
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer stockbroker in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Emperor Capital Group Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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英皇證券集團有限公司*

Emperor Capital Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 717)

CONTINUING CONNECTED TRANSACTIONS PROVISION OF FINANCIAL SERVICES

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

A letter from the board of directors of the Company is set out from pages 4 to 24 of this circular. A letter from the independent board committee of the Company is set out on page 25 of this circular. A letter from Vinco Capital containing its advice to the Independent Board Committee and the Independent Shareholders of the Company is set out from pages 26 to 49 of this circular.

A notice convening the SGM of the Company to be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on 24 October 2018 (Wednesday) at 3:00 p.m. is set out on pages 55 to 57 of this circular.

Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish and in such case, the form of proxy previously submitted shall be deemed to be revoked.

* *for identification purpose only*

8 October 2018

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DEFINITIONS

In this circular, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“Annual Caps”	the Emperor Group Proposed Annual Caps and the Yeung Proposed Annual Caps
“associate”	has the meaning ascribed to it under the Listing Rules
“AY Holdings”	Albert Yeung Holdings Limited, an investment holding company incorporated in the British Virgin Islands and is an indirect controlling shareholder (as defined under the Listing Rules) of the Company by virtue of its interests in the Shares through Emperor Capital Holdings
“AY Trust”	The Albert Yeung Discretionary Trust, a discretionary trust set up by Dr. Yeung Sau Shing Albert
“Board” or “Director(s)”	the director(s) of the Company
“Company”	Emperor Capital Group Limited, an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Emperor Capital Holdings”	Emperor Capital Group Holdings Limited, a company wholly and directly owned by AY Holdings and is interested in 42.72% of the issued Shares of the Company as at the Latest Practicable Date
“Emperor Group”	AY Holdings, its subsidiaries and associates as from time to time (which includes but not limited to Emperor International Holdings Limited (Stock Code: 163), Emperor Entertainment Hotel Limited (Stock Code: 296), Emperor Watch & Jewellery Limited (Stock Code: 887), Emperor Culture Group Limited (Stock Code: 491), Ulferts International Limited (Stock Code: 1711) and their respective subsidiaries)
“Emperor Group Previous Annual Caps”	the previously obtained annual caps of the transactions contemplated under the 2015 Emperor Group FSA for each of the three financial years ended/ending 30 September 2018
“Emperor Group Proposed Annual Caps”	the annual caps for the proposed transactions contemplated under the 2018 Emperor Group FSA for each of the three financial years ending 30 September 2021
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the People Republic of China
“Independent Shareholders”	Shareholders other than Yeung Family, Emperor Group and their respective associates
“Independent Board Committee”	the independent committee of the Board formed to advise the Independent Shareholders in respect of the 2018 Yeung FSA, the Yeung Proposed Annual Caps, the 2018 Emperor Group FSA and the Emperor Group Proposed Annual Caps
“Independent Third Parties”	independent third parties who are not connected persons of the Company as defined in the Listing Rules and are independent of the Company and the connected persons of the Company
“IPO”	initial public offering
“Latest Practicable Date”	3 October 2018, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information contained in the circular
“listed member(s)”	the company listed on the Stock Exchange (at any time), and its subsidiaries and associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Period”	two years ended 30 September 2017 and the nine months ended 30 June 2018
“Prime Rate”	prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and approve, if thought fit, the 2018 Yeung FSA, the Yeung Proposed Annual Caps, the 2018 Emperor Group FSA and the Emperor Group Proposed Annual Caps
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers as amended from time to time issued by the Securities and Futures Commission of Hong Kong
“Vinc Capital” or “Independent Financial Adviser”	Vinc Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2018 FSA and the Annual Caps
“Yeung Family”	Ms. Daisy Yeung, an Executive Director and the Managing Director of the Company, and her associates, but excluding the listed members of the Emperor Group
“Yeung Previous Annual Caps”	the previously obtained annual caps of the transactions contemplated under the 2015 Yeung FSA for each of the three financial years ended/ending 30 September 2018
“Yeung Proposed Annual Caps”	the annual caps for the proposed transactions contemplated under the 2018 Yeung FSA for each of the three financial years ending 30 September 2021
“2015 Emperor Group FSA”	the agreement dated 10 September 2015 entered into between the Company and AY Holdings in relation to the provision of financial services by the Group to the listed members of the Emperor Group
“2015 FSA”	2015 Yeung FSA and 2015 Emperor Group FSA
“2015 Yeung FSA”	the agreement dated 10 September 2015 entered into between the Company and Ms. Daisy Yeung in relation to the provision of financial services between the Group and the Yeung Family
“2018 Emperor Group FSA”	the agreement dated 27 August 2018 entered into between the Company and AY Holdings in relation to the provision of financial services by the Group to the listed members of the Emperor Group
“2018 FSA”	2018 Yeung FSA and 2018 Emperor Group FSA
“2018 Yeung FSA”	the agreement dated 27 August 2018 entered into between the Company and Ms. Daisy Yeung in relation to the provision of financial services between the Group and the Yeung Family
“%”	per cent

LETTER FROM THE BOARD



英皇證券集團有限公司*
Emperor Capital Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 717)

Directors:

Ms. Daisy Yeung (*Managing Director*)
Mr. Chan Shek Wah
Ms. Choi Suk Hing, Louisa
Ms. Pearl Chan
Mr. Chu Kar Wing*
Mr. Poon Yan Wai*
Ms. Wan Choi Ha*

* *Independent Non-executive Directors*

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office:

24th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

8 October 2018

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
PROVISION OF FINANCIAL SERVICES**

BACKGROUND

On 27 August 2018, the Board announced that the Company entered into the 2018 Yeung FSA and 2018 Emperor Group FSA in order to succeed the 2015 FSA upon its expiry. Pursuant to the 2015 FSA, the Group has been providing various financial services to the Yeung Family and the listed members of the Emperor Group whilst the Yeung Family has been acting as placees or underwriters for securities placed or underwritten by the Group in accordance with the terms and conditions thereof for the period from 1 October 2015 to 30 September 2018. In order for the Group to continue to provide financial services to the Yeung Family and the listed members of the Emperor Group and to cover a wide range of services of the Group, the Company entered into the 2018 Yeung FSA and 2018 Emperor Group FSA on 27 August 2018.

* *for identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) the details of the 2018 FSA and the Annual Caps; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the 2018 FSA and the Annual Caps; (iii) a letter of advice from Vinco Capital containing its advice to the Independent Board Committee and the Independent Shareholders with regard to the 2018 FSA and the Annual Caps; and (iv) a notice convening the SGM at which ordinary resolutions will be proposed to seek the Independent Shareholders' approval for the 2018 FSA and the Annual Caps.

THE 2018 YEUNG FSA

Pursuant to the 2018 Yeung FSA, the Group has agreed to (a) provide to the members of the Yeung Family (i) brokerage services for securities, futures and options trading; (ii) wealth management and asset management services; (iii) financing services including margin loans, IPO loans and term loans; and (iv) financial advisory services; and (b) pay commission and fee to the Yeung Family, including (i) the commission and fee for their acting as places or underwriters for the securities of the Company or for the securities underwritten or placed by the Group, and (ii) referral fee for introducing clients to the Group relating to the Group's business, commencing from 1 October 2018 up to 30 September 2021. Subject to Independent Shareholders' approval on the relevant resolution, the Yeung Proposed Annual Caps would be effective on 1 October 2018 and the transaction amounts from 1 October 2018 to the date of SGM would be covered by the Yeung Proposed Annual Caps.

For item (a)(i), the rates to be charged by the Group to the clients will be determined with reference to the then prevailing market price and practice of the major securities broking firms in the relevant market (i.e. the normal market commission and brokerage fees on dealing in securities in Hong Kong range from approximately 0.1% to 0.25% of the transaction amount) and after considering the trading volume, creditworthiness and financial standing of the clients and the prevailing market condition. The commission rates and fees to be charged to the members of the Yeung Family will be determined based on the same pricing methodology as stated above.

For item (a)(ii), fees including management and performance fees will be charged by the Group at a percentage of the asset value and/or the appreciation of asset value with reference to the then prevailing market price and practice of the wealth and asset managers in the market (i.e. the basic management fee in the market is currently charged at approximately 2.5% or below of the asset value per annum, whereas performance fee varies widely from approximately nil up to 20% of the appreciation of asset value or on the amount of return upon meeting certain benchmark or target. The amount of performance fee highly depends on the percentage of the basic management fee, the lower the basic management fee, the higher will be the performance fee and vice versa). The fee structure may vary widely and the range may widen in accordance with the investment objective, type of investment (e.g. equity, bond, or mix assets), the geographical region where assets are invested, the asset size to be managed, the market risk, the risk acceptance level of clients and the investment opportunities in the financial market from time to time. The management and performance fees to be charged to the members of the Yeung Family will be determined based on the same pricing methodology as stated above.

LETTER FROM THE BOARD

For item (a)(iii), the interest rates to be charged by the Group to the clients will be determined with reference to the then prevailing market price and practice of the money lending corporations in the market (i.e. the current market interest rate for securities margin financing in Hong Kong ranges from approximately Prime Rate minus 0.5% to Prime Rate plus 5% per annum of the margin loan amount normally, whereas the interest rate for margin financing involving acquisition of a substantial interest in a listed company in Hong Kong and/or making a general offer to acquire issued shares of a listed company in Hong Kong under the Takeovers Code, the interest rate ranges from 1% to 3% per month. For the IPO loan, the current market interest rate is approximately 2% per annum or below of the IPO loan amount and varies from case to case on each IPO. For the term loan, the current market interest rate ranges from approximately 9% to 39% per annum of the term loan amount). The rates may vary widely and the range may widen in accordance with the maximum exposure of the credit risk, the security or surety of the loans, creditworthiness and financial standing of the clients and the prevailing market condition. The interest rates to be charged to the members of the Yeung Family will be determined based on the same pricing methodology as stated above.

For item (a)(iv), the advisory fees to be charged by the Group to the clients will be determined with reference to the then prevailing market price and practice of other financial advisers providing similar services in the market as well as considering the size and type of transaction, the manpower to be allocated and the business relationship with the clients. The Group will adopt the same pricing methodology in determining the advisory fees to be charged to the members of Yeung Family in providing the financial advisory services.

For item (b)(i), the commission and fee payable to the placees, underwriters or sub-underwriters will be determined with reference to the then prevailing market price and practice of market participants in the market and after considering the underwriting risks, the market price, liquidity and the nature of relevant securities, the market capitalization of the issuers, the size of the underwriting amount and the prevailing market condition. The commission and fee to be payable to the members of Yeung Family will be determined based on the same pricing methodology as stated above.

For item (b)(ii), the amount of referral fees payable to any person who introduces business to the Group will depend on the type of the Group's services required by the referred clients and after taking into account the respective commercial considerations in relation to that type of services, such as the scale and size of the transactions, the relationship with the client, the credit risk exposure, creditworthiness and financial standing of the clients. The referral fees will be a percentage of the transaction or a lump sum, and the amount will depend on the then prevailing market price and practice of market participants in the market and will be adjusted upwards or downwards as from case to case based on the relevant commercial considerations. The referral fees to be payable to the members of Yeung Family will be determined based on the same methodology as stated above.

LETTER FROM THE BOARD

Detailed rates and terms (including the payment of commission and fee to the Yeung Family) will be specified in the individual contract(s) of each transaction based on the type of services and the considerations are normally settled by cash; and will be on normal commercial terms with reference to the market price and practice, and in any event no less favourable to the Group than those available to Independent Third Party.

The provision of the services between Yeung Family and the Group under the 2018 Yeung FSA is within the ordinary course of business of the Group.

In determining the Yeung Proposed Annual Caps under the 2018 Yeung FSA, the Directors have categorized the transactions thereunder as follows:

- (i) commission, brokerage, fees and interest income to be received from the Yeung Family;
- (ii) margin loans to be provided to the Yeung Family;
- (iii) IPO loans to be provided to the Yeung Family;
- (iv) term loans to be provided to the Yeung Family, such as tax loan, mortgage loan or loan for business or personal needs;
- (v) financial advisory services to be provided to the Yeung Family (including general corporate financial advice such as corporate governance issues, shareholders' dealings in shares, corporate investment and advice on Listing Rules or Takeovers Code); and
- (vi) commission and fee to be paid to the Yeung Family for their acting as places or underwriters for the securities or bonds to be issued (if any) by the Company or for the securities and bonds underwritten or placed by the Group, and/or referral fee for introducing clients to the Group relating to the Group's business.

LETTER FROM THE BOARD

Yeung Previous Annual Caps

Set out below are the Yeung Previous Annual Caps obtained for the 2015 Yeung FSA:

	Yeung Previous Annual Caps		
	For the financial year ended/ending		
	30 September		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Commission, brokerage, fees and interest income from the Yeung Family	99,000	103,000	108,000
(ii) Maximum margin loan amount to the Yeung Family	600,000	600,000	600,000
(iii) Maximum IPO loan amount to the Yeung Family	200,000	200,000	200,000
(iv) Maximum term loan amount to the Yeung Family	280,000	280,000	280,000
(v) Financial advisory fee from the Yeung Family	10,000	12,000	15,000
(vi) Commission and fee to the Yeung Family for their services being provided to the Group	<u>31,000</u>	<u>36,000</u>	<u>44,000</u>
Total	<u>1,220,000</u>	<u>1,231,000</u>	<u>1,247,000</u>

LETTER FROM THE BOARD

Historical transactions amounts under the 2015 Yeung FSA

Set out below are the historical transaction amounts under the 2015 Yeung FSA between the Yeung Family and the Group for the Period:

	For the financial year ended 30 September		For the nine months ended 30 June
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Commission, brokerage, fees and interest income from the Yeung Family	3,228	3,748	14,085
(ii) Maximum margin loan amount to the Yeung Family	50,765	48,881	489,653
(iii) Maximum IPO loan amount to the Yeung Family	390	5,682	13,773
(iv) Financial advisory fee from the Yeung Family	0	3,125	0
(v) Commission and fee to the Yeung Family for their services being provided to the Group	7,020	460	5,818

During the Period, no term loan was granted to any members of the Yeung Family. All the Yeung Previous Annual Caps under the 2015 Yeung FSA are not exceeded as at the Latest Practicable Date and it is expected that the transaction amounts made up to 30 September 2018 will not exceed such caps.

LETTER FROM THE BOARD

Yeung Proposed Annual Caps

Set out below are the Yeung Proposed Annual Caps for the 2018 Yeung FSA:

		Yeung Proposed Annual Caps For the financial year ending 30 September		
		2019	2020	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i)	Commission, brokerage, fees and interest income from the Yeung Family	91,000	91,000	91,000
(ii)	Maximum margin loan amount to the Yeung Family	700,000	700,000	700,000
(iii)	Maximum IPO loan amount to the Yeung Family	200,000	200,000	200,000
(iv)	Maximum term loan amount to the Yeung Family	280,000	280,000	280,000
(v)	Financial advisory fee from the Yeung Family	15,000	16,000	17,000
(vi)	Commission and fee to the Yeung Family for their services being provided to the Group	<u>31,000</u>	<u>36,000</u>	<u>42,000</u>
Total		<u>1,317,000</u>	<u>1,323,000</u>	<u>1,330,000</u>

In determining the Yeung Proposed Annual Caps for the transactions contemplated under the 2018 Yeung FSA, the following principal factors have been taken into consideration:

- (i) Commission, brokerage, fees and interest income from the Yeung Family
 - the Yeung Proposed Annual Caps under this category shall include (i) commission and brokerage fees on dealing in securities, futures and options contracts; (ii) commission income from asset management, insurance brokerage and wealth management; and (iii) interest income from financing;

LETTER FROM THE BOARD

- the highest historical percentage of commission and brokerage income from members of Yeung Family to that of the Group during the Period and it is assumed that the commission and brokerage income from the members of Yeung Family for the three financial years ending 30 September 2021 to that of the Group will be at similar percentage;
 - the expected interest income to be generated assuming the proposed maximum amount of margin loans, term loans and IPO loans will be advanced to the Yeung Family for the three financial years ending 30 September 2021; and
 - the Yeung Proposed Annual Caps are calculated based on the following market rates:
 - (a) the normal market commission and brokerage fees on dealing in securities in Hong Kong range from approximately 0.1% to 0.25% of the transaction amount;
 - (b) management and performance fee from wealth and asset management will be charged at a percentage of the asset value and/or the appreciation of asset value with reference to the then prevailing market price and practice of the wealth and asset managers in the market; and
 - (c) the market interest rate for securities margin financing in Hong Kong ranges from approximately Prime Rate minus 0.5% to Prime Rate plus 5% per annum of the margin loan amount normally, whereas the interest rate for margin financing involving acquisition of a substantial interest in a listed company in Hong Kong and/or making a general offer to acquire issued shares of a listed company in Hong Kong under the Takeovers Code, the interest rate ranges from 1% to 3% per month; for the IPO loan, the current market interest rate is approximately 2% per annum or below of the IPO loan amount and varies from case to case on each IPO; for the term loan, the current market interest rate ranges from approximately 9% to 39% per annum of the term loan amount normally.
- (ii) Maximum margin loan amount to the Yeung Family
- the need of such cap for the Group to stay competitive. If the cap is not sufficient and the Group is required to obtain approval from the Independent Shareholders before granting of the loans, the Group will not be able to meet the timing constraints of the investment decisions of its clients in a timely manner;
 - past investment decisions and capital needs of the members of Yeung Family;

LETTER FROM THE BOARD

- the expected future funding needs of the Yeung Family for capturing potential business opportunities, which includes the need for funding investments in listed shares in Hong Kong or overseas (including margin loan financing for investment projects involve making general offers under the Takeovers Code) for the three financial years ending 30 September 2021; and
- the continuous increase in the maximum margin loan amount granted to Independent Third Parties for the financial years ended 30 September 2016 and 2017.

(iii) IPO financing to the Yeung Family

- the number of newly listed companies in the Stock Exchange has increased during the Period. It is expected that the IPO market will remain active in the forthcoming years, and the demand of IPO loan and potential IPO trading activities from the members of Yeung Family will remain stable for the three financial years ending 30 September 2021;
- due to the continuous increase in the maximum historical amount of IPO loan granted to Independent Third Parties and to the Yeung Family during the Period, despite the low utilization of the existing cap during the Period, the Directors consider that it is necessary to maintain the existing cap amount for the Group to stay competitive. If the cap is not sufficient and the Group is required to obtain further approval from the Independent Shareholders before granting such IPO loans, the Group will not be able to meet the timing constraints from the IPO market in a timely manner; and
- the existing cap amount for the Period will be sufficient for the three financial years ending 30 September 2021 for the Yeung Family.

(iv) Maximum term loan amount to the Yeung Family

- the expected funding needs of the Yeung Family for capturing potential business opportunities, which includes acquisition of properties or other assets or investment in private companies for the three financial years ending 30 September 2021;
- the available cash flow and resources of the Group for term loans to be advanced is expected to increase as the Group's loan business diversifies; and
- despite there was no utilization of any term loan during the Period, maintaining the existing cap amount will allow flexibility for the Group if certain business opportunities especially derived from the property market and allow decisions to be made in a timely manner.

LETTER FROM THE BOARD

(v) Financial advisory fee from the Yeung Family

- the Group has been providing corporate financial advisory services to members of the Yeung Family in relation to their investment projects, including general financial advice on corporate governance issues, shareholders' dealings in shares, acquisition of listed securities, advice on Listing Rules or Takeovers Code, and acting as sponsor for the listing of some of the corporate members of the Yeung Family;
- the financial advisory fee would be received if the potential investment projects of the members of Yeung Family were materialized or completed during the Period;
- it is expected that the members of the Yeung Family will continue to engage the Group as financial advisor in their investment projects or corporate exercises in the three financial years ending 30 September 2021, particularly in complicated transactions such as general offers and IPOs; and
- the determination of the cap under this category is with reference to the market price and practice and it is expected that financial advisory fee in the market will increase in the three financial years ending 30 September 2021.

(vi) Commission and fee to the Yeung Family for their services being provided to the Group

- the Yeung Proposed Annual Caps under this category shall include commissions and fees payable to the Yeung Family (i) for their acting as places or underwriters for the securities or bonds to be issued (if any) by the Company; (ii) for their acting as places or underwriters for the securities and bonds of other listed companies underwritten or placed (if any) by the Group; and (iii) for introducing clients to the Group relating to the Group's business;
- upon issue of securities or bonds by the Company to the Yeung Family as places or underwriters of which Emperor Securities Limited acted as the placing agent or underwriter, that the placing or underwriting would be subject to announcement/circular and/or shareholders' approval requirements according to applicable percentage ratios (as defined in the Listing Rules) when applicable, the Yeung Family will pay the full subscription fee or placing price to the Company through the placing agent and the placing agent will rebate partial or full commission to the Yeung Family out of its commission received from the Company in order to attract it to participate in such fund raising activities of the Group and the percentage shall be the same as those offered to Independent Third Party places. Such commission and fee to be paid to the Yeung Family shall be on normal commercial terms and in accordance with the market price and practice;

LETTER FROM THE BOARD

- the Group has been active in participating fund raising activities during the Period. It is expected that the Group will remain active in future fund raising activities for itself and as placing agents and underwriters for other companies listed on the Stock Exchange which are Independent Third Parties (“Other Listed Companies”) and the members of the Yeung Family is expected to participate in the future fund raising activities of the Company (if any) and/or Other Listed Companies during the three financial years ending 30 September 2021;
- the commission and fee to the Yeung Family are estimated based on (i) the aggregate transaction amounts of fund raising activities that the Group has engaged during the Period; (ii) the historical transactions amounts under the 2015 Yeung FSA as compared to the Group’s commission expenses for the same period; and (iii) the market rate and the historical rate of referral fee given to Independent Third Parties for business referral by the Yeung Family; and
- despite of the recent market sentiment which may affect the amount of fund raising in the equity market, the Directors consider that the existing cap shall be maintained to allow flexibility especially when the market recovers from the downturn.

The utilization of the above caps in the future will depend on the then market condition and the investment decisions and preference of each individual member of the Yeung Family. As there is no clear and regular investment pattern that can be derived with reference to the historical amounts, the Directors consider that the above caps may or may not be fully utilized in each of the financial year.

The 2018 EMPEROR GROUP FSA

Pursuant to the 2018 Emperor Group FSA, the Group has agreed to provide to the listed members of the Emperor Group (i) brokerage services for securities, futures and options trading; (ii) wealth management and asset management services; (iii) placing and underwriting services; (iv) financing services including margin loans, IPO loans and term loans, and (v) financial advisory services, commencing from 1 October 2018 up to 30 September 2021. Subject to Independent Shareholders’ approval on the relevant resolution, the Emperor Group Proposed Annual Caps would be effective on 1 October 2018 and the transaction amounts from 1 October 2018 to the date of SGM would be covered by the Emperor Group Proposed Annual Caps.

For item (i), the rates to be charged by the Group to the clients will be determined with reference to the then prevailing market price and practice of the major securities broking firms in the relevant market (i.e. the normal market commission and brokerage fees on dealing in securities in Hong Kong range from approximately 0.1% to 0.25% of the transaction amount) and after considering the trading volume, creditworthiness and financial standing of the clients and the prevailing market condition. The commission rates and fees to be charged to the listed members of the Emperor Group will be determined based on the same pricing methodology as stated above.

LETTER FROM THE BOARD

For item (ii), fees including management and performance fees will be charged by the Group at a percentage of the asset value and/or the appreciation of asset value with reference to the then prevailing market price and practice of the wealth and asset managers in the market (i.e. the basic management fee in the market is currently charged at approximately 2.5% or below of the asset value per annum, whereas performance fee varies widely from approximately nil up to 20% of the appreciation of asset value or on the amount of return upon meeting certain benchmark or target. The amount of performance fee highly depends on the percentage of the basic management fee, the lower the basic management fee, the higher will be the performance fee and vice versa). The fee structure may vary widely and the range may widen in accordance with the investment objective, type of investment (e.g. equity, bond, or mix assets), the geographical region where assets are invested, the asset size to be managed, the market risk, the risk acceptance level of clients and the investment opportunities in the financial market from time to time. The management and performance fees to be charged to the listed members of the Emperor Group will be determined based on the same pricing methodology as stated above.

For item (iii), the commission and fee to be charged to the clients will be determined with reference to the then prevailing market price and practice of market participants in the relevant market and after considering the underwriting risks, the market price, liquidity and the nature of relevant securities, the market capitalization of the issuers, the size of the underwriting amount and the prevailing market condition. The commission and fee to be charged to the listed members of Emperor Group will be determined based on the same pricing methodology as stated above.

For item (iv), the interest rates to be charged by the Group to the clients will be determined with reference to the then prevailing market price and practice of the money lending corporations in the market (i.e. the current market interest rate for securities margin financing in Hong Kong ranges from approximately Prime Rate minus 0.5% to Prime Rate plus 5% per annum of the margin loan amount normally, whereas the interest rate for margin financing involving acquisition of a substantial interest in a listed company in Hong Kong and/or making a general offer to acquire issued shares of a listed company in Hong Kong under the Takeovers Code, the interest rate ranges from 1% to 3% per month. For the IPO loan, the current market interest rate is approximately 2% per annum or below of the IPO loan amount and varies from case to case on each IPO. For the term loan, the current market interest rate ranges from approximately 9% to 39% per annum of the term loan amount). The rates may vary widely and the range may widen in accordance with the maximum exposure of the credit risk, the security or surety of the loans, creditworthiness and financial standing of the clients and the prevailing market condition. The interest rates to be charged to the listed members of the Emperor Group will be determined based on the same pricing methodology as stated above.

LETTER FROM THE BOARD

For item (v), the advisory fees to be charged by the Group will be determined with reference to the then prevailing market price and practice of other financial advisers providing similar services in the market as well as considering the size and type of the transaction, the manpower to be allocated and the business relationship with the clients. The Group will adopt the same pricing methodology in determining the advisory fees to be charged to the listed members of Emperor Group in providing the financial advisory services.

Detailed rates and terms will be specified in the individual contracts of each transaction based on the type of services and the considerations are normally settled by cash. The rates and terms will be on normal commercial terms with reference to the market price and practice, and in any event no more favourable than those available to Independent Third Party.

The provision of the services under the 2018 Emperor Group FSA to listed members of the Emperor Group is in the ordinary course of business of the Group.

In determining the Emperor Group Proposed Annual Caps under the 2018 Emperor Group FSA, the Directors have categorized the transactions thereunder as follows:

- (i) commission, brokerage, fees and interest income to be received from the listed members of the Emperor Group including placing and underwriting commission from acting as placing agent, underwriter or sub-underwriter;
- (ii) margin loans to be provided to the listed members of the Emperor Group;
- (iii) IPO loans to be provided to the listed members of the Emperor Group;
- (iv) term loans to be provided to the listed members of the Emperor Group; and
- (v) financial advisory services to be provided to the listed members of the Emperor Group (including general corporate financial services such as advice on Listing Rules or Takeovers Code on corporate exercises).

LETTER FROM THE BOARD

Emperor Group Previous Annual Caps

Set out below are the Emperor Group Previous Annual Caps obtained for the 2015 Emperor Group FSA:

		Emperor Group Previous Annual Caps For the financial year ended/ending 30 September		
		2016	2017	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i)	Commission, brokerage and fees and interest income from the listed members of the Emperor Group	230,000	245,000	262,000
(ii)	Maximum margin loan amount to the listed members of the Emperor Group	600,000	600,000	600,000
(iii)	Maximum IPO loan amount to the listed members of the Emperor Group	70,000	70,000	70,000
(iv)	Maximum term loan amount to the listed members of the Emperor Group	280,000	280,000	280,000
(v)	Financial advisory fee from the listed members of the Emperor Group	<u>13,000</u>	<u>17,000</u>	<u>20,000</u>
Total		<u>1,193,000</u>	<u>1,212,000</u>	<u>1,232,000</u>

LETTER FROM THE BOARD

Historical transactions amounts under the 2015 Emperor Group FSA

Set out below are the historical transaction amounts under the 2015 Emperor Group FSA between the listed members of the Emperor Group and the Group for the Period:

	For the financial year		For the
	ended 30 September		nine months
	2016	2017	ended
	HK\$'000	HK\$'000	30 June
			2018
			HK\$'000
(i) Commission, brokerage and fees and interest income from the listed members of the Emperor Group	176	57	28
(ii) Financial advisory fee from the listed members of the Emperor Group	1,380	1,580	1,797

During the Period, no margin loan, IPO loan or term loan was granted to any listed members of the Emperor Group. All the Emperor Group Previous Annual Caps under the 2015 Emperor Group FSA are not exceeded as at the Latest Practicable Date and it is expected that the transaction amounts made up to 30 September 2018 will not exceed such caps.

LETTER FROM THE BOARD

Emperor Group Proposed Annual Caps

Set out below are the Emperor Group Proposed Annual Caps for the 2018 Emperor Group FSA:

Emperor Group Proposed Annual Caps				
For the financial year ending				
30 September				
	2019	2020	2021	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
(i)	Commission, brokerage and fees and interest income from the listed members of the Emperor Group	204,000	215,000	228,000
(ii)	Maximum margin loan amount to the listed members of the Emperor Group	700,000	700,000	700,000
(iii)	Maximum IPO loan amount to the listed members of the Emperor Group	70,000	70,000	70,000
(iv)	Maximum term loan amount to the listed members of the Emperor Group	280,000	280,000	280,000
(v)	Financial advisory fee from the listed members of the Emperor Group	15,000	16,000	17,000
Total		1,269,000	1,281,000	1,295,000

In determining the Emperor Group Proposed Annual Caps for the transactions contemplated under the 2018 Emperor Group FSA, the following principal factors have been taken into consideration:

- (i) Commission and interest income from the listed members of the Emperor Group
 - the Emperor Group Proposed Annual Caps under this category shall include (i) commission and brokerage fees on dealing in securities, futures and options contracts; (ii) commission income from asset management, insurance brokerage and wealth management; (iii) commission from acting as placing agent, underwriter or sub-underwriter for the securities of the listed members of the Emperor Group; and (iv) interest income from financing;

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- the Group has been acting as placing agents/underwriters for the listed members of the Emperor Group and the amount of commission income for placing, underwriting and sub-underwriting services for the three financial years ending 30 September 2021 is calculated based on (i) the assumed amount of fund to be raised by the listed members of the Emperor Group in view that there is an increase in number of listed members of the Emperor Group during the Period; and (ii) normal commission rate to be charged with reference to the market;
 - the expected interest income to be generated assuming the proposed maximum amount of margin loans and term loans will be advanced to the listed members of the Emperor Group for the three financial years ending 30 September 2021; and
 - the Emperor Group Proposed Annual Caps are calculated based on the following market rates:
 - (a) the normal market commission and brokerage fees on dealing in securities in Hong Kong range from approximately 0.1% to 0.25% of the transaction amount;
 - (b) management and performance fee from wealth and asset management will be charged at a percentage of the asset value and/or the appreciation of asset value with reference to the then prevailing market price and practice of the wealth and asset managers in the market; and
 - (c) the market interest rate for securities margin financing in Hong Kong ranges from approximately Prime Rate minus 0.5% to Prime Rate plus 5% per annum of the margin loan amount normally, whereas the interest rate for margin financing involving acquisition of a substantial interest in a listed company in Hong Kong and/or making a general offer to acquire issued shares of a listed company in Hong Kong under the Takeovers Code, the interest rate ranges from approximately 1% to 3% per month; for the IPO loan, the current market interest rate is approximately 2% per annum or below of the IPO loan amount and varies from case to case on each IPO; for the term loan, the current market interest rate ranges from approximately 9% to 39% per annum of the term loan amount normally.
- (ii) Maximum margin loan amount to the listed members of the Emperor Group
- the need for such cap amount for the Group to stay competitive. If the cap is not sufficient and the Group is required to obtain approval from the Independent Shareholders before granting of the loans, the Group will not be able to meet the timing constraints of the investment decisions of its clients in a timely manner;

LETTER FROM THE BOARD

- the expected future funding needs of the listed members of Emperor Group for business expansion and capturing potential business opportunities, which includes the need for funding investments in other listed shares in Hong Kong or overseas (including margin loan financing for investment projects involve making general offers under the Takeovers Code) for the three financial years ending 30 September 2021;
 - the continuous increase in the maximum margin loan amount granted to Independent Third Parties for the financial years ended 30 September 2016 and 2017; and
 - despite there was no utilization of any margin loan during the Period, maintaining the existing cap amount will allow flexibility if certain corporate exercise arise for the listed members of Emperor Group.
- (iii) IPO financing to the listed members of the Emperor Group
- the number of newly listed companies in the Stock Exchange has increased during the Period. It is expected that the IPO market will remain active in the forthcoming years, and the demand of IPO loan and potential IPO trading activities from the listed members of Emperor Group will remain stable for the three financial years ending 30 September 2021;
 - due to the continuous increase in the maximum historical amount of IPO loan granted to Independent Third Parties during the Period, despite the low utilization of the existing cap during the Period, the Directors consider that it is necessary to maintain the existing cap amount for the Group to stay competitive. If the cap is not sufficient and the Group is required to obtain further approval from the Independent Shareholders before granting such IPO loans, the Group will not be able to meet the timing constraints from the IPO market in a timely manner; and
 - despite there was no utilization of any IPO loan during the Period, maintaining the existing cap amount will allow flexibility for the Group to provide IPO loans to the listed members of the Emperor Group for the three financial years ending 30 September 2021.
- (iv) Maximum term loan amount to the listed members of the Emperor Group
- the expected funding needs of the listed members of Emperor Group for business expansion and capturing potential business opportunities, which includes the need for funding investments in private companies, properties or other assets for the three financial years ending 30 September 2021;
 - preparatory line to facilitate business development if the need for financing arises as the number of listed companies of Emperor Group has increased during the Period and their business expansions and diversifications are active and progressive; and

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- despite there was no utilization of any term loan during the Period, maintaining the existing cap amount will allow flexibility for the Group if certain business opportunities especially derived from the property market and allow decisions to be made in a timely manner.
- (v) Financial advisory fee from the listed members of the Emperor Group
- the Group has been providing corporate financial advisory services to listed members of the Emperor Group, including providing advices on Listing Rules and/or Takeovers Code on various fund raising activities and corporate exercises during the Period;
 - the financial advisory fee would be received if the potential investment projects of the listed members of Emperor Group were materialized or completed during the Period;
 - it is expected that the members of the Emperor Group will continue to engage the Group as financial advisor on project basis, particularly in complex transactions such as very substantial acquisitions, general offers and IPOs as well as annual retainer basis for the three financial years ending 30 September 2021; and
 - the historical amount of advisory fee received from the listed members of the Emperor Group, taking into account that there is an increase in number of listed members of the Emperor Group and increase in annual retainer fee during the Period.

The utilization of the above caps in the future will depend on the then market condition and the investment decisions and strategy of each listed member of the Emperor Group. As there is no clear and regular investment pattern that can be derived with reference to the historical amounts, the Directors consider that the above caps may or may not be fully utilized in each of the financial years ending 30 September 2021.

REASONS FOR ENTERING INTO THE 2018 FSA

The Company is an investment holding and its subsidiaries are principally engaged in the provision of financial services in Hong Kong, including (i) commercial and personal lending as well as margin and IPO financing; (ii) brokerage, wealth management and asset management; (iii) placing and underwriting services for listed issuers; and (iv) corporate finance advisory services.

During the Period, the Company has completed a number of fund raising activities (including placing of bonds, placing and subscription of new Shares) and net proceeds of approximately HK\$3,429 million were raised. In view that the Group's loan book and cash balances has increased during the Period, the Directors considered that through the entering into of the 2018 FSA, the Company can utilise part of its available funds to enhance its capital utilization efficiency, reduce the risk of excessive idle cash balances and hence benefit from net interests and fees received under the Annual Caps. The 2018 FSA

LETTER FROM THE BOARD

also allows flexibility of the Group to continue to provide the financial services to the Yeung Family and the listed members of the Emperor Group. The Annual Caps allow the Group to participate in the corporate exercise and/or the investment opportunities of its clients in a timely manner which is beneficial to the Group's revenue and such increase is in line with the development of the Group's business during these few years. The Directors (excluding the independent non-executive Directors who shall form their views in the letter from the Independent Board Committee to be set out in the circular) considered that the 2018 FSA are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Ms. Daisy Yeung is the Executive Director and Managing Director of the Company. As such, the transactions contemplated under the 2018 Yeung FSA constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Yeung Proposed Annual Caps exceed 5% and the annual amount exceeds HK\$10 million, the 2018 Yeung FSA and the Yeung Proposed Annual Caps are subject to announcement, the Independent Shareholders' approval and reporting requirements under the Listing Rules.

The Company is owned as to approximately 42.72% by Emperor Capital Holdings, which is in turn wholly-owned by AY Holdings, a substantial shareholder of the Company. AY Holdings was indirectly held by the AY Trust. As such, members of the Emperor Group are connected persons of the Company under 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Emperor Group Proposed Annual Caps exceed 5% and the annual amount exceeds HK\$10 million, the 2018 Emperor Group FSA and the Emperor Group Proposed Annual Caps are subject to announcement, the Independent Shareholders' approval and reporting requirements under the Listing Rules.

Ms. Daisy Yeung did abstain from voting on the relevant Board resolution(s) of the Company in relation to the 2018 FSA and the Annual Caps in view of her deemed interest in the transactions by virtue of being one of the eligible beneficiaries of the AY Trust.

SGM

A notice convening the SGM to be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on 24 October 2018 (Wednesday) at 3:00 p.m. or any adjournment is set out from pages 55 to 57 of this circular. Ordinary resolutions will be proposed at the SGM for the Independent Shareholders to approve the 2018 FSA and the Annual Caps.

LETTER FROM THE BOARD

As at the Latest Practicable Date, AY Holdings, Ms. Daisy Yeung and their associates together are entitled to control over the voting rights in respect of 2,897,521,438 Shares, representing approximately 42.98% of the issued share capital of the Company. Ms. Daisy Yeung, AY Holdings and their respective associates (including Emperor Capital Holdings) will abstain from voting on the resolutions in respect of the 2018 FSA and the Annual Caps at the SGM.

In compliance with the Listing Rules, the ordinary resolutions will be voted by way of poll and the results of the SGM will be published after the SGM. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time of the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish and in such case, the form of proxy previously submitted shall be deemed to be revoked.

RECOMMENDATION

Vinco Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the 2018 FSA and the Annual Caps. The text of the letter of the advice from Vinco Capital containing its recommendation and the principal factors it has taken into account in arriving at its recommendation are set out on pages 26 to 49 of this circular.

The Independent Board Committee, having taken into account the advice of Vinco Capital, considers that the terms of the 2018 FSA and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. The full text of the letter from the Independent Board Committee is set out on page 25 of this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the Letter from the Independent Board Committee, the Letter from Vinco Capital and the information set out in the Appendix to this circular.

By order of the Board
Emperor Capital Group Limited
Daisy Yeung
Managing Director



英皇證券集團有限公司*
Emperor Capital Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 717)

8 October 2018

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
PROVISION OF FINANCIAL SERVICES**

We have been appointed as members of the Independent Board Committee to consider the terms of the 2018 FSA and the Annual Caps, details of which are set out in the “Letter from the Board” in a circular dated 8 October 2018 to the Shareholders (the “Circular”), of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Your attention is drawn to “Letter from Vinco Capital” containing its advice to us and the Independent Shareholders regarding the fairness and reasonableness of the terms and conditions of the 2018 FSA and the Annual Caps. Details of its advice are set out on pages 26 to 49 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 24 of the Circular. Having considered the advice and recommendation of Vinco Capital, we are of the opinion that the terms of the 2018 FSA and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the 2018 FSA and the Annual Caps.

Yours faithfully,
Independent Board Committee
EMPEROR CAPITAL GROUP LIMITED

CHU Kar Wing

POON Yan Wai

WAN Choi Ha

Independent Non-executive Directors

* *for identification purpose only*

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in respect of the 2018 FSA and the Annual Caps which has been prepared for the purpose of incorporation in this circular:



Vinco Capital Limited

Units 4909–4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

8 October 2018

*To the Independent Board Committee and the Independent Shareholders of
Emperor Capital Group Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS PROVISION OF FINANCIAL SERVICES

A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2018 FSA and the Annual Caps, details of which are set out in the “Letter from the Board” of the circular issued by the Company dated 8 October 2018 (the “Circular”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 27 August 2018 (the “Announcement”). As set out in the Announcement, the Company entered into the 2018 Yeung FSA and 2018 Emperor Group FSA in order to succeed the 2015 FSA upon its expiry. Pursuant to the 2015 FSA, the Group has been providing various kinds of financial services to the Yeung Family and the listed member of the Emperor Group whilst the Yeung Family has been acting as placees or underwriters for securities placed or underwritten by the Group in accordance with the terms and conditions thereof for the period from 1 October 2015 to 30 September 2018. In order for the Group to continue to provide similar financial services to the Yeung Family and the listed members of the Emperor Group, the Company entered into the 2018 FSA with Ms. Daisy Yeung and AY Holdings on 27 August 2018.

Given that (i) Ms. Daisy Yeung is the managing director of the Company; and (ii) the Company is owned as the approximately 42.72% by Emperor Capital Holdings, an investment holding company which is wholly-owned by AY Holdings which is a substantial shareholder of the Company, the Yeung Family and AY Holdings are connected persons of the Company under Chapter 14A of the Listing Rules and the corresponding transactions contemplated under the 2018 FSA constitute continuing connected transactions of the Company.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As the applicable percentage ratios calculated with reference to both the Yeung Proposed Annual Caps and the Emperor Group Proposed Annual Caps exceeds 5%, and the annual amounts exceed HK\$10 million, the 2018 FSA constitute non-exempt continuing connected transactions for the Company. Accordingly, the 2018 FSA and the Annual Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As Emperor Capital Holdings is a company indirectly owned by AY Trust which Ms. Daisy Yeung is one of the eligible beneficiaries, Emperor Capital Holdings, Ms. Daisy Yeung and their associates (together controlling or are entitled to control over the voting right in respect of 2,897,521,438 Shares, representing approximately 42.98% of the issued share capital of the Company as at the Latest Practicable Date), will abstain from voting on the SGM approving the 2018 FSA and the Annual Caps. Ms. Daisy Yeung has abstained from voting at the board meeting of the Company regarding the 2018 FSA and Annual Caps.

The independent Board Committee comprising Mr. Chu Kar Wing, Mr. Poon Yan Wai and Ms. Wan Choi Ha, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the 2018 FSA and the Annual Caps. We, Vinco Capital, have been appointed and approved by the Independent Board Committee, as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2018 FSA and the Annual Caps. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the 2018 FSA and the Annual Caps are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

As the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2018 FSA and the Annual Caps. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We have not acted as the independent financial adviser to the Company's other transactions during the last two years.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

We consider that we have reviewed all currently available information and documents particularly, (i) the annual report of the Company for the year ended 30 September 2017; (ii) the interim report for the six months ended 31 March 2018; (iii) the 2018 Yeung FSA and the 2018 Emperor Group FSA; (iv) the historical transactions between the Group and the Yeung Family/Emperor Group during the Period; (v) the historical transactions between the Group and Independent Third Parties during the Period; (vi) mandate of financial services deals entering into between the Group and the Yeung Family/Emperor Group during the Period; (vii) mandate of financial services deals entering into between the Group and Independent Third Parties during the Period; (viii) calculation basis and assumptions considered by the Group; and the internal control measures governing continuing connected transactions, which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the 2018 FSA and the Annual Caps, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration in respect of the 2018 FSA and Annual Caps, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the 2018 FSA and the Annual Caps, we have considered the principal factors and reasons set out below.

I. Background and reason for entering into the 2018 FSA

(i) Information of the Group

The Company is Hong Kong based investment holding company principally engaged in financial businesses. The Company operates through four segments. Financing segment is engaged in the provision of margin financing and money lending services. Brokerage segment is engaged in the provision of broking services for securities, options, futures, insurances and other assets and wealth management products, as well as their related handling services. Placing and underwriting segment is engaged in the provision of placing and underwriting services. Corporate Finance segment is engaged in the provision of corporate finance advisory services.

Set out below is the breakdown of the Group revenue for the two years ended 30 September 2017 and the nine months ended 30 June 2018:

	For the year ended 30 September		For the nine months ended 30 June	Annualised figures for the year ending 30 September (Note)
	2016	2017	2018	2018
	HKD'000	HKD'000	HKD'000	HKD'000
Brokerage				
— Commission and brokerage fee on securities, equity options and futures dealing, and option contract, commission from asset management, insurance brokerage and wealth management	105,550	127,599	83,161	110,882
— Other income	<u>3,656</u>	<u>5,362</u>	<u>6,921</u>	<u>9,228</u>
Total brokerage income	109,206	132,961	90,082	120,110
Financing				
— Interest income from margin financing	481,248	582,302	627,275	836,367
— Interest income from IPO financing	1,073	2,128	2,331	3,108
— Interest income from term loan	<u>291,081</u>	<u>253,091</u>	<u>189,582</u>	<u>252,776</u>
Total brokerage and financing income	882,608	970,482	909,270	1,212,361
Placing and underwriting	88,216	203,708	69,818	93,090
Corporate finance advisory fee	<u>15,391</u>	<u>66,810</u>	<u>17,430</u>	<u>23,240</u>
Total revenue	<u>986,215</u>	<u>1,241,000</u>	<u>996,518</u>	<u>1,328,691</u>

Note: The annualised figures are for illustrative and comparison purposes only.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

For the year ended 30 September 2017

The Group's total revenue increased by approximately HK\$254.8 million or 25.8% from approximately HK\$986.2 million for the year ended 30 September 2016 to approximately HK\$1,241.0 million for the year ended 30 September 2017. The increase was attributable to the positive growth of all business segments, including brokerage, financing, placing and underwriting and corporate finance. Hong Kong stock market activity remained buoyant amid positive market sentiment during the corresponding year. Revenue from brokerage services increased by approximately HK\$23.8 million or 21.8% from approximately HK\$109.2 million for the year ended 30 September 2016 to approximately HK\$133.0 million for the year ended 30 September 2017. The Group's revenue derived from financing segment increased by approximately HK\$64.1 million or 8.3% from approximately HK\$773.4 million for the year ended 30 September 2016 to approximately HK\$837.5 million for the year ended 30 September 2017. Although interest income derived from term loan decreased by approximately 13.1%, interest income generated from margin financing and IPO loan positively grew by approximately 21.0% and 98.3% respectively for the corresponding period. The increase in interest income was mainly contributed by successful marketing campaigns and the expansion of financing team. The Group's revenue derived from placing and underwriting increased by approximately HK\$115.5 million or approximately 131.0% from approximately HK\$88.2 million for the year ended 30 September 2016 to approximately HK\$203.7 million for the year ended 30 September 2017. The increase was mainly due to the increased number of placing and underwriting deals during the corresponding year. The Group's revenue derived from corporate finance segment increased by approximately HK\$51.4 million or 333.8% from approximately HK\$15.4 million for the year ended 30 September 2016 to approximately HK\$66.8 million for the year ended 30 September 2017. The increase was contributed to the increased number of corporate transactions and IPO projects during the corresponding year.

For the year ending 30 September 2018

For comparison purposes, annualised figures are used to compare the performance of the Group for the year ended 30 September 2017 and for the nine months ended 30 June 2018. Assume that the performance of the Group remains stable after 30 June 2018, the annualised figures present the performance of the Group for the whole financial year ending 30 September 2018. According to the annualised figures, the Group's total revenue will increase by approximately HK\$87.7 million or approximately 7.07% from approximately HK\$1,241.0 million for the year ended 30 September 2017 to approximately HK\$1,328.7 million for the year ending 30 September 2018. However, the revenue derived from brokerage and placing and underwriting and corporate finance will decrease by approximately 9.7%, 54.3% and 65.2% respectively. The increase of the Group's total

revenue will be mainly supported by the increase in revenue derived from financing business which will increase by approximately HK\$254.8 million or 30.4% from approximately HK\$837.5 million for the year ended 30 September 2017 to approximately HK\$1,092.3 million for the year ending 30 September 2018. Although the interest income generated by term loan will slightly decrease approximately 0.12%, the interest income derived from margin financing and IPO loan will increase by approximately 43.6% and 46.1% respectively.

(ii) Information of the Yeung Family

The Yeung Family is referred to as Ms. Daisy Yeung, the managing director of the Company and her associates, but exclude the listed members of Emperor Group.

(iii) Information of the Emperor Group

The Emperor Group is referred to as AY Holdings, its subsidiaries and associates.

(iv) Reasons for entering into the 2018 FSA

The Company was listed on the main board of the Stock Exchange in 2007 and has long been providing various kinds of financial services, including but not limited to, brokerage, margin financing and IPO financing services to the Yeung Family and the listed members of the Emperor Group for years. The Yeung Family had also acted as places for securities underwritten or placed by the Group in the past. The financial services to be provided to the Yeung Family and the listed members of the Emperor Group are of the similar nature to those provided to independent third-parties clientele of the Group. As such, we are of the view that entering into the 2018 Yeung FSA and the 2018 Emperor Group FSA is conducted in the ordinary and usual course of business of the Company.

We noted that the amount of commission and brokerage on dealing in securities, futures and options trading and interest income from the Yeung Family was approximately HK\$3.23 million and HK\$3.75 million for each of the two financial years ended 30 September 2017, representing approximately 0.37% and 0.39% of the Group's total revenue derived from brokerage commission and interest for the corresponding periods, and approximately HK\$14.1 million for the nine months ended 30 June 2018, representing approximately 1.56% of the Group's total revenue derived from brokerage commission and interest for the period. Moreover, the total amount of commission and brokerage on dealing in securities, futures and option trading, interest income and financial advisory fees from the listed member of the Emperor Group in aggregate were approximately HK\$1.56 million and HK\$1.64 million for each of the two financial years ended 30 September 2017, representing approximately 1.60% and 1.30% of the Group's total revenue for the corresponding periods and approximately HK\$1.83 million for the nine months ended 30 June 2018. Pursuant to the 2015 FSA entered

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between the Company, Ms. Daisy Yeung and AY Holdings dated 10 September 2015 (reference can be made to the circular of the Company dated 29 October 2015), the 2015 FSA will be expired on 30 September 2018. In order to allow the flexibility for the Group to continue to provide the financial services to the Yeung Family and the listed members of the Emperor Group, on 27 August 2018, the Company entered into the 2018 FSA with Ms. Daisy Yeung and AY Holdings respectively.

Having considered that (i) the Group has been providing financial services to the Yeung Family and the Emperor Group for a certain period of time, (ii) the entering in to the 2018 FSA would allow flexibility of the Group to provide financial services to the Yeung Family and listed members of the Emperor Group and (iii) the historical and potential revenue contribution from the Yeung Family and the listed member of the Emperor Group which can enhance revenue portfolio of the Group, we concur with the view of the Directors that the Company and the entering into of the 2018 FSA is in the interests of the Company and the Shareholders as a whole.

II. Principal terms of the 2018 Yeung FSA

The following table summarizes the major terms of the 2018 Yeung FSA:

Date:	27 August 2018
Effective period:	From 1 October 2018 to 30 September 2021
Parties:	The Company Ms. Daisy Yeung
Nature of transactions contemplated thereunder:	Provides (i) brokerage services for securities, futures and options trading; (ii) wealth management and asset management services; (iii) financing services including margin loans, IPO loans and term loans; (iv) financial advisory services to the Yeung Family; and (v) the commission and fee to be paid to the Yeung Family for their acting as places or underwriters for the securities of the Company or for the securities underwritten or placed by the Group and referral fee for introducing clients to the Group relating to the Group's business.

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Set out below are the Yeung Proposed Annual Caps under the 2018 Yeung FSA:

	Yeung Proposed Annual Caps		
	For the financial year ending		
	30 September		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Commission, brokerage, fees and interest income from the Yeung Family	91,000	91,000	91,000
(ii) Maximum margin loan amount to the Yeung Family	700,000	700,000	700,000
(iii) Maximum IPO loan amount to the Yeung Family	200,000	200,000	200,000
(iv) Maximum term loan amount to the Yeung Family	280,000	280,000	280,000
(v) Financial advisory fee from the Yeung Family	15,000	16,000	17,000
(vi) Commission and fee payment to the Yeung Family for their services being provided to the Group	<u>31,000</u>	<u>36,000</u>	<u>42,000</u>
Total	<u>1,317,000</u>	<u>1,323,000</u>	<u>1,330,000</u>

Pursuant to the 2018 Yeung FSA, the provision of the financial services by the Group to the Yeung Family shall be on normal commercial terms and at rates no more favourable than those available to other Independent Third Parties. In addition, the commission and fee to be paid by the Group to the Yeung Family shall also be on normal commercial terms and in accordance with the market price and practice, and in any event no more favourable than those available to Independent Third Parties.

For our due diligence purpose, we have reviewed (i) the Group's internal record of the Yeung Family and the Independent Third Parties regarding their respective dealing in securities, futures and options trading, margin financing and IPO financing; and (ii) the sub-underwriting letters entered into between (a) the Group and the Yeung Family and (b) the Group and Independent Third Parties, for their acting as sub-underwriters for the securities underwritten or placed by the Group. We have also reviewed the engagement letters entered between the Group and the Yeung Family and the Independent Third Parties on financial advisory services. We noted that similar terms and clauses including but not limited to (i) the brokerage commission rate; (ii) margin

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financing interest rate; (iii) default interest rate; (iv) guarantor; (v) IPO loan interest rate; (vi) sub-underwriting commission; (vii) sub-underwriting undertaking; and (viii) advisory fee for the financial advisory services were offered to the Yeung Family and the Independent Third Parties. Furthermore, in order to assess whether the terms of financial services offered to the Yeung Family previously were in line with those offered in the market, we have reviewed (i) 26 published announcements of listed companies regarding placing of securities for the recent three months from website of the Stock Exchange, (ii) commission and brokerage rates quoted by 10 securities firms in Hong Kong, and (iii) the interest rates on margin loans and IPO loans offered by 9 brokerage firms in the market. We noted that the principal terms thereunder were generally comparable to those offered by the Group to the Yeung Family as mentioned above and we were not aware of any material difference between the terms of the market comparables and those offered by the Group to the Yeung Family. Besides, we noted that the Company may pay commission and fee payment to the Yeung Family for their acting as places for the securities or bonds to be issued by the Company or other listed companies placed by the Group. We have reviewed 8 samples of historical placing letters/sub-underwriting agreements, we found that the range of commission and fee payment paid by the Group to the Yeung Family which, was 0% to 2%, is the same as that paid to Independent Third Parties. As confirmed by the Directors, the commission and fee payment to the Yeung Family will not be materially different from the payment offered to Independent Third Parties in the foreseeable future. Therefore, we are of the view that such commission payment to the Yeung Family is of normal commercial terms and fair and reasonable to the Company.

As confirmed by the Directors, going forward the rate, fees and terms for various financial services to be offered to the Yeung Family will be similar to those offered by the Group to Independent Third Parties clients, which will be determined with reference to (i) the then prevailing market price and practice of the major securities brokerage firms in the relevant market (i.e. the normal market commission and brokerage fees on dealing in securities in Hong Kong range from 0.1% to 0.25% of the transaction amount) and after considering the trading volume, creditworthiness and financial standing of the clients and the prevailing market condition; (ii) the then prevailing market price and practice of the wealth and asset managers in the market (i.e. the basic management fee in the market is currently charged at 2.75% or below of the asset value per annum, whereas performance fee varies widely from nil up to 20% of the appreciation of asset value or on the amount of return upon meeting certain benchmark or target. The amount of performance fee highly depends on the percentage of the basic management fee, the lower the basic management fee, the higher will be the performance fee and vice versa). The fee structure may vary widely and range may widen in accordance with the investment objective, type of investment (e.g. equity, bond or mix assets), the geographical region where assets are invested, the asset size to be managed, the market risk, the risk acceptance level of clients and the investment opportunities in the financial market from time to time; (iii) the then prevailing market price and practice of the money lending corporations in the market (i.e. the current market interest rate for securities margin financing in Hong Kong ranges from Prime Rate minus 0.5% to Prime Rate plus 5.0% per annum of the margin loan amount, whereas the interest rate for margin financing involving acquisition of a substantial

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interest in a listed company in Hong Kong and/or making a GO to acquire issued shares of a listed company in Hong Kong under the Takeovers Code, the interest rate ranges from 1% to 3% per month. For the IPO loan, the current market interest rate is 2% per annum or below of the IPO loan amount and varies from cases to case on each IPO. For term loans, the current market interest rate ranges from 9% to 39% per annum of the term loan amount). The rates may vary widely and range may widen in accordance with the maximum exposure of the credit risk, the security or surety of the loans, creditworthiness and financial standing of the clients and the prevailing market condition; (iv) the then prevailing market price and practice of other financial advisers providing similar services in the market as well as considering the size and type of transaction, the manpower to be allocated and the business relationship with clients; (v) the then prevailing market price and practice of market participants in the market (i.e. the current market placing and underwriting commission ranges from 1.0% to 8.5% of the relevant amount) and after considering the underwriting risks, the market price, liquidity and the nature of relevant securities, the market capitalisation of the issuers, the size of the underwriting amount and the prevailing market condition; and (vi) the respective commercial consideration in relation to that type of services, such as the scale and size of the transactions, the relationship with the client, the credit risk exposure, creditworthiness and financial standing of the clients. The referral fees will be a percentage of the transaction or a lump sum, and the amount will depend on the then prevailing market price and practice of market participants in the market and will be adjusted upwards or downwards as from case to case based on the relevant commercial considerations.

III. Principal terms of the 2018 Emperor Group FSA

The following table summarised the major terms of the 2018 Emperor Group Financial Services Agreement:

Date:	27 August 2018
Effective period:	From 1 October 2018 to 30 September 2021
Parties:	The Company AY Holdings
Nature of transactions contemplated thereunder:	Provides to the listed members of the Emperor Group (i) brokerage services for securities, futures and options trading; (ii) wealth management and asset management services; (iii) placing and underwriting services; (iv) financing services including margin loans, IPO loans and term loans; and (v) financial advisory services

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Set out below are the Emperor Group Proposed Annual Caps under the 2018 Emperor Group FSA:

	Emperor Group Proposed Annual Caps		
	For the financial year ending		
	30 September		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Commission, brokerage, fees and interest income from the listed members of the Emperor Group	204,000	215,000	228,000
(ii) Maximum margin loan amount to the listed members of the Emperor Group	700,000	700,000	700,000
(iii) Maximum IPO loan amount to the listed members of the Emperor Group	70,000	70,000	70,000
(iv) Maximum term loan amount to the listed members of the Emperor Group	280,000	280,000	280,000
(v) Financial advisory fee from the listed members of the Emperor Group	15,000	16,000	17,000
Total	1,269,000	1,281,000	1,295,000

Pursuant to the 2018 Emperor Group FSA, the provision of the Emperor Group financial services by the Group to the listed members of the Emperor Group shall be on normal commercial terms in accordance with market price and practice and at any event no more favourable than those available to other Independent Third Parties.

For our due diligence purpose, we have reviewed the Group's internal record of the listed members of the Emperor Group and the Independent Third Parties regarding their respective dealing in securities, futures and options trading, margin financing and IPO financing. We have also reviewed the engagement letter entered between the Group and the listed members of the Emperor Group and the Independent Third Parties on financial advisory services. We noted that similar terms and clauses including but not limited to (i) the brokerage commission rate; (ii) margin financing interest rate; (iii) default interest rate; (iv) guarantor; (v) IPO loan interest rate; (vi) sub-underwriting commission; (vii) sub-underwriting undertaking; and (viii) advisory fee for the financial advisory services were offered to the listed members of the Emperor Group and the Independent Third Parties. Furthermore, we have reviewed 26 published announcements of listed companies for the recent three months from the

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website of the Stock Exchange regarding placing of securities. We noted that the placing commission rates were generally within the range of those charged by other placing agents in the market and the principal terms thereunder were generally comparable to those offered by the Group to the listed member of the Emperor Group as mentioned above and we were not aware of any material difference between the terms of the market comparables and those offered by the Group to the listed members of the Emperor Group.

As confirmed by the Directors, going forward the rates, fees and terms for various financial services to be offered to the listed members of the Emperor Group will be similar to those offered by the Group to Independent Third Parties clients, which will be determined with reference to (i) the then prevailing market price and practice of the major securities broking firms in the relevant market (i.e. the normal market commission and brokerage fees on dealing in securities in Hong Kong range from 0.1 to 0.25% of the transaction amount) and after considering the trading volume, creditworthiness and financial standing of the clients and the prevailing market condition; (ii) the then prevailing market price and practice of the wealth and asset managers in the market (i.e. the basic management fee in the market is currently charged at 2.75% or below of the asset value per annum, whereas performance fee varies widely from nil up to 20% of the appreciation of asset value or on the amount of return upon meeting certain benchmark or target. The amount of performance fee highly depends on the percentage of the basic management fee, the lower the basic management fee, the higher will be the performance fee and vice versa). The fee structure may vary widely and range may widen in accordance with the investment objective, type of investment (e.g. equity, bond or mix assets), the geographical region where assets are invested, the asset size to be managed, the market risk, the risk acceptance level of clients and the investment opportunities in the financial market from time to time; (iii) the then prevailing market price and practice of market participants in the market (i.e. the current market placing and underwriting commission ranges from 1.0% to 8.5% of the relevant amount) and after considering the underwriting risks, the market price, liquidity and the nature of relevant securities, the market capitalization of the issuers, the size of the underwriting amount and the prevailing market condition; (iv) the then prevailing market price and practice of the money lending corporations in the market (i.e. the current market interest rate for securities margin financing in Hong Kong ranges from Prime Rate minus 0.5% to Prime Rate plus 5% per annum of the margin loan amount, whereas the interest rate for margin financing involving acquisition of a substantial interest in a listed company in Hong Kong and/or making a general offer (“GO”) to acquire issued shares of a listed company in Hong Kong under the Takeovers Code, the interest rate ranges from 1% to 3% per month. For the IPO loan, the current market interest rate is 2% per annum or below of the IPO loan amount and varies from case to case on each IPO. For the term loan, the current market interest rate ranges from 9% to 39% per annum of the term loan amount). The rates may vary widely and range may widen in accordance with the maximum exposure of the credit risk, the security or surety of the loans, creditworthiness and financial standing of the clients and the prevailing market condition; and (v) the then prevailing market price and practice of other financial advisers providing similar services in the market as well as considering the size and type of transaction, the manpower to be allocated and the business relationship with the clients.

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IV. Basis of the Annual Caps

I. Utilisation of Yeung Previous Annual Caps and Emperor Group Previous Annual Caps

(i) Yeung Previous Annual Caps

Set out below are the historical amounts of the actual transactions under 2015 Yeung FSA for the two years ended 30 September 2017 and the nine months ended 30 June 2018:

	For the year ended 30 September		For the nine months ended 30 June 2018	Annualised figures for the year ending 30 September 2018
	2016	2017		
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
				<i>(Note)</i>
(a) Commission, brokerage, fees and interest income from the Yeung Family	3,228	3,748	14,085	18,779
(b) Maximum margin loan amount to the Yeung Family	50,765	48,881	489,653	489,653
(c) Maximum IPO loan amount to the Yeung Family	390	5,682	13,773	13,773
(d) Financial advisory fee from the Yeung Family	—	3,125	—	—
(e) Commission and fee payment to the Yeung Family for their services being provided to the Group	<u>7,020</u>	<u>460</u>	<u>5,818</u>	<u>7,757</u>
Total	<u>61,403</u>	<u>61,896</u>	<u>523,329</u>	<u>529,962</u>
Previous annual caps	1,220,000	1,231,000		1,247,000
Utilisation	5.03%	5.03%	41.97%	42.50%

Note: The annualised figures are for illustrative and comparison purposes only.

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The Group's transactions with Yeung Family increased significantly by approximately 7.5 times from approximately HK\$61.9 million for the year ended 30 September 2017 to HK\$523.3 million for the nine months ended 30 June 2018. The utilisation of annual caps increased by approximately 36.9% from approximately 5.03% for the two years ended 30 September 2017 to approximately 41.97% for the nine months ended 30 June 2018. Assume that the contribution of Yeung Family to the Group's revenue remains stable, 42.50% annual caps will be utilised for the year ending 30 September 2018. The significant improvement on the utilisation rate of the Yeung Previous Annual Caps during the nine months ended 30 June 2018 was mainly attributable to the increase of margin loan amount granted to the Yeung Family. The granted margin loan amount was increased by approximately HK\$440.8 million or approximately 9.0 times from approximately HK\$48.9 million as at 30 September 2017 to approximately HK\$490.0 million as at 30 June 2018. Although the utilisation of annual caps was low for the financial years ended 30 September 2016 and 2017 and the annual caps for the financial year ending 30 September 2018 will not be fully utilised, given the fact that large fraction of the Yeung Previous Annual Caps was prepared to make provision against sudden needs of granting loans of the Yeung Family, the financing needs depend on investment strategies and whether there was investment opportunities appeared in the market, the utilisation rate of the Yeung Previous Annual Caps during the Period is intelligible.

(ii) Emperor Group Previous Annual Caps

Set out below are the historical amounts of the actual transactions under 2015 Emperor Group FSA for the two years ended 30 September 2017 and the nine months ended 30 June 2018:

	For the year ended		For the nine months ended	Annualised figures for the year ending 30
	30 September	2017	30 June	September
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Note)</i>
(a) Commission, brokerage fees and interest income from Emperor Group	176	57	28	37
(b) Corporate Finance advisory fee from the Emperor Group	1,380	1,580	1,797	2,396
Total	<u>1,556</u>	<u>1,637</u>	<u>1,825</u>	<u>2,433</u>
Previous annual cap	1,193,000	1,212,000		1,232,000
Utilisation	0.13%	0.14%	0.15%	0.20%

Note: The annualised figures are for illustrative and comparison purposes only.

The utilisation of the Emperor Group Previous Annual Caps was low during the Period. The utilisation rates for the financial years ended 30 September 2017 and the nine months ended 30 June 2018 are approximately 0.13%, 0.14% and 0.15% respectively. The main reason of the low utilisation of the Emperor Group Previous Annual Caps under the 2015 Emperor Group FSA is that no margin loan, IPO loan or term loan was granted to any listed member of the Emperor Group. The provision of maximum loan amount in the Emperor Group Previous Annual Caps is to provide flexibility to the Emperor Group to seize business opportunities that may arise during the Period. Such large amount of cap for various loans is to ensure that the cap is sufficient and the Group would not be required to obtain approval from the Independent Shareholders before granting of the loans so that the Group will be able to meet the timing constraints of the investment decisions of the Emperor Group in a timely manner. However, the Emperor Group was not granted any loans during the Period as there was no necessity of loans for seizing investment opportunities. The utilisation of caps for loans is positively correlated with that of cap for commission, brokerage fee and interests. Since the Emperor Group was not granted any loans, there was no interests income generated by loans during the Period. Low utilisation of cap for commission, brokerage fee and interests was therefore incurred during the Period. Given the fact that large fraction of the Emperor Group Previous Annual Caps was prepared to make provision against sudden needs of granting loans of clients, the financing needs depend on client's business strategies and whether there were investment opportunities appeared in the market, the overall low utilisation of the Emperor Group Previous Annual Caps is intelligible.

II. Overview of Hong Kong, Shanghai and Shenzhen Stock Markets

The provision of the financial services by the Group to the Yeung Family and the Emperor Group under the 2018 Yeung FSA and 2018 Emperor Group FSA may depend on the performance of the Hong Kong and PRC stock markets. Same as the Yeung Previous Annual Caps and the Emperor Group Previous Annual Caps, the Yeung Proposed Annual Caps and the Emperor Group Proposed Annual Caps consist of a large fraction of caps that is prepared to make provision against sudden needs of granting loans of clients. Condition of stock market is one of the main factors affecting the financing needs and investment behaviour of clients. We have reviewed the historical data for assessing the performance of the Hong Kong and PRC stock market.

(i) The Hong Kong stock market

The Hong Kong Stock Exchange offers a comprehensive investment platform to investors. Its current products include equities, exchange traded funds, real estate investment trusts, bonds, structured equity products, equity index and single stock derivatives, currency futures and commodity derivatives. The current

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services provided by the Stock Exchange include IPO, trading services, connectivity services, market data services, clearing services, settlement and depository services and Nextgen post trade programme services.

Set out below is the historical data of the Hong Kong Stock Exchange from 2013 to 2017:

	Hong Kong Stock Exchange					CAGR
	2013	2014	2015	2016	2017	
Total turnover in value from stocks (HK\$ billion)	15,265	17,156	26,091	16,396	21,709	9.2%
Total turnover in value from funds (HK\$ billion)	986	1,235	2,254	1,103	1,249	6.1%
Total turnover in value from bonds (HK\$ million)	4,463	6,087	9,381	21,278	60,496	96.8%
Total number of IPO	110	122	138	126	174	12.2%
Amount of total equity funds raised (HK\$ billion)	379	943	1,116	490	581	11.3%
Amount of total equity funds raised from IPO (HK\$ billion)	169	233	263	195	129	-17.9%
Total market capitalisation (HK\$ billion)	24,043	25,073	24,684	247,961	33,999	9.1%
Total number of listed companies	1,643	1,752	1,866	1,973	2,118	6.6%

As shown in the table above, the performance of the Hong Kong stock market was mostly positive during the period from 2013 to 2017. The total turnover in values from stocks, funds and bonds grew at compound annual growth rate approximately 9.2%, 6.1% and 96.8% respectively. The total number of IPO, amount of total equity funds raised, total market capitalisation and total number of listed companies positively grew at CAGR approximately 12.2%, 11.3%, 9.1% and 6.6% respectively from 2013 to 2017. Although a negative CAGR was recorded for amount of total equity funds raised from IPO for the period from 2013 to 2017, Funds raised through IPOs for the first seven months of 2018 was HK\$118.4 billion, an increase of 66 per cent when compared with HK\$71.4 billion for the same period in the year 2017.

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(ii) The Shanghai stock market

The Shanghai Stock Exchange offers a comprehensive investment platform to investors. Its current products include equities, funds, bonds, derivatives and information product. Its current services include IPO, Shanghai-Hong Kong Stock Connect, listed company services, trading services, information services and trading services.

Set out below is the historical data of the Shanghai Stock Exchange from 2013 to 2017:

	Shanghai Stock Exchange					
	2013	2014	2015	2016	2017	CAGR
Total turnover in number of transactions (million transactions)	1,153	1,591	5,134	2,383	2,402	20.1%
Total turnover in volume (billion shares)	2,672	4,294	10,249	4,572	4,450	13.6%
Total turnover in value (RMB billion)	23,027	37,716	133,099	50,170	51,124	22.1%
Total number of IPO	1	43	90	116	204	277.9%
Amount of total fund raising from IPO (RMB million)	0	31,177	113,910	112,126	128,617	60.4%
Amount of total fund raising from stocks (RMB) billion	242	361	748	850	751	32.7%
Total market capitalisation (RMB billion)	15,114	24,413	29,521	28,480	33,101	21.7%

As shown in the table, the performance of the Shanghai Stock Exchange was positive during the period from 2013 to 2017. The total turnover in number of transactions, trading volume and total turnover in value grew at compound annual growth rate approximately 20.1%, 13.6%, and 22.1% from 2013 to 2017. The growth in IPO segment in Shanghai stock market was rapid during the corresponding period. The total number of IPO and amount of total fund raising from IPO grew at CAGR approximately 277.9% and 60.4% respectively. The amount of total fund raising from stocks and total market capitalisation also grew at CAGR approximately 32.7% and 21.7% respectively.

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(iii) The Shenzhen stock market

The Shenzhen Stock Exchange offers a comprehensive investment platform to investors. Its current products include stocks, funds, bonds, warrants, asset-backed securities, asset management plans etc. Its current services include IPO, Shenzhen-Hong Kong Stock Connect, listed company services, trading services, investor services, information services and training services.

	Shenzhen Stock Exchange					CAGR
	2013	2014	2015	2016	2017	
Total turnover in value from stocks (RMB billion)	23,846	36,675	122,495	77,598	61,686	26.8%
Total turnover in value from funds (RMB billion)	580	975	4,888	2,209	1,988	36.1%
Total turnover in value from bonds (RMB million)	5,241	6,820	8,722	13,638	17,760	35.7%
Total number of IPO	N/A	82	130	124	222	39.4%
Amount of total equity funds raised (RMB billion)	176	423	669	1,062	782	45.2%
Amount of total equity funds raised from IPO (RMB billion)	N/A	35,712	49,114	47,885	92,453	37.3%
Total market capitalisation (RMB billion)	8,791	12,857	23,611	22,308	23,576	28.0%
Total number of listed companies	1,536	1,618	1,746	1,870	2,089	8.0%

As shown in the table, the performance of the Shenzhen stock market was positive during the period from 2013 to 2017. The total turnover in values from stocks, funds and bonds grew at compound annual growth rate approximately 26.8%, 36.1% and 35.7% respectively. The total number of IPO, amount of total equity funds raised, amount of total equity funds raised from IPO, total market capitalisation and total number of listed companies positively grew at CAGR approximately 39.4%, 45.2%, 37.3%, 28.0% and 8.0% respectively from 2013 to 2017.

Overall, the performance of the Hong Kong and PRC stock markets were positive in the past 5 years according to the historical data. Based on the historical trend, we are of the view that the performance of stock market will keep positive in the foreseeable future.

III. The Determination of the Annual Caps

The Yeung Proposed Annual Caps and the Emperor Group Proposed Annual Caps were determined by the Company after taking into consideration the principal factors as set out under the sections headed “Yeung Proposed Annual Caps” and “Emperor Group Proposed Annual Caps” in the Letter from the Board.

(i) Commission, brokerage fee and interest income from the Yeung Family and the Emperor Group

In determining the proposed annual cap for the commission and brokerage fee on dealing in securities, futures and options trading and interest income from the Yeung Family and the Emperor Group, the Directors have made reference to the Group’s increased revenue in relation to commission and brokerage income from dealings in securities, futures and options and interest income from margin loan, IPO loan and other financings. Regarding the cap for the commission and brokerage income and interest income from the Yeung Family, we have reviewed the basis and the assumptions of the annual caps for the commission and interest income for the Yeung Family was arrived by taken into consideration of (i) the highest historical percentage of commission and brokerage income from members of Yeung Family to that of the Group for the period from the financial year ended 30 September 2015 to the nine months ended 30 June 2018; (ii) the historical year-to-year growth rate of the Group’s commission and brokerage income on dealing in securities, futures and option contracts for the financial years ended 30 September 2016 and 2017; (iii) the significant increase of commission and brokerage income from Yeung Family; (iv) the proposed maximum amount of margin loans, IPO loans and term loans to be advanced to the Yeung Family for the three financial years ending 30 September 2021 and (v) the interest income to be generated from the loans advanced to the Yeung Family under the 2018 Yeung FSA.

Regarding the cap for the commission and brokerage income and interest income from the listed members of the Emperor Group, we have reviewed the calculation breakdown for the determination of the cap. We noted that the annual cap was arrived by taken into consideration of (i) the potential placing and underwriting commission income from the listed members of the Emperor Group by referencing with the latest net asset value of the listed members of the Emperor Group and multiplied by the historical proportion of the equity or debt securities that raised by the listed members of the Emperor Group and its respective commission rate; (ii) the increase in proposed maximum amount of margin loan to the Emperor Group due to the Group’s two additional listed members and increase in interest income from margin loan during the Period; (iii) the highest

amount of margin loan and IPO loan advanced to individual Independent Third Parties during the Period (amounting approximately HK\$720.6 million and HK\$200.0 million respectively) and the historical highest amount of term loan advanced to individual Independent Third Parties during the Period, amounting HK\$177.4 million. After the consideration of the historical loan amounts, the Group proposes to increase the maximum amount of margin loan from HK\$600.0 million under the 2015 Emperor Group FSA and the 2015 Yeung FSA to HK\$700.0 million under the 2018 Emperor Group FSA and the 2018 Yeung FSA. As a result, the interest income from margin loan may increase; (iv) the positive condition of the Hong Kong and PRC stock market. As mentioned in Section C. IV. II of this letter, based on the positive performance of the stock markets from 2013 to 2017, the market condition in Hong Kong and the PRC in the near future will stay positive and it is expected that there would be more dealing activities of securities, futures and options or financing activities arising from the investments and business expansion of listed members of the Emperor Group.

In light of the above and given that such caps are of revenue nature which will inevitably enable the Group to capture the potential business opportunities from the Yeung Family and therefore increase the revenue of the Group, we are of the view that the proposed annual caps for commission and interest income from the Yeung Family for the three financial years ending 30 September 2021 is fair and reasonable.

(ii) Maximum margin loan and term loan to the Yeung Family and the Emperor Group

In determining the proposed annual caps for the maximum margin loan and term loan to the Yeung Family and the Emperor Group, the Directors have made reference to past investment decisions and capital needs of the Yeung Family and the Emperor Group. Regarding the proposed cap for the maximum margin loan and term loan to the Yeung Family. We have reviewed the basis and the assumptions of the annual caps for the maximum margin loan and term loan to the Yeung Family was arrived by taken into consideration of (i) increased the Group's interest income from margin loans; (ii) the historical highest amount of margin loan advanced to individual Independent Third Parties during the Period; (iii) the maximum margin loan amount granted to Yeung Family during the Period; (iv) the possibility that the Group will finance the Yeung Family and the Emperor Group to acquire 100% of a listed company in Hong Kong and provide fund proof for the GO under Takeovers Code in each year; (v) the range of required credit limit for the recent GO financing cases; (vi) the range of offer price in GO deals in the past two years; (vii) the expected funding needs of the Yeung Family and the Emperor Group for capturing potential business opportunities, including acquisition of properties or other assets and investment in private companies, for the three financial years ending 30 September 2021; and (viii) the importance of providing flexibility to the Yeung Family in case if certain opportunities in the property market arise which requires quick decision.

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As mentioned in Section C. I. (i), the interest income generated from margin financing positively grew by approximately 21.0% from approximately HK\$481.2 million for the year ended 30 September 2016 to approximately HK\$582.3 million for the year ended 30 September 2017. Assume the performance of the Group remain stable after 30 June 2018, the interest income derived from margin financing and will increase by approximately 43.6% from approximately HK\$582.3 million for the year ended 30 September 2017 to HK\$836.4 million for the year ending 30 September 2018. Besides, the Group's interest income from margin loans will increase by approximately 220% from the financial year ended 30 September 2015 to the year ending 30 September 2018. The historical highest amount of margin loan advanced to individual Independent Third Parties during the Period was approximately HK\$720.6 million. Therefore, the Group proposed to increase the maximum amount of margin loan to the Yeung Family and the Emperor Group from HK\$600.0 million under the 2015 FSA to HK\$700.0 million under the 2018 FSA. The maximum margin loan amount granted to the Yeung Family during the Period is approximately HK\$489.7 million and it was increased by approximately 9.0 times compared to the maximum amount of margin loan in the financial year ended 30 September 2017. It is expected that the size of margin loan to the Yeung Family may increase in the future. As confirmed by the Directors, the group may finance the Yeung Family and the Emperor Group to acquire 100% of a listed company in Hong Kong and provide fund proof under the GO and with refer to the recent enquiry for GO financing, client usually requires HK\$300 million to HK\$600 million credit limit. The cash offer price of recent GO deals ranged from approximately HK\$70.2 million to HK\$550.0 million. Although the Yeung Family did not utilise term loan during the Period, the proposed annual cap for term loan provides a preparatory line to Yeung Family to seize opportunities in property market. As mentioned, no margin loan and term loan was granted to any listed member of the Emperor Group during the Period as there was no necessity of loans for seizing investment opportunities. Given that the number of listed companies with Emperor Group increased during the Period, the provision of maximum amount of margin loan and term loan can allow flexibility of certain corporate exercise and investment opportunities arise for the Emperor Group.

Having considered the above, we are of the view that the proposed annual caps for maximum margin loan and term loan to the Yeung Family and the Emperor Group for the three financial years ending 30 September 2021 to be fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(iii) Maximum IPO loan to the Yeung Family and the Emperor Group

In determining the proposed annual caps for the maximum IPO loan to the Yeung Family and the Emperor Group, according to the historical amounts of maximum IPO financing granted to individual Independent Third Parties during the Period, the said maximum IPO loan has significant increased by approximately 1,900% from approximately HK\$10.0 million for the year ended

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30 September 2016 to approximately HK\$200.0 million for the nine months ended 30 June 2018. The maximum IPO loan granted to the Yeung Family also substantially increased by approximately 3,431.6% from approximately HK\$0.4 million for the year ended 30 September 2016 to approximately HK\$13.8 million for the nine months ended 30 June 2018.

With reference to the market statistics available on the website of the Stock Exchange, between the year 2013 and the year 2017, the total number of IPO positively grew at CAGR approximately 12.2%. The number of IPO increased by approximately 38.1% from 126 for the year 2016 to 174 for the year 2017. Although a negative CAGR was recorded for amount of total equity funds raised from IPO for the period from 2013 to 2017, Funds raised through IPOs for the first seven months of 2018 was HK\$118.4 billion, an increase of 66 per cent when compared with HK\$71.4 billion for the same period in the year 2017. The Directors expect that the Group's IPO loan business will remain active and there is one additional listed member in the Emperor Group, it is necessary to remain the annual cap for the maximum amount of IPO loan to the Yeung Family at HK\$200 million and to the Emperor Group at HK\$70 million in order to provide the flexibility for any potential IPO trading activities from the Yeung Family and the listed members of the Emperor Group in coming financial years. As such, the annual cap for the maximum amount of IPO loan to the Yeung Family and to the listed members of the Emperor Group will remain unchanged at HK\$200 million and HK\$70 million respectively.

Having considered the above and the potential capital needs on IPO trading activities from the Yeung Family and the listed members of the Emperor Group, we concur with the view of the Directors that the proposed annual caps for the maximum IPO loan to the Yeung Family and the listed members of the Emperor Group for the three financial years ending 30 September 2021 are fair and reasonable as far as the Company and Independent Shareholders are concerned.

(iv) Financial advisory fee from the Yeung Family and the Emperor Group

In determining the proposed annual caps for financial advisory fee from the Yeung Family and the listed members of the Emperor Group, the Directors have taken into consideration of (i) various types of financial advisory services provided to the Yeung Family and the listed members of the Emperor Group in the past; and (ii) a buffer based on the Directors' anticipation that there will be increasing trend in the financial advisory fee with reference to the market condition and sentiment.

We noted that the annual cap for the financial advisory fee from the Yeung Family and the listed members of the Emperor Group will increase progressively from HK\$15 million for 2019 to HK\$17 million for 2021 in coming three financial years. As advised by the Directors, although the Group only received financial advisory fee from the Yeung Family in the financial year ended 30 September 2017 during the Period, it is expected that the Group will continue to be engaged as

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financial advisor to the Yeung Family and with certain number of investment projects for the 3 years ending 30 September 2021. The Group's corporate finance advisory fees from the Emperor Group increased by approximately 30.2% from approximately HK\$1.4 million for the year ended 30 September 2016 to approximately HK\$1.8 million for the nine months ended 30 June 2018. As advised by the Directors, it is also expected that the Group will continue to be engaged as financial advisor to the Emperor Group and with certain number of investment projects for the 3 years ending 30 September 2021. As mentioned, due to the historical performance of the stock markets, the Directors are optimistic to the future performance of the stock markets. It is expected that there will be higher probability of appearance of business and investment opportunities in the future. In order to allow flexibility, the proposed cap will be able to cover two potential transactions, such as acquisition of business or companies and GO cases, in each of the 3 years ending 30 September 2021. In addition, the cap will be able to cover any engagement as sponsor of one IPO case of the Yeung Family and the Emperor Group in each of the 3 years ending 30 September 2021. IPO sponsor fees is expected to be in range of HK\$3 million to HK\$5 million for each IPO project. For transactions as financial advisor, the fees will be based on the complexity. In ordinary cases, the Group will charge from HK\$1 million to HK\$2 million for complicated jobs such as GO, very substantial acquisition and restructuring. Besides, assuming that there will be one additional listed member in the Emperor Group for the three financial years ending 30 September 2021, it is expected that there will be increase in number of projects cooperating with the listed members of the Emperor Group. The financial advisory fee is expected to slightly increase by 5% each year in view of increasing overhead expenses, such as rental expense and salaries, and as such, there is a need to include increasing annual caps for financial advisory fee from the Yeung Family.

Having considered the above and the fact that the advisory fees, depending on the types and nature of the transactions, may vary substantially and could be in considerable amount, we are of the view that the proposed annual caps for the financial advisory fee from the Yeung Family and the listed members of the Emperor Group for the three financial years ending 30 September 2021 to be fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(v) Commission and referral fee payable to the Yeung Family

In determining the proposed annual caps for the commission and referral fee payable to the Yeung Family, the Directors have made reference to the amount of commission and fee paid by the Group to the Yeung Family for their acting as both places or sub-underwriters of the securities placed or underwritten by the Group for the Period.

We have reviewed the historical placing and underwriting deals entered into between the Group and Independent Third Parties. We note that the annual cap for the commission and fee payment to Yeung Family was arrived by taking into

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consideration of (i) historical commission fee received from Independent Third Parties for acting as a sub-underwriter/placing agent in fund raising activities in the market during the Period; (ii) the highest commission expense payable to Yeung Family which was approximately HK\$7 million in financial year ended 30 September 2016, representing approximately 10% of total commission expenses of the Group in the financial year; (iii) 10% of the Group's commission expenses will be paid to Yeung Family in each of the 3 years ending September 2021; and (iv) the expectation of increase in number of IPO in Hong Kong stock market which will increase the referral placing and underwriting business from the Yeung Family. Given that the market capitalisation of the Group slightly decreased by approximately 3.9% from approximately HK\$3.51 billion as at 30 September 2015 to approximately HK\$3.37 billion as at 30 June 2018, the Directors are of the view that the current proposed annual cap for the commission and referral fee payable to the Yeung Family is sufficient.

Having considered the above, we concur with the view of the Directors that the proposed annual caps for the commission and fee payment to the Yeung Family for the three financial years ending 30 September 2021 are fair and reasonable as far as the Company and Independent Shareholders are concerned.

D. RECOMMENDATION

Having taken the above principal factors and reasons into consideration, we are of the view that the 2018 FSA and the Annual Caps are in the usual and ordinary course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the 2018 FSA and the Annual Caps are fair and reasonable. Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the 2018 FSA and the Annual Caps.

Yours faithfully,
For and on behalf of
Vinco Capital Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules on the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers, or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

(i) Long position in the Shares

Name of Director	Capacity/ Nature of interest	Number of Shares interested	Approximate percentage holding
Ms. Daisy Yeung	Beneficiary of the AY Trust	2,879,521,438 (Note)	42.72%
Ms. Daisy Yeung	Beneficial owner	18,000,000	0.26%
Mr. Chan Shek Wah	Beneficial owner	20,457,000	0.30%
Ms. Choi Suk Hing, Louisa	Beneficial owner	4,680,000	0.07%
Ms. Pearl Chan	Beneficial owner	2,925,000	0.04%

Note: These shares were held by Emperor Capital Holdings, a wholly-owned subsidiary of AY Holdings. AY Holdings was held by STC International Limited, being the trustee of AY Trust. Ms. Daisy Yeung, the Managing Director and being one of the eligible beneficiaries of the AY Trust, also had deemed interests in such Shares.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers, or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO.

(b) Interests of other persons

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register maintained by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

(i) Long position in the Shares

Name of shareholders	Capacity/ Nature of interest	Number of Shares interested	Approximate percentage holding
AY Holdings	Interest in a controlled corporation	2,879,521,438 <i>(Note)</i>	42.72%
STC International Limited	Trustee of the AY Trust	2,879,521,438 <i>(Note)</i>	42.72%
Dr. Yeung Sau Shing, Albert	Founder of the AY Trust	2,879,521,438 <i>(Note)</i>	42.72%
Ms. Luk Siu Man, Semon	Interest of spouse	2,879,521,438 <i>(Note)</i>	42.72%
China Huarong International Holdings Limited	Interest in a controlled corporation	609,914,000	9.05%
Huarong Real Estate Co. Ltd.	Interest in a controlled corporation	609,914,000	9.05%

Name of shareholders	Capacity/ Nature of interest	Number of Shares interested	Approximate percentage holding
China Huarong Asset Management Co., Ltd.	Interest in a controlled corporation	609,914,000	9.05%
Taiping Assets Management (HK) Company Limited	Investment Manager	612,900,000	9.09%
Taiping Trustees Limited	Trustee	612,900,000	9.09%

Note: These Shares were the same Shares of which Ms. Daisy Yeung had deemed interests (being beneficiary of the AY Trust) as disclosed under Section (a)(i) of “Interest of Directors – Long position in the Shares” above.

Save as disclosed above, the Directors or the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates has any interest in businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group as would be required to be disclosed under the Listing Rules as if each of them was a controlling shareholder.

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

- (a) Various tenancy agreements entered into between a subsidiary of the Company as tenant and companies controlled by the AY Trust as landlords in respect of the following premises: (1) 24/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong with gross floor area of 9,323 sq. ft. at monthly rental of HK\$335,000; (2) Unit 1605, 16/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong with gross floor area of 941 sq. ft. at monthly rental of HK\$36,600; (3) Units 603 & 604, 6/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong with gross floor area of 3,081 sq. ft. at monthly rental of HK\$104,500; (4) Unit 606, 6/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong with gross floor area of 1,510 sq. ft. at monthly rental of HK\$51,300; and (5) 23/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong with gross floor area of 9,323 sq. ft. at monthly rental of HK\$373,000.

Details of the above agreements have been set out in the announcements of the Company dated 30 March 2017, 31 October 2017 and 29 March 2018. Ms. Daisy Yeung has deemed interest in the above agreements by virtue of being one of the eligible beneficiaries of the AY Trust.

- (b) On 12 February 2018, the Company entered into a financial services agreement with Mr. Chan Shek Wah ("Mr. Chan") in relation to the provision of financial services and loans to Mr. Chan and his associates, and involving payment of commission and fee to Mr. Chan and his associates for his/their acting as placee(s) or underwriter(s) for the securities of the Company and the securities underwritten or placed by the Group for a term commencing from 12 February 2018 to 30 September 2020.
- (c) On 24 May 2018, the Company and Emperor International Holdings Limited ("Emperor International"), a connected person of the Company, entered into a master tenancy agreement (the "Master Leasing Agreement") which sets out a framework of the terms governing the tenancy transactions between the Group and the relevant members of Emperor International, details of which were set out in the announcement dated 24 May 2018 of the Company. Ms. Daisy Yeung has deemed interest in the said agreement by virtue of being one of the eligible beneficiaries of the AY Trust.

Save as disclosed above, none of the Directors had any interests, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 30 September 2017 (being the date to which the latest published audited consolidated accounts of the Group were made up). Save for the 2018 FSA in which Ms. Daisy Yeung has deemed interests, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 September 2017, being the date to which the latest published audited financial statements of the Group were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given an opinion or advice which are contained in this circular:

Name	Qualification
Vinco Capital	a licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

Vinco Capital has given and has not withdrawn its written consent to the issue of this circular with reference to its name and its letter in the form and context in which it appears.

As at the Latest Practicable Date, Vinco Capital does not have any shareholding, directly or indirectly in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Vinco Capital does not have any interest, direct or indirect, in any assets which since 30 September 2017, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the 2018 FSA will be available for inspection during 9:00 a.m. to 5:00 p.m. on any weekday (except for Saturdays and public holidays) at 28/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong from the date of this circular and up to and including the date of the SGM.

9. MISCELLANEOUS

The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text.

NOTICE OF SPECIAL GENERAL MEETING



英皇證券集團有限公司* Emperor Capital Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 717)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Emperor Capital Group Limited (the “Company”) will be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on 24 October 2018 (Wednesday) at 3:00 p.m., for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) “**THAT:**

- (a) the agreement dated 27 August 2018 entered into between the Company and Ms. Daisy Yeung in relation to the provision of financial services between the Company and its subsidiaries (the “Group”) on one part and Ms. Daisy Yeung and her associates (the “Yeung Family”) on the other part, a copy of which marked “A” was tabled before the meeting and initialed by the chairperson of the meeting for identification purpose, and the transactions contemplated thereunder and the execution of which be and are hereby ratified, confirmed and approved;
- (b) the Yeung Proposed Annual Caps (as defined and more particularly described in the circular of the Company to its shareholders dated 8 October 2018) (“Circular”) be and is hereby approved; and
- (c) any director of the Company be and is hereby authorized on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and deeds and do all such acts, matters and things as he/she may in his/her discretion consider necessary or desirable for the purpose of or in connection with (a) and (b) above and the transactions contemplated thereunder.”

* *for identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

(2) “**THAT:**

- (a) the agreement dated 27 August 2018 entered into between the Company and Albert Yeung Holdings Limited in relation to the provision of financial services by the Group to the listed members of Albert Yeung Holdings Limited, its subsidiaries and associates (the “Emperor Group”), a copy of which marked “B” was tabled before the meeting and initialed by the chairperson of the meeting for identification purpose, and the transactions contemplated thereunder and the execution of which be and are hereby ratified, confirmed and approved;
- (b) the Emperor Group Proposed Annual Caps (as defined and more particularly described in the Circular) be and is hereby approved; and
- (c) any director of the Company be and is hereby authorized on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and deeds and do all such acts, matters and things as he/she may in his/her discretion consider necessary or desirable for the purpose of or in connection with (a) and (b) above and the transactions contemplated thereunder.”

By order of the Board
Emperor Capital Group Limited
Choi Suk Hing, Louisa
Company Secretary

Hong Kong, 8 October 2018

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office:
24th Floor
Emperor Group Centre
288 Hennessy Road,
Wanchai, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies (if he/she is a holder of more than one share) to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be in writing under the hand of the appointor or his/her attorney duly authorized in writing, or if the appointor is a corporation, either under its common seal, or under the hand of an officer or attorney duly authorized on that behalf, and must be deposited at the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited (“Branch Share Registrar”) at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney, not less than 48 hours before the time for holding the meeting or any adjourned meeting.

NOTICE OF SPECIAL GENERAL MEETING

3. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s), and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding of such share.
4. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In order to qualify for the right to attend and vote at the above meeting, all relevant share certificates and properly completed transfer forms must be lodged with the Branch Share Registrar before 4:30 p.m. on 18 October 2018 (Thursday).
6. The resolutions will be voted by Independent Shareholders (as defined in the Circular). Pursuant to Rule 13.39(4) of the Listing Rules, the resolutions as set out in this notice will be decided by poll at the above meeting. Where the Chairman in good faith decides to allow a resolution which relates purely to a procedural or administrative matter to be voted, such resolutions will be decided by a show of hands.
7. If typhoon signal No. 8 or above, or a “black” rainstorm warning is in effect any time after 1:00 p.m. and before the above meeting time, the meeting will be postponed. The Company will post an announcement on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.emperorcapi.com>) to notify shareholders of the date, time and place of the rescheduled meeting.

This circular (in both English and Chinese versions) is available to any Shareholder either in printed form or on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.emperorcapi.com>). In order to protect the environment, the Company highly recommends the Shareholders to receive electronic copy of this circular. Shareholders may have the right to change their choice of receipt of all future corporate communications at any time by reasonable notice in writing to the Branch Share Registrar by post or by email at is-enquiries@hk.tricorglobal.com.