

---

## CONNECTED TRANSACTIONS

---

### CONNECTED PERSONS

Upon the [REDACTED], under the GEM Listing Rules the transactions of our Group with the connected persons as defined under the GEM Listing Rules will constitute connected transactions of the Group.

#### *Industrial Securities (Hong Kong)*

Industrial Securities (Hong Kong) is the applicant of the applications for the registration or the licensee, as the case may be, of the Hong Kong Trademarks (defined below). Industrial Securities (Hong Kong) is our Controlling Shareholder and any of our transaction with it will constitute a connected transaction.

#### *Industrial Securities (Shenzhen)*

Industrial Securities (Shenzhen) is a wholly owned subsidiary of our Controlling Shareholder, Industrial Securities (Hong Kong), and any of our transaction with it will constitute a connected transaction.

Upon the [REDACTED], the following transactions will constitute continuing connected transactions under the GEM Listing Rules for our Company.

### EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### **Trademark Licensing Agreement**

We have entered into a Trademark Licensing Agreement with Industrial Securities (Hong Kong) on 6 June 2016. Pursuant to the Trademark Licensing Agreement, Industrial Securities (Hong Kong) has granted us a non-transferable and non-assignable license to use the trademarks as set out in the paragraph headed "Further information about the business – Intellectual property rights – Hong Kong Trademarks" (the "**Hong Kong Trademarks**") in Appendix IV in this document in Hong Kong, for HK\$1 per annum.

Our Company is licensed to use the Hong Kong Trademarks for our business and any related businesses. Industrial Securities (Hong Kong) has granted licenses to our Company to use such trademarks for a term of three years commencing on the date of the agreement. In accordance with the Trademark Licensing Agreement, Industrial Securities (Hong Kong) may not terminate the Trademark Licensing Agreement without the explicit written consent of the Company, the Trademark Licensing Agreement shall be renewable upon written request of the Company under the same terms and conditions upon expiry of the initial term of three years, and each renewal shall be of a term of three years.

As our own business and operations are independent from our Controlling Shareholders, and as we are able to secure our own client base who is attracted by the sophistication and business capabilities of the Group, we have the flexibility of deciding whether to renew the Trademark Licensing Agreement for the continued use of any or all of the Hong Kong

---

## CONNECTED TRANSACTIONS

---

Trademarks before the expiration of the Trademark Licensing Agreement. Given that our Group is the only operation platform of Industrial Securities (Hong Kong) in Hong Kong, and that Industrial Securities (Hong Kong) has undertaken to the Company that it will not directly or indirectly engage, participate in or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of the Group in Hong Kong, the Company currently does not foresee any obstacle for renewing the Trademark Licensing Agreement.

As at the Latest Practicable Date, pursuant to the Trademark Licensing Agreement, our Company is the only subsidiary of Industrial Securities (Hong Kong) which is licensed to use the Hong Kong Trademarks.

For further information on the trademarks that our Company is licensed to use, please refer to the paragraph headed "Further information about the business – Intellectual property rights" in Appendix IV in this document.

### **RQFII Agreement**

We have entered into an agreement with Industrial Securities (Hong Kong) on 27 September 2016 for use of the RQFII quota of Industrial Securities (Hong Kong) for consideration of HK\$1 per annum. The RQFII quota granted by the State Administration of Foreign Exchange to Industrial Securities (Hong Kong) which is a RQFII license holder. According to applicable PRC laws and regulations, a RQFII license shall be obtained through applications made to CSRC who shall grant such approval based on the individual circumstances of each applicant, and since the RQFII license was registered under the name of Industrial Securities (Hong Kong) the License is not transferable in nature. Pursuant to the Announcement No. 14 [2013] of the China Securities Regulatory Commission – Provisions on the Implementation of the Measures for the Pilot Program of Securities Investment in China by RMB Qualified Foreign Institutional Investors, to apply for the RQFII license, an applicant shall, among other requirements, be a Hong Kong subsidiary of a domestic fund management company, securities company, commercial bank or insurance company, or a financial institution with registration place or major business place in Hong Kong. The Company, which is a Cayman Islands Company, per se does not satisfy such requirement, therefore the Company is not eligible to apply for a RQFII license. The term of the RQFII Agreement is three years commencing on the date of the agreement and such term is subject to renewal upon the written request of our Company, and each renewal shall be of a term of three years. The amount of RMB2 million maintained by Industrial Securities (Hong Kong) as deposit for maintaining the RQFII quota is treated as amount due from our Controlling Shareholder as a result of the Reorganisation. Such amount will be fully settled before [REDACTED].

---

## CONNECTED TRANSACTIONS

---

The transactions contemplated under the Trademark Licensing Agreements and the RQFII Agreement are entered into in our ordinary course of business and on commercial terms favourable to us and are expected to constitute the *de minimis* transactions under Chapter 20 of the GEM Listing Rules. As a result, these transactions will constitute fully exempt continuing connected transactions pursuant to Rule 20.74(1) of the GEM Listing Rules and thus will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Our Directors consider that the terms of the Trademark Licensing Agreements and the RQFII Agreement are in the interests of our Company and the Shareholders as a whole.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTION

#### Service Agreement

On 27 September 2016, the Company and Industrial Securities (Shenzhen) entered into a service agreement (the "**Service Agreement**") pursuant to which Industrial Securities (Shenzhen) agreed to provide consultancy services to the Company, including the provision of consultancy service on economic information, and assisting the Company in collecting and analysing information on macroeconomics, industry news and market information in the PRC. The major reason for such arrangement is to lower the staff and other operating costs for our Group. The term of the Service Agreement is for three years from 1 January 2016 to 31 December 2018.

Industrial Securities (Shenzhen) is principally engaged in the provision of consultancy services to the subsidiaries of Industrial Securities (Hong Kong) (including the Group).

Pursuant to the Service Agreement, Industrial Securities (Shenzhen) has agreed to provide consultancy services to the Group, including the provision of consultancy service on economic information, and assisting the Company in collecting and analysing information on macroeconomics, industry news and market information in the PRC, at cost, plus a mark up of 6%.

The mark up of 6% represents the business tax of 6% on the revenue of Industrial Securities (Shenzhen). Such cost based pricing mechanism will ensure that the pricing of the consultancy fees is no less favourable than those offered by independent parties. In addition, as set out in the paragraph "GEM Listing Rule implications" below, going forward, the independent non-executive Directors will review the Service Agreement and check whether, among others, the transactions contemplated thereunder are on normal commercial terms or better. For further details, please refer to the paragraph headed "GEM Listing Rule implications" below.

On these basis, the Company is of the view that the Service Agreement was entered into on an arm's length basis and that the terms thereof including the pricing are fair and reasonable and are in the interest of the Shareholders as a whole.

---

## CONNECTED TRANSACTIONS

---

### *Historical transaction value*

For the two years ended 31 December 2015 and the three months ended 31 March 2016, the total costs incurred by Industrial Securities (Shenzhen) for provision of the services mentioned above to the Group amounted to HK\$2.2 million, HK\$7.6 million and HK\$1.0 million, respectively on the basis of actual costs incurred by Industrial Securities (Shenzhen).

### *Annual caps*

The proposed cap amounts for the provision of abovementioned services by Industrial Securities (Shenzhen) to the Company is approximately HK\$8.2 million, HK\$10.2 million and HK\$12.1 million for each of the three years ending 31 December 2018, respectively. The proposed cap amounts in 2016 was based on the operational costs incurred by Industrial Securities (Shenzhen) for providing the services covered by the Service Agreement in 2015 plus an estimated increase in such costs in 2016 as Industrial Securities (Shenzhen) is investing more resources to support the business needs and development of the Group which enlarges the costs base and increases the costs, including but not limited to staff costs. The estimated growth in the total costs incurred by Industrial Securities (Shenzhen) in 2016 takes into account: (i) there have been six new hires of Industrial Securities (Shenzhen) as at the Latest Practicable Date and there are another two new hires being processed and such cost incurred by the new hires has not been settled with the Company; and (ii) according to the payment arrangement between the Company and Industrial Securities (Shenzhen), majority part of the service fee is settled during the fourth quarter due to business need of Industrial Securities (Shenzhen). It is expected that the proposed cap amounts would increase by approximately 24.4% and 18.6% in 2017 and 2018 respectively due to estimated increases in operating costs, including but not limited to the increase in number and salary of the employees and rental payment for office space. Each of the annual caps are calculated and rounded up to the nearest 0.1 million.

It is expected that for the years ending 31 December 2016, 2017 and 2018, the anticipated new hires would result in an increase of salary costs of HK\$0.5 million, HK\$0.6 million and HK\$0.5 million, respectively, and the anticipated increase in rental payment for office spaces would result in an increase of rent to approximately HK\$326,000, HK\$469,000, HK\$618,000, respectively for each of the years ended 31 December 2016, 2017 and 2018.

In addition, it is expected that there will also be inflation in the PRC in the coming three years which will further increase the overall costs. Our Directors, including independent non-executive Directors, consider that the Service Agreement has been and shall be entered into on an arm's length basis and in the ordinary and usual course of business of our Group.

### *GEM Listing Rule implications*

As the highest percentage ratios in respect of the transactions completed under the Service Agreement will exceed 5% and the consideration will exceed HK\$10,000,000, upon completion of the [REDACTED], the transactions contemplated under the Service Agreement will constitute non-exempt continuing connected transactions under the GEM Listing Rules, and we will need to comply with the reporting, announcement and independent shareholders' approval requirements.

---

## CONNECTED TRANSACTIONS

---

Our Directors (including independent non-executive Directors) are of the view that the continuing connected transactions under the Service Agreement have been and shall be entered into on normal commercial terms and in the ordinary and usual course of business of our Company that are fair and reasonable and in the interest of the Shareholders and will be so in the future, and the transactions and proposed annual caps set out above are fair and reasonable and in the interests of our Shareholders as a whole. Pursuant to Rule 20.103 of the GEM Listing Rules, we have applied for the continuing connected transaction under the Service Agreement to be exempt from strict compliance with the announcement and independent shareholders' approval requirements and the Stock Exchange has granted a waiver in relation thereto. Except for the waiver granted to exempt from compliance with announcement and independent shareholders' approval requirements under Rules 20.33 and 20.34 of the GEM Listing Rules, our Company will comply with the relevant requirements of Chapter 20 of the GEM Listing Rules, including Rules 20.32, 20.49, 20.50, 20.51, 20.53, 20.54 and 20.69 of the GEM Listing Rules. Our Company confirms that for the purpose of Rules 20.53 and 20.54 of the GEM Listing Rules, all the relevant contracts in relation to continuing connected transactions in the relevant years as disclosed above are available for review by the independent non-executive Directors and auditors of our Company. Our independent non-executive Directors and auditors will check whether, among others, the relevant continuing connected transactions are entered into in accordance with the terms and pricing disclosed in this document, whether the transactions contemplated thereunder are on normal commercial terms or better, and will disclose their confirmation annually in accordance with the requirements of the GEM Listing Rules.

### *Joint Sponsors' view*

The Joint Sponsors are of the view that (i) the non-exempt continuing connected transaction under the Service Agreement was and will be entered into in the ordinary and usual course of business of our Company, on normal commercial terms, are fair and reasonable and in the interests of the Shareholders as a whole, and (ii) the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.