
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 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 with the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**(I) CONTINUING CONNECTED TRANSACTIONS –
PROVISION OF FINANCIAL SERVICES
AND
(II) NOTICE OF SPECIAL GENERAL MEETING**

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



A letter from the Board is set out from pages 6 to 32 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on page 33 of this circular. A letter from Pelican, the Independent Financial Advisor, containing its advice to the Independent Board Committee and Independent Shareholders is set out from pages 34 to 75 of this circular.

A notice convening the SGM to be held at 2nd Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Monday, 27 September 2021 at 11:00 a.m. or any adjournment thereof is set out from pages SGM-1 to SGM-3 of this circular. Whether or not you intend to attend the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited at Level 54, 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 (by Saturday, 25 September 2021, before 11:00 a.m.) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof (as the case may be) should you subsequently so wish and in such event the form of proxy previously submitted shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE SGM

To safeguard the health and safety of Shareholders and to prevent the spreading of COVID-19, the following precautionary measures will be implemented at the SGM:

- (1) **Compulsory temperature screening/checks**
- (2) **Compulsory health declaration**
- (3) **Compulsory wearing of surgical face mask – no mask will be provided at the SGM venue**
- (4) **No refreshment or drinks will be served and no corporate gift will be distributed**
- (5) **A designated seat will be assigned at the SGM venue**

Attendees who do not comply with the precautionary measures referred to in (1) to (3) above may be denied entry to the SGM venue, at the absolute discretion of the Company and to the extent permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the Chairman of the SGM as their proxy and to return their forms of proxy by the time specified therein, instead of attending the SGM in person. Physical attendance at the SGM by a Shareholder is not necessary for the purpose of exercising voting rights.

Subject to the development of COVID-19, the Company may implement further procedures and precautionary measures at short notice and may issue further announcement as appropriate. Shareholders should check the Company's website for updates on the latest arrangement of the SGM.

* for identification purpose only

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PRECAUTIONARY MEASURES FOR THE SGM

In light of the situation of COVID-19, the Company would like to advise the Shareholders on the following precautionary measures for the SGM:-

(A) BEFORE THE SGM

- (1) **Voting by proxy in advance of the SGM:** The Company does not in any way wish to diminish the opportunity available to Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect Shareholders from possible exposure to the COVID-19. For the health and safety of Shareholders, **the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the Chairperson of the SGM as their proxy instead of attending the SGM in person.** Physical attendance is not necessary for the purpose of exercising Shareholder's rights. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjournment thereof should they subsequently so wish.

The deadline to submit completed forms of proxy is Saturday, 25 September 2021 at 11:00 a.m. Completed forms of proxy must be returned to the Hong Kong Branch Share Registrar of the Company, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The form of proxy can be downloaded from the websites of the Company (<https://www.EmperorCapital.com>) or the Stock Exchange (<https://www.hkexnews.hk>).

- (2) **Appointment of proxy by non-registered Shareholders:** Non-registered Shareholders whose Shares are held through banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited should consult directly with their banks or brokers or custodians (as the case may be) to assist them in the appointment of proxy.
- (3) **Limiting attendance in person at the SGM venue:** The Company will limit attendance in person at the SGM venue subject to strict compliance of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation at any one time in the SGM venue. The Board reserves the right to change this maximum attendance number at any time depending on the public health situation at the time of the SGM and the guidance of the HKSAR Government.

PRECAUTIONARY MEASURES FOR THE SGM

Shareholders who wish to attend the SGM in person or by proxy (whether or not the relevant forms of proxy have been completed and submitted) must register their intention and provide the following details by email to cosec@emperorgroup.com or alternatively in person to 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong from 21 September 2021 (Tuesday) to 23 September 2021 (Thursday) during business hours from 9:00 a.m. to 6:00 p.m.:

1. full name (as shown on Hong Kong Identity Card or passport); and
2. contact phone number; and
3. email address.

The application for the admission of the SGM venue in person will be allocated on a first-come first-served basis. Duplicated registrations will be disregarded. Registered Shareholders will be notified by email and by phone (if reachable) on Friday, 24 September 2021 if such right of admission will be allocated. No notification will be sent to those Shareholders who are not successful to obtain the right of admission to the SGM venue in person.

- (4) **Questions at or prior to the SGM:** The SGM proceedings will be conducted with a view to focusing on the proposed resolutions as set out in the Notice of SGM. Shareholders are advised to contact the Company by email at ir717@emperorgroup.com if they have any question about the relevant resolutions or about the Company, or any matter for communication with the Board, as early as possible before the SGM date. The Company will endeavour to reply as soon as practicable.

PRECAUTIONARY MEASURES FOR THE SGM

(B) AT THE SGM

- (1) Compulsory temperature screening/checks will be carried out on every attendee before entry to the SGM venue. Any person with a body temperature above the reference range quoted by the Department of Health from time to time, or is exhibiting flu-like symptoms or subject to any HKSAR Government prescribed quarantine in relation to COVID-19 may be denied entry into the SGM venue and be requested to leave the SGM venue, at the absolute discretion of the Company and to the extent permitted by law.
- (2) Every attendee will be required to submit a completed and signed health declaration form (“**Form**”) prior to being admitted to the SGM venue. Please bring along the completed Form to the SGM venue to ensure smooth registration and certification processing. The Form can be downloaded from the website of the Company (<https://www.EmperorCapital.com>).
- (3) Every attendee will be required to wear a surgical face mask throughout the SGM (including queuing for registration). Please note that no masks will be provided at the SGM venue and attendees should wear their own masks.
- (4) Every attendee will be assigned a seat in order to ensure appropriate social distancing and facilitate close contact tracing. Staff at the SGM venue will also assist in crowd control and queue management to ensure appropriate social distancing.
- (5) No refreshments, drinks or corporate gift will be served or distributed to attendees at the SGM venue.

In addition, attendees are requested to observe and practise good personal hygiene at all times at the SGM venue. To the extent permitted by law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue so as to ensure the health and safety of the attendees at the SGM.

Due to the constantly evolving COVID-19 situation in Hong Kong, the Company may be required to change the SGM arrangements with short notice. Shareholders should check the website of the Company (<https://www.EmperorCapital.com>) for future announcements and updates on the SGM arrangements.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 22 June 2021 in relation to the 2021 FSA
“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
“Board” or “Director(s)”	the board of directors 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 Culture”	Emperor Culture Group Limited, an exempted company incorporated in Bermuda with limited liability, the subsidiaries of which are principally engaged in entertainment, media and cultural development businesses; which include (i) cinema operation; and (ii) investment in films and a variety of cultural events and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 491)
“Emperor Culture Group”	Emperor Culture and its subsidiaries from time to time
“Emperor E Hotel”	Emperor Entertainment Hotel Limited, an exempted company incorporated in Bermuda with limited liability, the subsidiaries of which are principally engaged in provision of entertainment and hospitality services in Macau and Hong Kong and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 296)
“Emperor E Hotel Group”	Emperor E Hotel and its subsidiaries from time to time

DEFINITIONS

“Emperor International”	Emperor International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the subsidiaries of which are principally engaged in property investments, property development and hospitality in the Greater China and overseas and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 163)
“Emperor International Group”	Emperor International and its subsidiaries from time to time
“Emperor W&J”	Emperor Watch & Jewellery Limited, a company incorporated in Hong Kong with limited liability, the subsidiaries of which are principally engaged in the sales of European-made internationally renowned watches and self-designed fine jewellery products and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 887)
“Emperor W&J Group”	Emperor W&J and its subsidiaries from time to time
“Emperor Group Previous Annual Caps”	the previously obtained annual caps of the transactions contemplated under the 2018 Emperor Group FSA for each of the three financial years ended/ending 30 September 2021
“Emperor Group Proposed Annual Caps”	the proposed annual caps for the transactions contemplated under the 2021 Emperor Group FSA for each of the three financial years ending 30 September 2024
“Group”	the Company and its subsidiaries
“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, Listed Members of Emperor Group and their respective associates

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board formed to advise the Independent Shareholders in respect of the 2021 Yeung FSA, the Yeung Proposed Annual Caps, the 2021 Emperor Group FSA and the Emperor Group Proposed Annual Caps
“Independent Third Party(ies)”	person(s) (and in case of company(ies) and corporation(s), their ultimate beneficial owner(s)) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“IPO”	initial public offering
“Latest Practicable Date”	26 August 2021, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information contained in the circular
“Listed Members of Emperor Group”	the listed members from time to time under the private discretionary trusts set up by Dr. Yeung Sau Shing, Albert, including but not limited to Emperor International Group, Emperor E Hotel Group, Emperor W&J Group, Emperor Culture Group and Ulferts International Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pelican” or “Independent Financial Adviser”	Pelican Financial Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021 Yeung FSA, the Yeung Proposed Annual Caps, the 2021 Emperor Group FSA and the Emperor Group Proposed Annual Caps
“Period”	two years ended 30 September 2020 and the seven months ended 30 April 2021

DEFINITIONS

“Prime Rate”	prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time
“SGM”	the special general meeting of the Company to be convened to consider and approve, if thought fit, the 2021 Yeung FSA, the Yeung Proposed Annual Caps, the 2021 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
“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
“US\$”	United State Dollars, the official currency of the United States of America
“Ulferts International”	Ulferts International Limited, a company incorporated in Hong Kong with limited liability, the subsidiaries of which are principally engaged in retailing of high quality home furniture mainly imported from Europe and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 1711)
“Ulferts International Group”	Ulferts International and its subsidiaries from time to time
“Yeung Family”	Ms. Daisy Yeung, an Executive Director and the Managing Director of the Company, and her associates, but excluding the Listed Members of Emperor Group
“Yeung Previous Annual Caps”	the previously obtained annual caps of the transactions contemplated under the 2018 Yeung FSA for each of the three financial years ended/ending 30 September 2021
“Yeung Proposed Annual Caps”	the proposed annual caps for the transactions contemplated under the 2021 Yeung FSA for each of the three financial years ending 30 September 2024

DEFINITIONS

“2018 Emperor Group FSA”	an agreement dated 27 August 2018 entered into between the Company, Emperor International, Emperor E Hotel, Emperor W&J, Emperor Culture and Ulferts International in relation to the provision of financial services by the Group to the Listed Members of Emperor Group
“2018 FSA”	2018 Yeung FSA and 2018 Emperor Group FSA
“2018 Yeung FSA”	an agreement dated 27 August 2021 entered into between the Company and Ms. Daisy Yeung in relation to the provision of financial services between the Group and the Yeung Family
“2021 Emperor Group FSA”	a new agreement dated 22 June 2021 entered into between the Company, Emperor International, Emperor E Hotel, Emperor W&J, Emperor Culture and Ulferts International in relation to the provision of financial services by the Group to the Listed Members of Emperor Group
“2021 FSA”	2021 Yeung FSA and 2021 Emperor Group FSA
“2021 Yeung FSA”	a new agreement dated 22 June 2021 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)

Executive Directors:

Ms. Daisy Yeung (*Managing Director*)
Ms. Choi Suk Hing, Louisa
Ms. Pearl Chan

Independent Non-executive Directors

Mr. Chu Kar Wing
Mr. Poon Yan Wai
Ms. Wan Choi Ha

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

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

31 August 2021

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS – PROVISION OF FINANCIAL SERVICES

INTRODUCTION

On 22 June 2021, the Board announced that the Company entered into the 2021 Yeung FSA and 2021 Emperor Group FSA in order to succeed the 2018 FSA upon its expiry. Pursuant to the 2018 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 2018 to 30 September 2021. 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 2021 Yeung FSA and 2021 Emperor Group FSA on 22 June 2021.

* for identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) the details of the 2021 FSA and the Annual Caps; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the 2021 FSA and the Annual Caps; (iii) a letter of advice from Pelican containing its advice to the Independent Board Committee and the Independent Shareholders with regard to the 2021 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 2021 FSA and the Annual Caps.

2021 YEUNG FSA

Pursuant to the 2021 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; (b) pay commission and fee to the Yeung Family, including (i) the commission and fee for their acting as placees 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 2021 up to 30 September 2024. For avoidance of doubt, the Group receives fees and commissions from the services provided under category (a) and pays commission and fee under category (b).

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 general 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 0.05% 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 nil up to approximately 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% to 5% per annum 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. Based on the above, the advisory fees vary a lot which usually range from HK100,000 to HK\$5,000,000 based on the scale and complexity of, time and manpower required for the transaction. The advisory fee of certain funding raising transactions would be charged by percentage of the total fund raised, as a result the advisory fee may be significant compared to those with fixed fee. 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 places, 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 payable to sub-placing agents and sub-underwriters vary depending on the size of the issue, risk, volatility and attractiveness of the transactions. For sub-placing, the commission and fee payable usually range from 0.5% to 3%. For sub-underwriting, the fee payable to sub-underwriters usually range from 0.5% to 3% depending on the commission rate charged to clients by the Group. Since the commission and fee payable to sub-placing agents and sub-underwriters are calculated based on the amount of issue size and the desired amount they undertake to subscribe or underwrite, so the actual amount of commission and fee payable to them may vary significantly. 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.

LETTER FROM THE BOARD

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.

Detailed rates and terms (including the payment of commission and fee to/from 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 the Yeung Family and the Group under the 2021 Yeung FSA is within the ordinary course of business of the Group.

In determining the annual caps under the 2021 Yeung FSA, the Directors have categorised 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 the Listing Rules or the 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 2018 Yeung FSA:

	For the financial year ended/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><u>1,317,000</u></u>	<u><u>1,323,000</u></u>	<u><u>1,330,000</u></u>

LETTER FROM THE BOARD

Historical transactions amount under the 2018 Yeung FSA

Set out below are the historical transaction amounts under the 2018 Yeung FSA between the Yeung Family and the Group for the Period:

	For the financial year ended		For the seven
	30 September		months ended
	2019	2020	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Commission, brokerage, fees and interest income from the Yeung Family	2,965	3,706	2,257
(ii) Maximum margin loan amount to the Yeung Family*	29,405	42,480	59,969
(iii) Maximum IPO loan amount to the Yeung Family*	1,165	199,807	160,353
(iv) Maximum term loan amount to the Yeung Family*	–	1,500	1,500
(v) Financial advisory fee from the Yeung Family	–	800	–
(vi) Commission and fee to the Yeung Family for their services being provided to the Group	–	–	–
Total	<u>33,535</u>	<u>248,293</u>	<u>224,079</u>

* The maximum amount granted during the relevant financial year or period.

All the Yeung Previous Annual Caps under the 2018 Yeung FSA are not exceeded as at the Latest Practicable Date and it is expected that the transaction amounts made up to 30 September 2021 will not exceed such caps for the financial year ending 30 September 2021.

LETTER FROM THE BOARD

Yeung Proposed Annual Caps

Set out below are the Yeung Proposed Annual Caps for the 2021 Yeung FSA:

	For the financial year ending 30 September		
	2022	2023	2024
	<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*	250,000	250,000	250,000
(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	15,000	15,000
(vi) Commission and fee to the Yeung Family for their services being provided to the Group	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>
Total	<u>1,372,000</u>	<u>1,372,000</u>	<u>1,372,000</u>

* The proposed maximum amount of loan expected to be granted during the relevant financial year.

In determining the Yeung Proposed Annual Caps for the transactions contemplated under the 2021 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;
 - 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 2024; and

LETTER FROM THE BOARD

- 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 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 above 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 5% to 39% per annum of the term loan amount normally.
- the expected commission, brokerage and fees to be generated from brokerage services for securities, futures and options trading with reference to the historical trading records. It is believed that the members of Yeung Family would become more active and it is expected to experience exponential growth to reach a given higher trading turnover for the year ended 30 September 2024. Assuming that the Group charges the usual brokerage fee of 0.25% of each securities trading transaction (including but not limited to secondary market trading, IPO subscription and share placement); and the expected interest income to be generated from estimated maximum amount to be granted to members of Yeung Family, details of which are discussed in the other paragraphs in this section. This annual cap was the sum of expected revenue to be generated from aforementioned financial services to be provided by our Group with reference to the historical commission, brokerage and fees income of approximately HK\$58.8 million with an Independent Third Party for the year ended 30 September 2019.
- The respective annual cap was estimated on the basis that the members of Yeung family may contribute (i) HK\$20 million of commission, brokerage and fees from brokerage services, futures and options trading; (ii) HK\$50 million of interest income to be generated from margin loan, IPO loan and term loan; and (iii) HK\$21 million as buffer in the event that Yeung Family trades more frequently and has higher demand of loan facilities hence more interest income to be generated.

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- (ii) Maximum margin loan amount to the Yeung Family
- the substantial growth of the Group’s interests income from margin loans in the recent years reflecting the fact that the demand of margin loan financing has substantially increased and the money lending business of the Group is continuously expanding;
 - the active expansion of the loan and financing business of the Group in recent years and the substantial growth of the Group’s loan book and the Group will continuously promote its money lending business and actively seek for potential customers, including members of 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 time constraints of the investment decisions of its clients in a timely manner;
 - past investment decisions and capital needs of the members of Yeung Family;
 - 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 2024;
 - the securities portfolio of the members of Yeung Family are significant in monetary value. For example, as at the Latest Practicable Date, the five-year average market capitalisation of the Listed Members of Emperor Group amounted to approximately HK\$14 billion. The proposed annual cap for maximum margin loan amount to Yeung Family represents approximately 4.4% of the aforementioned five-year average market capitalisation of the Listed Members of Emperor Group. As the Group offers margin financing on the shares of Listed Members of Emperor Group, the members of Yeung Family could pledge part of their securities to obtain quick financing to purchase other securities on market and/or make a general offer to acquire issued shares of a listed company in Hong Kong under the Takeovers Code; and
 - the maximum margin loan amount granted to Independent Third Parties reached HK\$200 million for a single stock during the Period. It is expected that no less than five members of Yeung Family are able to obtain loan facilities with similar amount given their financial background and value of securities.

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(iii) Maximum IPO financing to the Yeung Family

- it is expected that the IPO market will remain active in the forthcoming years, the increased number of secondary listings of Chinese firms may help IPO market maintain hot streak;
- the demand of IPO loan and potential IPO trading activities from members of Yeung Family will increase for the three financial years ending 30 September 2024 and the maximum amount expected to be granted to them approached the maximum amount of the respective annual caps in the financial year ended 30 September 2021; and
- the maximum IPO loan amount granted to an Independent Third Party of approximately HK\$157.7 million during the Period. Based on historical records, no less than ten members of Yeung Family actively applied for IPO loan with facility amount usually ranging from HK\$3 million to HK\$80 million. In determining the annual cap, the Group has considered the number of members of Yeung Family and assuming an average of HK\$15 million of loan facility to be granted to no less than ten members of Yeung Family with a buffer of HK\$100 million in the event that they apply high amount of loan facility when there is particularly favoured IPO. It is expected that demand of IPO loan for the Yeung Family will be higher given the positive prospect of the IPO market.

(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 2024, with reference to the historical transactions conducted by the Yeung Family in previous financial years. The members of Yeung Family may have sudden funding need that the Group would capture such business opportunity;
- the Yeung Family also owns substantial amount of real estate assets and has been active in the real estate market. As part of the revenue of the Group is generated from mortgage loans, it would be in the interest of the Company and its shareholders if the Group can capture such business opportunities to provide loan facility to customers with strong financial background and good quality of assets; and
- the maximum term loan granted to an Independent Third Party of HK\$300 million for the Period. Depending on the nature of the term loan and the quality of collateral, the Group may charge an interest rate ranging from 9% to 39% per annum. Assuming the Group charged an interest rate of 12% per annum, the interest amount payable by the borrower would be around HK\$36 million for a term loan of HK\$300 million with a term of one year. It is expected that no less than five members of Yeung Family are able to obtain loan facilities of similar amount given their financial background.

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- (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 members of the Yeung Family were materialized or completed during the Period;
 - it is expected that 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 2024, 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 2024. The Group may also start charging financial advisory fee at a percentage to the transaction amount for certain transactions.
- (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 placees or underwriters for the securities or bonds to be issued (if any) by the Company; (ii) for their acting as placees 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;
 - the Group has been active in participating in fund raising activities during the Period. It is expected that the Group will remain active in future fund raising activities for itself and as placees and underwriters for other companies listed on the Stock Exchange which are Independent Third Parties (“Other Listed Companies”) and members of the Yeung Family is expected to participate in future fund raising activities of the Company (if any) or Other Listed Companies of which the Group is acting as placees or underwriters during the three financial years ending 30 September 2024;

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- 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 2018 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. Furthermore, the commission and fee payable to sub-placing agents and sub-underwriters vary in accordance to the attractiveness of such transactions. For placing, the commission and fee payable to sub-placing agents is usually around 0.5% to 3% depending the commission rate charged to clients by the Group. For sub-underwriting, the underwriting fee payable to sub-underwriters is usually around 0.5% to 3%. Since the commission and fee payable to placees, underwriters and sub-underwriters is based on the amount of shares they wish to subscribe, the actual amount of commission and fee payable to them may be significant; and

- even though the Yeung Family did not participate in the fund raising activities conducted by the Group for Independent Third Parties, the Company believes members of Yeung Family will remain active in the capital market and act as placees and underwriters when such opportunity arise.

Save for the above, the Yeung Proposed Annual Caps were determined with reference to the arm's length negotiation between the Company and Yeung Family based on (i) the demand of the Yeung Family; (ii) the optimistic expectation of the capital market; (iii) the Yeung Previous Annual Caps under the 2018 Yeung FSA; (iv) the historical amounts of Yeung Previous Annual Caps utilised by the Yeung Family under the 2018 Yeung FSA; (v) the existing financial resources and capacity to provide financial services after taking into account the past transaction records, potential financial activities, credit assessment, financial strength, past payment records and quality of collateral securities of the Yeung Family; and (vi) the benefit for capturing the financial activities of the Yeung Family for the Group to generate revenue in the usual and ordinary course of the business of the Group.

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 proposed caps may or may not be fully utilized in each of the financial years.

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2021 EMPEROR GROUP FSA

Pursuant to the 2021 Emperor Group FSA, the Group has agreed to provide to the Listed Members of 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 2021 up to 30 September 2024. Detailed rates and terms 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.

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 Emperor Group will be determined based on the same pricing methodology as stated above.

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 Emperor Group will be determined based on the same pricing methodology as stated above.

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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 Emperor Group will be determined based on the same pricing methodology as stated above.

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. Based on the above, the advisory fees vary a lot which usually range from HK100,000 to HK\$5,000,000 based on the scale and difficulty of, time and manpower required for the transaction. The advisory fee of certain funding raising transactions would be charged by percentage of the total fund raised, as a result the advisory fee may be significant compared to those with fixed fee. 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.

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The provision of the services under the 2021 Emperor Group FSA to Listed Members of Emperor Group is in the ordinary course of business of the Group.

In determining the annual caps under the 2021 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 Emperor Group including placing and underwriting commission from acting as placing agent, underwriter or sub-underwriter;
- (ii) margin loans to be provided to Listed Members of Emperor Group;
- (iii) IPO loans to be provided to Listed Members of Emperor Group;
- (iv) term loans to be provided to Listed Members of Emperor Group; and
- (v) financial advisory services to be provided to Listed Members of Emperor Group (including general corporate financial services such as advice on Listing Rules or Takeovers Code on corporate exercises).

Emperor Group Previous Annual Caps

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

	For the financial year ended/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 Emperor Group	204,000	215,000	228,000
(ii) Maximum margin loan amount to the Listed Members of Emperor Group	700,000	700,000	700,000
(iii) Maximum IPO loan amount to the Listed Members of Emperor Group	70,000	70,000	70,000
(iv) Maximum term loan amount to the Listed Members of Emperor Group	280,000	280,000	280,000
(v) Financial advisory fee from the Listed Members of Emperor Group	<u>15,000</u>	<u>16,000</u>	<u>17,000</u>
Total	<u>1,269,000</u>	<u>1,281,000</u>	<u>1,295,000</u>

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Historical transaction amounts under the 2018 Emperor Group FSA

Set out below are the historical transaction amounts under the 2018 Emperor Group FSA between the Listed Members of Emperor Group and the Group for the Period:

	For the financial year ended		For the seven
	30 September		months ended
	2019	2020	30 April
	<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 Emperor Group	113	374	39
(ii) Maximum margin loan amount to the Listed Members of Emperor Group	–	–	–
(iii) Maximum IPO loan amount to the Listed Members of Emperor Group	–	–	–
(iv) Maximum term loan amount to the Listed Members of Emperor Group	–	–	–
(v) Financial advisory fee from the Listed Members of Emperor Group	<u>2,120</u>	<u>2,055</u>	<u>1,190</u>
Total	<u>2,233</u>	<u>2,429</u>	<u>1,229</u>

During the Period, no margin loan, IPO loan or term loan was granted to any Listed Member of Emperor Group. All the Emperor Group Previous Annual Caps under the 2018 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 2021 will not exceed such cap for the financial year ending 30 September 2021.

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Emperor Group Proposed Annual Caps

Set out below are the Emperor Group Proposed Annual Caps for the 2021 Emperor Group FSA:

	For the financial year ending 30 September		
	2022	2023	2024
	<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 Emperor Group	200,000	200,000	200,000
(ii) Maximum margin loan amount to the Listed Members of Emperor Group*	700,000	700,000	700,000
(iii) Maximum IPO loan amount to the Listed Members of Emperor Group*	70,000	70,000	70,000
(iv) Maximum term loan amount to the Listed Members of Emperor Group*	280,000	280,000	280,000
(v) Financial advisory fee from the Listed Members of Emperor Group	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
Total	<u>1,265,000</u>	<u>1,265,000</u>	<u>1,265,000</u>

* The proposed maximum amount of loan expected to be granted during the relevant financial year.

In determining the Emperor Group Proposed Annual Caps for the transactions contemplated under the 2021 Emperor Group FSA, the following principal factors have been taken into consideration:

- (i) Commission and interest income from Listed Members of 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 Emperor Group; and (iv) interest income from financing;

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- as each of listed members of the Emperor Group are entitled to issue and allot up to 20% of their issued share capital under the general mandates, the increase in market capitalisation of the Listed Members of the Emperor Group will directly reflect the increase in the size of possible immediate fund raising capacity of the Listed Members of the Emperor Group (in which no shareholder approval in special general meeting is required). The commission from acting as placing agent, underwriter or sub-underwriter of the Listed Members of Emperor Group will substantially increase if they utilize their maximum capacity of issuing shares under the general mandates. Assuming that each of the Listed Members of Emperor Group utilise the general mandate granted by their respective shareholders to issue 10% of new shares by way of placing at 10% discount to closing prices, the commission to be received would be approximately HK\$20 million as the Group charges normally 1% to 5% to act as placing agent. Even though the historical level of placing and underwriting activities from the Listed Members of Emperor Group was on a decreasing trend, the Directors are optimistic about the market condition in Hong Kong in the near future and expect that the fund raising activities arising from business expansion of Listed Members of the Emperor Group would be increased in the forthcoming years after considering the improving global economic conditions;
- in addition, each of the Listed Members of Emperor Group may conduct funding raising activity other than placing of shares. For example, if Emperor International implement issue by way of rights on the basis of one rights share for every two shares held at the discount rate of 20% of its closing price as at the Latest Practicable Date, and the Group charges a usual rate of 3% of gross process as underwriting fee to act as underwriter which would be approximately HK\$50 million;
- Emperor International has a US\$20 billion medium term note programme and may issue additional debt securities from time to time. The Group would charge a commission rate at a range of 0.5% to 1% for acting as placing agent for debt securities;
- taking into account the commission and brokerage fee of approximately HK\$45 million to be generated if each of Listed Members of Emperor Group deals in securities which amount to 1% of their market capitalization for half of the trading days during the three years ending 30 September 2024 (e.g. approximately 245 to 250 trading days per year); and
- 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 Emperor Group for the three financial years ending 30 September 2024 as illustrated in other paragraphs of this section.

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- 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 usually ranges from approximately 1% to 3% per month; for the IPO loan, the current market interest rate is approximately 2% per annum or above of the IPO loan amount and varies from case to case on each IPO; for the term loan, the current market interest rate usually ranges from approximately 9% to 39% per annum of the term loan amount normally.
- (ii) Maximum margin loan amount to Listed Members of 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;
 - 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 2024;
 - the maximum loan amount granted to Independent Third Parties reached HK\$200 million for a single stock during the Period;

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- taking into consideration that the Listed Members of Emperor Group would utilise margin loan as treasury and investment activity; and each of them applies for no more than 5% of their market capitalisation for each of the securities they invest in. The proposed annual cap represents approximately one-tenth of their aggregate market capitalisations as at the Latest Practicable Date; and
 - despite no utilization of any margin loan during the Period, the proposed annual caps will allow flexibility should certain corporate exercise arise for the Listed Members of Emperor Group.
- (iii) Maximum IPO financing to Listed Members of Emperor Group
- the substantial growth of the Group's interests income from margin loans in the recent years reflecting the fact that the demand of margin loan financing has substantially increased and the money lending business of the Group is continuously expanding;
 - the active expansion of the loan and financing business of the Group in recent years and the substantial growth of the Group's loan book and the Group will continuously promote its money lending business and actively seek for potential customers, including Listed Members of Emperor Group;
 - the maximum IPO granted to an Independent Third Party of approximately HK\$157.7 million during the Period;
 - it is expected that the IPO market will remain active in the forthcoming years, and the demand for IPO loan and potential IPO trading activities from Listed Members of Emperor Group will remain stable for the three financial years ending 30 September 2024;
 - taking into consideration that the Listed Members of Emperor Group would apply for IPO financing to simultaneously subscribe in certain companies which are to be listed on the Stock Exchange as investment and treasury activity. The proposed annual cap represents approximately 1% of their aggregate market capitalisations as at the Latest Practicable Date; and
 - the existing cap amount for the Period will be sufficient for the financial year ending 30 September 2024 for Listed Members of Emperor Group.

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- (iv) Maximum term loan amount to Listed Members of Emperor Group
- the expected funding needs of Listed Members of Emperor Group for business expansion and capturing potential business opportunities, which includes the need for funding investments in private companies, properties and acquisitions of substantial assets for the three financial years ending 30 September 2024;
 - preparatory credit line to facilitate business development if the need for financing arises as active business expansions and diversifications of Listed Members of Emperor Group are active and progressive;
 - the maximum term loan of HK\$300 million granted to an Independent Third Party during the Period; and
 - historical transactions conducted by Listed Members of Emperor Group in the last five years were taken into consideration. It is noted that an acquisition transaction conducted by them reached HK\$2,500 million and 5-year average transaction amount of the selected transactions amounted to HK\$736 million.
- (v) Financial advisory fee from Listed Members of Emperor Group
- the Group has been providing corporate financial advisory services to Listed Members of 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 Listed Members of Emperor Group were materialized or completed during the Period;
 - it is expected that Listed 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 2024;

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- the advisory fees charged by our Group depend on the scale, time required and manpower needed. For financial advisory transactions, the Group may now charge advisory fee by percentage of transaction amount from 0.5% to 5% in the future which can strengthen the revenue generating ability of the advisory arm of the Group; and
- the historical amount of advisory fee received from Listed Members of Emperor Group, taking into account that there is increase in annual retainer fee during the Period and other potential projects in which the Listed Members of Emperor Group may require the financial advisory services provided by the Group.

Save for the above, the Emperor Group Proposed Annual Caps were determined upon arm's length negotiation between the Company and Listed Members of Emperor Group based on (i) the demand of the Listed Members of Emperor Group; (ii) the optimistic expectation of the capital market; (iii) the Emperor Group Previous Annual Caps under the 2018 Emperor Group FSA; (iv) the historical amounts under the 2018 Emperor Group FSA; (v) the existing financial resources and capacity to provide financial services after taking into account the past transaction records, potential financial activities, credit assessment, financial strength, past payment records and quality of collateral securities of the Listed Members of Emperor Group; and (vi) the benefit for capturing the financial activities of the Listed Members of Emperor Group for the Group to generate revenue in the usual and ordinary course of the business of the Group.

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 three financial years ending 30 September 2024.

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REASONS AND BENEFITS FOR ENTERING INTO THE 2021 FSA

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

In order to capture the business opportunities from the Yeung Family and Listed Members of Emperor Group, the Directors considered that the entering into of the 2021 FSA allows flexibility of the Group to continue to provide the financial services to the Yeung Family and Listed Members of Emperor Group. The Yeung Proposed Annual Caps and Emperor Group Proposed Annual Caps allow the Group to participate in corporate exercise and/or 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.

Albeit the low utilisation rate of the Yeung Previous Annual Caps and Emperor Group Previous Annual Caps, the Directors expect that the capital market in Hong Kong is going to recover. The actual utilization rate is subject to the then market conditions, investment strategies and opportunities appeared in the market and accordingly the historical low utilisation rate is intelligible. It is expected that more foreign-listed Chinese firms and Chinese new economy companies may consider to list in Hong Kong, and the return of China concepts stocks will benefit the Hong Kong stock market in the long run as more global funds will be allocated to the Hong Kong market, the Company considers that it is necessary to maintain the same or higher proposed annual caps for the three financial years ending 30 September 2024 in light of the potential expansion of business activities of the Group. The Company also estimated the future funding needs of the Yeung Family and Listed Members of Emperor Group is also used for determination of the proposed caps, even though the Company has not provided any margin loan to the Listed Members of Emperor Group during the Period, the Directors are optimistic about the market condition in Hong Kong in the near future and expect that the financial needs of the Listed Members of Emperor Group for business expansion and capturing potential investment opportunities would be increased in the forthcoming years after considering the improving global economic conditions. Moreover, when determining the proposed caps for the margin loan, the Company also considered the amount of margin loan financing being quoted by the Listed Members of Emperor Group during the Period, which the maximum amount is comparable to the proposed caps for the margin loan. With a view to facilitating the potential business opportunities to be captured by the Group, the Directors (including the independent non-executive Directors after considering the opinion of the Independent Financial Adviser) considered that the 2021 Yeung FSA and 2021 Emperor Group 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.

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LISTING RULES IMPLICATIONS

Ms. Daisy Yeung is the Executive Director and Managing Director of the Company. As such, the transactions contemplated under the 2021 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 2021 Yeung FSA and the Yeung Proposed Annual Caps are subject to announcement, the Independent Shareholders' approval, annual review and reporting requirements under the Listing Rules.

As at the date of the Latest Practicable Date, the Company and the counter-parties of the 2021 Emperor Group FSA, namely Emperor International, Emperor E Hotel, Emperor W&J, Emperor Culture and Ulferts International, are all indirectly controlled by the respective private discretionary trusts which were all set up by Dr. Yeung Sau Shing, Albert who is the deemed substantial shareholder of the Company. As such, under Chapter 14A of the Listing Rules, each of such counter-parties is a deemed connected person of the Company and accordingly, the transactions contemplated under the 2021 Emperor Group FSA constitute continuing connected transactions of the Company.

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 2021 Emperor Group FSA and Emperor Group Proposed Annual Caps are subject to announcement, the Independent Shareholders' approval, annual review 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 2021 FSA and the Annual Caps (i) as she is a counterparty to the 2021 Yeung FSA; and (ii) in view of her deemed interest in the 2021 Emperor Group FSA by virtue of being one of the eligible beneficiaries of the respective private discretionary trusts which control the counterparties to the said agreement.

LETTER FROM THE BOARD

Internal control procedures and corporate governance measures

The Group has established adequate internal control policies to regularly monitor the utilisation rates of the financial service provided by the Group to the Yeung Family and Listed Members of Emperor Group to ensure compliance with the disclosure requirements of the Listing Rules. The Group has credit and risk management policies which set out the procedures and guidelines for credit facility application. The relevant business unit of the Group will periodically observe the market conditions and monitor the prevailing market prices including the pricings of contemporaneous transactions with independent third parties in respect of similar transactions in the same or nearby area in the ordinary course of business of the Group. Furthermore, the relevant personnel of the Group will compare other concurrent transactions or quotations for similar transactions with Independent Third Parties and ensure that the terms offered by the Group are no less favourable than those available to or from Independent Third Parties; and at the same time monitor the applicable thresholds of the financial services and their applicable thresholds that the respective annual cap will not be exceeded. If the utilisation of annual caps reaches 70% threshold, the relevant business unit (including but not limited to securities dealing department, loan department and credit and risk control department) will need to obtain clearance from the Directors and corporate finance department before entering into new transactions to aid in compliance with the Listing Rules and the credit and risk control department and/or finance department will provide notification and reminder from time to time. The Directors consider that adequate procedures have been in place to ensure the financial services to be provided by the Group to the Yeung Family and Listed Members of Emperor Group will be under normal commercial terms and not prejudicial to the interests of the Company and its independent Shareholders.

The Company's auditors and independent non-executive Directors will review the continuing connected transactions annually in accordance with Rule 14A.55 and Rule 14A.56 of the Listing Rules respectively.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISOR

The Company has established an Independent Board Committee comprising Mr. Chu Kar Wing, Mr. Poon Yan Wai and Ms. Wan Choi Ha (all of whom are independent non-executive Directors) to advise the Independent Shareholders as to (i) whether the terms of the 2021 FSA and the Annual Caps are fair and reasonable; (ii) whether the transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the transactions are in the interests of the Company and the Shareholders as a whole; and (iv) how to vote on the proposed resolutions. Pelican has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM THE BOARD

SGM

A notice convening the SGM to be held at 2nd Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Monday, 27 September 2021 at 11:00 a.m. is set out from pages SGM-1 to SGM-3 of this circular. Ordinary resolutions (the “**Resolutions**”) regarding 2021 FSA will be proposed at the SGM for the Independent Shareholders to approve the relevant transactions.

As at the Latest Practicable Date, Ms. Daisy Yeung and her 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 and her respective associates (including Emperor Capital Group Holdings Limited) will abstain from voting on the resolutions in respect of the 2021 FSA and the Annual Caps at the SGM. In compliance with the Listing Rules, the Resolutions will be voted by way of poll and the results of the SGM will be published after the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong Branch Share Registrar, Tricor Secretaries Limited at Level 54, 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 adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting (as the case may be) should you subsequently so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

In accordance with Rule 13.39(4) of the Listing Rules, all votes of the Independent Shareholders at the SGM shall be taken by poll.

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 for registration with the Company’s Hong Kong Branch Share Registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on Monday, 20 September 2021.

LETTER FROM THE BOARD

RECOMMENDATION

Pelican has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the 2021 FSA and the Annual Caps. The text of the letter of the advice from Pelican containing its recommendation and the principal factors it has taken into account in arriving at its recommendation are set out on pages 34 to 75 of this circular.

The Independent Board Committee, having taken into account the advice of Pelican, considers that the terms of the 2021 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 33 of this circular.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from Independent Board Committee to Independent Shareholders in relation to the 2021 FSA and the Annual Caps for the purpose of incorporation in this circular.



英皇證券集團有限公司*
Emperor Capital Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 717)

31 August 2021

To the Independent Shareholders of Emperor Capital Group Limited

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS – PROVISION OF FINANCIAL SERVICES

We refer to the circular of the Company to the Shareholders dated 31 August 2021 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as those defined in the Circular.

We, Independent Board Committee, has been appointed by the Board to advise you on the terms of the 2021 FSA and the Annual Caps. Pelican has been appointed to advise you and us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are set out from pages 34 to 75 of the Circular. Your attention is also drawn to the “**Letter from the Board**” and the “**Letter from Pelican**” in the Circular and the additional information set out in the Appendix thereto.

Having considered the advice given by Pelican, in particular the principal factors, reasons and recommendation as set out in its letter, we consider that (i) the entering into the 2021 FSA is in ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms and conditions of the 2021 FSA are on normal commercial terms whilst the Annual Caps are fair and reasonable so far as the Company and Independent Shareholders are concerned. Accordingly, we recommend you to vote in favour of the relevant ordinary resolutions to be proposed at the SGM to approve the 2021 FSA and the Annual Caps.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Emperor Capital Group Limited

Chu Kar Wing

Poon Yan Wai
Independent Non-executive Directors

Wan Choi Ha

* for identification purpose only

LETTER FROM PELICAN

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders in respect of the terms of the 2021 FSA, the transactions contemplated thereunder and the Annual Caps, and has been prepared for the purpose of incorporation in this circular.



PELICAN FINANCIAL LIMITED

21/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong

31 August 2021

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

Dear Sirs/Madams,

CONTINUING CONNECTED TRANSACTIONS PROVISION OF FINANCIAL SERVICES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2021 FSA, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 31 August 2021 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As set out in the Board Letter, on 22 June 2021, the Company entered into the 2021 Yeung FSA and the 2021 Emperor Group FSA to succeed the 2018 FSA upon its expiry on 30 September 2021. Pursuant to the 2018 FSA, the Group provides various financial services to the Yeung Family and the Listed Members of Emperor Group whilst the Yeung Family has been acting as placees or underwriters for securities placed or underwritten by the Group under the terms and conditions thereof for the period from 1 October 2018 to 30 September 2021. In order for the Group to continue to provide financial services to/from the Yeung Family and the Listed Members of Emperor Group and to cover a wide range of services of the Group, the Company entered into the 2021 Yeung FSA and the 2021 Emperor Group FSA.

LETTER FROM PELICAN

Given that (i) Ms. Daisy Yeung is the Executive Director and Managing Director of the Company, the transactions contemplated under the 2021 Yeung FSA constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules; and (ii) the Company and the counter-parties of the 2021 Emperor Group FSA, namely Emperor International, Emperor E Hotel, Emperor W&J, Emperor Culture and Ulferts International, are all indirectly controlled by the respective private discretionary trusts which were all set up by Dr. Yeung Sau Shing, Albert who is the deemed substantial shareholder of the Company, each of such counter-parties is a deemed connected person of the Company and accordingly, the transactions contemplated under the 2021 Emperor Group 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 2021 Yeung FSA and the Yeung Proposed Annual Caps are subject to announcement, the Independent Shareholders' approval, annual review and reporting requirements under the Listing Rules.

Similarly, 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 2021 Emperor Group FSA and the Emperor Group Proposed Annual Caps are also subject to announcement, the Independent Shareholders' approval, annual review and reporting requirements under the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been established to make recommendations to the Independent Shareholders in respect of the 2021 Yeung FSA, the Yeung Proposed Annual Caps, the 2021 Emperor Group FSA and the Emperor Group Proposed Annual Caps. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Pelican Financial Limited is not connected with the Directors, chief executive or substantial shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In the last two years, we had not been engaged by the Company for the provision of other services that would affect our independence. Apart from normal professional fees payable to us in connection with this appointment of us as Independent Financial Adviser, no arrangement exists whereby Pelican Financial Limited will receive any fees or benefits from the Company or the Directors, chief executive or substantial shareholders of the Company or any of their respective associates.

LETTER FROM PELICAN

Our role is to provide you with our independent opinion and recommendation as to (i) whether the transactions contemplated under the 2021 FSA are on normal commercial terms or better and entered into in the ordinary and usual course of business of the Group; (ii) whether the terms of the 2021 FSA and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote on the relevant resolution(s) in respect of the 2021 FSA at the SGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, (i) the annual report of the Company for the year ended 30 September 2020 (the “**2020 Annual Report**”); (ii) the interim report for the six months ended 31 March 2021 (the “**2021 Interim Report**”); (iii) the 2021 FSA; (iv) the calculation basis of the Annual Caps and assumptions considered by the Group; and (v) the internal control measures governing continuing connected transactions. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

LETTER FROM PELICAN

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 consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of an in-depth investigation into the business and affairs or the prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the terms of the 2021 FSA and the Annual Caps, we have considered the following principal factors and reasons:

1. Background and reasons for and benefits of entering into the 2021 FSA

1.1. Information of the Group

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

LETTER FROM PELICAN

Set out below is a breakdown of the Group's revenue for the two years ended 30 September 2019 and 2020 and the six months ended 31 March 2020 and 2021 as extracted from the 2020 Annual Report and 2021 Interim Report, respectively:

Table 1: Revenue breakdown of the Group

	For the six months ended 31 March		For the year ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)	2019 <i>HK\$'000</i> (Audited)
Interest income:				
Interest income from margin and initial public offer financing ("IPO")	124,819	227,079	390,434	541,606
Interest income from loans and advances	158,360	200,471	388,812	398,410
Interest income from bank deposits	1,581	12,571	19,473	24,476
Others	<u>8</u>	<u>528</u>	<u>637</u>	<u>178</u>
	<u>284,768</u>	<u>440,649</u>	<u>799,356</u>	<u>964,670</u>
Commission and fee income:				
Commission and fees income on dealing in securities	46,672	36,620	74,061	58,753
Commission and fees income on dealing in futures and options contracts	3,791	7,005	18,662	12,318
Commission from insurance brokerage and wealth management	3,034	2,095	2,774	6,295
Placing and underwriting commission	4,956	3,144	13,409	34,453
Corporate finance advisory services fee income	<u>3,365</u>	<u>4,940</u>	<u>9,145</u>	<u>6,365</u>
	<u>61,818</u>	<u>53,804</u>	<u>118,051</u>	<u>118,184</u>
Total Revenue	<u>346,586</u>	<u>494,453</u>	<u>917,407</u>	<u>1,082,854</u>

LETTER FROM PELICAN

For the six months ended 31 March 2021

The Group's total revenue decreased by approximately HK\$147.9 million or 29.9%, from approximately HK\$494.5 million for the six months ended 31 March 2020 to approximately HK\$346.6 million for the six months ended 31 March 2021. The decrease in total revenue was a combined result of the decrease in interest income of approximately HK\$155.9 million and the increase in commission and fee income of approximately HK\$8.0 million between the two periods. The decrease in interest income was mainly attributable to the decrease in interest income from margin and IPO financing of approximately HK\$102.2 million and the decrease in interest income from loans and advances of approximately HK\$42.1 million, as a result of the decrease in the number of financing and loan transactions of the Group for the six months ended 31 March 2021 as the Group increased its risk awareness and tightened its financing and loan approval procedures on margin and IPO financing during the period. On the other hand, the increase in commission and fees income of approximately HK\$8.0 million during the same period was mainly due to the Group's digital enhancement project and promoted the use of electronic services during the period.

For the year ended 30 September 2020

The Group's total revenue decreased by approximately HK\$165.4 million or 15.3%, from approximately HK\$1,082.9 million for the year ended 30 September 2019 to approximately HK\$917.4 million for the year ended 30 September 2020. The decrease was mainly attributable to the decrease in interest income of approximately HK\$165.3 million, which was mainly attributable to the decrease in interest income from margin and IPO financing of approximately HK\$151.2 million and the decrease in interest income from loans and advances of approximately HK\$9.6 million, as a result of the decrease in the number of financing and loan transactions of the Group for the year ended 30 September 2020 due to the challenging business environment, rigorous market competition, and the Group's tightened financing and loan approval procedures on margin and IPO financing during the year.

Meanwhile, set out below is a summary of the Group's financial position as at 30 September 2020 and as at 31 March 2021 as extracted from the 2020 Annual Report and 2021 Interim Report, respectively:

LETTER FROM PELICAN

Table 2: Financial position of the Group

	As at 31 March 2021 HK\$'000 (Unaudited)	As at 30 September 2020 HK\$'000 (Audited)
Total assets		
– Non-current assets	631,454	690,817
– Current assets	7,238,283	9,326,055
Total liabilities		
– Non-current liabilities	620,658	1,008,707
– Current liabilities	2,769,603	4,582,552
Net current assets	4,468,680	4,743,503
Net assets	4,479,476	4,425,613

As shown in the above table, the net assets of the Group increased from approximately HK\$4,425.6 million as at 30 September 2020 to approximately HK\$4,479.5 million as at 31 March 2021, representing a slight increase of approximately 1.2%, which was a combined result of the decrease in accounts receivable of approximately HK\$2,189.0 million, the decrease in short-term bank borrowings of approximately HK\$2,001.0 million, and the decrease in the carrying value of the non-current bond issued of approximately HK\$383.2 million. In addition, the Group's total bank balances and cash increased from approximately HK\$2,266.6 million as at 30 September 2020 to approximately HK\$2,848.1 million as at 31 March 2021, as a result of the increase of net cash generated from the Group's operating activities between 30 September 2020 and 31 March 2021.

1.2. Information of the Yeung Family

The Yeung Family refers to Ms. Daisy Yeung, the Executive Director and Managing Director of the Company and her associates, but excluding the Listed Members of Emperor Group.

LETTER FROM PELICAN

1.3. Information of the Listed Members of Emperor Group

The Listed members of Emperor Group refer to (i) Emperor International Group, (ii) Emperor E Hotel Group, (iii) Emperor W&J Group, (iv) Emperor Culture Group, (v) Ulferts International Group, and (vi) other listed members from time to time which are all listed on the Stock Exchange of Hong Kong and indirectly controlled by the respective private discretionary trusts which were all set up by Dr. Yeung Sau Shing, Albert who is the deemed substantial shareholder of the Company.

1.4. Reasons for and benefits of entering into the 2021 FSA

As stated in the Board Letter, the Directors considered that the entering into the 2021 FSA allows flexibility of the Group to continue to provide the financial services to the Yeung Family and the Listed Members of Emperor Group. The Yeung Proposed Annual Caps and the Emperor Group Proposed Annual Caps allow the Group to participate in corporate exercise and/or 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.

As discussed in the Board Letter, albeit the low utilisation rate of the Yeung Previous Annual Caps and the Emperor Group Previous Annual Caps, the Directors expect that the capital market in Hong Kong will soon experience a market recovery. It is also expected that more foreign-listed Chinese firms and Chinese new-economy companies will consider listing in Hong Kong, and the return of China concepts stocks will benefit the Hong Kong stock market in the long run as more global funds are allocated to the Hong Kong market. We agree with the Company in this respect not only because of the likely global economic recovery in the near future, but also because of the recent tough line taken by American politicians and Chinese regulators towards Chinese companies seeking initial public offerings ("IPOs") in the United States¹, which would likely encourage more Chinese companies to seek IPOs in Hong Kong, thus benefiting the Group's businesses. In this regard, we agree with the Board that the actual utilization rate is subject to the then market conditions, investment strategies and opportunities that appeared in the market, and accordingly, the historical low utilisation rates should not be a principal factor in determining the Annual Caps.

¹ Please refer to: <https://www.scmp.com/comment/opinion/article/3141582/windfall-mainland-chinese-companies-stampede-list-hong-kong>

LETTER FROM PELICAN

We understand that the Company had estimated the future funding needs of the Yeung Family and the Listed Members of Emperor Group when determining the Annual Caps, and expected that they will increase for the three financial years ending 30 September 2024 especially in view of the growing economic and business optimism. As such, the Company considers, and we agree that it is necessary to maintain the same or higher proposed annual caps for the 2021 FSA for the three financial years ending 30 September 2024 for the Group to capture the financial activities of the Yeung Family and the Listed Members of Emperor Group and achieve its potential business expansion. Our assessments of the fairness and reasonableness of the Yeung Proposed Annual Caps and the Emperor Group Proposed Annual Caps are further discussed in the below sections headed “Assessment of the Yeung Proposed Annual Caps” and “Assessment of the Emperor Group Proposed Annual Caps” of this letter.

In addition to the above, we have discussed with the management of the Company and confirmed the following: (i) the Yeung Family and the Listed Members of Emperor Group have a proven track record in transacting with the Group; (ii) the payment of commission and fee to/from the Yeung Family and the Listed Members of Emperor Group will remain no less favourable to the Group than those available to/from Independent Third Party; and (iii) the Yeung Family and the Listed Members of Emperor Group have maintained good payment records with the Group. Having considered these factors, we are of the view that the transactions contemplated under the 2021 FSA will provide an efficient and effective means for the Group to carry out certain of its financial activities. Accordingly, we concur with the Directors that the 2021 FSA is on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM PELICAN

2. Principal terms of the 2021 Yeung FSA

The following table summarizes the major terms of the 2021 Yeung FSA:

Date:	22 June 2021
Effective period:	1 October 2021 to 30 September 2024
Parties:	The Company; and Ms. Daisy Yeung
Nature of transactions contemplated thereunder:	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; (b) pay commission and fee to the Yeung Family, including (i) the commission and fee for their acting as placees 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. For avoidance of doubt, the Group receives fees and commissions from the services provided under category (a) and pays commission and fee under category (b).

Detailed rates and terms (including the payment of commission and fee to/from 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.

LETTER FROM PELICAN

2.1. Assessment of the principal terms of the 2021 Yeung FSA

In assessing the principal terms of the 2021 Yeung FSA, we have reviewed engagement letters/transaction statements for the aforesaid financial services entered into between the Group and the Yeung Family under the 2018 Yeung FSA, and compared them with engagement letters/transaction statements for similar services entered into between the Group and Independent Third Parties during the same period (details of which are further discussed below). In general, we noted that similar terms and clauses, including but not limited to those related to (i) the brokerage commission rates; (ii) margin financing interest rates; (iii) default interest rates; (iv) guarantors; (v) IPO loan interest rates; (vi) sub-underwriting commission; (vii) sub-underwriting undertaking; and (viii) advisory fees, were contained in these engagement letters/transaction statements, and that the principal terms under the aforesaid engagement letters/transaction statements which were offered by the Group to the Yeung Family were comparable to those offered by the Group to Independent Third Parties.

Meanwhile, in assessing the pricing basis for fees payable or receivable by the Group under the 2021 Yeung FSA, we have conducted the below review.

Fees payable by the Yeung Family to the Group

(i) Brokerage services for securities, futures and options trading

As stated in the Board Letter, the rates to be charged by the Group under this category to its clients (including the Yeung Family) will be determined with reference to the then prevailing market price and practices of other 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 0.05% to 0.25% of the transaction amount), after considering the trading volume, creditworthiness and financial standing of the clients and the prevailing market condition.

In assessing the fairness and reasonableness of the pricing basis for such brokerage services, we have obtained and reviewed 3 engagement letters/transaction statements for the Group's provision of such services to the Yeung Family under the 2018 Yeung FSA, and compared them with 3 engagement letters/transaction statements for the Group's provision of similar services to Independent Third Parties during the same period from 2019 to the first quarter of 2021. From our review, we noted that the brokerage rates charged by the Group to the Yeung Family ranged between 0.20-0.25%, which were no less favourable to the Group than those available to Independent Third Parties.

LETTER FROM PELICAN

(ii) Wealth management and asset management services

As stated in the Board Letter, the fees to be charged by the Group under this category to its clients (including the Yeung Family) shall include management and performance fees, which 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 practices of other wealth and asset managers in the market (i.e. the basic management fee in the market is currently 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 the performance fee will be 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.

From our discussions with the Company, we understand that the Company neither provided wealth management and asset management services to the Yeung Family nor Independent Third Parties during the Period. In this regard, as discussed in the below section headed “Internal control procedures and corporate governance measures” of this letter, as part of the Group’s internal control procedures, the credit and risk control department of the Group will compare the terms under the 2021 FSA with those made available to Independent Third Parties for similar financial services to ensure that the terms offered by the Group to the Yeung Family will be no less favourable to the Group than those available to Independent Third Parties. Given the implementation of these internal control procedures and the fact that they have been effective in ensuring the prices and terms for transactions entered into between the Group and the Yeung Family were on normal commercial terms or better to the Group, we consider the relevant pricing basis for this category as fair and reasonable.

LETTER FROM PELICAN

(iii) Financing services including margin loans, IPO loans and term loans

As stated in the Board Letter, the interest rates to be charged by the Group under this category to its clients (including the Yeung Family) will be determined with reference to the then prevailing market price and practices of other 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 5.0% per annum of the margin loan amount normally, whereas the interest rate for margin financing involving an acquisition of a substantial interest in a listed company in Hong Kong and/or a general offer to acquire the issued shares of a listed company in Hong Kong under the Takeovers Code, ranges from 1.0% to 3.0% per month. For IPO loans, the current market interest rate is approximately 2.0% to 5.0% per annum of the IPO loan amount and varies from case to case on each IPO. For term loans, the current market interest rate ranges from approximately 9.0% to 39.0% per annum of the amount of the term loan). 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.

In assessing the fairness and reasonableness of the pricing basis for such financing services, we have obtained and reviewed 3 engagement letters/transaction statements for the Group's provision of such services to the Yeung Family under the 2018 Yeung FSA, and compared them with 3 engagement letters/transaction statements for the Group's provision of similar services to Independent Third Parties during the same period from 2019 to the first quarter of 2021. From our review, we confirmed that the interest rates charged by the Group to the Yeung Family for margin loans, IPO loans and term loans were no less favourable to the Group than those available to Independent Third Parties.

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(iv) Financial advisory services

As stated in the Board Letter, the advisory fees to be charged by the Group under this category to its clients (including the Yeung Family) will be determined with reference to the then prevailing market price and practices of other financial advisers providing similar services in the market, as well as the size and type of transaction, the manpower to be allocated and the business relationship with the clients. Based on the above, the advisory fees vary a lot but usually range from HK100,000 to HK\$5,000,000, or 0.5% to 5.0% of the transaction amount, based on the scale and difficulty of the transaction, as well as the time and manpower required. The advisory fee for certain fund raising transactions would be charged by percentage of the total fund raised, which may be significant compared to the amount of fixed fees which the Group charges for other transactions.

From our discussions with the Company, we understand that the Company had only provided financial advisory services to the Yeung Family in one engagement during the Period. As such, in assessing the fairness and reasonableness of the pricing basis for such financing advisory services, we have obtained and reviewed the 1 engagement letter for the Group's provision of such services to the Yeung Family under the 2018 Yeung FSA, and compared them with 3 engagement letters for the Group's provision of similar services regarding a similar transaction to Independent Third Parties during the same period from 2019 to the first quarter of 2021. From our review, we confirmed that the financial advisory fees charged by the Group to the Yeung Family were no less favourable to the Group than those available to Independent Third Parties.

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Fees payable by the Group to the Yeung Family

- (i) Commission and fee for their acting as placees or underwriters for the securities of the Company or for the securities underwritten or placed by the Group

As stated in the Board Letter, the commission and fee payable to the placees, underwriters or sub-underwriters (including the Yeung Family) will be determined with reference to the then prevailing market price and practices of other market participants in the market, 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 payable to sub-placing agents and sub-underwriters by the Group vary based on the size of the issue, risk, volatility and attractiveness of the transactions. For sub-placing, the commission and fee payable by the Group usually range from 0.5% to 3.0% of the amount of the issue size and the amount the sub-placing agent undertakes to subscribe. For sub-underwriting, the underwriting fee payable by the Group to underwriters and sub-underwriters usually range from 0.5% to 3.0% depending on the commission rate charged to clients by the Group. Since the commission and fee payable to sub-placing agents and sub-underwriters are calculated based on the amount of the issue size and the amount the sub-placing agents and sub-underwriters undertake to subscribe or underwrite, the actual amount of commission and fee payable to them may vary significantly.

- (ii) Referral fee for introducing clients to the Group relating to the Group's business

As stated in the Board Letter, the amount of referral fees payable to any person (including the Yeung Family) who introduces business to the Group will depend on the type of the Group's services required by the referred clients, 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.

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Regarding the pricing basis for fees payable by the Group to the Yeung Family under the 2021 Yeung FSA, we understand that under the 2018 Yeung FSA, no relevant commission and fee, as well as referral fee, had been paid by the Group to the Yeung Family during the Period. Hence, we are unable to obtain any relevant historical transaction records under the 2018 Yeung FSA for a comparable analysis. Nonetheless, we have obtained and reviewed payment records of referral fees to different Independent Third Parties during the Period and noted that the referral fees for the same types of transaction were the same. Accordingly, we consider that there has been a system in place to determine the amount of referral fees paid/payable by the Group, and we are also of the view that such system will ensure the referral fee payable by the Group to the Yeung Family will be no less favourable to the Group than those available to Independent Third Parties.

In light of our review of the engagement letters/transaction statements as discussed above, we concur with the Directors that the fees and rates chargeable by the Group or the Yeung Family under the 2021 Yeung FSA will remain fair and reasonable so far as the Independent Shareholders are concerned and they are in the interest of the Company and the Shareholders as a whole.

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3. Assessment of the Yeung Proposed Annual Caps

In determining the Yeung Proposed Annual Caps, the Directors have categorised the transactions thereunder into the following six categories:

- (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 placees 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.

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3.1. The Yeung Proposed Annual Caps

Set out below are the Yeung Proposed Annual Caps:

Table 3: Yeung Proposed Annual Caps

	For the financial year ending		
	30 September		
	2022	2023	2024
	<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*	250,000	250,000	250,000
(iv) Maximum term loan amount to the Yeung Family*	280,000	280,000	280,000
(v) Financial advisory fees from the Yeung Family	15,000	15,000	15,000
(vi) Commission and fee to the Yeung Family for their services being provided to the Group	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>
Total	<u>1,372,000</u>	<u>1,372,000</u>	<u>1,372,000</u>

* *The maximum amount granted during the relevant financial year.*

3.2. Utilisation of the Yeung Previous Annual Caps

Set out below are the historical transaction amounts and the utilisation rates of the Yeung Previous Annual Caps.

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Table 4: Utilisation of the Yeung Previous Annual Caps

	For the financial year		For the	Annualised
	ended 30 September		seven	figures for
	2019	2020	months	the year
	HK\$'000	HK\$'000	ended	ending 30
		30 April	September	
		2021	(Note)	
		HK\$'000	2021	HK\$'000
(i) Commission, brokerage, fees and interest income from the Yeung Family	2,965	3,706	2,257	3,869
(ii) Maximum margin loan amount to the Yeung Family*	29,405	42,480	59,969	102,804
(iii) Maximum IPO loan amount to the Yeung Family*	1,165	199,807	160,353	274,891
(iv) Maximum term loan amount to the Yeung Family*	–	1,500	1,500	2,571
(v) Financial advisory fees from the Yeung Family	–	800	–	–
(vi) Commission and fee to the Yeung Family for their services being provided to the Group	–	–	–	–
Total	33,535	248,293	224,079	384,135
Yeung Previous Annual Caps	1,317,000	1,323,000		1,330,000
Utilisation rate	2.5%	18.8%		28.9%

* The maximum amount granted during the relevant financial year or period.

Note: The annualized figures are projection figures and for illustrative purposes only.

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3.3. Basis of the Yeung Proposed Annual Caps

As stated in the Board Letter, the Yeung Proposed Annual Caps were determined on arm's length negotiation between the Company and the Yeung Family based on (i) the demand of the Yeung Family; (ii) the optimistic expectation in the capital market; (iii) the Yeung Previous Annual Caps under the 2018 Yeung FSA; (iv) the historical transaction amounts utilized under the 2018 Yeung FSA; (v) the existing financial resources and capacity of the Group to provide financial services after taking into account the past transaction records, potential financial activities, credit assessment, financial strength, past payment records and quality of collateral securities of the Yeung Family; and (vi) the benefits for capturing the financial activities of the Yeung Family for the Group to generate revenue in the usual and ordinary course of the business of the Group.

In addition to the above, the Board has considered the below factors when determining the Yeung Proposed Annual Caps under each category of the 2021 Yeung FSA.

(i) Commission, brokerage, fees and interest income from the Yeung Family

As stated in the Board Letter, 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.

In determining such Yeung Proposed Annual Caps, the Directors have taken into consideration, among others, (i) 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 2024; (ii) the expected commission, brokerage and fees to be generated from brokerage services for securities, futures and options trading with reference to the historical trading records; and (iii) the fact that the Yeung Proposed Annual Caps are calculated based on the market rates.

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We have also reviewed the historical transactions of the relevant services provided under the 2018 Yeung FSA and noted that the commission and brokerage fees on dealing in securities, futures and options contracts had generally been stable, while the interest income from margin loans, term loans and IPO loans had generally increased, particularly in 2020 and 2021 as the utilisation of IPO loans by the Yeung Family had nearly reached the Yeung Previous Annual Caps for 2020 and 2021 of HK\$200 million for each of the two years. However, we also noted that the utilisation of annual caps under this category had overall remained low. As discussed with the Directors, the utilisation of such Yeung Proposed Annual Caps depends on the then market condition and the investment decisions and preference of each member of the Yeung Family. Nonetheless, the Board believes that the Yeung Family would become more active in its trading activities and they are expected to experience exponential growth for the three years ending 30 September 2024. In order to maximize the Group's profit and to capture the potential business opportunities from the Yeung Family, there should be sufficient provisions made against the sudden investment or financing needs of the Yeung Family, especially when the IPO loans utilised by the Yeung Family had sharply increased in the years 2020 and 2021.

Taking into account (i) the usual brokerage fee of 0.25% of each securities trading transaction charged by the Group (including but not limited to secondary market trading, IPO subscription and share placement); (ii) the expected interest income to be generated from the Yeung Family if it were to take advantage of the estimated maximum amount of loans to be granted to it by the Group; (iii) the historical commission, brokerage and fees income of approximately HK\$58.8 million received from an Independent Third Party by the Group for the year ended 30 September 2019; and (iv) the expected contribution from the Yeung Family of approximately (a) HK\$20.0 million of commission, brokerage and fees from brokerage services, futures and options trading interest income, (b) HK\$50.0 million of interest income to be generated from margin loan, IPO loan and term loan; and (c) HK\$21.0 million as buffer of interest income in the event that the Yeung Family trades more frequently and has a higher demand for loan facilities, the Yeung Proposed Annual Caps were arrived, and we consider such basis as fair and reasonable given the potential of the Group to capitalize on opportunities to transact with the Yeung Family.

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On the other hand, given that the terms and rates to be charged to the Yeung Family will continue to be no less favourable to the Group than those available to Independent Third Parties, and that certain financial services used by the Yeung Family have shown an increasing trend, the Yeung Proposed Annual Caps for commission, brokerage, fees and interest income from the Yeung Family for the three financial years ending 30 September 2024 are fair and reasonable.

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

The Yeung Proposed Annual Caps under these two categories represent the maximum amount of margin loans and term loans that can be provided to the Yeung Family on a revolving basis.

In determining such Yeung Proposed Annual Caps, the Directors have taken into consideration, among others, (i) the substantial growth of the Group's interests income from margin loans in the recent years; (ii) the active expansion of the loan and financing business of the Group in recent years and the substantial growth of the Group's loan book; (iii) the need for such annual cap for the Group to stay competitive; (iv) past investment decisions and capital needs of the members of Yeung Family; (v) the expected future funding needs of the Yeung Family for capturing potential business opportunities; (vi) the maximum margin loan amount granted to Independent Third Parties of HK\$200 million for a single stock during the Period; (v) the maximum term loan granted to an Independent Third Party of HK\$300 million during the Period; and (vi) the assumption that if the Group charged an interest rate of 12.0% per annum, the interest amount payable by the borrower would be around HK\$36 million for a term loan of HK\$300 million with a term of one year.

We have reviewed the historical transaction of the relevant services provided under the 2018 Yeung FSA and noted that the usage of margin loans and term loans had generally increased, however, we also noted that the utilisation of the annual caps under these two categories had remained low. We also noted that the monetary value of the securities portfolios of members of the Yeung Family is relatively significant. As stated in the Board Letter, as at the Latest Practicable Date, the five-year average market capitalisation of the Listed Members of Emperor Group amounted to approximately HK\$14 billion, and hence the Yeung Proposed Annual Caps for maximum margin loans represent less than 5.0% of such five-year average market capitalisation of the Listed Members of Emperor Group, which we consider as a fair and reasonable estimation of the demand of members of the Yeung Family for margin loans from the Group.

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Regarding the Yeung Proposed Annual Caps for maximum term loans, we noted that the Yeung Family owns a substantial amount of real estate assets and has been active in the trading thereof. Given that the Group generates a part of its interest income from its provision of mortgage loans, it would be in the interest of the Group if it could capture business opportunities in providing loan facilities to clients such as members of the Yeung Family which have a strong financial background and owns assets of good quality.

Same as the Yeung Proposed Annual Caps for commission, brokerage, fees and interest income from the Yeung Family, the utilisation of the Yeung Proposed Annual Caps under these categories depends on the funding needs of the Yeung Family which can be quite sudden, therefore, in order to maximize the Group's profit, the Group had prepared sufficient provisions for margin loans and term loans to be provided to the Yeung Family, especially in view that the usage of margin loans and term loans had increased during the period from the year 2019 to 2021.

Given that the interest rates to be charged to the Yeung Family will be no less favourable to the Group than those available to Independent Third Parties, and the utilisation of margin loans and term loans by the Yeung Family had been increasing, we consider the Yeung Proposed Annual Caps for margin loans and term loans to the Yeung Family for the three financial years ending 30 September 2024 are fair and reasonable.

(iii) Maximum IPO loan amount to the Yeung Family

The Yeung Proposed Annual Caps under this category represent the maximum amount of IPO loans that can be provided to the Yeung Family on a revolving basis.

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In determining such Yeung Proposed Annual Caps, the Directors have taken into consideration, among others, (i) the expectation that the IPO market will remain active in the forthcoming years, and the increased number of secondary listings of Chinese firms may help the IPO market maintain hot streak; (ii) the expectation that the demand of IPO loans and potential IPO trading activities from members of the Yeung Family will increase for the three financial years ending 30 September 2024 and the fact that the maximum amount granted to them had approached the maximum amount of the respective annual caps in the financial year ended 30 September 2021; (iii) the maximum IPO loan amount granted to an Independent Third Party of approximately HK\$157.7 million during the Period; and (iv) the assumption that no less than ten members of the Yeung Family will be granted with an average of HK\$15 million of loan facilities, and a buffer of HK\$100 million in the event that the Yeung Family applies for a higher amount of loan facilities when there is particularly favoured IPO.

We have reviewed the historical transaction of the IPO loans provided under the 2018 Yeung FSA and noted that the usage of IPO loans had generally increased, particularly in 2020 and 2021 as the utilisation of IPO loans by the Yeung Family had nearly reached the Yeung Previous Annual Caps for 2020 and 2021 of HK\$200 million for each of the two years. As discussed with the Directors, referencing to the historical usage of IPO loans by the Yeung Family in the years 2020 and 2021, it is understood by the Group that the Yeung Family was interested in investing in the IPO market and might continue to utilise the IPO loan facilities offered by the Group. Therefore, in order to maximize the Group's profit, the Group has to prepare sufficient provisions for IPO loans to the Yeung Family. Given the aforesaid, the Group increased the Yeung Proposed Annual Caps for IPO loans to the Yeung Family from HK\$200 million for 2021 to HK\$250 million for each of the three financial years ending 30 September 2024, and we considered, given that the interest rates to be charged to the Yeung Family will be no less favorable to the Group than those available to Independent Third Parties, and the utilisation of IPO loans by the Yeung Family had been increasing, the Yeung Proposed Annual Caps for IPO loans to the Yeung Family for the three financial years ending 30 September 2024 are fair and reasonable.

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(iv) Financial advisory fees from the Yeung Family

The Yeung Proposed Annual Caps under this category represent financial advisory services (including general corporate financial advice such as corporate governance issues, shareholders' dealings in shares, corporate investment and advice on Listing Rules or Takeovers Code) to be provided to the Yeung Family.

In determining such Yeung Proposed Annual Caps, the Directors have taken into consideration, among others, (i) the fact that the Group has been providing corporate financial advisory services to members of the Yeung Family concerning their investment projects; (ii) the financial advisory fees would be received if the potential investment projects of members of the Yeung Family were materialized or completed during the Period; (iii) the expectation that 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 2024, particularly in complicated transactions such as general offers and IPO; (iv) the market price and practice and the expectation that financial advisory fees in the market will increase in the three financial years ending 30 September 2024; and (v) the possibility that the Group will start charging financial advisory fee as a percentage of the transaction amount for certain transactions.

We have reviewed the historical transaction of the financial advisory services provided under the 2018 Yeung FSA and noted that the usage of such services had generally been low and there was no clear pattern that can be identified. As discussed with the Directors, it is expected that the Yeung Family will continue to engage the Group as its financial advisor should there be needs for financial advisory services, yet the needs for such services are not expected to increase sharply for the three financial years ending 30 September 2024. Nonetheless, in order to capture potential business opportunities from the Yeung Family, the Group has to prepare sufficient provisions for such transactions. Given the aforesaid, the Group decreased the Yeung Proposed Annual Caps for financial advisory fees from the Yeung Family from HK\$17 million for 2021 to HK\$15 million for each of the three financial years ending 30 September 2024, and the Directors considered that such adjustment will be sufficient to capture potential business opportunities from the Yeung Family. We considered, given that the financial advisory fees to be charged to the Yeung Family will be no less favourable to the Group than those available to Independent Third Parties, and the utilisation of the Yeung Previous Annual Caps under this category had generally been low, the Yeung Proposed Annual Caps for financial advisory fees from the Yeung Family for the three financial years ending 30 September 2024 are fair and reasonable.

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(v) *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 (i) commission and fees payable to the Yeung Family when members of the latter act as placees or sub-underwriters for securities or bonds to be issued (if any) by the Company or for securities or bonds of other listed companies underwritten or placed (if any) by the Group; and (ii) referral fees payable to the Yeung Family for introducing clients to the Group.

In determining such Yeung Proposed Annual Caps, the Directors have taken into consideration, among others, (i) the fact that the Group has been active in participating in fundraising activities during the Period; and (ii) the aggregate transaction amounts of fundraising activities that the Group has engaged during the Period; (iii) the historical transactions amounts under such category under the 2018 Yeung FSA as compared to the Group's commission expenses for the same period; and (iv) the market rate and historical rate of referral fee given to Independent Third Parties for business referral by the Yeung Family.

We noted that under the 2018 Yeung FSA, the Group had not paid any commission or fee to the Yeung Family. As discussed with the Directors, during the period from 1 October 2018 to 30 April 2021 (i.e., the period covered by the 2018 Yeung FSA), the Yeung Family had neither (i) acted as a placee or sub-underwriter for securities or bonds issued by the Company or those of other listed companies that were underwritten or placed by the Group; nor (ii) referred any clients to the Group. However, we also understand from the Directors that, historically, the Yeung Family had themselves acted as placees to subscribe for securities or bonds that were issued by the Company or other listed companies, as well as sub-underwriters to sub-underwrite various securities for the Group, in addition to referring clients to subscribe for securities placed or underwritten by the Group. Hence, in order to capture any possible profit as a result of the Yeung Family's successful clients referrals and placing and sub-underwriting services, the Group has to prepare sufficient annual caps for such transactions. Nonetheless, having considered the historical low usage of such annual caps, the Directors decreased the Yeung Proposed Annual Caps for commission and fee to the Yeung Family from HK\$42 million for 2021 to HK\$36 million for each of the three financial years ending 30 September 2024, and the Directors considered such adjustment will be sufficient to capture potential business opportunities from the Yeung Family. Given that the commission and fee to be paid to the Yeung Family will be on normal commercial terms with reference to the then market price and practice, and the utilisation of the Yeung Previous Annual Caps under this category had been low, we concur with the Directors that the Yeung Proposed Annual Caps for commission and fee to the Yeung Family for the three financial years ending 30 September 2024 are fair and reasonable.

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4. Principal terms of the 2021 Emperor Group FSA

The following table summarised the major terms of the 2021 Emperor Group FSA:

Date:	22 June 2021
Effective period:	1 October 2021 to 30 September 2024
Parties:	The Company; and Listed Members of Emperor Group
Nature of transactions contemplated thereunder:	The Group has agreed to provide to the Listed Members of 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.

Detailed rates and terms 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.

4.1. Assessment of the principal terms of the 2021 Emperor Group FSA

In assessing the principal terms of the 2021 Emperor FSA, we have reviewed engagement letters/transaction statements for the aforesaid financial services entered into between the Group and the Listed Members of Emperor Group under the 2018 Emperor Group FSA, and compared them with engagement letters/transaction statements for similar services entered into between the Group and Independent Third Parties during the same period (details of which are further discussed below). In general, we noted that similar terms and clauses, including but not limited to those related to (i) the brokerage commission rates; (ii) margin financing interest rates; (iii) default interest rates; (iv) guarantors; (v) IPO loan interest rates; (vi) sub-underwriting commission; (vii) sub-underwriting undertaking; and (viii) advisory fees, were contained in these engagement letters/transaction statements, and that the principal terms under the aforesaid engagement letters/transaction statements offered by the Group to the Listed Members of Emperor Group were comparable to those offered by the Group to Independent Third Parties.

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Meanwhile, in assessing the pricing basis for fees payable by the Group under the 2021 Emperor Group FSA, we have conducted the below review.

(i) Brokerage services for securities, futures and options trading

As stated in the Board Letter, the rates to be charged by the Group under this category to its clients (including the Listed Members of Emperor Group) will be determined with reference to the then prevailing market price and practices of other 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 0.05% to 0.25% of the transaction amount), after considering the trading volume, creditworthiness and financial standing of the clients and the prevailing market condition.

In assessing the fairness and reasonableness of the pricing basis for such brokerage services, we have obtained and reviewed 3 engagement letters/transaction statements for the Group's provision of such services to the Listed Members of Emperor Group under the 2018 Emperor Group FSA, and compared them with 3 engagement letters/transaction statements for the Group's provision of similar services to Independent Third Parties during the same period from 2019 to the first quarter of 2021. From our review, we noted that the brokerage rates charged by the Group to the Listed Members of Emperor Group ranged between 0.20% and 0.25% and were no less favourable to the Group than those available to Independent Third Parties.

(ii) Wealth management and asset management services

As stated in the Board Letter, the fees to be charged by the Group under this category to its clients (including the Listed Members of Emperor Group) shall include management and performance fees, which 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 practices of other wealth and asset managers in the market (i.e. the basic management fee in the market is currently 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 the performance fee will be 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

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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.

From our discussions with the Company, we understand that the Company neither provided wealth management and asset management services to the Listed Members of Emperor Group nor Independent Third Parties during the Period. In this regard, as discussed in the below section headed “Internal control procedures and corporate governance measures” of this letter, as part of the Group’s internal control procedures, the credit and risk control department of the Group will compare the terms under the 2021 FSA with those made available to Independent Third Parties for similar financial services to ensure that the terms offered by the Group to the Listed Members of Emperor Group will be no less favourable to the Group than those available to Independent Third Parties. Given the implementation of these internal control procedures and the fact that they have been effective in ensuring the prices and terms for transactions entered into between the Group and the Listed Members of Emperor Group were on normal commercial terms or better to the Group, we consider the relevant pricing basis for this category as fair and reasonable.

(iii) Placing and underwriting services

As stated in the Board Letter, the commission and fee to be charged by the Group under this category to its clients (including the Listed Members of Emperor Group) will be determined with reference to the then prevailing market price and practices of other market participants in the relevant market, 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.

From our discussions with the Company, we understand that the Company did not provide placing and underwriting services to the Listed Members of Emperor Group during the Period. In this regard, as discussed in the below section headed “Internal control procedures and corporate governance measures” of this letter, as part of the Group’s internal control procedures, the credit and risk control department of the Group will compare the terms under the 2021 FSA with those made available to Independent Third Parties for similar financial services to ensure that the terms offered by the Group to the Listed Members of Emperor Group will be no less favourable to the Group than those available to Independent Third Parties. Given the implementation of these internal control procedures and the fact that they have been effective in ensuring the prices and

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terms for transactions entered into between the Group and the Listed Members of Emperor Group were on normal commercial terms or better to the Group, we consider the relevant pricing basis for this category as fair and reasonable.

(iv) Financing services including margin loans, IPO loans and term loans

As stated in the Board Letter, the interest rates to be charged by the Group under this category to its clients (including the Listed Members of Emperor Group) will be determined with reference to the then prevailing market price and practices of other 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 5.0% per annum of the margin loan amount normally, whereas the interest rate for margin financing involving an acquisition of a substantial interest in a listed company in Hong Kong and/or a general offer to acquire the issued shares of a listed company in Hong Kong under the Takeovers Code, ranges from 1.0% to 3.0% per month. For IPO loans, the current market interest rate is approximately 2.0% per annum or above of the IPO loan amount and varies from case to case on each IPO. For term loans, the current market interest rate ranges from approximately 9.0% to 39.0% per annum of the amount of the term loan). 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.

Regarding the pricing basis for the interest rates to be charged by the Group under this category, we understand that under the 2018 Emperor Group FSA, no relevant interest income had been received by the Group from the Listed Members of Emperor Group during the Period. Hence, we are unable to obtain any relevant historical transaction records under the 2018 Emperor Group FSA for a comparable analysis. Nonetheless, we understand that the interest rates to be charged by the Group to the Listed Members of Emperor Group for margin loans, IPO loans and term loans will be determined with reference to those to be charged by the Group to the Yeung Family. As discussed in the above section headed “Assessment of the principal terms of the 2021 Yeung FSA” of this letter, we confirmed that the interest rates charged by the Group to the Yeung Family for margin loans, IPO loans and term loans were no less favourable to the Group than those available to Independent Third Parties. In this regard, we are of the view that the interest rates to be charged by the Group to the Yeung Family as well as the Listed Members of Emperor Group for margin loans, IPO loans and term loans, will continue to be no less favourable to the Group than those available to Independent Third Parties.

LETTER FROM PELICAN

In addition, as discussed in the below section headed “Internal control procedures and corporate governance measures” of this letter, as part of the Group’s internal control procedures, the relevant personnel of the Group will compare the terms under the 2021 FSA with those made available to Independent Third Parties for similar financial services to ensure that the terms offered by the Group to the Listed Members of Emperor Group will be no less favourable to the Group than those available to Independent Third Parties. Given the implementation of these internal control procedures and the fact that they have been effective in ensuring the prices and terms for transactions entered into between the Group and the Listed Members of Emperor Group were on normal commercial terms or better to the Group, we consider that the Company has proper measures in place to ensure that the terms under the 2021 Emperor Group FSA for this category would continue to be no less favourable to the Group than those available to Independent Third Parties.

(v) *Financial advisory services*

As stated in the Board Letter, the advisory fees to be charged by the Group under this category to its clients (including the Listed Members of Emperor Group) will be determined with reference to the then prevailing market price and practices of other financial advisers providing similar services in the market, as well as the size and type of transaction, the manpower to be allocated and the business relationship with the clients. Based on the above, the advisory fees vary a lot but usually range from HK100,000 to HK\$5,000,000, or 0.5% to 5.0% of the transaction amount, based on the scale and difficulty of the transaction, as well as the time and manpower required. The advisory fee for certain fund raising transactions would be charged by percentage of the total fund raised, which may be significant compared to the amount of fixed fees which the Group charges for other transactions.

In assessing the fairness and reasonableness of the pricing basis for such financing advisory services, we have obtained and reviewed 3 engagement letters for the Group’s provision of such services to the Listed Members of Emperor Group under the 2018 Emperor Group FSA, and compared them with 3 engagement letters for the Group’s provision of similar services regarding a similar transaction to Independent Third Parties during the same period from 2019 to the first quarter of 2021. From our review, we confirmed that the financial advisory fees charged by the Group to the Listed Members of Emperor Group were no less favourable to the Group than those available to Independent Third Parties.

LETTER FROM PELICAN

In light of our review of the engagement letters/transaction statements as discussed above, we concur with the Directors that the fees and rates chargeable by the Group under the 2021 Emperor Group FSA will remain fair and reasonable so far as the Independent Shareholders are concerned and they are in the interest of the Company and the Shareholders as a whole.

5. Assessment of the Emperor Group Proposed Annual Caps

In determining the Emperor Group Proposed Annual Caps, the Directors have categorised the transactions thereunder into the following five categories:

- (i) commission, brokerage, fees and interest income to be received from the Listed Members of 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 Emperor Group;
- (iii) IPO loans to be provided to the Listed Members of Emperor Group;
- (iv) term loans to be provided to the Listed Members of Emperor Group; and
- (v) financial advisory services to be provided to the Listed Members of Emperor Group (including general corporate financial services such as advice on Listing Rules or Takeovers Code on corporate exercises).

LETTER FROM PELICAN

5.1. The Emperor Group Proposed Annual Caps

Set out below are the Emperor Group Proposed Annual Caps:

Table 5: Emperor Group Proposed Annual Caps

	For the financial year ending 30 September		
	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000
(i) Commission, brokerage and fees and interest income from the Listed Members of Emperor Group	200,000	200,000	200,000
(ii) Maximum margin loan amount to the Listed Members of Emperor Group*	700,000	700,000	700,000
(iii) Maximum IPO loan amount to the Listed Members of Emperor Group*	70,000	70,000	70,000
(iv) Maximum term loan amount to the Listed Members of Emperor Group*	280,000	280,000	280,000
(v) Financial advisory fees from the Listed Members of Emperor Group*	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
Total	<u>1,265,000</u>	<u>1,265,000</u>	<u>1,265,000</u>

* The maximum amount granted during the relevant financial year.

LETTER FROM PELICAN

5.2. Utilisation of the Emperor Group Previous Annual Caps

Set out below are the historical transaction amounts and the utilisation rates of the Emperor Group Previous Annual Caps.

Table 6: Utilisation of the Emperor Group Previous Annual Caps

	For the financial year ended		For the	Annualised
	30 September	2020	seven	figures for
	2019	2020	months	the year
	HK\$'000	HK\$'000	ended 30	ending 30
			April	September
			2021	(Note)
			HK\$'000	2021
				HK\$'000
(i) Commission, brokerage and fees and interest income from the Listed Members of Emperor Group	113	374	39	67
(ii) Maximum margin loan amount to the Listed Members of Emperor Group	-	-	-	-
(iii) Maximum IPO loan amount to the Listed Members of Emperor Group	-	-	-	-
(iv) Maximum term loan amount to the Listed Members of Emperor Group	-	-	-	-
(v) Financial advisory fees from the Listed Members of Emperor Group	2,120	2,055	1,190	2,040
Total	2,233	2,429	1,229	2,107
Emperor Group Previous Annual Caps	1,269,000	1,281,000		1,295,000
Utilisation rate	0.2%	0.2%		0.2%

Note: The annualized figures are projection figures and for illustrative purpose only.

LETTER FROM PELICAN

5.3. Basis of the Emperor Group Proposed Annual Caps

As stated in the Board Letter, the Emperor Group Proposed Annual Caps were determined on arm's length negotiation between the Company and the Listed Members of Emperor Group based on (i) the demand of the Listed Members of Emperor Group; (ii) the optimistic expectation in the capital market; (iii) the Emperor Group Previous Annual Caps under the 2018 Emperor Group FSA; (iv) the historical transaction amounts utilised under the 2018 Emperor Group FSA; (v) the existing financial resources and capacity of the Group to provide financial services after taking into account the past transaction records, potential financial activities, credit assessment, financial strength, past payment records and quality of collateral securities of the Listed Members of Emperor Group; and (vi) the benefits for capturing the financial activities of the Listed Members of Emperor Group for the Group to generate revenue in the usual and ordinary course of the business of the Group.

In addition to the above, the Board has considered the below factors when determining the Emperor Group Proposed Annual Caps under each category of the 2021 Emperor Group FSA.

In determining the Emperor Group Proposed Annual Caps, the following principal factors have been taken into consideration:

- (i) Commission, brokerage, fees and interest income from the Listed Members of Emperor Group*

As stated in the Board Letter, 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 Emperor Group; and (iv) interest income from offering financing services to the Listed Members of Emperor Group.

In determining such Emperor Group Proposed Annual Caps, the Directors have taken into consideration, among others, (i) the expectation that fund raising activities arising from business expansion of the Listed Members of the Emperor Group will increase in the forthcoming years; (ii) 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 Emperor Group for the three financial years ending 30 September 2024; and (iii) the prevailing market prices for the relevant services under the 2021 Emperor Group FSA.

LETTER FROM PELICAN

We have reviewed the historical transaction of the relevant services provided under the 2018 Emperor Group FSA and noted that while the commission and brokerage fees received from the Listed Members of Emperor Group had been very low, there had been no interest income received from the Listed Members of Emperor Group for the Period as the Listed Members of Emperor Group did not utilise any margin loans, IPO loans and term loans offered by the Group. However, as discussed in the Board Letter, the Board considers that there would be a number of opportunities when the Group could provide financial services, in particular placing and underwriting services, to the Listed Members of Emperor Group and charge the latter for commissions. For example, given that Emperor International has a US\$20 billion medium term note programme and may issue additional debt securities from time to time, the Group could act as the placing agent for such debt securities and charge the Listed Members of Emperor Group a commission rate at between 0.5% and 1.0% of the amount of debt securities issued.

As discussed with the Directors, the utilisation of such Emperor Group Proposed Annual Caps depends on the then market condition, as well as the investment decisions and preference of the Listed Member of Emperor Group. Nonetheless, the Directors are of the view that, in order to maximize the Group's profit and capture the potential business opportunities from the Listed Member of Emperor Group, there should be sufficient provisions made against the sudden investment or financing needs of the Listed Member of Emperor Group. However, having considered the low utilisation of the Emperor Group Previous Annual Caps, the Directors decreased the Emperor Group Proposed Annual Caps for commission, brokerage, fees and interest income from the Listed Members of Emperor Group from HK\$228 million for 2021 to HK\$200 million for each of the three financial years ending 30 September 2024, and the Directors considered such adjustment will be sufficient to capture potential business opportunities from the Listed Member of Emperor Group. We considered, given that the commission, brokerage, fees and interest to be charged to the Listed Member of Emperor Group will be no less favourable to the Group than those available to Independent Third Parties, and the utilisation of the Emperor Group Previous Annual Caps under this category had been low, the Emperor Group Proposed Annual Caps for commission, brokerage, fees and interest income from the Listed Members of Emperor Group for the three financial years ending 30 September 2024 are fair and reasonable.

LETTER FROM PELICAN

(ii) Maximum margin loan, IPO loan and term loan to the Listed Members of Emperor Group

The Emperor Group Proposed Annual Caps under these three categories represents the maximum amount of margin loans, IPO loans and term loans that can be provided by the Group to the Listed Member of Emperor Group on a revolving basis.

In determining such Emperor Group Proposed Annual Caps, the Directors have taken into consideration, among others, (i) the substantial growth of the Group's interests income from margin loans in recent years; (ii) the active expansion of the loan and financing business of the Group in recent years; (iii) the expected future funding needs of the Listed Members of Emperor Group for business expansion and capturing potential business opportunities; (iv) the expectation that the IPO market will remain active in the forthcoming years, and the demand for IPO loans and potential IPO trading activities from Listed Members of Emperor Group will remain stable for the three financial years ending 30 September 2024; (v) the need for a preparatory credit line to facilitate business development if the need for financing arises as active business expansions and diversifications of Listed Members of Emperor Group are active and progressive; (vi) the maximum loan amount granted to Independent Third Parties of HK\$200 million for a single stock during the Period; (vii) the maximum IPO loan and term loan granted to an Independent Third Party of approximately HK\$157.7 million and of HK\$300 million respectively during the Period; and (viii) the historical acquisition transactions conducted by Listed Members of Emperor Group in the last five years of approximately HK\$2,500 million.

As discussed in the previous subsection, the Listed Members of Emperor Group did not utilise any margin loans, IPO loans and term loans offered by the Group under the 2018 Emperor Group FSA.

We understood from the Directors that, the Listed Members of Emperor Group did not have specific funding needs for the Period and hence didn't utilise the loans offered by the Group. However, the Directors understand that the Listed Members of Emperor Group preferred to retain the Emperor Group Proposed Annual Caps under these categories to capture potential business and investment opportunities, considering the fact that they could utilise both margin loans and IPO loans to facilitate their treasury and investment activities.

LETTER FROM PELICAN

As stated in the Board Letter, the Directors are optimistic about the market conditions in Hong Kong in the near future and expect that the financial needs of the Listed Members of Emperor Group for business expansion and potential investment opportunities will increase in the forthcoming years, especially after considering the improving global economic conditions. In particular, when determining the Emperor Group Proposed Annual Caps for margin loans, the Company has considered the amount of quotation for margin loans as enquired by the Listed Members of Emperor Group during the Period, and the maximum amount of which is comparable to the Emperor Group Proposed Annual Caps for margin loans.

Given the aforesaid, in order to capture the potential interest income from the Listed Members of Emperor Group, the Directors used the Emperor Group Previous Annual Caps under these categories for the year 2021 as the benchmark for the Emperor Group Proposed Annual Caps under the same categories for each of the three financial years ending 30 September 2024. We considered, given that the interest rates to be charged to the Listed Members of Emperor Group will be no less favourable to the Group than those available to Independent Third Parties, and the intention of the Listed Members of Emperor Group to remain the Emperor Group Previous Annual Caps indicates their interest in utilizing these loans in the future, the Emperor Group Proposed Annual Caps for margin loans, IPO loans and term loans to the Listed Members of Emperor Group for the three financial years ending 30 September 2024 are fair and reasonable.

(iii) Financial advisory fees from the Listed Members of Emperor Group

The Emperor Group Proposed Annual Caps under this category represents financial advisory services (including general corporate financial advice such as corporate governance issues, shareholders' dealings in shares, corporate investment and advice on Listing Rules or Takeovers Code) to be provided to the Listed Members of Emperor Group.

LETTER FROM PELICAN

In determining such Emperor Group Proposed Annual Caps, the Directors have taken into consideration, among others, (i) the fact that the Group has been providing corporate financial advisory services to the Listed Members of Emperor Group; (ii) the financial advisory fees would be received if the potential investment projects of Listed Members of Emperor Group were materialized or completed during the Period; (iii) the expectation that the Listed Members of Emperor Group will continue to engage the Group as financial advisor on a 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 2024; and (iv) the historical amount of advisory fee received from Listed Members of Emperor Group.

We have reviewed the historical transaction of the financial advisory services provided under the 2018 Emperor Group FSA and noted that the usage of such services had generally been low and there was no clear pattern that can be identified. As discussed with the Directors, it is expected that the Listed Members of Emperor Group will continue to engage the Group as its financial advisor should there be needs for financial advisory services, yet the needs for such services are not expected to increase sharply for the three financial years ending 30 September 2024. Nonetheless, in order to capture potential business opportunities from the Listed Members of Emperor Group, the Group has to prepare sufficient provisions for such transactions. Given the aforesaid, the Group decreased the Emperor Group Proposed Annual Caps for financial advisory fees from the Listed Members of Emperor Group from HK\$17 million for 2021 to HK\$15 million for each of the three financial years ending 30 September 2024, and the Directors considered that such adjustment will be sufficient to capture potential business opportunities from the Listed Members of Emperor Group. We considered, given that the financial advisory fees to be charged to the Listed Members of Emperor Group will be no less favourable to the Group than those available to Independent Third Parties, and the utilisation of Emperor Group Previous Annual Caps under this category had generally been low, the Emperor Group Proposed Annual Caps for financial advisory fees from the Listed Members of Emperor Group for the three financial years ending 30 September 2024 are fair and reasonable.

LETTER FROM PELICAN

6. Internal control procedures and corporate governance measures

As stated in the Board Letter, the Group has established adequate internal control policies to regularly monitor the utilisation rates of the financial service provided by the Group to the Yeung Family and the Listed Members of Emperor Group to ensure compliance with the disclosure requirements of the Listing Rules.

The Group has credit and risk management policies which set out the procedures and guidelines for credit facility applications. The relevant business unit of the Group will periodically observe the market conditions and monitor the prevailing market prices including the pricings of contemporaneous transactions with Independent Third Parties in respect of similar transactions in the same or nearby area in the ordinary course of business of the Group. Furthermore, the relevant personnel of the Group will compare other concurrent transactions or quotations for similar transactions with Independent Third Parties to ensure that the terms offered by the Group are no less favourable than those available to or from Independent Third Parties.

The same department and personnel will at the same time monitor the transaction amounts for the relevant financial services to ensure the respective annual cap will not be exceeded. If the utilisation of annual caps reaches 70% threshold, the relevant business unit (including but not limited to securities dealing department, loan department and credit and risk control department) will need to obtain internal clearance from the Directors and corporate finance department before entering into new transactions to ensure that the Company is in compliance with the Listing Rules. In addition, the credit and risk control department and/or finance department will provide notification and reminder regarding the utilisation of annual caps from time to time.

The Directors consider that adequate procedures have been in place to ensure that the financial services to be provided by the Group to the Yeung Family and the Listed Members of Emperor Group will be on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders. The Company's auditors and independent non-executive Directors will also review the continuing connected transactions annually in accordance with Rule 14A.55 and Rule 14A.56 of the Listing Rules respectively.

LETTER FROM PELICAN

In assessing the sufficiency and effectiveness of the internal control measures adopted by the Group, we have reviewed the Group's internal control records for the transactions contemplated under the 2018 FSA which include internal email communications regarding the utilisation of the Yeung Previous Annual Caps and the Emperor Group Previous Annual Caps and the monitorisation of such to ensure that these annual caps were not exceeded. From our review, we confirmed that a system is in place where business units of the Group would be alarmed if the utilisation of annual caps reaches a certain threshold, and that the relevant department of the Group and operation personnel would only approve transactions whose terms were no less favourable to the Group than those available to Independent Third Parties. Accordingly, we concur with the Directors that sufficient and effective internal control procedures are in place to ensure that the transactions under the 2021 FSA will be conducted on normal commercial terms, fair and reasonable so far as Independent Shareholders are concerned, and in the interest of the Company and its Shareholders as a whole.

We also noted from the 2020 Annual Report that annual review of the continuing connected transactions of the Group has been conducted according to Chapter 14A of the Listing Rules, and that the independent non-executive Directors have reviewed and confirmed that the continuing connected transactions of the Group were entered into, among other things, (i) in the ordinary and usual course of the Group's business; and (ii) either on normal commercial terms or on terms no less favourable to the Group than those available to/from Independent Third Parties. The 2020 Annual Report also confirms that the Company's auditors have issued the relevant letter to the Company pursuant to Chapter 14A of the Listing Rules confirming that the continuing connected transactions of the Group were conducted in accordance with their terms and that their proposed annual caps have not been exceeded. We understand that the transactions contemplated under the 2021 FSA will, pursuant to the Listing Rules, also be subject to the annual review by independent non-executive Directors and auditors, details of which must be included in the Company's subsequent published annual reports and annual confirmation by the auditors of the Company. Accordingly, we are of the view that adequate internal control measures will continue to be in place to monitor the transactions contemplated under the 2021 FSA.

LETTER FROM PELICAN

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the 2021 FSA were entered into in the ordinary and usual course of business of the Group and that the terms of the 2021 FSA are on normal commercial terms or better. We are also of the view that the 2021 FSA, the Yeung Proposed Annual Caps, and the Emperor Group Proposed Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolution(s) to be proposed at the SGM to approve the 2021 FSA, the Yeung Proposed Annual Caps, and the Emperor Group Proposed Annual Caps. We also recommend the Independent Shareholders to vote in favour of the 2021 FSA, the Yeung Proposed Annual Caps, and the Emperor Group Proposed Annual Caps at the SGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing Director

* *Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the following Directors and chief executives of the Company were interested, or were deemed or taken to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to (a) be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (“Model Code”) to be notified to the Company and the Stock Exchange:

Long position interests in the Company

Ordinary shares of HK\$0.01 each of the Company (“Shares”)

Name of Director	Capacity/ Nature of Interests	Number of Shares interested	Approximate % of issued voting Shares
Ms. Daisy Yeung	Eligible beneficiary of a private discretionary trust	2,879,521,438 (Note)	42.72
Ms. Daisy Yeung	Beneficial owner	18,000,000	0.26
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 Group Holdings Limited, a wholly-owned subsidiary of Albert Yeung Capital Holdings Limited (“AY Capital Holdings”). AY Capital Holdings was in turn held by CDM Trust & Board Services AG in trust for a private discretionary trust under which Ms. Daisy Yeung had deemed interest by virtue of being one of the eligible beneficiaries.

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.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which is not determinable 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 business which is considered to compete or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

5. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, save for the 2018 FSA, the 2021 FSA and the agreement listed below in which Ms. Daisy Yeung has deemed interest, there was no other contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

Master leasing agreement dated 3 December 2020 entered into between the Company and Emperor International in relation to the tenancy transactions thereunder.

6. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interests, either directly or indirectly, in any assets which have been, since 30 September 2020 (being the date to which the latest published audited financial statements of the Group were made up), acquired by or disposed of or leased to any member of the Group, or are proposed to be acquired by disposed of or leased to any member of the Group.

7. EXPERT AND CONSENT

The following are the qualifications of the expert who has given an opinion or advice which contained in this circular:

Name	Qualifications
Pelican	A corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity

As at the Latest Practicable Date, Pelican has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report (as the case may be) and references to its names, in the form and context in which they respectively appear.

As at the Latest Practicable Date, Pelican:

- (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group; or
- (b) did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 30 September 2020), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any circumstances or events that may give rise to a material adverse change in the financial or trading position of the Group since 30 September 2020, being the date to which the latest audited financial statements of the Group were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents 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 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong from the date of the circular and up to and including the date of the SGM:

- (a) the 2021 FSA;
- (b) the written consent referred to in the paragraph headed “Expert and Consent” in this Appendix;
- (c) the letter from the Independent Board Committee as set out in page 33 in this circular;
- (d) the letter from Pelican, the Independent Financial Adviser, as set out in pages 34 to 75 in this circular; and
- (e) this circular.

10. 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 2nd Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Monday, 27 September 2021 at 11:00 a.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 22 June 2021 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 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 31 August 2021) (“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 22 June 2021 entered into between the Company, Emperor International, Emperor E Hotel, Emperor W&J, Emperor Culture and Ulferts International in relation to the provision of financial services by the Group to the listed members under the private discretionary trusts set by Dr. Yeung Sau Shing, Albert, 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, 31 August 2021

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

Principal Place of Business:
24th Floor
Emperor Group Centre
288 Hennessy Road,
Wanchai, Hong Kong

Notes:

- (i) Considering the outbreak of COVID-19, certain measures will be implemented at the special general meeting (“**SGM**”) with a view to addressing the risk to attendees of infection, including, without limitation (i) all attendees being required to (a) undergo compulsory body temperature check; (b) submit compulsorily health declaration form; and (c) wear surgical face masks prior to admission to the SGM venue and throughout the SGM (no mask will be provided at the SGM venue); (ii) attendees not being admitted to the SGM venue to ensure health and safety of other attendees as permitted by law; (iii) no corporate gifts being distributed; and (iv) no refreshments or drinks being provided. The Company reminds attendees that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances.

NOTICE OF SPECIAL GENERAL MEETING

The Company will keep the evolving COVID-19 situation under review and may change measures, where appropriate, Shareholders should check the Company's website (<https://www.EmperorCapital.com>) for future announcement and updates on the SGM arrangements.

- (ii) Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in this Notice will be decided by poll at the SGM. Where the chairman in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted, such resolution will be decided by a show of hands.
- (iii) 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.
- (iv) 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 Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong ("**Branch Share Registrar**") 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 adjourned meeting.
- (v) Where there are joint holders of any share, any one of such joint holder 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 SGM, 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 holders, 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.
- (vi) Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the SGM and in such event, the form of proxy previously submitted shall be deemed to be revoked.
- (vii) In order to qualify for the right to attend and vote at the SGM, all relevant share certificates and properly completed transfer forms must be lodged for registration with the Branch Share Registrar before 4:30 p.m. on 20 September 2021 (Monday).
- (viii) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

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.EmperorCapital.com>). In order to protect the environment, the Company highly recommends the Shareholders to elect 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 Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited, by post at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at is-enquiries@hk.tricorglobal.com.