

DATED 23 MAR 2023

EMPEROR INTERNATIONAL HOLDINGS LIMITED (1)

AND

EMPEROR CAPITAL GROUP LIMITED (2)

2024 Master Leasing Agreement
relating to leasing of various premises owned by
Emperor International Holdings Limited

THIS 2024 MASTER LEASING AGREEMENT is made on 23 MAR 2023

BETWEEN:

- (1) **EMPEROR INTERNATIONAL HOLDINGS LIMITED**, an exempted company incorporated with limited liability under the laws of Bermuda having its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda (“**Emperor International**”); and
- (2) **EMPEROR CAPITAL GROUP LIMITED**, an exempted company incorporated with limited liability under the laws of Bermuda having its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda (“**Emperor Capital**”).

(Each a “**Party**”, and collectively the “**Parties**”)

WHEREAS:

- (A) Emperor International is an investment holding company and its subsidiaries are principally engaged in property investment, property development and hospitality in the Greater China and overseas. Emperor Capital is an investment holding company and its subsidiaries are principally engaged in provision of financial services, including (i) commercial and personal lending as well as margin and initial public offering financing; (ii) brokerage services, wealth management and asset management; (iii) placing and underwriting services for listed issuers; and (iv) corporate finance advisory services. Both Emperor International and Emperor Capital are indirectly controlled by the respective private discretionary trusts set up by Dr. Albert Yeung who is the deemed substantial shareholder of both Parties and as such, the Parties are connected parties to each other under the Listing Rules.
- (B) In the ordinary and usual course of business, members of the Emperor International Group (as defined below) entered, and may from time to time continue to enter, into the Tenancy Transactions with members of the Emperor Capital Group (as defined below). In anticipation of further growth and for administrative efficiency, the Parties wish to enter into a master leasing agreement to regulate the Tenancy Transactions and to obtain the Annual Caps permitted under Chapter 14A of the Listing Rules as per the terms and conditions set out herein.
- (C) The Parties entered into a master leasing agreement relating to leasing of various premises owned by the Emperor International Group (as defined below) on 24 May 2018, as amended, supplemented, replaced or otherwise renewed by the Master Leasing Agreement dated 3 December 2020 (the “**Master Leasing Agreements**”) to regulate the Tenancy Transactions (as defined below) and to obtain the Annual Caps (as defined below) permitted under Chapter 14A of the Listing Rules (as defined below).
- (D) With the expiration of the Master Leasing Agreements, the Parties wish to enter into this new 2024 Master Leasing Agreement to recite their agreement regarding the subject matter.

IT IS HEREBY AGREED:

1. **DEFINITIONS AND INTERPRETATION**

1.1 In this Agreement the following words and expressions shall (except where the context otherwise requires) have the following meanings:-

“Agreement”	this 2024 Master Leasing Agreement, including any subsequent master leasing agreements renewed or extended pursuant to the terms hereof
“Aggregate Right-of-Use Annual Cap(s)”	for the purpose of Chapter 14A of the Listing Rules and pursuant to HKFRS 16, the annual caps for Emperor Capital in respect of the Fixed Lease Payment which are determined with reference to the annual maximum amount of the total value of right-of-use asset of Emperor Capital in respect of Tenancy Transactions to be or expected to be entered into for each of its financial periods during the Term
“Aggregate Rental Expense Annual Cap(s)”	for the purpose of Chapter 14A of the Listing Rules and pursuant to HKFRS 16, the annual caps for Emperor Capital in respect of the Variable Lease Payment and other short-term lease payment recognised as expenses which are determined with reference to the annual maximum amount of Variable Lease Payment and other short-term lease payment to be or expected to be payable by the Emperor Capital Group in respect of Tenancy Transactions for each of the financial periods during the Term
“Aggregate Tenancy Annual Cap(s)”	the annual maximum amount of rental/ licence fee received or receivable by the Emperor International Group under the Definitive Leasing Agreements in respect of the Tenancy Transactions for each of the financial periods during the Term
“Annual Caps”	in respect of Emperor Capital: the Aggregate Right-of-Use Annual Caps and the Aggregate Rental Expense Annual Caps; or in respect of Emperor International: the Aggregate Tenancy Annual Caps
“Annual Rental Payment”	the annual amount of effective rental/ licence fee received or receivable from the Emperor Capital Group by the Emperor International Group under the Definitive Leasing Agreements, including any management fee (if any) and charges
“Board”	the board of directors of the relevant Party
“Definitive Leasing	definitive agreement(s) which has/ have been entered or may be entered into between any member of the Emperor

Agreement(s)”	International Group and any member of the Emperor Capital Group from time to time in relation to any of the Tenancy Transactions (setting out the terms of each tenancy including the parties, detailed description of the properties, usage, duration, rental and specific terms such as rent free period, early termination, deposits, fees and charges) subsisting as at the date hereof and at any time during the Term
“Emperor Capital Group”	Emperor Capital and its subsidiaries from time to time
“Emperor International Group”	Emperor International and its subsidiaries from time to time
“Fixed Lease Payment”	a fixed dollar amount of periodic rental / licence fee paid or payable to the Emperor International Group by the Emperor Capital Group under the Definitive Leasing Agreement
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Independent Shareholders”	the shareholders of the relevant Party that do not have material interests in the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Tenancy Transactions”	all existing and future tenancy/ licence transactions between members of the Emperor International Group as landlords and members of the Emperor Capital Group as tenants for leasing the Emperor International Group’s office properties and other properties as contemplated under the Master Leasing Agreements, this Agreement and the Definitive Leasing Agreements
“Term”	term of this Agreement as defined under Clause 4.1
“Variable Lease Payment(s)”	variable amount of payment linked to revenue generated from the leased properties paid or payable to the Emperor International Group by the Emperor Capital Group under the Definitive Leasing Agreement(s)

- 1.2 In this Agreement, words incorporating the masculine gender only include the feminine and neuter genders and words incorporating the singular number only include the plural

and vice versa.

- 1.3 Unless otherwise stated, references to Clauses and Sub-clauses are references to clauses and sub-clauses of this Agreement.
- 1.4 Clause headings are for ease of reference only and shall not affect the construction or interpretation of this Agreement.
- 1.5 References to persons shall include bodies corporate, unincorporated associations and partnerships.
- 1.6 References to writing shall include typewriting, printing, lithography, photography and facsimile messages and other modes of reproducing words in a legible and non-transitory form.
- 1.7 Where any obligation, representation, warranty or undertaking in this Agreement is expressed to be made, undertaken or given by two or more parties, they shall be jointly and severally responsible in respect of it.

2. TENANCY TRANSACTIONS

- 2.1 The relevant members of the Emperor International Group and the relevant members of the Emperor Capital Group entered, and may from time to time enter, into Definitive Leasing Agreement(s) in relation to any Tenancy Transactions upon, and subject to, the terms and conditions as may be agreed between the relevant parties.
- 2.2 As at the date hereof, several Tenancy Transactions have been concluded and signed, and the Parties wish to restate their intention and principles for all the Tenancy Transactions as follows:
 - a) all the Tenancy Transactions have been and shall be conducted in the usual and ordinary course of business of both the Emperor International Group and the Emperor Capital Group, and are in the interest of their respective shareholders as a whole;
 - b) all the Tenancy Transactions have been and shall be on normal commercial terms or on terms which are no less favourable than those offered by independent third parties;
 - c) the terms of each Definitive Leasing Agreement have been and shall be arrived at after arm's length negotiation and the amount of rental thereunder the respective Definitive Leasing Agreements shall be determined based on the condition of the properties and with reference to the then prevailing market rents on premises comparable in location, area and permitted use;
 - d) all the Tenancy Transactions have been and shall be concluded in compliance with all applicable provisions of the Listing Rules, the applicable laws, this Agreement and the relevant Definitive Leasing Agreement; and
 - e) the tenants have/ shall have the option to consider third party landlords and premises other than the properties of the Emperor International Group.
- 2.3 In order to comply with Clause 2.2, the Parties acknowledge and agree that the

consideration and other terms for each Definitive Leasing Agreement were or will be determined according to the protocol agreed from time to time, including:

- a) for all Tenancy Transactions, the landlord will liaise with the potential tenant regarding the rental matter of the subject premises by providing a rent quote, verbally or in writing, to the tenant for consideration;
- b) the rent quote is decided based on the valuation of the subject premises (as appropriate), market prices of similar properties within the proximity, condition of the subject premises and any other factor as deemed to be applicable by the landlord;
- c) as appropriate, the landlord will arrange for an on-site visit as requested by the tenant;
- d) if the rent quote is acceptable, or after further negotiation the rent quote is acceptable, the landlord will provide a tenancy agreement in the standard form to the tenant for reviewing; and
- e) the tenant, following its internal discussion with its management, will consider either to accept the rent quote which is either better than or equal to the currently available market comparative quotes obtained by the tenant for similar properties (with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period), and proceed with the tenancy/licences or reject the rent quote and decline to proceed further.

3. ANNUAL CAPS

- 3.1 The Annual Caps for the relevant financial years / period(s) during the Term shall be set out in the relevant respective announcements and/or circulars (as appropriate) issued by the Parties (as the case may be) from time to time ("**the Relevant Announcement(s) and Circular(s)**"), and such Annual Caps shall take effect after obtaining the approval by the Board and, where appropriate, the Independent Shareholders of the relevant Party.
- 3.2 The Annual Caps have been or shall have been determined based on the terms of the existing Definitive Leasing Agreements, the historical Annual Rental Payment and the expected Annual Rental Payment, Fixed Lease Payment and/or Variable Lease Payment (where applicable), increase of floor space of the Emperor International Group through acquisition or own development, availability of suitable rental space for the counter party and any other relevant factors, considering the then market condition and economic factors, and such other factors as set out in the Relevant Announcements and Circulars.

4. TERM OF THIS AGREEMENT

- 4.1 Subject to the terms herein set out, this Agreement shall take effect as from 1 April 2024 to and including **31 March 2027** or such other date subject to a maximum period of three years as agreed by the Parties from time to time as set out in the Relevant Announcements or Circulars issued by the Parties pursuant to the Listing Rules (the "**Term**").
- 4.2 Subject to compliance with the then relevant requirements of the Listing Rules, or any waiver obtained from strict compliance with such requirements, upon expiration of the

initial term or subsequent renewal term, this Agreement shall be automatically renewed for a successive period of 3 years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with this Agreement.

5. TERMINATION

- 5.1 Notwithstanding anything contained in this Agreement, either Party shall have the right to terminate this Agreement by serving not less than 60 days' written notice to the other Party. Upon termination, the Annual Caps shall cease to have any effect as between the Parties.
- 5.2 Termination of this Agreement pursuant to this Clause 5 shall not have any effect on the validity and legality of any concluded Definitive Leasing Agreements or any future tenancy/leasing agreements between the Parties.

6. GENERAL

- 6.1 This Agreement may be signed in any number of counterparts, all of which taken together shall constitute one and the same instrument. Any Party may enter into this Agreement by signing any such counterpart.
- 6.2 No amendment to this Agreement will be effective unless it is in writing and signed by both Parties. No consent or approval to be given pursuant to this Agreement will be effective unless it is in writing and signed by the relevant Party.
- 6.3 On termination of this Agreement, each Party's rights and obligations will immediately cease provided that such termination shall not affect any rights and obligations of the Parties which relate to any period following termination nor shall it affect any accrued rights and obligations of the Parties as at the date of termination.
- 6.4 The Parties shall do and execute or procure to be done and executed all such further acts, deeds, things and documents as may be necessary to give effect to the terms of this Agreement.

7. GOVERNING LAW

- 7.1 This Agreement is governed by and shall be construed in accordance with the laws of Hong Kong.
- 7.2 Each Party submits to the exclusive jurisdiction of the courts of Hong Kong for all purposes relating to this Agreement. Nothing contained in this Clause 7 shall limit the right of any Party to take proceedings against any other in any other court of competent jurisdiction, nor shall the taking of proceedings in one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not, to the extent permitted by the law of such other jurisdiction.

IN WITNESS WHEREOF the Parties have executed this Agreement on the day and year first above written.

EXECUTION PAGE

SIGNED by **CHEUNG PING KEUNG**)
duly authorized for and on behalf of)
EMPEROR INTERNATIONAL)
HOLDINGS LIMITED)
)
)
)
)



SIGNED by **FAN MAN SEUNG, VANESSA**)
duly authorized for and on behalf of)
EMPEROR CAPITAL GROUP)
LIMITED)
)
)
)



BY EMAIL

The Board of Directors
Emperor Capital Group Limited
24th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai, Hong Kong

31 January 2024

Dear Sirs,

**Re: Emperor Capital Group Limited (the “Company”) –
Renewal of continuing connected transactions – 2024 master leasing agreement
(the “Transaction”)**

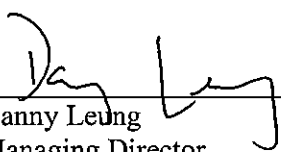
We refer to the circular of the Company dated 31 January 2024 (the “**Circular**”) in connection with the Transaction. Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We hereby give our consent, and confirm that we have not withdrawn our written consent, to the issue of the Circular with the inclusion of our letter or opinion addressed to the Independent Board Committee and the Independent Shareholders (the “**IFA Letter**”) and references to our name in the form and context in which it appears in the Circular.

We also confirm that as at the Latest Practicable Date, we (i) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) did not have any direct or indirect interest in any assets which have been, since 30 September 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

We hereby consent to this letter and the IFA Letter being made available for public inspection as described in the Circular.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited



Danny Leung
Managing Director



31 January 2024

To the Independent Shareholders

Dear Sir/Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
2024 MASTER LEASING AGREEMENT**

We refer to the circular of the Company to the Shareholders dated 31 January 2024 (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, have been appointed by the Board to advise you on the terms of the 2024 MLA and the Aggregate Tenancy Annual Caps. Rainbow Capital 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 18 to 31 of the Circular. Your attention is also drawn to the “Letter from the Board” and the “Letter from Rainbow Capital” in the Circular and the additional information set out in the Appendix thereto.

Having considered the advice given by Rainbow Capital, in particular the principal factors, reasons and recommendation as set out in its letter, we consider that (i) the entering into the 2024 MLA 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 2024 MLA are on normal commercial terms whilst the Aggregate Tenancy 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 resolution to be proposed at the AGM to approve the 2024 MLA and the Aggregate Tenancy Annual Caps.



英皇資本集團有限公司
Emperor Capital Group Limited

於百慕達註冊成立之有限公司 Incorporated in Bermuda with limited liability

英皇集團成員機構 A member of Emperor Group

Yours faithfully,
For and on behalf of the
Independent Board Committee

Wan Choi Ha
Independent Non-executive
Director

Wong Tak Ming, Gary
Independent Non-executive
Director

Yu King Tin
Independent Non-executive
Director



英皇資本集團有限公司
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Yours faithfully,
For and on behalf of the
Independent Board Committee

Wan Choi Ha
Independent Non-executive
Director

Wong Tak Ming, Gary
Independent Non-executive
Director

Yu King Tin
Independent Non-executive
Director

25/1/24



Yours faithfully,
For and on behalf of the
Independent Board Committee

Wan Choi Ha
Independent Non-executive
Director

Wong Tak Ming, Gary
Independent Non-executive
Director

Yu King Tin
Independent Non-executive
Director



31 January 2024

To the Independent Board Committee and the Independent Shareholders

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

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS 2024 MASTER LEASING AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024 MLA and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company dated 31 January 2024 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The 2020 MLA will expire on 31 March 2024. As the Group intends to continue to lease properties (including signage board) from Emperor International Group, the Company entered into the 2024 MLA with Emperor International to govern arrangements for the Tenancy Transactions between the parties for a successive term of 3 years from 1 April 2024.

As at the Latest Practicable Date, the Company and Emperor International are both indirectly controlled by the respective private discretionary trusts which were both set up by Dr. Yeung, who is the deemed substantial shareholder of the Company. As such, under Chapter 14A of the Listing Rules, Emperor International is a deemed connected person of the Company and accordingly, the transactions contemplated under the 2024 MLA constitute continuing connected transactions of the Company.

As the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Aggregate Tenancy Annual Caps are more than 5% and exceed HK\$10,000,000, the Aggregate Tenancy Annual Caps are subject to the announcement, reporting, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Ms. Daisy Yeung and her respective associates (including Emperor Capital Group Holdings Limited) will abstain from voting on the resolution approving the 2024 MLA and the transactions thereunder to be proposed at the AGM.

The Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether the terms of the 2024 MLA (including the Aggregate Tenancy Annual Caps) are on normal commercial terms or better, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. We, Rainbow Capital, has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, or Emperor International that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the independent board committee of Emperor International in relation to the disposal of the entire equity interest in Fortune Silver Limited, details of which are set out in the circular of Emperor International dated 26 January 2022. Other than that, there was no engagement or connection between the Group or Emperor International and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group or Emperor International. Accordingly, we are independent from the Company pursuant to the requirements under Rule 13.84 and therefore are qualified to give independent advice in respect of the 2024 MLA and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, Emperor International or their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the 2024 MLA (including the Aggregate Tenancy Annual Caps), we have taken into account the principal factors and reasons set out below:

1. Information of the parties

(i) Information of the Group

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

Financial performance

Set out below is an extract of the consolidated financial information of the Group for the three years ended 30 September 2023 (“FY2021”, “FY2022” and “FY2023”, respectively) as extracted from the annual report of the Company for FY2022 and the annual results announcement of the Company for FY2023, respectively:

	FY2023	FY2022	FY2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	441,046	512,824	676,812
Impairment allowances on financial assets, net of reversal	(403,638)	(590,095)	(939,302)
Staff costs	(71,982)	(72,912)	(77,883)
Commission and fee expenses	(30,848)	(36,488)	(49,364)
Loss before tax	(160,795)	(290,581)	(541,560)
Loss for the year attributable to owners of the Company	(160,638)	(299,234)	(576,094)

FY2022 vs FY2021

The Group's revenue decreased by approximately 24.2% from approximately HK\$676.8 million for FY2021 to approximately HK\$512.8 million for FY2022. Such decrease was mainly due to the downtrend of the Hong Kong capital market and the Group continued to adhere to its cautious approach to strengthening the overall credit risk management and control mechanism.

For FY2022, the Group continued to record loss with loss attributable to owners of the Company amounted to approximately HK\$299.2 million, which was primarily due to (i) the decrease in revenue as mentioned in the above; and (ii) net impairment allowances on financial assets which were made in respect of certain margin clients and borrowers in commercial, mortgage and personal loans based on an assessment of the cash flows expected to be recoverable from the borrowers and the underlying collateral for each of the margin borrowers on an individual basis.

FY2023 vs FY2022

The Group's revenue further decreased by approximately 14.0% from approximately HK\$512.8 million for FY2022 to approximately HK\$441.0 million for FY2023. Such decrease was mainly due to a series of global events including tightened monetary policies, inflationary pressure, interest rate hikes, ongoing geopolitical tensions and China property developers' debt issues, which led to a volatile macro-economic environments and fragile investment sentiment across global markets, and impacted business confidence. During FY2023, the Group continued to adhere to its cautious approach and adopted a stringent credit risk management and control mechanism, in order to minimise default risks.

For FY2023, the Group continued to record loss with loss attributable to owners of the Company amounted to approximately HK\$160.6 million, which was primarily due to (i) the decrease in revenue as mentioned in the above; and (ii) net impairment allowances on financial assets of approximately HK\$403.6 million which were made in respect of certain margin clients and borrowers in commercial, mortgage and personal loans.

(ii) Information of Emperor International

Emperor International is an exempted company incorporated in Bermuda with limited liability, the subsidiaries of which are principally engages in property investment, property development and hospitality businesses, with its major investment property portfolio located in the Greater China and the United Kingdom, and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 163).

2. Reasons for and benefits of the 2024 MLA

As stated in the Letter from the Board, the Group currently leases properties from Emperor International Group pursuant to the 2020 MLA, and may continue to lease the properties in the future. With the upcoming expiration of the 2020 MLA, the entering into the 2024 MLA will continue to govern the Tenancy Transactions between the Group and Emperor International Group effectively, and also serve to streamline the relevant process of reporting, announcement and Shareholders' approval, if necessary, whenever there is new tenancy or renewal of the Tenancy Transactions between the Group and Emperor International Group. Besides, the obtaining of the Aggregate Tenancy Annual Caps will help reduce the relevant administrative burden and costs on the Company in complying with the requirements under the Listing Rules. The Definitive Leasing Agreements will be agreed on an arm's length basis, on normal commercial terms or on terms no less favourable to the Group than those terms offered by independent third parties as landlords.

With reference to the announcements of the Company dated 24 May 2018 and 3 December 2020, the Group had entered into master leasing agreements with Emperor International Group since 2018 and leased properties from Emperor International Group from time to time. As at the Latest Practicable Date, the Group is leasing properties from Emperor International Group under five existing tenancy/lease/licence agreements, which include the office and branches in Hong Kong and the PRC, which are essential to the operation to the Group. The earliest expiry date of these leases will be in March 2025 and the latest one will be in June 2026. As such, to reduce the cost that may be required for searching for suitable properties and incurring relocation costs, thereby enabling a stable operation of the Group and to save the administrative process necessary for the renewal or new Tenancy Transactions between the Group and Emperor International Group from time to time, we concur with the Directors that the entering into of the 2024 MLA is in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole.

3. Principal terms of the 2024 MLA

Details of the terms of the 2024 MLA are set out in the Letter from the Board. Set out below are the principal terms of the 2024 MLA:

Date	:	23 March 2023
Parties	:	(1) The Company; and
		(2) Emperor International

Term : 1 April 2024 – 31 March 2027

Subject to compliance with the then relevant requirements of the Listing Rules, or any waiver obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the 2024 MLA shall be automatically renewed for a successive term of 3 years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the 2024 MLA.

Key terms and conditions : Relevant members of the Group and the relevant members of Emperor International Group may from time to time enter into the Definitive Leasing Agreement(s) in relation to any Tenancy Transactions upon, and subject to, the terms and conditions in compliance with the 2024 MLA, provides that:

- (a) all the Tenancy Transactions have been and shall be conducted in the usual and ordinary course of business of both the Group and Emperor International Group and are in the interests of their respective shareholders as a whole;
- (b) the terms of each Definitive Leasing Agreement have been and shall be on normal commercial terms or on terms which are no less favourable to the Group than terms offered by independent third parties;
- (c) the terms of the Tenancy Transactions have been and shall be arrived at after arm's length negotiation and the amount of rental thereunder the respective Definitive Leasing Agreements shall be determined based on the condition of the properties and with reference to the then prevailing market rents on premises comparable in location, area and permitted use;
- (d) all the Tenancy Transactions have been and shall be concluded in compliance with all applicable provisions of the Listing Rules, the applicable laws, the 2024 MLA and the relevant Definitive Leasing Agreements; and
- (e) the Group has/shall have the option to consider third party landlords and premises other than the properties of Emperor International Group.

In assessing whether the terms of 2024 MLA are fair and reasonable, we have obtained and reviewed (i) all of the five existing tenancy/lease/licence agreements entered into between members of the Group and the relevant members of Emperor International Group that are currently effective; (ii) all of the four tenancy/lease/licence agreements entered into between the Group and independent third parties that are currently effective. Based on our review, we noted that (a) both Emperor International Group and the independent third parties lessors were charged on a similar basis based on the rental area, usage and the market rental fee. In this regard, we have also independently searched on the website of Centaline Property, a leading property agency brand in Hong Kong, and Lianjia, a leading property agency in the PRC, for the lease transaction record of the same property or properties in ancillary, and we noted that the rent charged by Emperor International Group are all within the range of the market rental with similar geographical location, size and usage during the period when the relevant tenancy/lease/licence agreements were entered and hence the rent charged by Emperor International Group are no less favorable to the Group than those charged by independent third parties; (b) the payment term granted by the Emperor International Group and the independent third parties lessors are the same that both shall be settled on a monthly basis; and (c) both Emperor International Group and the independent third parties lessors required deposits and the number of months of deposits required by Emperor International Group is within the range of that required by independent third parties lessors, which ranged from two to six months.

Based on the above and in particular that we have reviewed all the tenancy/lease/licence agreements entered by the Group which are currently effective which we consider fair and representative, we consider the terms, including the pricing basis and payment term and deposits, for transactions contemplated under the 2024 MLA are equal to or no less favourable to the Group than the terms for similar transactions between the Group and the independent third parties. Taking into account that aside from the term of the agreement, the other principal terms of the 2020 MLA and the 2024 MLA remain the same, we consider the terms of the 2024 MLA are on normal commercial terms which are fair and reasonable.

4. Internal control measures of the Group

To ensure that the transactions contemplated under the 2024 MLA will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole, the Group will follow a series of procedures in selecting the premises and determining the rentals and terms of the tenancies.

When the management of the Group is about to renew existing tenancy or open a new branch which requires new premises, the operation team of the Group will conduct site visits and source available properties in the selected location. The Group will then collect rental quotations of not less than three shortlisted properties from different landlords if there are such number of available properties in the selected location. Furthermore, the Group will further assess the rental and obtain comparable information for the determination of terms of tenancy. In the event of the number of shortlisted properties in the selected location is less than three, the Company will

assess the fairness and reasonableness of the rental with reference to the comparable information of similar properties in the vicinity such as rental rate per sq. ft. and location, which may include those not meeting the selection criteria of the Group or unavailable to the Group. Should there be no comparable information available, the Company will engage independent properties appraiser to prepare valuation reports. The Group may engage independent property appraiser to prepare valuation reports; conduct internal research to assess the valuation; and/or assess the valuation with reference to previous tenancy agreements for renewal cases. After the operation team gathers and analyses the aforesaid information of the proposed tenancy, the management will review and approve the tenancy. With such internal approval, the Definitive Leasing Agreement(s) will be entered into between relevant parties.

In addition, to ensure that the Definitive Leasing Agreement(s) will be entered into in accordance with the general terms of the 2024 MLA and the requirements of Chapter 14A of the Listing Rules, (i) the management of the Group will assess each of the Definitive Leasing Agreements with the aforementioned procedures; (ii) the relevant departments of the Group will record the transaction amount(s) to ensure that the Aggregate Tenancy Annual Caps will not be exceeded; (iii) the Group will engage external auditor to conduct an annual review of the Tenancy Transactions to opine on whether the Aggregate Tenancy Annual Caps have been exceeded; and (iv) the independent non-executive Directors will review the Tenancy Transactions contemplated under the 2024 MLA annually.

In assessing whether the above internal control measures are put in place and effectively implemented, we have obtained and reviewed the Group's internal approval memo for the Tenancy Transactions entered. We noted the transaction amount had been monitored to ensure the annual caps would not be exceeded and complies with the Listing Rules.

In addition, as discussed in the section headed "3. Principal terms of the 2024 MLA" above, based on our review of the sample agreements and our independent research, the rental charged by Emperor International Group to the Group was no less favourable than the rental charged by the independent third parties lessors to the Group and were in line with the market rate. On the other hand, we understand from the management of the Group that although the Company did not collect rental quotations from different landlords when the five existing tenancy/lease/licence agreements entered into between members of the Group and the relevant members of Emperor International Group were renewed, the Group intended for the renewal of lease of existing premises over relocation after having considered (i) the renewal of existing leases would save the relevant cost of moving, renovation, furniture and IT infrastructure; (ii) the rental increment over the historical period has been low; and (iii) the customers of the Group are familiar with the address of the existing premises, we were advised that the Company had obtained market rental information of similar properties in the vicinity for comparison purpose and to assess the fairness and reasonableness of the renewed leases. In this regard, we have obtained and reviewed the comparable information obtained by the Group and we noted that other than the signage board, the Group obtained no less than six comparables for each of the leases and the renewal rents were no less favourable than the comparables.

Having considered the above and the documents reviewed, we are of the view that the internal control measures for monitoring the Tenancy Transactions have been effectively implemented, and we concur with the Directors that appropriate and adequate procedures are in place to ensure that the Tenancy Transactions contemplated under the 2024 MLA will be appropriately monitored and conducted on commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Assessment of the Aggregate Tenancy Annual Caps

Pursuant to the 2020 MLA, the Existing Aggregate Right-of-Use Assets Annual Cap for the 6 months ended 30 September 2021, the years ended 30 September 2022 and 2023 and the 6 months ending 31 March 2024 are HK\$10,525,000, HK\$5,000,000, HK\$33,945,000 and HK\$5,000,000 respectively.

Pursuant to the 2020 MLA, the Existing Aggregate Rental Expense Annual Cap for the 6 months ended 30 September 2021, the years ended 30 September 2022 and 2023 and the 6 months ending 31 March 2024 are all HK\$5,000,000.

Set out below are the audited historical amounts of right-of-use assets recognised and Variable Lease Payments and other short-term lease payments paid under the Tenancy Transactions between the Group and Emperor International Group for the period of the 2020 MLA:

	For the 6 months ended 30 September 2021 HK\$'000	For the year ended 30 September 2022 HK\$'000	For the year ended 30 September 2023 HK\$'000
Right-of-use assets			
Actual transaction amounts	2,730	–	25,240
Historical annual caps	10,525	5,000	33,945
Utilisation rate	25.9%	0%	74.4%
Variable Lease Payments and other short-term lease payments			
Actual transaction amounts	–	–	15
Historical annual caps	5,000	5,000	5,000
Utilisation rate	0%	0%	0.3%

As shown in the table above, the transaction amount of the right-of-use assets under Tenancy Transactions decreased from HK\$2.7 million for the six months ended 30 September 2021 to nil for the year ended 30 September 2022, which was mainly due to no tenancy agreement was entered with Emperor International Group for new tenancy and renewal of existing tenancy. During the year ended 30 September 2023, the Group entered into the tenancy/lease agreements in respect of the office in Hong Kong and Beijing, both of which were recognised as right-of-use assets of the Group. In respect of the variable lease and other short-term lease, we were advised that such lease primarily comprised pop-up stores and signage board. In view of the low market sentiment in Hong Kong during the past years, the Group had only entered into one licence agreement in respect of the signage board during the year ended 30 September 2023. Hence, no transaction amounts were recognised for the six months ended 30 September 2021 and the year ended 30 September 2022.

Set out below are the proposed Aggregate Tenancy Annual Caps under the 2024 MLA for each of the respective periods:

	For the six months ending 30 September 2024 HK\$'000	For the year ending 30 September 2025 HK\$'000	For the year ending 30 September 2026 HK\$'000	For the six months ending 31 March 2027 HK\$'000
Aggregate Right-of-Use				
Assets Annual Cap	5,000	16,000	35,000	5,000
Aggregate Rental Expense				
Annual Cap	5,000	5,000	5,000	5,000

Aggregate Right-of-Use Assets Annual Caps and Aggregate Tenancy Annual Caps represent the estimated respective maximum values of (i) the total value of the right-of-use assets relating to leases to be or expected to be entered into by the Group in the respective periods of the term under the 2024 MLA; and (ii) the Variable Lease Payments and other short-term lease payments payable by the Group in respect of Tenancy Transactions in the respective periods of the term under the 2024 MLA.

The Aggregate Tenancy Annual Caps have been determined after taking into account:

- (i) the historical transaction amounts of rental, management fee (if any) and charges paid by the Group to Emperor International Group under all Tenancy Transactions;
- (ii) the number of existing Tenancy Transactions, which included four leased properties in Hong Kong and the Mainland China, namely (a) Emperor Group Centre in Wanchai which is used as office; (b) signage on No. 5 Canal Road East in Causeway Bay; (c) East Ocean Court in Kowloon which is used as branch; and (d) Emperor Group Centre

(Beijing) in Beijing which is used as liaison office. There are 5 existing tenancy/lease/licence agreements entered into between members of the Group and the relevant members of Emperor International Group regarding the above leased properties. The earliest expiry date of the leases will be in March 2025 and the latest one will be in June 2026. Based on the existing rents and assuming an increment of 10% upon renewal, it is expected that the Group would recognise right-of-use assets of approximately HK\$26.6 million for the year ending 30 September 2026, representing approximately 75.9% of the Aggregate Right-of-Use Assets Annual Cap for the year ending 30 September 2026. The monthly rental (excluding management fees and charges) ranges from HK\$2,500 to HK\$373,000 and shall be payable monthly in advance. The size of properties ranges from a signage board to office premises of 9,323 sq. ft. gross floor area. The duration of the leases are usually 2 to 3 years;

- (iii) assuming all the above tenancies will be renewed upon expiry with a significant portion expected to result in the recognition of right-of-use assets in the financial year ending 30 September 2026 and taking into account the possible oncoming adjustment in rental rates, while retaining the flexibility to periodically negotiate with Emperor International Group before the above tenancies expire in pursuit of better terms, which are typically shorter duration in nature and would result in the recognition of right-of-use assets in the financial year ending 30 September 2025 in a smaller magnitude;
- (iv) the potential business development and expansion of the Group and the possibility of entering into new Tenancy Transactions with Emperor International Group under the 2024 MLA in the forthcoming years in view of the recent expansion of the Group's operation with the newly launched trading system eGOi app, along with engaging customers via "Sun Channel", a self-operated financial channel on YouTube. Moreover, as part of the strategy to promote the securities brokerage services business, there may be a requirement for short-term leases of commercial premises or retail spaces to conduct promotional activities such as setting up pop-up stores and placing advertisement on signage board;
- (v) the location and usage of the properties of the existing portfolio of Emperor International Group and potential acquisition of properties by Emperor International Group which can be available for leasing to the members of the Group in the future; and
- (vi) the prevailing market rents of the properties as compared with similar properties in the vicinity.

We have discussed the above factors with the management of the Group and reviewed the calculation of the estimated transaction amounts. We understand that the Group generally commence to negotiate and enter into renewal agreement with the Emperor International Group for the renewal of lease when the leases are six to nine months prior to their expiry. As the lease

for the branch in Kowloon is going to expire in March 2025 and the Group intends that the lease would be renewed following its expiration, the negotiation may commence by end of 2024. Based on the current rent with an increment of 10% and a lease term of two years, the Group is expected to recognise right-of-use assets of approximately HK\$1.7 million for the year ending 30 September 2025. In respect of the lease for the office in Wanchai, the Group also intends to renew the lease before their expirations in March 2026. As advised by the management of the Group, negotiation may commence during the year ending 30 September 2025 and there is possibility that the Group may enter into a lease with a shorter term with small increment in rent. If such transaction materialises, the Group would recognise right-of-use assets of approximately HK\$8.4 million for the year ending 30 September 2025 for the renewal of lease of the office for one-year term. The right-of-use assets expected to be recognised for the renewal of lease of the branch and the office amounted to approximately HK\$10.1 million in aggregate, representing approximately 63.0% of the Aggregate Right-of-Use Assets Annual Cap for the year ending 30 September 2025.

Thereafter, the Group is expected to further negotiate with the Emperor International Group for the renewal of lease of the office for a longer term of three years during the year ending 30 September 2026. Based on their existing rents and an increment of 10%, it is expected the Group would recognise right-of-use assets of approximately HK\$25.7 million for the year ending 30 September 2026 upon their renewal. In respect of the liaison office in Beijing, the lease is expected to expire in October 2025 and the renewal is expected to take place during the year ending 30 September 2026. Based on the existing rent and an increment of 10%, it is expected to Group would recognise right-of-use assets of approximately HK\$0.9 million for the year ending 30 September 2026 upon its renewal. The right-of-use assets expected to be recognised for the renewal of lease of the office and the Beijing liaison office amounted to approximately HK\$26.6 million in aggregate, representing approximately 75.9% of the Aggregate Right-of-Use Assets Annual Cap for the year.

Aside from the existing lease, we were advised by the management of the Group that the Group had reserved buffer of HK\$5.0 million, HK\$5.9 million, HK\$8.4 million and HK\$5.0 million for leasing of additional premises. In particular, the Company anticipates that the economy may improve in 2024 as the US Fed indicated that they may end the interest rate hike and lower the federal funds rate by three-quarters of a percentage point to a range of 4.5% to 4.75% in 2024. As the economy and the market sentiment improve, the Group may consider to expand its business by opening branches in Hong Kong or liaison office in the PRC.

Given (i) the Aggregate Tenancy Annual Caps are mainly estimated based on the existing tenancy/lease agreements; (ii) it is reasonable to reserve more to cater for the Group's need of additional premises should the Group expand its business when the market sentiment improves, we consider the Aggregate Right-of-Use Assets Annual Cap to be fair and reasonable.

In respect of the Aggregate Rental Expense Annual Cap, we were advised by the management of the Group that such lease primarily comprised of pop-up stores, promotion booths and signage board. Due to the low market sentiment in recent year, the Group did not aggressive promote and advertise for its services during the three years ended 30 September

2022. Nevertheless, the Group anticipates that the market sentiment may improve in the coming years. Should the Group decide to expand its business, the Group may carry out promotional activities including holding pop up stores and promotion booths and advertising on signage board to promote the Group's brand and exposure. Given the above, we concur with the management of the Group that it is reasonable to reserve a buffer of HK\$5.0 million for each of the year under the Aggregate Rental Expense Annual Cap to cater for the Group's needs on promotion activities as the Group expands its business.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into the 2024 MLA and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the 2024 MLA (including the Aggregate Tenancy Annual Caps) are on normal commercial terms which 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. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolution to be proposed at the AGM to approve the 2024 MLA (including the Aggregate Tenancy Annual Caps) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited



Danny Leung
Managing Director

Mr. Danny Leung is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.