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## CONNECTED TRANSACTIONS

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### OVERVIEW

Pursuant to Chapter 20 of the GEM Listing Rules, our Directors, substantial Shareholders and Chief Executive Officer or those of our subsidiaries, any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date, and any of their respective associates will become a connected person of our Company upon the Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions of our Company under Chapter 20 of the GEM Listing Rules. Our Directors confirm that the following transactions with our connected persons will continue and will constitute continuing connected transactions of our Company under Chapter 20 of the GEM Listing Rules upon the Listing.

### CONTINUING CONNECTED TRANSACTIONS WHICH ARE EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

#### 1. Brokerage Service Agreements

During the Track Record Period, each of Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick had individually maintained an account with PSL and had received brokerage services from PSL. Given that Mr. Henry Cheung is our Controlling Shareholder and our executive Director, Mr. Jonathan Cheung is our substantial Shareholder and our executive Director and Ms. Chick is the spouse of Mr. Wong Chi Kan, a director of PSL, the brokerage services provided by PSL to them constituted connected transactions for our Company pursuant to the GEM Listing Rules.

It was noted that pursuant to paragraph 12.2 of the Code of Conduct, employees should generally be required to deal through the licensed or registered person or its affiliates, and for the purposes of that paragraph, the term "employees" includes directors (other than non-executive directors) of a licensed or registered person. In order to comply with the above requirement, our Directors consider it appropriate to require Mr. Henry Cheung and Mr. Jonathan Cheung to continue to conduct their personal securities dealing activities (being the provision of the aforesaid brokerage services) through PSL after the Listing.

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Pursuant to the Brokerage Service Agreements entered into between PSL and each of Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick on [●], PSL may (but is not obliged to), upon request, provide to each of them brokerage services, on normal commercial terms and at rates comparable to rates offered to other customers of PSL who are Independent Third Parties from time to time. Set out below are the principal terms of the Brokerage Service Agreements:

Period:	Listing Date to 31 December 2017
Brokerage fee:	0.20% to 0.25% and such rates are comparable to those rates offered to other customers of PSL who are Independent Third Parties
Termination:	seven days notice in writing by either party, or forthwith by PSL by written notice if imposed by the Stock Exchange, or if the transactions contemplated under the Brokerage Service Agreements cannot be complied with by PSL

The general brokerage commission rates offered to Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick were in the range of 0.20% to 0.25% whereas the general brokerage commission rates offered to Independent Third Parties were in the range of 0.05% to 0.25%. The rates offered to Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick were within the range offered to Independent Third Parties. We consider that the brokerage commission rates offered to Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick are based on normal commercial terms and at rates comparable to those rates offered to other customers of our Group who are Independent Third Parties during the Track Record Period.

*Brokerage income from Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick and the Brokerage Annual Caps*

Set out below is the brokerage income received by PSL from Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick as a result of the provision of brokerage services to them for the two years ended 31 December 2014, and the estimated annual brokerage income ("**Brokerage Annual Cap**") to be received by PSL from Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick for the three years ending 31 December 2017.

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	For the year ended 31 December				Brokerage Annual Cap		
	2013		2014		For the year ending 31 December		
	Brokerage income	% of total revenue	Brokerage income	% of total revenue	2015	2016	2017
	HK\$		HK\$		HK\$	HK\$	HK\$
Mr. Henry Cheung	80,344	0.5%	58,616	0.2%	500,000	500,000	500,000
Mr. Jonathan Cheung	31,609	0.2%	38,168	0.1%	500,000	500,000	500,000
Ms. Rowena Chick	223,997	1.3%	303,547	0.9%	500,000	500,000	500,000
<b>Total</b>	<b>335,950</b>	<b>2.0%</b>	<b>400,331</b>	<b>1.2%</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>

### *Basis of determining the Brokerage Annual Caps*

In determining the Brokerage Annual Caps, our Directors have considered the expected trading volume of our Group as well as Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick, and the expected demand of brokerage services by Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick for the three years ending 31 December 2017. Moreover, given that Mr. Henry Cheung and Mr. Jonathan Cheung are required to conduct their personal securities dealing activities through PSL after the Listing, our Directors consider it reasonable to extend margin financing to them (as further elaborated in the following paragraph), which in turn is likely to result in more trading activities and thus higher brokerage income. In this regard, the Brokerage Annual Caps are estimated to be higher than the historical brokerage income recorded. In addition, our Directors have considered the general economic conditions and trading volume of the overall market.

## **2. Margin Financing Service Agreements**

During the Track Record Period, each of Mr. Henry Cheung and Mr. Jonathan Cheung had individually maintained a margin account with PSL but had not received any margin financing services from our Group.

Given that Mr. Henry Cheung is our Controlling Shareholder and one of our executive Directors and Mr. Jonathan Cheung is our substantial Shareholder and one of our executive Directors, the margin financing services to be provided by PSL to them will constitute connected transactions for our Company pursuant to the GEM Listing Rules.

Pursuant to the Margin Financing Service Agreements entered into between PSL and each of Mr. Henry Cheung and Mr. Jonathan Cheung on [●], PSL may (but is not obliged to), upon request, provide to each of them margin financing services, on normal commercial terms and at rates comparable to rates offered to other customers of PSL who are Independent Third Parties from time to time. Set out below are the principal terms of the Margin Financing Service Agreements:-

Period:	Listing Date to 31 December 2017
Margin financing fee:	Normal commercial terms at a rate of Prime Rate +3%, or at rates comparable to that of other customers of PSL who are Independent Third Parties of similar credit standing, trading record and quality of collaterals given

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Termination: seven days notice in writing by either party, or forthwith by PSL by written notice if imposed by the Stock Exchange, or if the transactions contemplated under the Margin Financing Service Agreements cannot be complied with by PSL

*Maximum daily outstanding amount of financing to be provided to Mr. Henry Cheung and Mr. Jonathan Cheung and the Financing Annual Caps*

Pursuant to the Margin Financing Service Agreements, the maximum daily outstanding amount of financing to Mr. Henry Cheung and Mr. Jonathan Cheung for the three years ending 31 December 2017 (the "**Financing Annual Cap**") are proposed as follows:

	<b>Maximum daily outstanding amount for the year ended 31 December</b>		<b>Financing Annual Cap For the year ending 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Mr. Henry Cheung	–	–	500,000	500,000	500,000
Mr. Jonathan Cheung	–	–	500,000	500,000	500,000
<b>Total</b>	<u>–</u>	<u>–</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

*Margin financing services to be provided to Mr. Henry Cheung and Mr. Jonathan Cheung and the Interest Annual Caps*

During the Track Record Period, PSL did not receive any interest income from Mr. Henry Cheung and Mr. Jonathan Cheung given that no margin financing service was provided to either of them. In view of the extension of margin financing to Mr. Henry and Mr. Jonathan Cheung, set out below is the estimated interest income ("**Interest Annual Cap**") to be received by PSL from Mr. Henry Cheung and Mr. Jonathan Cheung for the three years ending 31 December 2017.

	<b>For the year ended 31 December</b>				<b>Interest Annual Cap For the year ending 31 December</b>		
	<b>2013</b>		<b>2014</b>		<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>Interest income <i>HK\$</i></b>	<b>% of total turnover</b>	<b>Interest income <i>HK\$</i></b>	<b>% of total turnover</b>	<b>Interest income <i>HK\$</i></b>	<b>Interest income <i>HK\$</i></b>	<b>Interest income <i>HK\$</i></b>
Mr. Henry Cheung	–	–	–	–	63,000	63,000	63,000
Mr. Jonathan Cheung	–	–	–	–	63,000	63,000	63,000
<b>Total</b>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>126,000</u>	<u>126,000</u>	<u>126,000</u>

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### *Basis of determining the Interest Annual Caps and Financing Annual Caps*

In determining the Interest Annual Caps and the Financing Annual Caps, our Directors have considered the expected trading volume of our Group as well as Mr. Henry Cheung and Mr. Jonathan Cheung and the expected demand of margin financing services by Mr. Henry Cheung and Mr. Jonathan Cheung for the three years ending 31 December 2017. Our Directors have also considered the general economic conditions and trading volume of the overall market.

### **GEM LISTING RULES IMPLICATIONS**

As the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to the Brokerage Annual Caps, the Interest Annual Caps and the Financing Annual Caps on an annual basis, is less than 5.0% (and the annual consideration is less than HK\$3,000,000), the Brokerage Service Agreements and Margin Financing Service Agreements will fall within the exemption under Rule 20.74 of the GEM Listing Rules and be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements.

### **DIRECTORS' VIEW**

Having considered (i) that the historical brokerage services provided to each of Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick during the Track Record Period were at rates and amounts comparable to those offered to other customers of PSL who are Independent Third Parties of similar credit standing, trading record and quality of collaterals; (ii) that the expected margin financing services to be provided to each of Mr. Henry Cheung and Mr. Jonathan Cheung upon the Listing will be at rates and amounts comparable to those offered to other customers of PSL who are Independent Third Parties of similar credit standing, trading record and quality of collaterals; and (iii) the extension of margin financing to Mr. Henry Cheung and Mr. Jonathan Cheung in connection with our Group requiring them to conduct their personal securities dealing activities through PSL after the Listing, our Directors (including the independent non-executive Directors) consider that each of the Brokerage Service Agreements (including the terms and conditions thereof and the Brokerage Annual Caps) and Margin Financing Service Agreements (including the terms and conditions thereof as well as the Interest Annual Caps and the Financing Annual Caps) have been entered into in the ordinary and usual course of business of our Group and are on normal commercial terms which are fair and reasonable and in the interest of our Company and Shareholders as a whole.

### **SPONSOR'S VIEW**

Having considered (i) that the historical brokerage services provided to each of Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick during the Track Record Period were at rates and amounts comparable to those offered to other customers of PSL who are Independent Third Parties of similar credit standing and trading record; (ii) that the expected margin financing services to be provided to each of Mr. Henry Cheung and Mr. Jonathan Cheung upon the Listing will be at rates and amounts comparable to those offered to other customers of PSL who are Independent Third Parties of similar credit standing, trading record and quality of collaterals; and (iii) the extension of margin financing to Mr. Henry Cheung and Mr. Jonathan Cheung in connection with our Group requiring them to conduct their personal securities dealing activities through PSL after the Listing, the Sponsor is of the view that the Brokerage Service Agreements (including the terms and conditions thereof and the Brokerage Annual Caps) and Margin Financing Service Agreements (including the terms and conditions thereof as well as the Interest Annual Caps and the Financing Annual Caps) have been entered into in the ordinary and usual course of business of our Group and are on normal commercial terms which are fair and reasonable and in the interest of our Company and our Shareholders as a whole.