval requirements pursuant to Rule 14A.34(1) of the Listing Rules.

7. Application for waiver for non-exempt continuing connected transactions

The Directors (including the independent non-executive Directors), having (i) reviewed the relevant documentation, underlying agreements, and historical figures provided by the Company; and (ii) considered the pricing principles and annual caps, reason for the transaction and the confirmations from the property valuer, are of the view that:

- (i) the above continuing connected transactions have been entered into in the ordinary and usual course of business of the Group either (a) on normal commercial terms, being terms which a party could obtain if the transaction were on an arm's length basis; or (b) on terms that are no less favourable to the Group than terms available to or from Independent Third Parties; or (c) on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole; and
- (ii) the annual caps set for the above continuing connected transactions are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Under the Listing Rules, such transactions will, following the Listing, constitute non-exempt continuing connected transactions of the Company and will be subject to the disclosure requirements provided for in the Listing Rules.

The Company has, pursuant to Rule 14A.42(3) of the Listing Rules, applied to the Stock Exchange for a waiver from strict compliance from the following upon the Listing the announcement requirements under Rule 14A.34 of the Listing Rules, for items A1 to A6 above.

CONNECTED TRANSACTIONS

The Stock Exchange has indicated that a waiver would be granted from strict compliance with the applicable requirements under the Listing Rules as mentioned above and the Company should comply with the annual review requirements and the reporting requirements under Rules 14A.37 to 14A.41 and Rules 14A.45 to 14A.46 of the Listing Rules, subject to the respective annual caps for each of the continuing connected transactions set out above.

B. EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Company also expects to enter into the following continuing connected transactions which are exempt from reporting, disclosure and independent shareholders approval requirements under Chapter 14A of the Listing Rules:

- On demand GSE maintenance services and vehicle repair services provided by DAS to connected persons
- Payment of management fees to MSC by DAS
- Payment of management fees to MSC by DSL
- Payment of management fee to DSL by DAS Nordisk
- On demand maintenance services on ULD by DAS Nordisk to connected persons
- On demand purchases of ULD pallets from connected persons
- Leasing of ULD pallets from DAS Nordisk to CX
- Payment of commission fee to Nordisk Asia Pacific Ltd. by DAS Nordisk
- Sharing of administrative services with CITIC Pacific
- Purchases of motor vehicles from the Group by connected persons
- Payment of tunnel passage fees to connected persons
- Supply of food products and edible oils to Cathay Pacific Catering Services (HK) Limited
- On demand provision of vehicle maintenance service to connected persons
- Provision of motor leasing services to connected persons
- On demand engineering services by Dah Chong Hong (Engineering) Limited to the Group
- Licensing the CITIC Pacific trademark from CITIC Pacific
- Leasing of storage space by CITIC Pacific

CONNECTED TRANSACTIONS

1. On demand GSE maintenance services and vehicle repair services provided by DAS to connected persons

(i) KA and/or its associates

DAS, a 70%-owned subsidiary of the Company, entered into two maintenance agreements with KA on 1 November 2004 (with a term expired on 31 October 2005) and 8 November 2005 (which will expire in around November 2007) respectively for the provision of GSE maintenance services. As KA is the substantial shareholder of DSL, a 70%-owned subsidiary of the Company, KA and its associates are connected persons of the Company.

From time to time, DAS is also expected to provide GSE maintenance services to (a) CX (the holding company of KA); (b) Cathay Pacific Catering Services (HK) Ltd. (a wholly-owned subsidiary of CX); (c) HAS GSE Solutions Ltd. (a 30% associate of KA); (d) AHK Air Hong Kong Ltd. (a 60%-owned subsidiary of CX); and (e) HK International Airport Service Ltd. (a wholly-owned subsidiary of KA).

The annual maintenance fees payable by each of these persons to DAS shall be less than HK\$5,000,000 and on terms no less favourable than those offered by DAS to Independent Third Parties. The annual maintenance fees paid by each of these persons in each of the three years ended 31 December 2006 were approximately (a) HK\$21,000, HK\$102,000 and HK\$67,000, respectively for CX; (b) HK\$797,000, HK\$854,000 and HK\$1,996,000, respectively for Cathay Pacific Catering Services (HK) Ltd.; (c) HK\$305,000, HK\$61,000 and HK\$141,000, respectively for HAS GSE Solutions Ltd.; (d) HK\$6,000, HK\$4,000 and HK\$5,000, respectively for AHK Air Hong Kong Ltd.; (e) HK\$216,000, HK\$177,000 and HK\$256,000, respectively for HK International Airport Service Ltd. and (f) HK\$109,000, HK\$122,000 and HK\$125,000 respectively for KA. The maintenance fees payable by each of these persons to DAS are calculated based on the scope of services, the labour costs and time required to carry out the relevant services. These transactions are exempt pursuant to Rule 14A.33(3) of the Listing Rules.

(ii) Hong Kong Air Cargo Terminals Ltd. (“HACTL”) (an associate of CITIC Pacific)

As HACTL is a company which is held as to 30% by a company in which CITIC Pacific has a 33.33% interest, HACTL is therefore an associate of CITIC Pacific.

Pursuant to three contracts entered into between HACTL and DAS dated 31 October 2005 (with a term which expired on 31 October 2006), 28 November 2006 (which will expire in around November 2007) and 16 March 2007 (with a term expiring on 6 December 2007) respectively, DAS agreed to provide certain GSE maintenance services to HACTL. The total annual maintenance fees payable by HACTL to DAS shall be less than HK\$5,000,000 and on terms no less favourable than those offered by DAS to Independent Third Parties. The maintenance fees payable by HACTL to DAS are calculated based on the scope of services, the labour costs and time required to carry out the relevant services. The annual maintenance fees paid in each of the three years ended 31 December 2006 were approximately HK\$545,000, HK\$1,477,000 and HK\$1,396,000 respectively. This transaction is exempt pursuant to Rule 14A.33(3) of the Listing Rules.

CONNECTED TRANSACTIONS

2. Payment of management fees to MSC by DAS

MSC, a wholly-owned subsidiary of the Company entered into a shareholders agreement with KA on 5 February 1997, whereby the parties set up a joint venture company known as DAS for granting of a franchise by the Hong Kong Airport Authority to provide maintenance service for GSE at the Hong Kong International Airport for civil aviation. KA is a substantial shareholder of DAS and another subsidiary of the Company (i.e. DSL), and therefore is a connected person of the Company. DAS is also owned as to 30% by KA and therefore is an associate of the Company's connected person. As such, transactions between MSC and DAS are connected transactions of the Company.

Pursuant to the said shareholders agreement, MSC and DAS entered into a management agreement on the same date, whereby MSC will provide certain management services, including and without limitation to administrative, marketing, accounting support services, training services and facilities to DAS, provided that a management fee is payable to MSC. This management agreement will expire upon expiry of the term of the franchise agreement between DAS and the Hong Kong Airport Authority. It may also be terminated unanimously by both parties.

The total annual management fee payable by DAS to MSC shall be less than HK\$5,000,000 and on terms no less favourable than those offered to DAS by Independent Third Parties. The charges payable by DAS to MSC are calculated based on the type and level of the services provided (e.g. performing routine personnel services, consulting services) and taking into account the amount of time required for providing such services. The annual management fee paid by DAS in each of the three years ended 31 December 2006 was approximately HK\$276,000, HK\$428,000 and HK\$769,000 respectively. This transaction is exempt pursuant to Rule 14A.33(3) of the Listing Rules.

3. Payment of management fees to MSC by DSL

MSC, a wholly-owned subsidiary of the Company, entered into a shareholders agreement with KA on 1 August 2000, whereby the parties set up DSL in order to exploit through DSL's 70%-owned subsidiary, DAS Nordisk, the business of repair, rental and assembly of and sale of spare parts of the ULD and related air cargo equipment and the provision of other services to the aviation industry. KA is a substantial shareholder of DSL and another subsidiary of the Company (i.e. DAS), and therefore is a connected person of the Company. DSL is also owned as to 30% by KA and therefore is an associate of the Company's connected person. As such, transactions between MSC and DSL are connected transactions of the Company.

Pursuant to the said shareholders agreement, MSC and DSL entered into a management agreement on the same date, whereby MSC will provide certain management services, including and without limitation to administrative, marketing, accounting support services, training services and facilities to DSL, provided that a management fee is payable to MSC. There is no expiry term of this management agreement, and each party may terminate this management agreement by giving three months' prior written notice to the other. As both DAS and DSL have the same shareholders (70% held by MSC and 30% held by KA), DSL is an associate of MSC.

CONNECTED TRANSACTIONS

The total annual management fee payable by DSL to MSC shall be less than HK\$5,000,000 and on terms no less favourable than those offered to DSL by Independent Third Parties. The charges payable by DSL to MSC are calculated based on the type and level of the services provided (e.g. performing routine personnel service, consulting services) and taking into account the amount of time required for providing such services. The annual management fee paid by DSL in each of the three years ended 31 December 2006 was approximately HK\$168,000, HK\$167,000 and HK\$341,000 respectively. This transaction is exempt pursuant to Rule 14A.33(3) of the Listing Rules.

4. Payment of management fee to DSL by DAS Nordisk

From time to time, DSL (a 70%-owned subsidiary of the Company) is expected to provide certain management and administrative services for the governance and operation of DAS Nordisk. DAS Nordisk is a 70%-owned subsidiary of DSL.

The total annual management fee payable by DAS Nordisk to DSL shall be less than HK\$5,000,000 and on terms no less favourable than those offered to DAS Nordisk by Independent Third Parties. The charges payable by DAS Nordisk to DSL are calculated based on the type and level of the services provided (e.g. performing routine personnel service, consulting services) and taking into account the amount of time required for providing such services. The annual management fee paid by DAS Nordisk in each of the three years ended 31 December 2006 was approximately HK\$1,335,000, HK\$1,503,000 and HK\$1,624,000 respectively. These transactions are exempt pursuant to Rule 14A.33(3) of the Listing Rules.

5. On demand maintenance services on ULD by DAS Nordisk to connected persons

From time to time, DAS Nordisk is expected to provide maintenance services on ULD and trading of ULD spare parts to each of (a) KA (the substantial shareholder of DSL and DAS); (b) AHK Air Hong Kong Limited, a 60%-owned subsidiary of CX; (c) Nordisk Asia Pacific Ltd. (a fellow subsidiary of NAP); (d) DAS Aviation Support Pte Ltd., a wholly-owned subsidiary of DAS Overseas Development Limited (which is owned as to 50% by DSL, an associate of KA). All these persons are connected persons of the Company.

The annual maintenance fees payable by each of these persons to DAS Nordisk shall be less than HK\$5,000,000 and on terms no less favourable than those offered by DAS Nordisk to Independent Third Parties. The charges payable by each of these persons to DAS Nordisk are calculated with reference to the relevant costs associated with the estimated maintenance hours, scope of services and parts cost of the relevant type of ULD. The annual maintenance fees paid by these persons (except for Nordisk Asia Pacific Ltd. and DAS Aviation Support Pte Ltd. (which incurred business with DAS Nordisk only from 2007)) in each of the three years ended 31 December 2006 were approximately (a) HK\$3,804,000, HK\$4,737,000 and HK\$4,947,000 respectively for KA; (b) HK\$32,000, HK\$127,000 and HK\$1,863,000 respectively for AHK Air Hong Kong Limited respectively. These transactions are exempt pursuant to Rule 14A.33(3) of the Listing Rules.

CONNECTED TRANSACTIONS

6. On demand purchases of ULD pallets from connected persons

DAS Nordisk is a joint venture company held as to 70% by DSL (a 70%-owned subsidiary of the Company) and 30% by NAP (the substantial shareholder of DAS Nordisk). DAS Nordisk is expected to purchase ULD pallets from Nordisk Aviation Products a.s. (a fellow subsidiary of NAP) or members of the Nordisk group. Nordisk Aviation Products a.s. is a connected person of the Company. As the ULD is manufactured by the Nordisk group, purchases of ULD pallets could only be made from the manufacturer, i.e. the Nordisk group.

The annual payment of purchases of ULD pallets payable by DAS Nordisk to Nordisk Aviation Products a.s. is expected to be less than HK\$5,000,000 and on terms no less favourable than those offered to Independent Third Parties. The purchase monies payable by DAS Nordisk are calculated based on the type of the relevant pallet at market price. Annual payment made by DAS Nordisk in each of the two years ended 31 December 2005 was approximately HK\$1,600,000 and HK\$1,495,000, respectively and there was no purchase in the year ended 31 December 2006. These transactions are exempt pursuant to Rule 14A.33(3) of the Listing Rules.

7. Leasing of ULD pallets from DAS Nordisk to CX

Pursuant to a rental agreement dated 20 September 2000 entered into between DAS Nordisk, a joint venture company held as to 70% by DSL (a 70%-owned subsidiary of MSC) and CX, whereby DAS Nordisk is expected to lease ULD pallets to CX for their business purposes. CX is the holding company of KA which is the substantial shareholder of two 70%-owned subsidiaries of the Company (i.e. DAS and DSL). CX is a connected person of the Company. The term of this agreement is for an initial period of one year and thereafter automatically renewed for a period of 12 months until the rented pallets are returned to DAS Nordisk.

The total annual fees payable by CX to DAS Nordisk is expected to be less than HK\$5,000,000 and on terms no less favourable than those offered to Independent Third Parties. The fees payable by CX are calculated based on the type of the relevant pallet at market price. Annual payment received by the Group in each of the three years ended 31 December 2006 was approximately HK\$2,335,000, HK\$4,485,000 and HK\$3,969,000. These transactions are exempt pursuant to Rule 14A.33(3) of the Listing Rules.

8. Payment of commission fee to Nordisk Asia Pacific Ltd. by DAS Nordisk

Pursuant to a shareholders agreement entered into between DAS and Nordisk Aviation Products Asia Limited (“NAPA”) on 19 December 1997, the parties set up DAS Nordisk to exploit the business of repair, rental and assembly of and sale of spare parts of the unit load devices and related air cargo equipment and the provision of other services to the aviation industry. The shareholders agreement was supplemented by a deed dated 1 August 2000 entered into between DAS, NAPA and DSL where DAS transferred its entire shareholding in DAS Nordisk to DSL.

CONNECTED TRANSACTIONS

Pursuant to the said shareholders agreement, NAPA and DAS Nordisk entered into a technical services and license agreement on the same date, whereby NAPA agreed to supply to DAS Nordisk certain technical services and to license certain know-how and cause its parent company to license certain trademarks to DAS Nordisk, provided that a commission fee is payable to NAPA. On 1 January 2005, NAPA assigned all its rights and obligations under the said technical services and license agreement to Hydro Aluminium Asia Pte Ltd., including the payment of the commission fee. On 1 January 2007, Hydro Aluminium Asia Pte. Ltd. assigned all its rights and obligations under the said technical services and license agreement to Nordisk Asia Pacific Ltd., a fellow subsidiary of NAP.

The total annual commission fee payable by DAS Nordisk to Nordisk Asia Pacific Ltd. shall be less than HK\$5,000,000 and on terms no less favourable than those offered to DAS Nordisk by Independent Third Parties. The annual commission fee paid by DAS Nordisk to NAPA in the year ended 31 December 2004 and to Hydro Aluminium Asia Pte. Ltd. in the two years ended 31 December 2006 was all approximately HK\$750,000, HK\$870,000 and HK\$891,000 respectively. These transactions are exempt pursuant to Rule 14A.33(3) of the Listing Rules.

9. Sharing of administrative services with CITIC Pacific

The Company is expected to share certain administrative services, namely, company secretarial services, internal audit services and tax compliance matters, with CITIC Pacific, being a substantial shareholder of the Company. This arrangement may be terminated if CITIC Pacific's shareholding in the Company shall fall below 30% or by either party by giving six month's notice in writing to the other. The charges payable by the Company under the relevant administrative services agreement will be determined based on cost of the services and the time spent by CITIC Pacific as recorded monthly and calculated in proportion to their departmental monthly charges. Charges paid by the Company for each of the three years ended 31 December 2006 were approximately HK\$4,968,000, HK\$4,981,000 and HK\$5,033,000 respectively. This transaction is exempt pursuant to Rule 14A.33(3) of the Listing Rules.

10. Purchases of motor vehicles from the Group by connected persons

Each of (a) CITIC Pacific, a substantial shareholder of the Company; (b) associates of CITIC Pacific; and (c) CX, the holding company of KA are expected to purchase motor vehicles from the Group for their business purposes.

The total annual payment payable by each of CITIC Pacific, associates of CITIC Pacific and CX shall be less than HK\$5,000,000 and on terms no less favourable than those offered to Independent Third Party. The payment payable by each of these persons is determined by reference to market price for such motor vehicles offered to Independent Third Party purchasers, generally in the open market in Hong Kong. The annual payment made by each of these persons in each of the three years ended 31 December 2006 were approximately (a) HK\$246,000, HK\$102,000, HK\$2,265,000 respectively for CITIC Pacific; (b) HK\$462,000, HK\$812,000, HK\$1,470,000 respectively for Green Valley Landfill Limited, being an associate of CITIC Pacific; (c) nil amount, HK\$495,000, nil amount respectively for CX. These transactions are exempt pursuant to Rule 14A.33(3) of the Listing Rules.

CONNECTED TRANSACTIONS

11. Payment of tunnel passage fees to connected persons

The Company is expected to pay New Hong Kong Tunnel Co. Ltd. (“NHKT”), a company in which CITIC Pacific holds a 70.8% interest and therefore an associate of CITIC Pacific, tunnel passage fees on its usual tariffs for vehicles passing through the Eastern Harbour Crossing. The Company is also expected to pay Western Harbour Tunnel Co. Ltd. (“WHT”), a company in which CITIC Pacific holds a 35% interest and therefore an associate of CITIC Pacific, tunnel passage fees on its usual tariffs for vehicles passing through the Western Harbour Tunnel.

The total annual consideration payable by the Group to NHKT and WHT for such services shall be less than HK\$5,000,000 and any such services shall be offered to the Group on terms no less favourable to the Group than those offered to Independent Third Parties. Annual consideration paid by the Company to both of NHKT and WHT in each of the three years ended 31 December 2006 were below HK\$2,400,000. These transactions are exempt pursuant to Rule 14A.33(1) of the Listing Rules.

12. Supply of food products and edible oils to Cathay Pacific Catering Services (HK) Limited

The Group is expected to supply food products and edible oil upon request to Cathay Pacific Catering Services (HK) Limited, which is a wholly-owned subsidiary of CX (the holding company of KA, a substantial shareholder of the Company’s subsidiaries (i.e. DSL and DAS)) and therefore an associate of KA. The total annual consideration payable by Cathay Pacific Catering Services (HK) Limited is expected to be less than HK\$5,000,000 and on terms no less favourable than those offered to Independent Third Parties. The charges payable for these purchases by Cathay Pacific Catering Service (HK) Limited to the Group are calculated based on the actual volume of purchases at market price for such products offered to Independent Third Party purchasers in open market in Hong Kong. Annual consideration received by the Company in each of the three years ended 31 December 2006 were approximately HK\$2,711,000, HK\$3,596,000 and HK\$2,541,000 respectively. This transaction is exempt pursuant to Rule 14A.33(3) of the Listing Rules.

13. On demand provision of vehicle maintenance service to connected persons

(i) CITIC Pacific and its associates

From time to time, the Group is expected to provide vehicle maintenance services to each of (a) CITIC Pacific, a substantial shareholder of the Company; (b) NHKT (a company in which CITIC Pacific holds a 70.8% interest and therefore an associate of CITIC Pacific); and (c) WHT (a company in which CITIC Pacific holds a 35% interest and therefore an associate of CITIC Pacific).

Pursuant to a maintenance agreement entered into between WHT and Dah Chong Hong (Motor Leasing) Limited (“ML”) (a wholly-owned subsidiary of the Company) dated 14 June 1996, ML agreed to provide maintenance services in respect of certain motor vehicles. The term of this agreement commences from the delivery date of, and expiring on the relevant anniversary of such commencement date in respect of, that particular type of vehicle, and in any event will terminate by 2008. MSC also entered into a maintenance agreement with WHT on 15 June 2004, pursuant to which MSC agreed to provide comprehensive maintenance services in respect of certain motor vehicles. The term of this agreement is from 15 June 2004 until 14 June 2008 at a fixed monthly charge per vehicle. By a letter dated 7 December 2006 from MSC to WHT, MSC offered a 24-month full maintenance package to WHT for its vehicle fleet at a contract sum of HK\$930,000 and for a term commencing from 1 January 2007 until 31 December 2008.

CONNECTED TRANSACTIONS

The annual payment of such maintenance services payable by each of CITIC Pacific, NHKT and WHT shall be less than HK\$5,000,000 and on terms no less favourable than those offered to Independent Third Parties. The charges payable by each of CITIC Pacific, NHKT and WHT (including the 24-month full maintenance package) to the Group are calculated based on the type of the vehicles and the relevant costs associated with the estimated maintenance hours of the relevant type of vehicle. Annual payment received by the Group from each of these persons in each of the three years ended 31 December 2006 was approximately (a) HK\$367,000, HK\$325,000 and HK\$438,000, respectively for CITIC Pacific; (b) HK\$99,000, HK\$175,000 and HK\$70,000, respectively for NHKT; and (c) HK\$1,746,000, HK\$1,450,000 and HK\$1,528,000, respectively for WHT. These transactions are exempt pursuant to Rule 14A.33(3) of the Listing Rules.

(ii) Ground Support Engineering Ltd. (an associate of KA)

The Group is expected to provide vehicle maintenance services to Ground Support Engineering Ltd., a company in which CX (the holding company of KA, the substantial shareholder of the Company's subsidiaries (i.e. DSL and DAS)), holds a 50% interest and is therefore an associate of the Company. The total annual payment of such services payable by Ground Support Engineering Ltd. is expected to be less than HK\$5,000,000 and on terms no less favourable than those offered to Independent Third Parties. The charges payable by Ground Support Engineering Ltd. to the Group are calculated based on the type of the vehicles and the relevant costs associated with the estimated maintenance hours of the relevant type of vehicle. Annual payment received by the Group in each of the three years ended 31 December 2006 was approximately HK\$168,000, HK\$140,000 and HK\$113,000, respectively. These transactions are exempt pursuant to Rule 14A.33(3) of the Listing Rules.

14. Provision of motor leasing services to connected persons

(i) Associates of CITIC Pacific

Pursuant to two lease agreements entered into between NHKT (a company in which CITIC Pacific holds a 70.8% interest and therefore an associate of CITIC Pacific) and ML (a wholly-owned subsidiary of the Company) dated 20 June 2003 (with a term which expired on 23 July 2007) and 25 May 2007 (with a term expiring on 23 July 2011) respectively, ML agreed to lease certain passenger cars to NHKT at a monthly rental.

Pursuant to a lease agreement entered into between WHT (a company in which CITIC Pacific holds a 35% interest and therefore an associate of CITIC Pacific) and ML (a wholly-owned subsidiary of the Company) dated 20 June 2003, ML agreed to lease two different types of passenger cars to WHT for a term commencing from 22 July 2003 to 21 May 2005 and from 22 May 2005 to 21 May 2009 for the two different types of passenger cars respectively.

The annual payment of such leasing services payable by each of NHKT and WHT is expected to be less than HK\$5,000,000 and on terms no less favourable than those offered to Independent Third Parties. The charges payable by NHKT and WHT are calculated based on the type and brand of the relevant passenger cars and the term of rental at market price. Aggregate annual payment received by the Group from each of NHKT and WHT in each of the three years ended 31 December 2006 was approximately (a) HK\$159,000, HK\$148,000 and HK\$144,000, respectively for NHKT; and (b) HK\$165,000, HK\$165,000 and HK\$188,000, respectively for WHT. These transactions are exempt pursuant to Rule 14A.33(3) of the Listing Rules.


CONNECTED TRANSACTIONS

15. On demand engineering services by Dah Chong Hong (Engineering) Limited to the Group

Dah Chong Hong (Engineering) Limited, a wholly-owned subsidiary of CITIC Pacific is expected to provide certain engineering services to the Group, including maintenance and repair services of the machinery/equipments (e.g. air-conditioners) and may also be involved in engineering projects of the Group.

The total annual payment of such engineering services payable by the Group is expected to be less than HK\$5,000,000 and on terms no less favourable than those offered to Independent Third Parties. The charges payable by the Group are calculated based on the type of the engineering services required based on market terms. Annual payment made by the Group in each of the three years ended 31 December 2006 was approximately HK\$2.7 million, HK\$6.2 million and HK\$3.5 million, respectively. These transactions are exempt pursuant to Rule 14A.33(3) of the Listing Rules.

16. Licensing the CITIC Pacific Trademark from CITIC Pacific

The Company entered into a trademark licence agreement on 28 September 2007 with CITIC Pacific, pursuant to which CITIC Pacific agreed to licence, on a non-exclusive basis, the trademark , for use in connection with the Group's business. The term of this agreement is from 28 September 2007 until the expiration of the current trademark registration on 26 July 2014. Either party may terminate the licence before the term by giving six month's written advance notice. No consideration is payable by the Company to CITIC Pacific for the use of the trademark as the Company is an associate of CITIC Pacific and the trademark licence agreement was entered into on normal or better commercial terms. This transaction is exempt pursuant to Rule 14A.33(3) of the Listing Rules.

17. Leasing of storage space by CITIC Pacific

From time to time, CITIC Pacific, a substantial shareholder of the Company is expected to lease certain storage space from Yee Lim Godown & Cold Storage Limited (a wholly-owned subsidiary of the Company) in its ordinary course of business. Yee Lim Godown & Cold Storage Limited was previously a wholly-owned subsidiary of CITIC Pacific, which was transferred to the Company on 29 June 2007. As a result, this transaction becomes a connected transaction of the Company.

The annual payment of rentals payable by CITIC Pacific is expected to be less than HK\$5,000,000 and on terms no less favourable than those offered to Independent Third Parties. The rentals payable by CITIC Pacific is determined by reference to market price for similar premises, generally in the open market in Hong Kong. The payment made by CITIC Pacific in each of the three years ended 31 December 2006 was approximately HK\$246,000, HK\$211,000 and HK\$205,000 respectively. This transaction is exempt pursuant to Rule 14A.33(3) of the Listing Rules.

CONNECTED TRANSACTIONS

C. CONFIRMATION FROM THE SPONSOR

The Sponsor has (i) reviewed the relevant documentation, underlying agreements and historical figures provided by the Company, (ii) participated in due diligence and discussion among the Company and its advisers (iii) considered the pricing principles and annual caps, reasons for the transactions and the confirmations from the property valuer.

Based on the above, the Sponsor considers that:

- (i) the above continuing connected transactions have been entered into in the ordinary and usual course of business of the Group either (a) on normal commercial terms, being terms which a party could obtain if the transaction were on an arm's length basis; or (b) on terms that are no less favourable to the Group than terms available to or from Independent Third Parties; or (c) on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole; and
- (ii) the annual caps set for the above continuing connected transactions are fair and reasonable and in the interest of the shareholders of the Company as a whole.

D. WAIVERS FOR CONTRACTUAL ARRANGEMENTS

Apart from being shareholders of OPCOs under the Contractual Arrangements, some of the Registered Owners also act as directors or legal representatives of the OPCOs or are directors of other subsidiaries of the Company. In particular, 嚴夢英 (Yan Mengying), 仲玉林 (Zong Yulin), 王靜芬 (Wang Jingfen), 楊福祥 (Yang Fuxiang), 沈學鋒 (Shen Xuefeng), 孫海文 (Sun Haiwen), 蔡兆敏 (Cai Zhaomin) and 閻肅 (Yan Su) are Registered Owners who are also directors or legal representatives of the relevant OPCOs, whereas 區兆昌 (Ou Zhaochang), 張江長 (Zhang Jiangchang), 宋志良 (Zhong Zhiliang), 程濟美 (Cheng Jimei) and 許學華 (Xu Xuehua) do not have relationships with the Group other than as employees.

Details and particulars of each of the Contractual Arrangements, including the Registered Owners involved, are set out in the sections headed "Business — Contractual Arrangements" and the paragraph headed "Summary of Contractual Arrangements in respect of certain PRC entities within the Group" in Appendix VI to this Prospectus.

Each of the Contractual Arrangements involving the Registered Owners who are also directors or legal representatives as mentioned above would technically be a connected transaction and, unless an exemption is available under the Listing Rules, must comply with the applicable announcement, reporting and independent shareholders approval requirements of Chapter 14A of the Listing Rules.

The Directors are of the view that the Contractual Arrangements are fundamental to the legal structure and the business operations of the Group and are on terms that are fair and reasonable so far as the Group is concerned and in the interests of the Company's shareholders as a whole.

In particular, the unique nature of the Contractual Arrangements allow the results and financial condition of the subsidiary OPCOs to be consolidated with the Group's financial statements as if they were subsidiaries, and the economic benefit of their business flows to the Group. The substance of the Contractual Arrangements is not for the Group to transact with the Registered Owners. The loan, management, dividend and option arrangements under the Contractual Arrangements are not stand-alone transactions with the Registered Owners. The Registered Owners are employees of the Group and are not involved in the business operation of the relevant OPCOs. The Contractual Arrangements do not confer any benefits on the Registered Owners. The substance of the Contractual Arrangements taken as a whole have no value to the Registered Owners.

CONNECTED TRANSACTIONS

Given that each of the Contractual Arrangements are fundamental to the legal structure and the business operations of our Group, the Directors consider that it would not be practicable for the Contractual Arrangements which constitute connected transactions as mentioned above to be subject to, amongst other things, strict compliance with the periodic approval of independent shareholders, if required. The Company has therefore applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a specific waiver in respect of each Contractual Arrangements from strict compliance with the applicable announcement and independent shareholders approval requirements of Chapter 14A of the Listing Rules during the subsistence of the Contractual Arrangements, on the following basis:

- (a) the Contractual Arrangements in place during each financial period will be disclosed in the Company's annual report and accounts in accordance with the relevant provisions of Rule 14A.45 of the Listing Rules;
- (b) the independent non-executive Directors will review the Contractual Arrangements annually and confirm in the annual report and accounts for the relevant year that (i) the terms of any subsisting Contractual Arrangements have remain unchanged, (ii) the transactions carried out during such year remain consistent with the relevant provisions of the Contractual Arrangements as disclosed in this Prospectus, (iii) any dividends or other distributions declared by OPCOs have been paid to the Holding subsidiary and not to the Registered Owners and (iv) if any new Contractual Arrangements are entered into during the relevant financial period, whether they are fair and reasonable so far as the Group is concerned and in the interests of the shareholders of the Company as a whole;
- (c) for the purposes of applicable requirements under the Listing Rules, the OPCOs will be treated as wholly owned subsidiaries (if the Group's aggregate economic interest in the relevant OPCO as a result of the Contractual Arrangement or otherwise is 100%) or non-wholly owned subsidiaries (if the Group's aggregate economic interest in the relevant OPCO as a result of the Contractual Arrangement or otherwise more than 50% but less than 100%) of the Company, and their directors, chief executive and substantial shareholders (and their respective associates) will be connected persons, and transactions between the Group and such connected persons (other than the relevant Contractual Arrangements) will be subject to the provisions under Chapter 14A of the Listing Rules;
- (d) each of the OPCOs will provide the company with an undertaking that, as long as the Shares remain listed on the Stock Exchange, it will provide the Company and its auditors with full access to the relevant books and records of the OPCOs for the purposes of compliance with applicable Listing Rule requirements (including review by Company's auditors of connected transactions);
- (e) the auditors of the Company will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to the Board, with a copy to the Listing Division, at least 10 business days before bulk printing of the annual report, confirming that the transactions have received the approval of the Board, have been entered into in accordance with the relevant Contractual Arrangements and that any dividends or other distributions declared by OPCOs have been paid to the Holding Subsidiary and not to the Registered Owners; and
- (f) the conditions set out herein are set out in this Prospectus.

CONNECTED TRANSACTIONS

In addition to the Contractual Arrangements, there may be other transactions between members of the Group (including the Holding Subsidiaries), on the one hand, and the OPCOs, on the other. Given that the results of the OPCOs (which are treated as subsidiaries of the Company) are consolidated into the Group's accounts, and given the relationship between the various companies within the Group (including the OPCOs) created by the Contractual Arrangements, transactions between member of the Group (including the Holding Subsidiaries) and the OPCOs will also be exempted from the "continuing connected transactions" provisions of the Listing Rules on the same basis set out above.

Based on the documents and information provided by the Company and relying upon the representations and confirmations by the Directors that the Contractual Arrangements taken as a whole are on terms that are fair and reasonable so far as the Group is concerned and in the interests of the Company's Shareholders as a whole, the Sponsor is of the view that the Contractual Arrangements taken as a whole are fair and reasonable and in the interests of the shareholders of the Company as a whole.