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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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 licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**ROADSHOW HOLDINGS LIMITED**

**路訊通控股有限公司 \***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 888)**

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION;  
AND**

**(2) NOTICE OF SPECIAL GENERAL MEETING**

**Financial adviser to RoadShow Holdings Limited**



**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**



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A letter from the board of directors of RoadShow Holdings Limited (the “**Company**”) is set out on pages 4 to 16 of this circular. A letter from the independent board committee of the Company is set out on pages 17 to 18 of this circular. A letter from Crescendo Capital Limited, the independent financial adviser to the independent board committee and the independent shareholders of the Company, is set out on pages 19 to 41 of this circular.

A notice convening the special general meeting of the Company to be held at Novotel Century Hong Kong, Plaza 4, Lower Lobby, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 16 March 2018 at 10:45 a.m. (or so soon thereafter as the special general meeting convened to be held at 10:30 a.m. on the same day at the same place shall have been concluded or adjourned) is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you propose to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form shall not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be) if you so desire.

Hong Kong, 28 February 2018

\* For identification purposes only

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## DEFINITIONS

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

|                           |                                                                                                                                                                                                                                                                                                                                      |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Acquisition”             | the acquisition of the Sale Shares and the Subject Companies by the Purchaser pursuant to the terms of the Agreement                                                                                                                                                                                                                 |
| “Agreement”               | the conditional sale and purchase agreement dated 23 January 2018 entered into among the Purchaser and the Vendors in relation to the Acquisition                                                                                                                                                                                    |
| “associate(s)”            | has the meaning ascribed to such term in the Listing Rules                                                                                                                                                                                                                                                                           |
| “AUM”                     | assets under management                                                                                                                                                                                                                                                                                                              |
| “Bison Capital”           | Bison Capital Financial Holdings Limited, a company incorporated in the British Virgin Islands with limited liability                                                                                                                                                                                                                |
| “Bliss Chance”            | Bliss Chance Global Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling Shareholder                                                                                                                                                                                             |
| “Board”                   | the board of Directors                                                                                                                                                                                                                                                                                                               |
| “BTS Investment”          | BTS Investment Limited, a company incorporated in the Cayman Islands with limited liability                                                                                                                                                                                                                                          |
| “BTY Investment”          | BTY Investment Limited, a company incorporated in the Cayman Islands with limited liability                                                                                                                                                                                                                                          |
| “Business Day(s)”         | a day(s) (excluding Saturday, Sunday and public holidays) on which banks are open for business in Hong Kong and on which no typhoon signal No. 8 or above or black rainstorm signal is hoisted in Hong Kong at any time after 9:00 a.m.                                                                                              |
| “Company”                 | RoadShow Holdings Limited, a company incorporated in Bermuda, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 888)                                                                                                                                                                               |
| “Completion”              | completion of the Acquisition                                                                                                                                                                                                                                                                                                        |
| “connected person(s)”     | has the meaning ascribed to such term in the Listing Rules                                                                                                                                                                                                                                                                           |
| “Consideration”           | the consideration for the Sale Shares under the Agreement                                                                                                                                                                                                                                                                            |
| “controlling shareholder” | has the meaning ascribed to such term in the Listing Rules                                                                                                                                                                                                                                                                           |
| “Crescendo”               | Crescendo Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Acquisition |

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## DEFINITIONS

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|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Director(s)”                 | director(s) of the Company                                                                                                                                                                                                                                                                                                       |
| “Encumbrances”                | any option, right to acquire, mortgage, charge, pledge, lien, counter-claim, adverse claim, assignment, hypothecation, title retention, preferential right, trust arrangement or other form of security or encumbrance or equity and including without limitation any agreement or commitment to give or create any of the above |
| “Enlarged Group”              | the Group as enlarged by the Acquisition upon Completion                                                                                                                                                                                                                                                                         |
| “Group”                       | the Company and its subsidiaries                                                                                                                                                                                                                                                                                                 |
| “Hong Kong”                   | Hong Kong Special Administrative Region of the PRC                                                                                                                                                                                                                                                                               |
| “Independent Board Committee” | an independent committee of the Board comprising all the independent non-executive Directors                                                                                                                                                                                                                                     |
| “Independent Shareholders”    | Shareholders other than Bliss Chance and its associates                                                                                                                                                                                                                                                                          |
| “Initial Deposit”             | the sum of HK\$50,000,000 which shall be payable in cash on the next Business Day after the date of the Agreement by the Purchaser to the Vendors as initial deposit                                                                                                                                                             |
| “Latest Practicable Date”     | 23 February 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular                                                                                                                                                                   |
| “Listing Rules”               | the Rules Governing the Listing of Securities on the Stock Exchange                                                                                                                                                                                                                                                              |
| “Long Stop Date”              | the date falling 12 months after the date of the Agreement                                                                                                                                                                                                                                                                       |
| “Mr. Xu”                      | Mr. XU Peixin, an executive Director                                                                                                                                                                                                                                                                                             |
| “NanTai Investment”           | NanTai Investment Limited, a company incorporated in the Cayman Islands with limited liability                                                                                                                                                                                                                                   |
| “PNs”                         | the promissory notes to be issued by the Purchaser to the Vendors under the Agreement                                                                                                                                                                                                                                            |
| “PRC”                         | The People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, Macao Special Administrative Region and Taiwan                                                                                                                                                                                  |
| “Purchaser”                   | Bison Financial (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company                                                                                                                                                                                     |
| “Sale Shares”                 | the 5,300,000 fully paid issued shares of the Target held by the Vendors as at the date of the Agreement                                                                                                                                                                                                                         |
| “SFC”                         | Securities and Futures Commission of Hong Kong                                                                                                                                                                                                                                                                                   |

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## DEFINITIONS

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| “SFC Licences”              | the licences held by the Target under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities |
| “SFO”                       | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)                                                                                                       |
| “SGM”                       | the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder        |
| “Shangtai Asset Management” | Shangtai Asset Management Limited, a company incorporated in the Cayman Islands with limited liability                                                                        |
| “Share(s)”                  | ordinary share(s) of HK\$0.1 each in the issued share capital of the Company                                                                                                  |
| “Shareholder(s)”            | holder(s) of the Share(s)                                                                                                                                                     |
| “Stock Exchange”            | The Stock Exchange of Hong Kong Limited                                                                                                                                       |
| “Subject Companies”         | together, BTS Investment, BTY Investment, NanTai Investment and Shangtai Asset Management                                                                                     |
| “Target”                    | Target Capital Management Limited(泰達資產管理有限公司), a company incorporated in Hong Kong with limited liability                                                                     |
| “Vendor 1”                  | Bison Capital Holding Company Limited, a company incorporated in Hong Kong with limited liability                                                                             |
| “Vendor 2”                  | Bison Capital Fashion Limited, a company incorporated in the British Virgin Islands with limited liability                                                                    |
| “Vendor 3”                  | Mr. TSE Sze Pan                                                                                                                                                               |
| “Vendor 4”                  | Ms. LIU Li Ping                                                                                                                                                               |
| “Vendor 5”                  | Ms. LU Rong                                                                                                                                                                   |
| “Vendors”                   | together, Vendor 1, Vendor 2, Vendor 3, Vendor 4 and Vendor 5                                                                                                                 |
| “HK\$” or “HKD”             | Hong Kong dollars, the lawful currency of Hong Kong                                                                                                                           |
| “%”                         | per cent.                                                                                                                                                                     |

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## LETTER FROM THE BOARD

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### ROADSHOW HOLDINGS LIMITED

路訊通控股有限公司<sup>\*</sup>

(Incorporated in Bermuda with limited liability)

(Stock code: 888)

*Board of Directors:*

Mr. XU Peixin<sup>+</sup>

Dr. MA Weihua<sup>#</sup>

Mr. BIAN Fang<sup>+</sup>

Mr. ZHU Dong<sup>+</sup>

Dr. QI Daqing<sup>##</sup>

Mr. CHEN Yigong<sup>##</sup>

Mr. FENG Zhonghua<sup>##</sup>

<sup>+</sup> Executive Director

<sup>#</sup> Non-executive Director

<sup>##</sup> Independent non-executive Director

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Hong Kong Principal Office:*

Flat D, 2/F

HK Spinners Industrial Building

Phase 5

760-762 Cheung Sha Wan Road

Kowloon

Hong Kong

28 February 2018

*To the Shareholders*

Dear Sir or Madam,

### DISCLOSEABLE AND CONNECTED TRANSACTION

#### INTRODUCTION

Reference is made to the announcement of the Company dated 23 January 2018 in relation to, among other things, the Acquisition.

After trading hours of the Stock Exchange on 23 January 2018, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Shares, representing the entire issued share capital in the Target, for the Consideration of HK\$270,000,000 in aggregate. Pursuant to the Agreement, the Vendors shall procure the respective shareholders of the Subject Companies to sell the entire issued share capital of such companies to the Purchaser or any subsidiaries of the Company at a nominal consideration on or before Completion.

<sup>\*</sup> For identification purposes only

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## LETTER FROM THE BOARD

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The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement and reporting requirements in the Listing Rules. As Vendor 1 and Vendor 2 are connected persons of the Company under Chapter 14A of the Listing Rules by virtue of their being associates of Mr. Xu, an executive Director and the ultimate beneficial owner of Bliss Chance (the controlling Shareholder), the Acquisition also constitutes a connected transaction for the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement; (ii) information about the Company, the Target and the Subject Companies; (iii) the recommendation from the Independent Board Committee in respect of the Acquisition; (iv) the letter of advice from Crescendo to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (v) the valuation of the Target and the Subject Companies; and (vi) the notice of the SGM.

### THE AGREEMENT

#### Date

23 January 2018

#### Parties

- (i) The Purchaser: Bison Financial (Hong Kong) Limited;
- (ii) Vendor 1: Bison Capital Holding Company Limited;
- (iii) Vendor 2: Bison Capital Fashion Limited;
- (iv) Vendor 3: Mr. TSE Sze Pan;
- (v) Vendor 4: Ms. LIU Li Ping; and
- (vi) Vendor 5: Ms. LU Rong.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor 1 and Vendor 2 are principally engaged in investment holding and are wholly and beneficially owned by Ms. JIANG Feng Yun, the spouse of Mr. Xu. Mr. Xu is an executive Director and the sole beneficial owner of Bison Capital, which in turn holds the entire issued share capital of Bliss Chance. Bliss Chance is the controlling Shareholder holding 700,678,005 Shares, representing approximately 70.25% of the entire issued share capital of the Company as at the date of the Agreement. As such, Vendor 1 and Vendor 2 are connected persons of the Company under Chapter 14A of the Listing Rules by virtue of their being associates of Mr. Xu. Vendor 3, Vendor 4 and Vendor 5 are third parties independent of the Company and its connected persons.

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## LETTER FROM THE BOARD

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### Subject matter

Pursuant to the Agreement, the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target, free from all claims and Encumbrances together with all rights, title, interests and benefits attached, accrued or accruing thereto as at or after Completion. The Target is principally engaged in external asset management and investment advisory services to fund management businesses, details of which are set out in the section headed “Information of the Target and the Subject Companies” below.

As at the date of the Agreement, the respective Sale Shares held by the Vendors are as follows:

|              | <i>Number of<br/>Sale Shares</i> | <i>Approximate<br/>%</i> |
|--------------|----------------------------------|--------------------------|
| Vendor 1     | 3,975,000                        | 75.00                    |
| Vendor 2     | 625,000                          | 11.79                    |
| Vendor 3     | 400,000                          | 7.55                     |
| Vendor 4     | 200,000                          | 3.77                     |
| Vendor 5     | 100,000                          | 1.89                     |
| <b>Total</b> | <b><u>5,300,000</u></b>          | <b><u>100.00</u></b>     |

### Consideration

The Consideration of HK\$270,000,000 shall be payable by the Purchaser to the Vendors as to (i) HK\$50,000,000 in cash on the next Business Day after the date of the Agreement as Initial Deposit; and (ii) HK\$220,000,000 by way of issue of the PNs at Completion.

The Consideration was determined after arm’s length negotiations among the Purchaser and the Vendors with reference to the preliminary valuation of 100% equity interest in the Target and the Subject Companies as a whole as at 30 November 2017 prepared by Greater China Appraisal Limited, an independent professional valuer, using market approach. The valuation amounts to HK\$272 million, details of which are set out in the valuation report in Appendix I to this circular.

The Consideration shall be apportioned among the Vendors according to their respective percentage interest held in the Target. The PNs shall be unsecured, bearing interest at 3% per annum and repayable on the date falling two years after the date of issue. The cash portion of the Consideration was financed by the Group’s internal resources.

The interest rate to be charged on the PNs of 3% per annum was determined with reference to the Group’s cost of fund of approximately 4% per annum if it were to obtain a two-year loan from commercial banks to finance such portion of the Consideration.

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## LETTER FROM THE BOARD

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The tenure of the PNs was determined after arms' length negotiations among the Purchaser and the Vendors. Pursuant to the terms of the PNs, the Purchaser is entitled to early repay all or part of the outstanding principal amount of the PNs and interests accrued thereon at its own discretion. The Directors are of the view that the PNs and the early repayment option provide a flexibility to the Group in utilising its financial resources.

### **Conditions precedent**

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (i) the Purchaser and/or the Company having (a) made all necessary disclosures and satisfied all compliance requirements under the SFO in respect of; and (b) obtained all the requisite approval of the SFC relating to the application for the Purchaser and/or the Company becoming the substantial shareholders of the Target and/or the transactions contemplated in the Agreement;
- (ii) the passing of all resolutions by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) at a general meeting of the Company approving the entering into of the Agreement by the Purchaser and the performance of the transactions contemplated thereunder including, without limitations, the acquisition of the Sale Shares, in accordance with the relevant provisions in the Listing Rules, the bye-laws of the Company, the articles of association of the Purchaser and the applicable laws and regulations in Hong Kong;
- (iii) the Vendors collectively having facilitated the Purchaser to undertake a legal and financial due diligence investigation in respect of the Target and the Purchaser is satisfied with the results of the legal and financial due diligence;
- (iv) each of the SFC Licences held by the Target under the SFO not having been revoked or cancelled;
- (v) there being no material breach of any of the terms or conditions for maintenance of each of the SFC Licences held by the Target under the SFO which has not been remedied or rectified to the satisfaction of the SFC;
- (vi) Vendor 3 having executed and delivered the deed of undertaking (as described in the paragraph headed "Undertakings" below) in favour of the Target and the Purchaser;
- (vii) the Target is solvent from the date of the Agreement up to Completion; and
- (viii) the Vendors procuring the Target to enter into all necessary documents, carry out restructuring or take all necessary actions to novate, assign or terminate all existing agreements, transactions or arrangements with the directors, substantial shareholders or chief executive of the Target or their respective associates so that upon Completion, such agreements, transactions or arrangements shall not constitute connected transactions of the Company or shall constitute transactions that are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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The purpose of condition (viii) above is to restructure the potential connected transactions with the connected persons of the Target prior to Completion to ensure that these transactions will comply with the relevant requirements under the Listing Rules upon Completion. These potential connected transactions include (i) the investment consultancy and fund administration services being provided by the Target to the Subject Companies as further described in the section headed “Information of the Target and the Subject Companies” below. Pursuant to the Agreement, the Vendors shall procure the respective shareholders of the Subject Companies to sell the entire issued share capital of such companies to the Group on or before Completion (please refer to the paragraph headed “Others” below for further details), such that these transactions will become intra-group transactions of the Group and no longer have any connected transaction implications under the Listing Rules upon and after Completion; and (ii) the arrangement under the existing consultancy agreement entered into between Vendor 3 and the Target in relation to the external asset management business of the Target (details of which are disclosed in the paragraph headed “Undertakings” and the section headed “Information of the Target and the Subject Companies” below). It is the Company’s intention for the Target to terminate such consultancy agreement with Vendor 3 and enter into a new 3-year service agreement with him as a director and a responsible officer of the Target which will constitute an exempt connected transaction of the Company under Rule 14A.95 of the Listing Rules.

The Purchaser is entitled to waive in whole or in part the conditions precedent set out in (v), (vi) and (vii) above.

As at the Latest Practicable Date, none of the above conditions had been fulfilled or waived (as the case may be).

If the condition in (ii) above has not been fulfilled at the SGM, each of the Vendors shall refund the Initial Deposit to the Purchaser or its nominee(s) in full within 21 Business Days after the date of the SGM. If all the conditions above are not fulfilled or waived (as the case may be) on or before the Long Stop Date (being the date falling 12 months after the date of the Agreement), the Agreement shall be terminated (save and except for the provisions dealing with confidentiality, costs, governing law and dispute resolution which shall continue to be effective) and the Vendors shall refund to the Purchaser or its nominee(s) the Initial Deposit (if not already been refunded) within five Business Days after the Long Stop Date.

### **Completion**

Completion shall take place on the tenth Business Day after the date of fulfilment (and/or waiver) of all the conditions precedent above or such other date as agreed by the parties to the Agreement in writing.

Pursuant to the Agreement, in the event that Completion does not take place as a result of the Purchaser or any of the Vendors failing to comply fully with or discharge any of its respective obligations under the Agreement, despite all conditions precedent having been fulfilled or waived (as the case may be), the Agreement shall be terminated (save and except for the provisions dealing with confidentiality, costs, governing law and dispute resolution which shall continue to be effective) and the parties to the Agreement shall be released from all obligations and liabilities thereunder save for antecedent breaches. A liquidation damage of HK\$5,000,000, being the sum of 10% of the Initial Deposit, shall be payable either by the Purchaser to the Vendors (in the event the Purchaser is the default party) or by the Vendors to the Purchaser or its nominee(s) (in the event any of the Vendors is the default party) within five Business Days after the date of the termination notice. The Initial Deposit (net of HK\$5,000,000 to be retained by the Vendors as a settlement of the liquidation damage by the Purchaser in the case where such amount is payable by the Purchaser to the Vendors) shall be refunded to the Purchaser or its nominee(s) within five Business Days after the date of termination notice.

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## LETTER FROM THE BOARD

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The liquidation damage of HK\$5,000,000 was agreed among the Purchaser and the Vendors after considering the time and efforts in negotiating the terms of the Agreement and performing due diligence review and the legal and professional fees incurred for the Acquisition before Completion. The Directors are of the view that the liquidation damage arrangement provides a compensation to the non-defaulting party in the event of default after taking into account of the estimated loss to be suffered by the non-defaulting party and is in the interests of the Company and the Shareholders as a whole.

### **Undertakings**

As a condition precedent to Completion, Vendor 3 shall execute a deed of undertaking, pursuant to which Vendor 3 undertakes to the Target and the Purchaser that for a period commencing from the date of the deed of undertaking to the date falling three years thereafter (or such other date as agreed by the parties to the deed of undertaking), among other things, he shall remain qualified and registered as a responsible officer of the Target under the SFO and carry out and discharge all duties and obligations as a responsible officer of the Target. Vendor 3 shall also terminate the existing consultancy agreement dated 25 April 2013 entered into with the Target in relation to the external asset management business of the Target and shall enter into a service agreement as a director and a responsible officer of the Target under the SFO setting out his terms of services on or before Completion.

### **Others**

Pursuant to the Agreement, the Vendors shall procure the respective shareholders of the Subject Companies to sell the entire issued share capital of such companies to the Purchaser or any subsidiaries of the Company at a nominal consideration on or before Completion. Since the respective shareholders of the Subject Companies are Vendor 3 and the related parties and/or nominees of Vendor 1, Vendor 2 and Vendor 3, the Vendors will be able to procure them to sell the entire issued share capital in such companies to the Group. It is intended that the nominal consideration for the issued share capital in each of the Subject Companies will be HK\$1. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the respective shareholders of the Subject Companies are third parties independent of the Company and its connected persons as at the date of the Agreement.

As the fund managers/general partners of eight offshore private equity funds, the Subject Companies manage the assets and investments of the funds on a discretionary basis in pursuit of the investment objectives and strategies of the funds. In return, they are remunerated with management fees from the funds. In connection with its fund management services, the Subject Companies have appointed the Target as investment adviser to provide portfolio advisory and management services to the Subject Companies in respect of the eight offshore private equity funds and the Target receives advisory fees from the Subject Companies. Detailed information of the Subject Companies are set out in the section headed "Information of the Target and the Subject Companies" below. Since the business of the Subject Companies is closely related to that of the Target, the Company considers it beneficial to the Group to acquire the Target and the Subject Companies altogether and integrate their businesses into the same segment after Completion for the provision of a more comprehensive scope of fund management services. Furthermore, the acquisition of the Subject Companies would enhance the operational efficiency of the Target and achieve cost savings from the combination of decision making processes and sharing of administrative functions between the Target and the Subject Companies, and enable the Target to absorb the valuable client base of the Subject Companies. Accordingly, the acquisition of the Subject Companies is part and parcel of the Acquisition.

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## LETTER FROM THE BOARD

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The Consideration of HK\$270,000,000 was determined with reference to the valuation of 100% equity interest in the Target and the Subject Companies, which is prepared on the basis that the Subject Companies have already been integrated into the same segment as the Target. As a result of the proposed integration, the Target and the Subject Companies are able to offer a comprehensive scope of fund management services and are comparable to the business model of the guideline public companies for the fund management segment identified by the valuer for the purpose of the valuation which are full-fledged asset management companies. Therefore, the consideration for the Subject Companies has already been built in to the Consideration and the consideration of HK\$1 each for the issued share capital in the Subject Companies merely represents a nominal consideration to effect the packaged transaction. The Directors consider the valuation of the Target and the Subject Companies is more relevant in determining the market value of and thus the consideration for the Target and the Subject Companies, and had not made any reference to the net asset/liability of the Target and the Subject Companies.

### INFORMATION OF THE TARGET AND THE SUBJECT COMPANIES

#### **Principal business of the Target**

The Target was incorporated in Hong Kong in 2006 with limited liability. It is owned as to approximately 75%, 11.79%, 7.55%, 3.77% and 1.89% by Vendor 1, Vendor 2, Vendor 3, Vendor 4 and Vendor 5 respectively as at the date of the Agreement. The original acquisition costs of Vendor 1 and Vendor 2, being the connected persons of the Company, in respect of their aggregate interests in approximately 86.79% of the Sale Shares from an independent third party were HK\$28,339,773 in aggregate.

The Target is a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities and is principally engaged in (i) external asset management and (ii) investment advisory services to fund management businesses.

#### ***(i) External asset management***

The Target acts as an external asset manager to manage the assets of and provide investment solutions to clients which are mostly high net worth individuals. By referring clients to private banks and financial institutions, providing investment advice to these clients and executing the investment decisions on their behalf, the Target generates income in the form of rebate from private banks and financial institutions based on the trading activities of the clients. The Target has engaged consultants (including Vendor 3) to source prospective high net worth clients for the external asset management business and pays commissions to such consultants based on the Target's revenue generated from the external asset management clients referred by them. As at 30 November 2017, the AUM of the Target in respect of the external asset management business amounted to approximately HK\$5,839 million.

#### ***(ii) Investment advisory services to fund management***

Commencing from May 2017, the Target also acts as the investment adviser/investment manager to fund managers or general partners of offshore private equity funds and provides to them portfolio advisory and management services. The Target is the

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## LETTER FROM THE BOARD

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investment adviser/investment manager of the Subject Companies, which are fund managers/general partners of eight offshore private equity funds with a total committed AUM of approximately HK\$5,654 million as at 30 November 2017. The Target receives advisory fees from the Subject Companies for providing portfolio advisory and management services.

### Principal business of the Subject Companies

The Subject Companies were incorporated in the Cayman Islands in 2017 with limited liability. The respective shareholders of the Subject Companies are Vendor 3 and the related parties and/or nominees of Vendor 1, Vendor 2 and Vendor 3. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) save as disclosed above, the Vendors and the shareholders of the Subject Companies do not have any other relationship; and (ii) save for the Agreement and the procurement by the Vendors of the respective shareholders to sell the entire issued share capital in the Subject Companies to the Group, the Vendors and/or the shareholders of the Subject Companies on one hand, and the Company (and its connected persons) on the other hand, do not have any agreements, arrangements, understanding, negotiations and undertakings (no matter expressed or implied) in relation to the Acquisition.

The Subject Companies currently act as the fund managers/general partners of eight offshore private equity funds with a total committed AUM of approximately HK\$5,654 million as at 30 November 2017. As the fund manager/general partner of the funds, the Subject Companies manage the assets and investments of the funds on a discretionary basis in pursuit of the investment objectives and strategies of the funds. In return, they are remunerated with management fees from the funds. In connection with its fund management services, as disclosed above, the Subject Companies have appointed the Target as investment adviser to provide portfolio advisory and management services to the Subject Companies in respect of the eight offshore private equity funds and the Target receives advisory fees from the Subject Companies.

### Financial information

Set out below are the financial information of the Target as extracted from its audited financial statements for the two years ended 31 March 2016 and 2017, which were prepared in accordance with the Hong Kong Financial Reporting Standards:

|                        | <b>For the year ended 31 March</b> |                                 |
|------------------------|------------------------------------|---------------------------------|
|                        | <b>2016</b>                        | <b>2017</b>                     |
|                        | <i>Approximate<br/>HK\$'000</i>    | <i>Approximate<br/>HK\$'000</i> |
| Turnover               | 37,374                             | 72,963                          |
| Profit before taxation | 4,585                              | 2,195                           |
| Profit after taxation  | 3,846                              | 1,851                           |

For the two years ended 31 March 2016 and 2017, revenue of the Target represented commission income from the external asset management business, except for a commission income of approximately HK\$32.2 million generated from a placing transaction where the Target acted as the placing agent during the year ended 31 March 2017.

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## LETTER FROM THE BOARD

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After taking into account the administrative expenses which were mainly commissions paid to the consultants (including a commission of approximately HK\$31.3 million paid to the consultants who referred the aforesaid placing transaction to the Target) and staff costs, the Target recorded a profit after taxation of approximately HK\$3.85 million and HK\$1.85 million for the two years ended 31 March 2016 and 2017 respectively. The decline in the profits of the Target for the year ended 31 March 2017, as compared to that of 2016, was mainly attributable to the one-off legal and professional fee of approximately HK\$0.9 million incurred for the application to the SFC for modifying the licensing condition of the SFC Licences, and the increase in staff costs of approximately HK\$1.1 million for the appointment of two new directors and employment of additional staff along with the development of business of the Target which were recurring in nature.

The unaudited net assets of the Target amounted to approximately HK\$31.4 million as at 30 November 2017.

As the Subject Companies were only incorporated in May 2017, no full financial year results thereof were available as at the Latest Practicable Date. As at 31 December 2017, the unaudited net assets of BTS Investment, Shangtai Asset Management and NanTai Investment were approximately HK\$30,000, HK\$1.46 million and HK\$12,000 respectively and the unaudited net liabilities of BTY Investment amounted to approximately HK\$3.91 million.

### REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of media sales and design services and production of advertisements for transit vehicle exteriors and interiors, online portal, mobile apps, shelters and outdoor signages advertising businesses. The Group is also engaged in the provision of integrated marketing services covering these advertising platforms.

The Target is in possession of the requisite licences to carry out its external asset management and investment advisory services to fund management businesses. More importantly, the Target and the Subject Companies have built up a customer base of high net worth individuals and portfolio of funds under management with a considerable size of AUM. As at 30 November 2017, the total AUM (which is considered to be the intrinsic value driver of asset management companies) of the Target and the Subject Companies amounted to approximately HK\$11.5 billion. In view of the readily accessible licensed platform and the well-established customer base and AUM of the Target, the Company decided to acquire the Target and has not considered to acquire other SFC licence holders. According to the Fund Management Activities Survey 2016 issued by the SFC in July 2017, the asset management business conducted by SFC-licensed corporations and banks (covering retail, institutional, pension, private and other funds and mandates) reached HK\$12,824 billion in December 2016, representing a growth of 4.6% as compared to December 2015. Considering the above, the Directors are of the view that the Acquisition will provide an opportunity for the Group to diversify its scope of business to the financial services sector, where Mr. Xu (an executive Director) and Dr. Ma Weihua (a non-executive Director) have substantial experience, with a view of broadening its income stream and increasing Shareholders' value.

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## LETTER FROM THE BOARD

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In view of the above, the Directors (including the independent non-executive Directors after considering the advice of Crescendo) consider that the terms of the Agreement are on normal commercial terms, fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

### BUSINESS OUTLOOK

Following Completion, the Group will continue to be engaged in the existing media business (the “**Media Business**”) and expand into a new business segment of financial services business (the “**Financial Services Business**”).

As the primary revenue source of the Media Business, the Group has succeeded the licence relating to bus-shelter advertising business with The Kowloon Motor Bus Company (1933) Limited (“**KMB**”) by entering into a new licence agreement itself with KMB in May 2017 for an initial term of five years commencing from 1 July 2017, which may be extended for another five years. In addition, the Group is making an initial investment of about HK\$10 million in digital panels as 4-dimension advertising multimedia channel at bus shelters in Hong Kong which are expected to be launched by stages in 2018 with target customers including commercial, government and political parties to drive the growth of the Media Business. If the market response is positive, the Group will consider to make further investments in digital panels in the future. With a view to strengthening its sales workforce, a new chief sales officer has been appointed in February 2018 to motivate sales teams, increasing revenues and implementing business development strategies of the Media Business. Together with the additional staff for promoting the digital panel business, it is expected that the Group will incur an additional staff cost of approximately HK\$5 million in 2018. The Group has also been actively seeking business opportunities of public transport advertising in Hong Kong and overseas and is in discussions with Cinedigm Corp. (a leading media content distributor listed on the Nasdaq Stock Market (stock code: CIDM) and controlled by Bison Entertainment Investment Limited which is in turn controlled by the spouse of Mr. Xu on his behalf) to explore the possibility of business collaboration with the Media Business mainly in content sharing. It is the Company’s intention to provide the necessary resources and working capital to support the sustainable development of the Media Business and there is no current intention to dispose of, terminate, downsize or scale down the Media Business in at least the coming two years.

As regards the Financial Services Business, the Group will continue to make use of the business network of Bison Capital and Mr. Xu to expand the customer base and AUM of the external asset management and the fund management businesses. The Target has made an application to the SFC to broaden its licensed activities in order to provide a full range of securities services to its clients. As at the Latest Practicable Date, the application is in process. Subject to the approval of the SFC, the Group plans to hire an additional responsible officer and five staff in other functions with an estimated staff cost of approximately HK\$3 million per year to develop its securities business and spend approximately HK\$1.5 million for upgrading information technology infrastructure, subscription of trade system and payment of participation fee. It is expected that the new services (such as securities brokerage and margin financing) will be launched in the second half of 2018 with high net worth individuals and corporates as target customers. The Group will take advantage of the broader scope of services to develop synergies by cross-selling different products and services.

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## LETTER FROM THE BOARD

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Based on the financial performance for the past two financial years, in spite of the Financial Services Business had made small profits for both years while the Media Business were loss making, the scale of the Financial Services Business is relatively small in terms of revenue and assets when compared with the Media Business. As mentioned above, it is the intention of the Group to support the continued development of both the Media Business and the Financial Services Business after Completion. The Company has not set a target relative scale for the two business segments as the relative scale would depend on the then market condition of the respective segments, availability of suitable investment opportunities and whether the Group is able to implement the aforesaid business plans successfully. Accordingly, it is impracticable to estimate the future performance, contribution and relative scale of the two business segments.

As at the Latest Practicable Date, the Company does not have any intention, agreement, arrangement, negotiation, undertaking or understanding to acquire further businesses or assets in the Financial Services Business or other businesses different from the Media Business. Subject to the future circumstances, the Company may consider other investment opportunities when they arise with an attempt to maximising the Company's value and Shareholders' returns and such investments, if any, shall be made in compliance with the Listing Rules.

### LISTING RULES IMPLICATIONS

As the relevant percentage ratios of the Acquisition exceed 5% but are under 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement and reporting requirements in the Listing Rules. As Vendor 1 and Vendor 2 are connected persons of the Company under Chapter 14A of the Listing Rules by virtue of their being associates of Mr. Xu, an executive Director and the ultimate beneficial owner of Bliss Chance (the controlling Shareholder), the Acquisition also constitutes a connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Vendor 1 and Vendor 2 are associates of Mr. Xu, Mr. Xu is considered to have a material interest in the Acquisition and has abstained from voting on the Board resolutions to approve the Agreement and the transactions contemplated thereunder. Save for the aforementioned, no other Director has a material interest in the Acquisition and therefore has abstained from voting on the Board resolutions to approve the Agreement and the transactions contemplated thereunder.

The SGM will be convened and held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. Bliss Chance, the controlling Shareholder holding 700,678,005 Shares (representing approximately 70.25% of the entire issued share capital of the Company) as at the Latest Practicable Date, and its associates shall be required to abstain from voting on the resolution of the Company in approving the Agreement and the transactions contemplated thereunder at the SGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Acquisition and is required to abstain from voting on the resolution of the Company in approving the Agreement and the transactions contemplated thereunder at the SGM.

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## LETTER FROM THE BOARD

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The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to whether the terms of the Agreement are on normal commercial terms and fair and reasonable, whether the Acquisition is in the interests of the Company and the Shareholders as a whole and as to voting at the SGM. Crescendo has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### SGM

The SGM will be held at Novotel Century Hong Kong, Plaza 4, Lower Lobby, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 16 March 2018 at 10:45 a.m. (or so soon thereafter as the special general meeting convened to be held at 10:30 a.m. on the same day at the same place shall have been concluded or adjourned) to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

The notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you propose to attend the SGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the proxy form shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) if you so desire.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 March 2018 to 16 March 2018, both dates inclusive, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the SGM. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 12 March 2018.

### RECOMMENDATION

The Directors (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee) consider that although the Acquisition is not in the ordinary and usual course of the business of the Group, the terms of the Agreement are on normal commercial terms, 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, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 17 and 18 of this circular which contains its recommendation to the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder after taking into account the advice from Crescendo, and the letter from Crescendo as set out on pages 19 to 41 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the valuation report of the Target and the Subject Companies and the additional information set out in the appendices to this circular.

Yours faithfully,  
By Order of the Board  
**RoadShow Holdings Limited**  
**XU Peixin**  
*Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders which has been prepared for the purpose of inclusion in this circular.*



### ROADSHOW HOLDINGS LIMITED

路訊通控股有限公司<sup>\*</sup>

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 888)**

28 February 2018

*To the Independent Shareholders*

Dear Sir or Madam,

#### **DISCLOSEABLE AND CONNECTED TRANSACTION**

We refer to the circular of the Company dated 28 February 2018 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the members of Independent Board Committee to advise you as to whether, in our opinion, the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Crescendo has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter on pages 19 to 41 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 16 of the Circular and other information in the appendices to the Circular.

Having taken into account the terms of the Agreement and the advice given by Crescendo, we consider that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned, the transactions contemplated under the Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole although the Acquisition is not conducted in the ordinary and usual course of business of the Group.

<sup>\*</sup> For identification purposes only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement and transactions contemplated thereunder.

Yours faithfully,

**Independent Board Committee**

**CHEN Yigong**

*Independent non-executive  
Director*

**QI Daqing**

*Independent non-executive  
Director*

**FENG Zhonghua**

*Independent non-executive  
Director*

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## LETTER FROM CRESCENDO

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*Set out below is the letter of advice from Crescendo, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



1506 Tai Tung Building  
8 Fleming Road  
Wanchai, Hong Kong

28 February 2018

RoadShow Holdings Limited  
Flat D, 2/F, Phase 5  
HK Spinners Industrial Building  
760-762 Cheung Sha Wan Road  
Kowloon, Hong Kong

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the terms of the transactions contemplated under the Agreement, details of which are set out in the Letter from the Board contained in the circular of the Company dated 28 February 2018 to the Shareholders (the “Circular”), of which this letter forms part. Capitalized terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 23 January 2018 (after trading hours of the Stock Exchange), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target, for the Consideration of HK\$270 million in aggregate as to HK\$50 million in cash and HK\$220 million by way of issue of the PNs. The Vendors shall also procure the respective shareholders of the Subject Companies to sell the entire issued share capital of such companies to the Purchaser or any subsidiary of the Company at nominal consideration on or before Completion.

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## LETTER FROM CRESCENDO

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As the relevant percentage ratios of the Acquisition exceed 5% but are under 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement and reporting requirements in the Listing Rules. As Vendor 1 and Vendor 2 are connected persons of the Company under Chapter 14A of the Listing Rules by virtue of being associates of Mr. Xu, an executive Director and the ultimate beneficial owner of Bliss Chance, the controlling Shareholder, the Acquisition also constitutes a connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The SGM will be convened and held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. Bliss Chance, the controlling Shareholder, held 700,678,005 Shares, representing approximately 70.25% of the entire issued share capital of the Company, as at the Latest Practicable Date, and its associates shall be required to abstain from voting on the resolution of the Company in approving the Agreement and the transactions contemplated thereunder at the SGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholders have material interests in the Acquisition and are required to abstain from voting on the resolution of the Company in approving the Agreement and the transactions contemplated thereunder at the SGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely Dr. Qi Daqing, Mr. Chen Yigong and Mr. Feng Zhonghua, has been established to advise the Independent Shareholders on the terms of the Agreement. We, Crescendo Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard, in particular as to whether the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned, the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group as well as in the interests of the Company and the Shareholders as a whole.

We are not associated with the Group and its associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. Save for acting as an independent financial adviser in this appointment, we have not acted as a financial adviser or an independent financial adviser to the Company and its associates in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Group and its associates. We were not aware of any relationship or interest between us and the Company or any other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee and the Independent Shareholders.

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## LETTER FROM CRESCENDO

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### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the SGM. The Directors have collectively and individually accepted full responsibility for the Circular, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and having made all reasonable enquiries have confirmed that, to the best of their knowledge and belief, the information contained in the 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 in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purposes of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion regarding the Acquisition, we have considered the following principal factors and reasons:

#### **1. Information on the Group**

The Company is an investment holding company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange. The Group is principally engaged in the provision of media sales and design services and production of advertisements for transit vehicle exteriors and interiors, online portals, mobile applications, shelters and outdoor signage advertising businesses. It also provides integrated marketing services covering these advertising platforms.

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## LETTER FROM CRESCENDO

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The consolidated financial information of the Group for the six months ended 30 June 2017 and 2016 and the two years ended 31 December 2016, which was extracted from the interim report and annual report of the Company respectively, is summarized as follows:

|                                                                      | For the six months<br>ended 30 June |                 | For the year<br>ended 31 December                |                 |
|----------------------------------------------------------------------|-------------------------------------|-----------------|--------------------------------------------------|-----------------|
|                                                                      | 2017                                | 2016            | 2016                                             | 2015            |
|                                                                      | HK\$'000                            | HK\$'000        | HK\$'000                                         | HK\$'000        |
|                                                                      | (unaudited)                         | (unaudited)     | (audited)                                        | (audited)       |
| Total operating revenue                                              | 173,966                             | 197,878         | 414,696                                          | 429,921         |
| Loss before taxation                                                 | (10,143)                            | (8,680)         | (42,099)                                         | (41,137)        |
| Loss for the period/year<br>attributable to owners<br>of the Company | <u>(10,972)</u>                     | <u>(11,848)</u> | <u>(45,260)</u>                                  | <u>(47,913)</u> |
|                                                                      |                                     |                 |                                                  |                 |
|                                                                      |                                     |                 | As at<br>30 June 2017<br>HK\$'000<br>(unaudited) |                 |
| Non-current assets                                                   |                                     |                 | 22,594                                           |                 |
| Current assets                                                       |                                     |                 | <u>553,976</u>                                   |                 |
| Total assets                                                         |                                     |                 | 576,570                                          |                 |
|                                                                      |                                     |                 |                                                  |                 |
| Non-current liabilities                                              |                                     |                 | (5)                                              |                 |
| Current liabilities                                                  |                                     |                 | <u>(87,121)</u>                                  |                 |
| Total liabilities                                                    |                                     |                 | <u>(87,126)</u>                                  |                 |
|                                                                      |                                     |                 |                                                  |                 |
| Net assets                                                           |                                     |                 | <u>489,444</u>                                   |                 |
|                                                                      |                                     |                 |                                                  |                 |
| Equity attributable to owners of the Company                         |                                     |                 | <u>481,229</u>                                   |                 |

The total operating revenue of the Group for the year ended 31 December 2016 was approximately HK\$414.7 million, representing a decrease of approximately 3.5% as compared to the previous year. The revenue generated from the media sales services was approximately HK\$407.5 million for the year ended 31 December 2016, representing a 1.1% decrease as compared to approximately HK\$411.9 million for the year ended 31 December 2015. The decrease in revenue of media sales services was mainly attributable to a shrinking demand in advertising services triggered by economic uncertainty over the world markets and the local retail segment as well as increasingly keen competition in the advertising industry. In line with the lowered operating revenue, the Group's

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## LETTER FROM CRESCENDO

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operating expenses (including royalty, licence and management fees, cost of production, staff expenditure, depreciation and amortization, cost of inventories sold, repairs and maintenance and other operating expenses) also decreased by approximately HK\$42.3 million from approximately HK\$455.0 million for the year ended 31 December 2015 to approximately HK\$412.7 million for the year ended 31 December 2016. Despite the impairment loss on accounts receivable reduced by approximately HK\$10.7 million for the year ended 31 December 2016, the recognition of an impairment loss on property, plant and equipment and provision for onerous contracts for BUS-TV business in the amount of approximately HK\$22.9 million and HK\$14.5 million respectively during the year further increased the loss before taxation from approximately HK\$41.1 million for the year ended 31 December 2015 to approximately HK\$42.1 million for the year ended 31 December 2016. The loss attributable to owners of the Company amounted to HK\$45.3 million for the year ended 31 December 2016, as compared to HK\$47.9 million for the year ended 31 December 2015.

The total operating revenue of the Group for the six months ended 30 June 2017 was approximately HK\$174.0 million, representing a decrease of approximately HK\$23.9 million (or 12.1%) as compared to the previous corresponding period. The revenue generated from the media sales services was approximately HK\$163.4 million for the six months ended 30 June 2017, representing a decrease of approximately 14.6% as compared to the prior corresponding period. Such reduction was mainly due to the gradual scaling down of the BUS-TV business in view of the approaching of the expiry date of the related licence agreement with The Kowloon Motor Bus Company (1933) Limited of 30 June 2017. Meanwhile, the Group's operating expenses (including royalty, licence and management fees, cost of production, staff expenditure, depreciation and amortization, cost of inventories sold, repairs and maintenance and other operating expenses) also decreased by approximately HK\$22.5 million from approximately HK\$206.6 million for the six months ended 30 June 2016 to approximately HK\$184.1 million for the six months ended 30 June 2017 with the recognition of net reversal of provision for onerous contracts of approximately HK\$10.1 million, a decrease in cost of inventories sold of approximately HK\$5.1 million, a decrease in depreciation and amortization of approximately HK\$5.4 million and an increase in impairment loss on accounts receivable of approximately HK\$1.8 million. As the decrease in revenue outweighed the decrease in operating expenses, the loss before taxation of the Group increased from approximately HK\$8.7 million for the six months ended 30 June 2016 to approximately HK\$10.1 million for the six months ended 30 June 2017. The loss attributable to owners of the Company amounted to approximately HK\$11.0 million for the six months ended 30 June 2017, as compared to approximately HK\$11.8 million for the six months ended 30 June 2016.

As at 30 June 2017, the non-current assets of the Group amounted to approximately HK\$22.6 million, of which approximately HK\$12.3 million were property, plant and equipment, approximately HK\$1.3 million were non-current prepayments and deposits and approximately HK\$8.9 million were deferred tax assets. The current assets of the Group amounted to approximately HK\$554.0 million as at 30 June 2017, which mainly consisted of amounts due from fellow subsidiaries of approximately HK\$7.5 million, accounts receivable of approximately HK\$77.8 million, other receivables and deposits of approximately HK\$8.5 million, pledged bank deposits of approximately

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## LETTER FROM CRESCENDO

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HK\$79.3 million and bank deposits and cash of approximately HK\$380.5 million. The current liabilities of the Group as at 30 June 2017 amounted to approximately HK\$87.1 million, which mainly comprised accounts payable of approximately HK\$0.9 million, other payables and accruals of approximately HK\$80.0 million, provision for onerous contracts of approximately HK\$4.4 million and current tax payable of approximately HK\$1.0 million. As at 30 June 2017, the net current assets of the Group amounted to approximately HK\$466.9 million while the net assets attributable to the owner of the Company amounted to approximately HK\$481.2 million. The gearing ratio, as expressed as total liabilities over total assets, of the Group was approximately 15.1% as at 30 June 2017.

### **2. Information on the Target and the Subject Companies**

The Target is a company incorporated in Hong Kong with limited liability and was owned as to approximately 75.00%, 11.79%, 7.55%, 3.77% and 1.89% by Vendor 1, Vendor 2, Vendor 3, Vendor 4 and Vendor 5 respectively as at the date of the Agreement. The Target is a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities and is principally engaged in external asset management business and investment advisory services to fund management business.

#### ***External asset management (“EAM”)***

The Target acts as an external asset manager to manage the assets of, and provide investment solutions to, clients which are mostly high net worth individuals. By referring clients to private banks and financial institutions, providing investment advice to these clients and executing the investment decisions on their behalf, the Target generates income in the form of rebate from private banks and financial institutions based on the trading activities of the clients. The Target engaged consultants (including Vendor 3) to source prospective high net worth clients for the EAM business and pay commissions to such consultants based on the Target’s revenue generated from the EAM clients referred by them.

#### ***Investment advisory services to fund management (“FM”)***

Commencing from May 2017, the Target has also engaged in providing portfolio advisory and management services to fund management. The Target is the investment adviser/investment manager of the Subject Companies, which are fund managers/general partners of eight offshore private equity funds with a total committed AUM of approximately HK\$5,654 million as at 30 November 2017. The Subject Companies were incorporated in Cayman Islands in 2017 with limited liability and were owned by Vendor 3 and the related parties and/or nominees of Vendor 1, Vendor 2 and Vendor 3 as at the Latest Practicable Date. As the fund manager/general partner of the funds, the Subject Companies manage the assets and investments of the funds on a discretionary basis in pursuit of the investment objectives and strategies of the funds. In return, they are remunerated with management fees from the funds. In connection with its fund management services, as disclosed above, the Subject Companies have appointed the

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## LETTER FROM CRESCENDO

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Target as investment advisers to provide portfolio advisory and management services to the Subject Companies in respect of the eight offshore private equity funds and the Target receives advisory fees from the Subject Companies based on a fixed annual rate on the committed AUM of the Subject Companies.

### *Financial information*

The audited financial information of the Target for the two years ended 31 March 2017 and 2016 as extracted from its audited financial statements, which were prepared in accordance with the Hong Kong Financial Reporting Standards, is summarized as follows:

|                        | <b>For the year<br/>ended 31 March</b> |                      |
|------------------------|----------------------------------------|----------------------|
|                        | <b>2017</b>                            | <b>2016</b>          |
|                        | <i>HK\$'000</i>                        | <i>HK\$'000</i>      |
| Turnover               | 72,963                                 | 37,374               |
| Profit before taxation | 2,195                                  | 4,585                |
| Profit after taxation  | <u>1,851</u>                           | <u>3,846</u>         |
|                        |                                        |                      |
|                        |                                        | <b>As at</b>         |
|                        |                                        | <b>31 March 2017</b> |
|                        |                                        | <i>HK\$'000</i>      |
| Non-current assets     |                                        | 41                   |
| Current assets         |                                        | <u>21,178</u>        |
| Total assets           |                                        | 21,219               |
| Current liabilities    |                                        | <u>(9,068)</u>       |
| Total liabilities      |                                        | <u>(9,068)</u>       |
| Net assets             |                                        | <u>12,151</u>        |

For the year ended 31 March 2017, revenue of the Target amounted to approximately HK\$73.0 million, representing an increase of approximately 95.2% as compared to the prior year. The increase was mainly attributable to a commission income of approximately HK\$32.2 million generated from a placing arrangement for the year ended 31 March 2017. Save for the commission income generated from a placing arrangement, the revenue of the Target for the two years ended 31 March 2016 and 2017 represented commission income from the EAM business. Despite an increased revenue, the profit before taxation of the Target decreased by approximately 52.2% from approximately HK\$4.6 million for the year ended 31 March 2016 to approximately HK\$2.2 million for the year ended 31 March 2017 as a result of the increase in staff costs and legal and professional fees incurred along with the business development of the Target.

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As at 31 March 2017, the Target had minimal non-current assets of property, plant and equipment while the current assets of the Target amounted to approximately HK\$21.2 million, which mainly comprised accounts receivable, other receivables and prepayment of approximately HK\$10.5 million and cash and bank balances of approximately HK\$10.3 million. The current liabilities of the Target as at 31 March 2017 amounted to approximately HK\$9.1 million, comprising accounts payable of approximately HK\$8.7 million and accruals and other payables of approximately HK\$0.4 million. As at 31 March 2017, the net current assets and the net assets of the Target amounted to approximately HK\$12.1 million and HK\$12.2 million respectively. The gearing ratio, as expressed as total liabilities over total assets, of the Target was approximately 42.7% as at 31 March 2017. With reference to the unaudited management accounts of the Target, the unaudited net asset value of the Target amounted to approximately HK\$31.4 million as at 30 November 2017. The increase in net asset value of the Target was mainly attributable to the increase in cash and bank balances of approximately HK\$11.6 million and the decrease in accounts payable of approximately HK\$8.3 million during the period from 31 March 2017 to 30 November 2017.

As the Subject Companies were only incorporated in May 2017, no full financial year results thereof were available as at the Latest Practicable Date. As at 31 December 2017, the unaudited net asset value of BTS Investment, Shangtai Asset Management and Nantai Investment were approximately HK\$30,000, HK\$1.5 million and HK\$12,000 respectively, and the unaudited net liabilities of BTY Investment amounted to approximately HK\$3.9 million.

### **3. Reasons for the Acquisition**

The Group is principally engaged in the provision of media sales and design services and production of advertisements for transit vehicle exteriors and interiors, online portal, mobile applications, shelters and outdoor signages advertising businesses as well as provision of integrated marketing services covering these advertising platforms.

As set out in the composite document of the Company dated 21 November 2017, following the completion of the general offer and subject to the then circumstances, Bliss Chance was contemplating to diversify the business of the Group particularly into the financial services sector in which Mr. Xu, an executive Director, and Dr. Ma Weihua, a non-executive Director, have substantial experiences, with a view to broadening the source of income of the Group. The Target is in possession of the requisite licences to carry out EAM and FM businesses with established customer base of high net worth individuals and portfolios of funds under management with a considerable size of AUM. In view of the readily accessible licensed platform and the well-established customer base and AUM of the Target, the Directors are of the view that the Acquisition will provide a fast track for the Group to tap into the financial services sector.

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Moreover, given that the Subject Companies are fund managers/general partners of eight offshore private equity funds and their businesses are closely related to the FM business of the Target, the Company considers it is beneficial to the Group to acquire the Target and the Subject Companies altogether and integrate their businesses into the same segment after Completion so that the Target Group can benefit from the provision of a more comprehensive scope of fund management services. Furthermore, the acquisition of the Subject Companies would enhance the operational efficiency of the Target and achieve cost savings from the combination of decision making processes and sharing of administrative functions between the Target and the Subject Companies, and enable the Target to absorb the valuable client base of the Subject Companies. Accordingly, the acquisition of the Subject Companies is part and parcel of the Acquisition.

Upon Completion, the Target and the Subject Companies will become wholly-owned subsidiaries of the Company and their financial results, assets and liabilities will be consolidated into the consolidated financial statements of the Group. In addition to the EAM and FM businesses, the Target intends to apply to the SFC to broaden its licensed activities in order to provide a full range of securities brokerage services to its clients. As at the Latest Practicable Date, the application is in process. Subject to the approval of the SFC, it is expected that the new services, such as securities brokerage and margin financing, will be launched in the second half of 2018 with high net worth individuals and corporates as target customers.

With reference to the Third Quarter Economic Report 2017 released by the Government of Hong Kong in November 2017, the gross domestic product (“GDP”) of Hong Kong grew by 3.6% in real terms in the third quarter of 2017 over a year earlier, after the growth of 3.9% in the preceding quarter (revised from the earlier estimate of 3.8%). This marked the fourth consecutive quarter of economic growth that stayed above the past-ten-year trend rate of 2.9% per annum. On a seasonally adjusted quarter-to-quarter comparison, real GDP recorded a continuous growth in six consecutive quarters from 2Q 2016. According to Hong Kong Monthly Digest of Statistics January 2018 issued by Census and Statistics Department of Hong Kong, the business receipts indices of financial markets and asset management sector under financing industry (excluding banking industry) was 110.3, 131.3, 119.9, 108.9, 121.7 and 128.2 for the year 2014, 2015 and 2016, the first quarter of 2017, the second quarter of 2017 and the third quarter of 2017 respectively.

The information released by Hong Kong Exchanges and Clearing Limited revealed that the number of listed companies in Hong Kong had increased from 1,973 in December 2016 to 2,118 in December 2017. In 2017, the average daily turnover and the average number of trades per trading day in the securities market amounted to approximately HK\$88.2 billion and approximately 1.2 million respectively, representing an increase of approximately 31.9% and 14.7% as compared to the previous year. The total funds raised in the securities market in 2017 increased by approximately 18.3%, from approximately HK\$490.1 billion in 2016 to approximately HK\$579.9 billion in 2017. With reference to “Fund Management Activities Survey 2016” issued by the SFC in July 2017, the asset management business conducted by licensed corporations and banks (covering retail, institutional, pension, private and other funds and mandates) recorded an annual increase of approximately 4.6% to approximately HK\$12,824 billion in 2016,

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of which approximately HK\$11,354 billion was managed by licensed corporations. In view of the continuous increase in number of high net worth individuals in Asia, the private wealth management business (including both the private banking business of registered institutions and private client funds of licensed corporations and registered institutions) also increased by approximately 9.0% from HK\$4,775 billion in 2015 to HK\$5,203 billion in 2016.

Having considered the positive outlook of the financial services sector in Hong Kong as illustrated above, the extensive experiences of Mr. Xu and Dr. Ma Weihua, being Directors, in the financial services industry and the Group's loss-making track record for the past two financial years, we consider that it is commercially justifiable for the Group to diversify its business into financial services in Hong Kong and concur with the view of the Directors that the Acquisition will provide an opportunity for the Group to diversify its scope of business to the financial services sector with positive prospects, and is in the interests of the Company and Shareholders as a whole.

#### **4. Consideration**

Pursuant to the Agreement, the Purchaser has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target, for the Consideration of HK\$270 million in aggregate, which shall be payable by the Purchaser to the Vendors as to (i) HK\$50 million in cash on the next Business Day after the date of the Agreement as Initial Deposit; and (ii) HK\$220 million by way of issue of the PNs at Completion. The Vendors shall also procure the respective shareholders of the Subject Companies to sell the entire issued share capital of such companies to the Purchaser or any subsidiary of the Company at nominal consideration on or before Completion.

The Consideration shall be apportioned among the Vendors according to their respective percentage interest held in the Target. The Consideration was determined after arm's length negotiations among the Purchaser and the Vendors with reference to the valuation of 100% equity interest in the Target and the Subject Companies as at 30 November 2017 prepared by Greater China Appraisal Limited (the "Valuer"), an independent professional valuer, using market approach and prepared on the basis that the Subject Companies have already been integrated into the same segment as the Target. As a result of the proposed integration, the Target and the Subject Companies are able to offer a comprehensive scope of fund management services and are comparable to the business model of the full-fledged asset management guideline public companies for the fund management segment identified by the Valuer. The valuation amounts to approximately HK\$272 million, details of which are set out in the valuation report set out in appendix I to the Circular.

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### *Valuation of the Target and the Subject Companies*

To assess the fairness and reasonableness of the Consideration, we have considered the valuation of the market value of the Target and the Subject Companies as at 30 November 2017 prepared by the Valuer as set out in Appendix I to the Circular (the “Valuation Report”) and performed works as required under Note 1(d) to Rule 13.80 of the Listing Rules in respect of the valuation of the Target and the Subject Companies, including interviewing with the Valuer as to its experiences in business valuation and its relationship with the parties to the Agreement, and discussing with the Valuer regarding its terms of engagement for the valuation, in particular to its scope of work. We noted that its scope of work was appropriate for it to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer in the Valuation Report. The Valuer confirmed us that apart from normal professional fee payable to it in connection with this valuation appointment, no arrangements exist whereby it would receive any fee or benefit from the parties to the Agreement. The Valuer also confirmed us that it was not aware of any relationship or interest between it and the Company or any other parties that would be reasonably considered to affect its independence to act as an independent valuer for the Company.

### *Valuation methodology*

We have reviewed the Valuation Report and discussed with the Valuer regarding the methodology, basis and assumptions adopted in arriving at the valuation of the Target and the Subject Companies as at 30 November 2017. We noted that the valuation of the Target and the Subject Companies was prepared in accordance with International Valuation Standards (2017 Edition) on business valuation published by International Valuation Standards Council and market approach was adopted by the Valuer in arriving at the market value of the Target and the Subject Companies. As set out in the Valuation Report, the Valuer has considered three generally accepted valuation approaches, namely asset approach, market approach and income approach, in conducting the valuation. Given that the asset approach only considers the replacement cost or reproduction cost of an asset but not reflecting its ability to generate streams of benefits in the future, and it is difficult to apply reliable, observable and justifiable input projections for the business of the Target and the Subject Companies for adopting the income approach in view of their dynamic business nature, the Valuer considers that market approach is the most appropriate method in valuing the Target and the Subject Companies as there are sufficient comparable publicly listed companies in the market that could facilitate a meaningful comparison. Having considered the aforementioned limitations in applying the asset approach and income approach in assessing the value of the Target and the Subject Companies, we concur with the Valuer that the market approach is an appropriate method in arriving at the valuation of the Target and the Subject Companies.

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Under the market approach, there are three methods namely direct market reference, guideline publicly traded company method and guideline merger and acquisition method. Given the Target and the Subject Companies are private companies and arm's length transactions of itself and comparable private investment fund management and advisory companies (especially the transfer of stake of general partners) were not active and details of which were usually not publicly disclosed, the Valuer did not adopt direct market reference and guideline merger and acquisition method in valuing the Target and the Subject Companies. Meanwhile, there is a pool of relevant and sufficient guideline public companies with comparable business model being identified by the Valuer. Therefore, guideline publicly traded company method is adopted by the Valuer in valuing the Target and the Subject Companies. Based on the above, we consider that the valuation methodology applied by the Valuer is fair and reasonable.

### *Valuation multiples*

As set out in the Valuation Report, the Valuer has adopted price-to-AUM ("P/AUM") as primary valuation multiple in valuing the Target and the Subject Companies given that (i) P/AUM is a well-recognized and appropriate valuation multiple for asset management and advisory companies considered by capital market participants as the size of the AUM represents the most original form of intrinsic value driver of the asset management company; (ii) P/AUM multiple is typically used to evaluate the valuation of asset management companies, including but not limited to, private equity fund management companies, private wealth advisory companies and other asset management companies; and (iii) other financial metrics such as revenue, earnings, net book value are susceptible to the volatile return cycles of the underlying investments while P/AUM provides relatively objective and reliable estimates on long-run sustained valuations of asset management and advisory companies.

During our research on publicly available information, we noted that P/AUM is commonly quoted as a valuation and performance measurement metrics in the industry reports of asset management industry such as Asset Management Valuation, Quarterly Update issued by PwC, a global professional firm, and Private Banking M&A Newsletter issued by Deloitte, a global professional firm. We also noted from an academic research paper, titled as "A Note on the Valuation of Asset Management Firms", which was written by Juha Joenväärä and Bernd Scherer, that market capitalization relative to AUM is a metric often used to value asset management firms. Juha Joenväärä, PhD, is an Assistant Professor at the University of Oulu and a Visiting Researcher at Imperial College, London while Bernd Scherer, PhD, is Managing Director of Deutsche Asset Management in Frankfurt, Research Associate at EDHEC Risk and Visiting Professor at WU Wien. Based on our research and having considered that the abovementioned reports and research paper were issued by reputable professional firms and academics, we believe that P/AUM is an appropriate and commonly used valuation multiple adopted by valuation practitioners in valuing asset management and advisory companies.

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Having considered that (i) the Target and the Subject Companies are typical asset management and fund advisory companies which derive almost all of their revenue from their AUM; and (ii) P/AUM is an appropriate and commonly used valuation multiple adopted by valuation practitioners in valuing asset management and advisory companies, we concur with the Valuer that it is representative, fair and reasonable to use P/AUM multiple in determining the market value of the Target and the Subject Companies.

### *Comparables*

We were advised by the Valuer that it considers the Target and the Subject Companies have two segments of businesses, namely EAM business and FM business, and has identified 13 comparable companies for the EAM business (the “EAM Comparables”) and 14 comparable companies for the FM business (the “FM Comparables”). Details of which are set out in the Valuation Report.

The EAM Comparables were identified based on a pool of factors of (i) being investment advisory companies specialized in providing investment and wealth solutions to high net worth individuals, separate accounts and institutional investors; (ii) having carried out the wealth advisory business primarily based on providing wealth and personal finance solutions to clients, managing client accounts, and collecting fee revenue based on the activity and performance of client assets; (iii) having a focused business model in wealth and personal finance related business; (iv) having an exposure to the Asia-Pacific investment opportunities; and (v) having sufficient data publicly and reliably disclosed. The FM Comparables were identified based on a pool of factors of (i) being fund management and advisory companies specialized in managing private equity and alternative investments on behalf of their investors; (ii) having carried out the fund advisory and management business primarily based on a partnership model and collecting revenue from limited partner investor clients in the form of management fees, advisory and performance-based fees primarily linking to the size of the client AUM base and the performance of the underlying investments managed on behalf of the clients; (iii) having a concentrated business model in fund advisory and management business; (iv) having a significant exposure to private equity and alternative asset focused funds; (v) having an investment exposure to the Asia-Pacific market or securities listed in the PRC or Hong Kong; and (vi) having sufficient data publicly and reliably disclosed.

We have reviewed the EAM Comparables and the FM Comparables, which are considered by the Valuer as fair and representative samples, and are satisfied that the EAM Comparables and the FM Comparables meet with the Valuer’s selection criteria for sampling valuation comparables to the Target and the Subject Companies. However, we noted that all of the EAM Comparables are listed on stock exchanges other than Hong Kong and the PRC, including United States of America, Canada and Switzerland. Meanwhile, only 2 out of 14 FM Comparables are listed on stock exchanges in Hong Kong and the PRC, namely Kunwu Jiuding Investment Holdings Company Limited (stock code: 600053), which is listed on the Shanghai Stock Exchange, and Value Partners Group Limited (stock code: 806), which is listed on the Stock Exchange,

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while the remaining comparable companies are listed in the United States of America. We were given to understand that the Valuer has identified no companies listed in Hong Kong and the PRC with sole business model comparable to the EAM business with reliable AUM disclosed and only two companies engaging in FM business which are listed in Hong Kong or the PRC. As the number of comparable companies was insufficient for conducting a meaningful comparison if only those companies listed in Hong Kong and/or the PRC are included as comparables, the Valuer has extended the pool of comparables to include comparable companies from other developed markets, including United States of America, Canada, West Europe, Australia, New Zealand, Japan and South Korea, such that an adequate pool of sampled companies are available for comparison purposes for both the EAM business and FM business. We understand from the Valuer that those comparables were selected based on collective checks on a pool of fundamental factors that govern the comparability including but not limited to the nature of business operations, products and markets, asset and business mix, data sufficiency and quality. Comparables with investment theme in Asian capital market, where is the major source of profits of the Target, and product offerings relating to the Asia-Pacific investment opportunities are preferred in selecting comparables. We were also advised that only companies in developed markets were selected and companies in emerging markets were excluded for comparison purposes as the economies and market conditions of Hong Kong have greater similarity to that of developed countries and doing business in an emerging market generally differs significantly from doing business in developed markets. Based on the above, we consider that it is appropriate to extend the pool of comparables to include companies in developed markets for comparison purposes.

Given that the EAM Comparables and the FM Comparables are public companies listed in stock exchanges in developed markets similar to Hong Kong and their business operations are similar to that of the EAM business and the FM business of the Target and Subject Companies respectively and there are insufficient listed comparable companies in Hong Kong and/or the PRC for conducting a meaningful comparison for valuation purposes, we consider that it is appropriate to include samples of companies in developed markets so as to get a reasonable size of sample pool for a meaningful comparison and the selection criteria adopted by the Valuer are fair and reasonable although it will be more desirable to include only those companies listed in the Stock Exchange for comparison purposes. Based on the above, we concur with the Valuer's view that the EAM Comparables and the FM Comparables used are sufficient and representative comparables in determining the respective P/AUM multiples and are reasonable and comparable to the EAM business and the FM business of the Target and the Subject Companies.

We noted that the Valuer has adopted the median of P/AUM multiple of the EAM Comparables of 1.98% and the median of P/AUM multiple of the FM Comparables of 4.61% for valuing the EAM business and FM business of the Target and the Subject Companies respectively. The Valuer considers that the median rule is more appropriate for valuation of companies in industries with more dispersed company valuations, such as asset management and information technology, as compared to other rules such as average rule after excluding outliers since the outlier-exclusion rule can be subjective

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in nature for determination of the cutoff threshold of the outliers while the median rule is often a more robust and objective measure of central tendency and is less susceptible to the effect of outliers than the average rule. Moreover, the median rule retains sufficient data points and respects the presence of each observation. On the contrary, the average rule (after further excluding outliers) can result in reduced data points, and reduced level of sample representativeness. The Valuer is of the view that any form of a proposed outliers rule can be purely a statistical measure that might not always result in enhanced fundamental representativeness of the surviving data sets. This is also the major reason why the Valuer did not further exclude the only two Hong Kong and PRC listed observations under the FM Comparables (being high-end observations) since (i) it would result in significantly reduced representativeness of the FM Comparables; (ii) outliers are usually retained under the median rule under common practices; and (iii) it would result in reduced sample size. The Valuer considers that the exclusion of the high-end outliers, such as Kunwu Jiuding Investment Holdings Co., 600053 CH EQUITY which has its P/AUM being 3.21 standard deviations higher than the average multiple, would significantly reduce the representativeness of the FM Comparables as they have the highest relevancy and comparability with the Target and the Subject Companies among other FM Comparables.

Having considered the limitation on data sufficiency and quality and the advantage of median that it is not skewed by extremely large or small values and median is one of the commonly used measures of a data set in statistics, we concur with the Valuer that it is appropriate, fair and reasonable to retain all P/AUM multiples under the EAM Comparables and the FM Comparables and adopt the median of the P/AUM multiple of the EAM Comparables and the FM Comparables for valuing the Target and the Subject Companies.

We also noted that a factor adjustment of 1.00 and 0.73 was applied to the adopted P/AUM multiple for valuation of the EAM business and the FM business respectively. Application of the P/AUM multiple relies on the inherent assumption that the earning power of the AUMs of the comparables and the subject are expected to be similar in the long run. Therefore, the Valuer had compared the earning power of the AUMs of the EAM Comparables and FM Comparables against the Target's EAM business and the FM business respectively. Since the recent earning power of the Target's EAM business was approximately in line with that of the EAM Comparables, a factor adjustment of 1.00 is adopted. We were advised by the Valuer that a factor adjustment was applied to the FM business as its recent earning power was approximately in line with that of the FM Comparables, except that the FM Comparables had historically earned incentive fees that accounted for approximately 27% of their revenue. We have reviewed the information of the FM Comparables regarding the portion of revenue generated from management fee and our findings are in line with those of the Valuer. Since the FM business of the Target and the Subject Companies has yet to earn any performance-based revenue based on the existing arrangements while on average approximately 27% of the revenue of the FM Comparables were derived from performance-based revenue, the Valuer has adopted a factor adjustment of 0.73 to adjust the raw P/AUM multiple downwards to reflect the lower earning power of the FM business of the Target and the Subject Companies as compared to the FM Comparables. Given the earning

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power of the Target's EAM business was approximately in line with that of the EAM Comparables and the existing revenue of the Target's FM business was solely derived from the fixed management fee depending on the AUM and the adjustment to the valuation multiple can appropriately reflect the quantitative difference (despite similar business models) between the FM business of the Target and the FM Comparables and is commonly adopted in in-depth valuation analyses, we concur with the view of the Valuer that it is fair and reasonable to apply a factor adjustment of 1.00 and 0.73 to the median P/AUM multiple of the EAM Comparables and the FM Comparables respectively.

### *AUM*

We have reviewed, and discussed with the Valuer and management of the Company, the breakdown of AUM of the Target's EAM business and FM business and were given to understand that the AUM under EAM business represents the balance of the total net worth of EAM customers of the Target managed by the private banks while the AUM under FM business represents the committed AUM of the eight offshore private equity funds of which the Subject Companies are the fund managers or general partners. As at 30 November 2017, the Target's AUM under EAM business and FM business amounted to approximately HK\$5,839 million and HK\$5,654 million respectively.

We have reviewed (i) samples of statements from the private banks in respect of the AUM under EAM business and samples of contracts regarding the committed contribution of the investment funds for assessing the calculation of the AUM; and (ii) the historical AUM of the Target's EAM business, and noted that quarterly average of AUM under EAM business for 2016 and eleven months ended 30 November 2017 were approximately HK\$5,267 million and HK\$6,473 million respectively, which were not materially deviated from that of the AUM as of 30 November 2017. Based on the above, we concur with the view of the Valuer that the AUMs adopted in the valuation of the Target and the Subject Companies are fair and reasonable.

### *Control premium and lack of marketability discount*

We noted that a control premium of 10% is adopted by the Valuer to adjust for the effect of minority interest market value to controlling interest market value. Control premium represents the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. Since the P/AUM multiples adopted in the valuation was derived from the public listed companies, which represents minority ownership interest, a control premium is applied to reflect the entire controlling interest in the Target and the Subject Companies. The 10% control premium was determined by the Valuer with reference to the research result as published in FactSet MergerStat Review 2017, a guide providing empirical support for quantifying control premiums, implied minority discounts and public company valuation multiples with nearly 19 years of transaction data. We have reviewed FactSet MergerStat Review 2017 and noted that the average percent premium offered for acquiring a controlling equity interest to that for a minority interest was approximately 10.1% during the period from 2015 to 2016. Given that FactSet MergerStat Review

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is an independent research study report which provides data and statistics on recent merger and acquisition transactions, we concur with the view of the Valuer that the control premium of approximately 10% as set out in FactSet MergerStat Review 2017 is a valid reference for determining the control premium for the shares of the Target and the Subject Companies and the control premium of 10% applied to the valuation of the Target and the Subject Companies is fair and reasonable.

Since the shares of the Target and the Subject Companies are not publicly traded and an active market for the shares does not exist, a discount for lack of marketability of 19% was applied in the valuation to discount for lack of ability of converting shares of the Target and the Subject Companies into immediate cash. The Valuer considered a discount for lack of marketability of 19% was appropriate for the valuation of the Target and the Subject Companies, having made reference to the FMV Restricted Stock Study (2016) (the “FMV Study”), a guide assisting valuation experts in determining an appropriate discount for lack of marketability for calculating the value of closely held and restricted shares. We have reviewed the FMV Study and noted that the average discount for restricted stocks of publicly traded profit-making companies of 205 transactions is 18.7%. Given the extensive data and time span of the FMV Study and the similarity in the characteristics of lack of marketability of the shares of the Target and the Subject Companies and the stocks under the study, we consider that the average discount rate of 18.7% as set out in the FMV Study is a valid reference for determining the lack of marketability discount for the shares of the Target and the Subject Companies and the lack of marketability discount applied to the valuation of the Target and the Subject Companies is fair and reasonable.

### *General assumptions*

We have also reviewed the general assumptions, such as no material changes in the existing political, legal, fiscal, foreign trade and economic conditions, the Target and the Subject Companies would be able to retain competent management, key personnel and technical staff to support the ongoing operation and maintain their AUM at similar level in the long run (despite there could be ups and downs in the AUM size in response to market fluctuations), adopted by the Valuer in the valuation of the Target and the Subject Companies and were satisfied that those assumptions are commonly adopted in valuation of a company and fair and reasonable for the purposes of assessing the market value of the Target and the Subject Companies.

Given the valuation methodology applied by the Valuer is normal and usual among professional valuers and is in compliance with International Valuation Standards, we consider that the methodology and basis for determining the valuation of the Target and the Subject Companies by the Valuer is appropriate. In light of the above and the fact that no unusual matters had come to our attention that led us to believe that the valuation of the Target and the Subject Companies was not prepared on a reasonable basis, we are of the opinion that the valuation of the Target and the Subject Companies is a fair and reasonable benchmark for assessing the Consideration.

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### *Alternative assessments*

Apart from referencing to the valuation of the Target and the Subject Companies performed by the Valuer, we have also tried to assess the value of the Target and the Subject Companies independently by using the commonly adopted approaches in evaluation of a company, namely dividends approach, net assets approach and price-to-earnings approach. However, given that no dividends were declared by the Target and the Subject Companies for the past two years, we consider that the dividends approach is not applicable for assessing the value of the Target and the Subject Companies. Meanwhile, being companies principally engaged in the provision of services to their customers, the Target and the Subject Companies are not capital intensive in nature. Therefore, we consider that the net assets approach is not suitable for assessing the value of the Target and the Subject Companies. We noted that the Subject Companies were incorporated in May 2017 with no full financial year results available as at the Latest Practicable Date while the full financial year results of the Target as at 31 March 2017 did not include the results of the FM business, which commenced in May 2017. Given no representative full financial year results of the Target and the Subject Companies were available as at the Latest Practicable Date, we consider that the evaluation of the value of the Target and the Subject Companies by referencing to the historical price-to-earnings ratio is also inappropriate.

In addition, we have considered to assess the value of the Target and the Subject Companies by discounted cash flows method. However, given valuations using discounted cash flows method involve various subjective assumptions and parameters which may largely affect the value of the subject, we consider that it is inappropriate to use income approach to assess the value of the Target and the Subject Companies.

### *Conclusion*

Having considered that the valuation of the Target and the Subject Companies as at 30 November 2017 was arrived at by an independent professional valuer in compliance with International Valuation Standards on a reasonable basis and taking into account our workdone performed as set out in the section headed “Valuation of the Target and the Subject Companies” above, including discussions with the Valuer, and review of the relevant documents regarding the methodology, valuation multiples, comparables selection criteria, adjustment factors, AUM, control premium and lack of marketability discount adopted by the Valuer, we consider that such value is a fair and reasonable indication of the market value of the Target and the Subject Companies. As the sum of the Consideration of HK\$270 million represents a discount of approximately 0.7% to the valuation of the Target and the Subject Companies as at 30 November 2017 of approximately HK\$272 million as set out in the Valuation Report, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms.

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### 5. Promissory Note

Pursuant to the Agreement, the Purchaser shall issue the PNs with principal amount of HK\$220 million to the Vendors at Completion for partial payment of the Consideration. The PNs shall be unsecured, bearing interest at 3% per annum and repayable on the date falling two years after the date of issue. The Purchaser is entitled to early repay all or part of the outstanding principal amount of the PNs and interests accrued thereon at its own discretion. The terms of the PNs were determined after arms' length negotiations between the Purchaser and the Vendors. The interest rate to be charged on the PNs of 3% per annum was determined with reference to the Group's cost of fund of approximately 4% per annum if it were to obtain a two-year loan from commercial banks to finance such portion of the Consideration.

To evaluate the fairness and reasonableness of the terms of the PNs, we have compared the terms of the PNs with those of other promissory notes issued by companies listed on the Main Board of the Stock Exchange for wholly/partial settlement of the consideration for acquisitions (the "PN Comparables") during the period from 24 July 2017, being 6 months immediately preceding the date of the Agreement, to the date of the Agreement (the "PN Comparison Period"). We have identified 11 PN Comparables, which is considered to be exhaustive, for comparison purposes. We consider that the PN Comparison Period is sufficient and representative for comparison purposes as it covers a current period that reveals the prevailing market conditions and sentiments in the Hong Kong stock market and the recent structure of the issues of promissory notes in Hong Kong for settlement of the consideration for acquisitions and contains sufficient samples and information to enable the Shareholders to have a general understanding on the recent transactions regarding issue of promissory notes for settlement of the consideration for acquisitions being conducted in the Hong Kong stock market.

Shareholders should note that the comparison with the PN Comparables is for illustrative purpose only as the principal activities, market capitalization, profitability and financial position of the PN Comparables may be different from those of the Company. All these factors may affect the terms of the promissory notes of the PN Comparables. Despite the aforementioned, since the PN Comparables can provide a general reference of the transactions involving the issue of promissory notes in the Hong Kong stock market for settlement of the consideration for acquisitions, we

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consider the comparison with the PN Comparables an appropriate basis for assessing the fairness and reasonableness of the terms of the PNs. Moreover, in forming our opinion on the terms of the PNs, we have considered the results of the comparison with the PN Comparables together with other factors stated in this letter as a whole. Details of the PN Comparables are summarized as follow:

| <b>Company name<br/>(stock code)</b>                       | <b>Date of<br/>announcement<br/>(DD/MM/YYYY)</b> | <b>Interest<br/>rate per<br/>annum<br/>(%)</b> | <b>Maturity<br/>(years)</b> |
|------------------------------------------------------------|--------------------------------------------------|------------------------------------------------|-----------------------------|
| Realord Group Holdings Limited (1196)                      | 18/01/2018                                       | N/A<br>(Note 1)                                | 5.0                         |
| Chuan Holdings Limited (1420)                              | 11/12/2017                                       | 2.0                                            | 3.0                         |
| ICO Group Limited (1460)                                   | 07/12/2017                                       | 2.0                                            | 3.0                         |
| Differ Group Holding Company<br>Limited (6878)             | 27/10/2017                                       | 5.0                                            | 1.5                         |
| Newtree Group Holdings Limited (1323)                      | 21/09/2017                                       | Nil                                            | 2.0                         |
| China Child Care Corporation Limited<br>(1259)             | 21/09/2017                                       | Nil                                            | N/A<br>(Note 2)             |
| Lisi Group (Holdings) Limited (526)                        | 17/09/2017                                       | Nil                                            | 0.25                        |
| GT Group Holdings Limited (263)                            | 01/09/2017                                       | 8.0                                            | 3.0                         |
| GT Group Holdings Limited (263)                            | 07/08/2017                                       | 8.0                                            | 2.0                         |
| Suncity Group Holdings Limited<br>(1383)                   | 27/07/2017                                       | 2.0                                            | 2.0                         |
| Cybernaut International Holdings<br>Company Limited (1020) | 26/07/2017                                       | Nil                                            | 2.0                         |
| Minimum                                                    |                                                  | Nil                                            | 0.25                        |
| Maximum                                                    |                                                  | 8.0                                            | 5.0                         |
| Average                                                    |                                                  | 2.7                                            | 2.375                       |
| the Company                                                | 23/01/2018                                       | 3.0                                            | 2.0                         |

*Source: the website of the Stock Exchange*

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## LETTER FROM CRESCENDO

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*Notes:*

1. The interest rate is equivalent to 2% less than the interest rate of the bank and/or other facilities obtained by Realord Group Holdings Limited and/or any of its wholly-owned subsidiary for the payment of the cash portion of the total consideration. As the actual interest rate incurred was not disclosed in the announcement, the interest rate of such comparable is excluded in computing the average interest rate of the PN Comparables.
2. The promissory note is repayable on the date falling on the first business day after the date of completion of an acquisition of the subject company.

As set out in the above table, the interest rates of the PN Comparables were set in a range of nil and 8.0%, with an average interest rate of 2.7%. The interest rate of the PNs of 3.0% falls within the range of the PN Comparables but is slightly higher than the average interest rate of the PN Comparables. The duration of maturity of the PN Comparables ranged from 0.25 years to 5 years and is lower than the average duration of maturity of the PN Comparables. Therefore, the duration of maturity of the PNs of 2 years also falls within the range of the PN Comparables. As the PN Comparables represent all issues of promissory notes for settlement of consideration for acquisitions conducted by listed companies in the Hong Kong stock market during the PN Comparison Period identifiable by us on best effort basis, we consider the PN Comparables are indicative and representative of the normal market practices in Hong Kong market for comparison purposes.

Given that (i) the interest rate and the duration of maturity of the PNs fall within the range of those of the PN Comparables; (ii) the early repayment option of the PNs provides the Group with flexibility in utilizing its internal resources; and (iii) we are not aware of any term of the PNs which is uncommon in normal market practice, we consider that the terms of PNs are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **6. Liquidation damage**

Pursuant to the Agreement, a liquidation damage of HK\$5 million, being the sum of 10% of the Initial Deposit, shall be payable either by the Purchaser to the Vendors (in the event the Purchaser is the default party) or by the Vendors to the Purchaser or its nominee(s) (in the event any of the Vendors is the default party) within five Business Days after the date of the termination notice in the event that Completion does not take place as a result of the Purchaser or any of the Vendors failing to comply fully with or discharge any of its respective obligations under the Agreement, despite all conditions precedent having been fulfilled or waived (as the case may be). The Initial Deposit (net of HK\$5 million to be retained by the Vendors as a settlement of the liquidation damage by the Purchaser in the case where such amount is payable by the Purchaser to the Vendors) shall be refunded to the Purchaser or its nominee(s) within five Business Days after the date of termination notice.

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## LETTER FROM CRESCENDO

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We were given to understand that the liquidation damage of HK\$5 million was agreed between the Purchaser and the Vendors after considering the time and efforts in negotiating the terms of the Agreement and performing due diligence review and the legal and professional fees incurred for the Acquisition before Completion. Given that the liquidation damage arrangement provides a compensation to the non-default party in the event of default by the counterparty and is applicable to both the Purchaser and the Vendors and the compensation amount was determined after taking into account the estimated loss to be suffered by the parties, we consider that the liquidation damage arrangement is fair and reasonable.

### **7. Financial effects of the Acquisition**

Upon Completion, the Target and the Subject Companies will become wholly-owned subsidiaries of the Company and their assets, liabilities and financial results will be consolidated into the consolidated financial statements of the Group. The financial effects of the Acquisition on the Group's earnings, cashflow, net asset value and gearing are set out below. However, it should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group would be upon Completion.

#### ***Earnings***

Had the Acquisition been completed on 1 January 2016, the profit of the Group attributable to owners of the Company for the year ended 31 December 2016 would have increased as the Target recorded net profit of approximately HK\$1.9 million for the year ended 31 March 2017.

#### ***Cashflow***

The Consideration of HK\$270 million shall be settled as to HK\$50 million in cash and HK\$220 million by way of issue of the PNs. The cash Consideration in the amount of HK\$50 million has been paid in cash by the Purchaser to the Vendors. Therefore, the Acquisition shall give rise to a cash outflow of HK\$50 million by the Group upon Completion.

#### ***Net asset value***

The decrease in cash for payment of cash Consideration and increase in liabilities resulting from the issue of PNs for the Acquisition would have been netted off by the increase in goodwill arising from the Acquisition (being the difference between the Consideration and the net asset value of the Target and the Subject Companies) and the increase in net asset value of the enlarged Group resulting from consolidation of the assets and liabilities of the Target and the Subject Companies into the Group. However, after taken into account the expenses associated with the Acquisition, the net asset value of the Group attributable to the owners of the Company would have decreased had the Acquisition been completed on 30 June 2017.

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## LETTER FROM CRESCENDO

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### *Gearing*

Since the PNs would be issued by the Purchaser as partial settlement of the Consideration, the gearing, as expressed as total liabilities over total assets, of the Group would have increased had the Acquisition been completed on 30 June 2017.

Based on the above analysis, we noted that the Acquisition would have a positive effect on the earnings of the Group but negative effects on cash position, net asset value and gearing of the Group. However, having considered the reasons and benefits of the Acquisition and the fairness and reasonableness of the Consideration, we are of the view that the short-term adverse financial impacts of the Acquisition to the Group in respect of cash position, net asset value and gearing are commercially justifiable.

### RECOMMENDATION

Having considered the principal factors and reasons stated above, we consider that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned, the transactions contemplated under the Agreement are on normal commercial terms and in the interests of the Company and Shareholders as a whole although the Acquisition is not conducted in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favor of the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Crescendo Capital Limited**

**Amilia Tsang**  
*Managing Director*

**Helen Fan**  
*Associate Director*

#### *Notes:*

1. Ms. Amilia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activities and has approximately 14 years of experience in corporate finance.
2. Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activities and has approximately 10 years of experience in corporate finance.

*Set out below is the text of the valuation report from Greater China Appraisal Limited, an independent valuer, in connection with its valuation as at 30 November 2017 of the 100% equity interests in the Target and the Subject Companies, which has been prepared for the purpose of inclusion in this circular.*

**Greater China Appraisal Limited**

Room 2703 - 08, 27/F, Shui On Centre  
6-8 Harbour Road, Wanchai, Hong Kong

28 February 2018

Board of Directors  
RoadShow Holdings Limited  
Flat D, 2/F, HK Spinners Industrial Building,  
Phase 5, 760-762 Cheung Sha Wan Road, Kowloon, Hong Kong

Dear Sirs/Madams,

**Valuation of 100% Equity Interests in Target Capital Management Limited  
and the Subject Companies**

In accordance with the instructions from RoadShow Holdings Limited (the “Company”), we were engaged to perform a valuation analysis in relation to the market value of 100% equity interests (the “Equity Interests”) in Target Capital Management Limited (the “Target”) and BTS Investment Limited, BTY Investment Limited, NanTai Investment Limited and Shangtai Asset Management Limited (hereafter collectively referred to as the “Subject Companies”, which are the fund managers/general partners of eight offshore private equity funds and are currently being advised by the Target). As at 30 November 2017 (the “Valuation Date”), the assets under management (“AUM”) of the Target has amounted to HKD11.49 billion based on the record of the Target, with HKD5.84 billion of AUM from its external asset management (“EAM”) segment based the total net worth balance of its EAM clients (“EAM Clients”) and HKD5.65 billion of AUM from its fund management (“FM”) segment based on the total committed contribution to eight offshore investment funds.

It is our understanding that our analysis will be used by the management of the Company for transaction reference purpose only. Our analysis was conducted for the above-mentioned purpose only and this report should be used for no other purpose without our express written consent. Our work was performed subject to the limiting conditions and general service conditions described in this report. The standard of value is market value; while the premise of value is going concern.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

**I. PURPOSE OF ENGAGEMENT**

It is our understanding that our analysis will be used by the management of the Company solely for transaction reference purpose.

**II. SCOPE OF SERVICES**

We were engaged by the management of the Company in evaluating the market value of the Equity Interests in the Target and the Subject Companies as at the Valuation Date.

**III. BASIS OF VALUATION**

We have performed valuation of the Equity Interests on the basis of market value.

The opinion of value in the valuation will be on the basis of market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuation has been prepared in accordance with the International Valuation Standards (2017 Edition) on business valuation published by International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

**IV. PREMISE OF VALUE**

Premise of value relates to the concept of valuing a subject in the manner that would generate the greatest return to the owner of the Target and the Subject Companies. It takes account of what is physically possible, financially feasible and legally permissible. Premise of value includes the following:

1. **Going concern:** appropriate when a business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;
2. **Orderly liquidation:** appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;
3. **Forced liquidation:** appropriate when time or other constraints do not allow an orderly liquidation; and

4. **Assembled group of assets:** appropriate when all assets of a business are sold in the market piecemeal instead of selling the entire business.

This valuation is prepared on a going concern basis.

## **V. LEVEL OF VALUE**

Valuation is a range concept and current valuation theories suggest that there are three basic “levels” of value applicable to a business or business interest. The levels of value are respectively:

1. **Controlling interest:** the value of the controlling interest, always evaluate an enterprise as a whole;
2. **As if freely tradable minority interest:** the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and
3. **Non-marketable minority interest:** the value of a minority interest, lacking both control and market liquidity.

This valuation is prepared on a controlling interest basis.

## **VI. SOURCES OF INFORMATION**

Our analyses and conclusions were based on our discussions with the management of the Target, as well as reviews of key documents and records, including but not limited to:

1. Management and segmental accounts as at the Valuation Date;
2. Audited financial statements for the years ended 31 March 2016 and 31 March 2017;
3. Breakdown of the AUM into the EAM segment and FM segment as of the Valuation Date;
4. Business background and current management biography of the Target;
5. Sampled signed agreements in relation to the EAM services provided by the Target;
6. Sampled signed agreements in relation to the FM services provided by the Target and the Subject Companies;
7. Copy of the official allotment document relating to the 300,000 new shares allotted to two new shareholders on a unit price of HKD50.00 on 29 August 2017;

8. Copy of the official stamp duty document relating to the transfer of 3,975,000 existing shares (or 75%) from Bison Capital Fashion Limited (incorporated in the BVI) to Bison Capital Holding Company Limited (incorporated in Hong Kong) at a consideration of HKD225,000,000; and
9. Financial information of the Subject Companies as of November 2017.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and the news.

## **VII. TRANSACTION OVERVIEW**

It is proposed that a wholly-owned subsidiary of the Company to acquire 100% Equity Interests in the Target and the Subject Companies, being the four companies of investment managers/general partners of the eight offshore investment funds, to be proceeded on the condition that upon completion, no existing agreements, transactions or arrangements shall constitute connected transactions of the Company or otherwise they shall only constitute transactions that are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

## **VIII. ECONOMIC OVERVIEW OF CHINA**

In conjunction with the preparation of this valuation, we have reviewed and analysed the current economic conditions of Chinese market where a significant portion of the Target's and the Subject Companies' clients come from, and analysed how our valuation may be impacted.

### **1. Nominal GDP Growth in China**

In the period of 12th Five-year Plan (2011-2015), the status of economic development has been altered from rapid growth to medium-high speed growth. Under the new 13th Five-Year Plan (2016-2020), economy growth is expected to shift into lower gear as the country pursues a more sustainable and balanced expansion based on consumption, while striving to achieve a moderately prosperous society. Although the authorities are unlikely to roll out large-scale measures to drive growth, supply side reforms should gradually free up market vitality. A number of initiatives, notably the Belt and Road Initiative, Internet Plus and Made in China 2025, should also facilitate economic upgrading and increased global integration. As such, efforts to boost consumption are likely to whet an appetite for consumer goods, whereas industry upgrading is expected to stimulate demand for capital goods.

It can be observed that the real gross domestic products ("GDP") annual growth rate has been stabilised at around 7% from 2012 onwards, whereas the inflation has remained moderate around 2%. The slowdown of the economic expansion

was not a turning signal of economic downturn, but in fact it was matched with the expectation of Chinese government. Upon the inauguration of Chinese President Mr Xi Jinping and the new government officials in 2013, the core of economic policy has shifted from focusing on short-term stimulus to no stimulus, deleveraging and structural reform on the national economy. Premier Mr Li Ke Qiang has expressed his administration's policies, named as "Likonomics", on the future direction of Chinese economy. In the nutshell, it represents short-term pain in return for a long-term gain in the economy.

**Table 8-1 Real GDP Annual Growth Rate and Inflation of China**

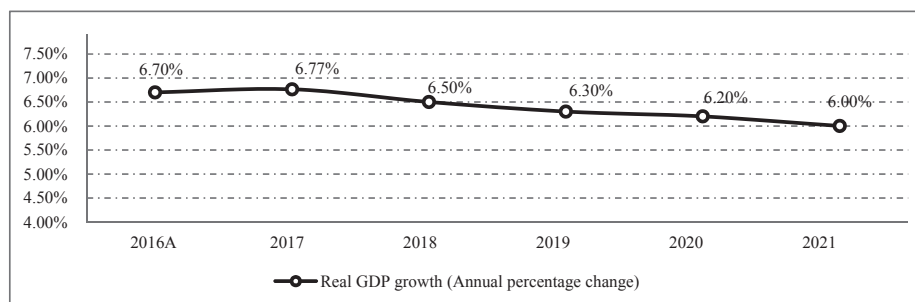
|                                 | 2012A | 2013A | 2014A | 2015A | 2016A |
|---------------------------------|-------|-------|-------|-------|-------|
| Real GDP annual growth rate (%) | 7.90  | 7.80  | 7.30  | 6.90  | 6.70  |
| Inflation (%)                   | 2.65  | 2.62  | 1.99  | 1.44  | 2.00  |

*Source: World Economic Outlook Database (October 2017), International Monetary Fund*

According to analysts' comment of Barclays bank, the Likonomics will put Chinese economy into a sustainable path, and it was estimated the annual growth for the next 10 years would lie at between 6% and 7%. In accordance with the forecast published by International Monetary Fund ("IMF"), the overall real GDP growth is at 6.70% in 2016, while the projection of the real GDP growth in the next five year would follow a steady decline from 6.77% in 2017 to 6.00% in 2021, which is in line with Mr Li's administration direction.

The following diagram shows the real GDP annual growth rate forecasts from 2016 to 2021.

**Figure 8-1 Forecasts of Real GDP Annual Growth Rate of China**



*Source: World Economic Outlook Database (October 2017), International Monetary Fund*

According to IMF, the Chinese economy was ranked 2nd in terms of size in 2016, it possesses the greatest growth prospect among top six economies in the world; the Chinese economy was forecasted to grow from USD11,938 billion in 2017 to

USD18,383 billion in 2022 with a compound annual growth rate (“CAGR”) of 9.0%. It is worth noting that the gap between the United States and China was projected to be narrowing over time.

**Table 8-2 Worldwide GDP**

|   |                | GDP — Billions of the United States Dollar (“USD”) |        |        |        |        |        |        |
|---|----------------|----------------------------------------------------|--------|--------|--------|--------|--------|--------|
|   |                | 2016A                                              | 2017F  | 2018F  | 2019F  | 2020F  | 2021F  | 2022F  |
| 1 | United States  | 18,624                                             | 19,362 | 20,200 | 21,024 | 21,846 | 22,681 | 23,505 |
| 2 | China          | 11,232                                             | 11,938 | 13,119 | 14,243 | 15,552 | 16,926 | 18,383 |
| 3 | Japan          | 4,937                                              | 4,884  | 5,063  | 5,205  | 5,280  | 5,374  | 5,482  |
| 4 | Germany        | 3,479                                              | 3,652  | 3,935  | 4,074  | 4,212  | 4,329  | 4,452  |
| 5 | United Kingdom | 2,629                                              | 2,565  | 2,661  | 2,731  | 2,804  | 2,880  | 2,961  |
| 6 | France         | 2,466                                              | 2,575  | 2,766  | 2,871  | 2,975  | 3,068  | 3,162  |

*Source: World Economic Outlook Database (October 2017), International Monetary Fund*

In the near-term outlook, there are several challenges affecting the China’s economy. The rapid growth in credit financing has derived a so-called ‘shadow banking system’, raising concerns about the quality of investment and the ability on repayment, especially when capital is flowing through less-well supervised parts of the financial system. Furthermore, China suffered from the first corporate bond default in March 2014. It sent a warning signal to the bond investors regarding the creditability of the borrowers and the stability of the market.

In addition, China’s economic growth in the past was highly depended on continuous investment in infrastructure projects. Redundant and duplicate developments resulted in a mismatch and wastage of resources. The recovery of these substantial investments which mainly financed by borrowing is challenging. In 2013, when the China’s government tried to tighten the funding channel, the capital market has immediately quaked. Not only the GDP growth rate but also the stability of the entire capital market system in China would potentially be impacted if the problem cannot be handled properly.

Furthermore, President Xi’s campaign against corruption and extravagant spending will improve the image of the government and increase the operational efficiency. On the other hand, it will affect the customer spending sector, especially, the luxury goods, fine dining and business travelling which used to be the unofficial fringe benefits of the government officers.

While the GDP growth of China’s market stalls, the other markets start recovering. The World Bank commented that the major obstacles to the recovery, including a Eurozone meltdown have been overcome. The Chinese policymaker

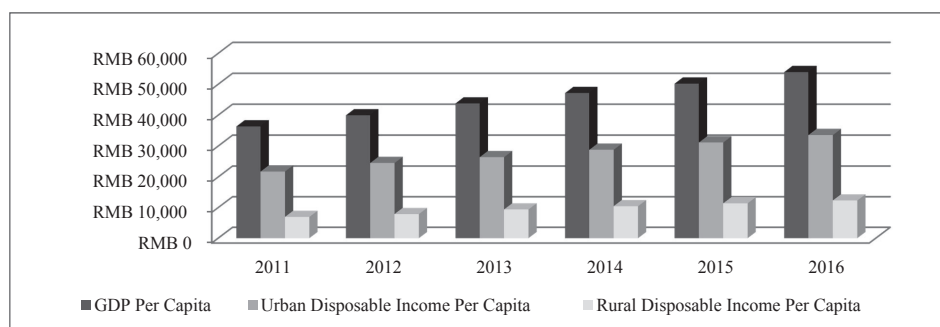
must clamp down on lending to prevent asset bubbles. Unless the Chinese economy faces imminent risk collapse, the “temporary hard-landing” will not deter the long-term growth prospect of China.

## 2. GDP per Capita in China

Improving standard of living was one of the main issues in social aspect of the 12th Five-year plan. The disposable income level, being a good measure, has grown significantly over the past few years. According to the National Bureau of Statistics of China, annual disposable income per capita of urban households in China has increased from RMB21,810 in 2011 to RMB33,616 in 2016, representing a CAGR of approximately 9.0%; annual disposable income per capita of rural households has increased from RMB6,977 in 2011 to RMB12,363 in 2016, representing a CAGR approximate to 12.1%. In comparison to the inflationary figures, the annual inflation rate is between 1.44% and 5.40% during the period from 2010 to 2016. Hence, there were improvement of the standard of living of Chinese people overall in the period from 2010 to 2016.

The following diagram shows the GDP per capita, annual urban and rural disposal income per capita from 2011 to 2016.

**Figure 8-2 GDP per Capita of China**



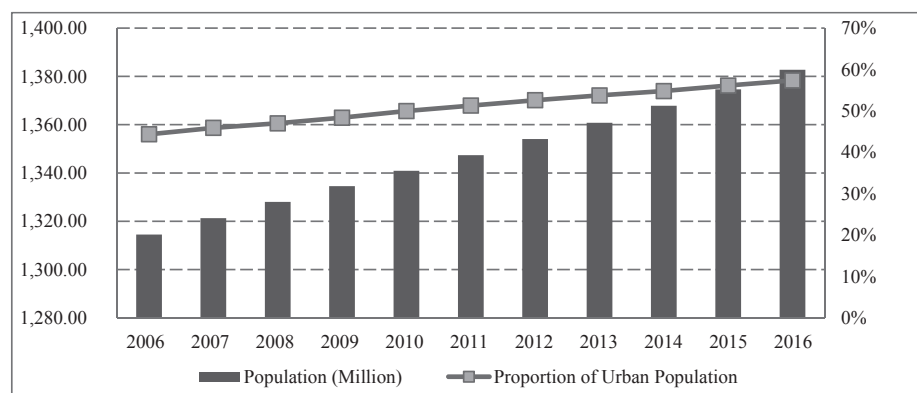
*Source: National Bureau of Statistics of China*

## 3. Population Growth

The population of China accounts for almost one fifth of the world's population. According to the National Bureau of Statistics of China, the population has grown from 1.31 billion in 2006 to 1.38 billion in 2016, representing a CAGR of approximately 0.56%.

The proportion of urban population in China increased from 44.34% in 2006 to 57.35% in 2016, representing a CAGR of approximately 2.90%.

The following diagram shows the population growth and corresponding urban population growth in China from 2006 to 2016.

**Figure 8-3 Population and Portion of Urban Population in China**

Source: National Bureau of Statistics of China

Population growth is expected to be steady in this decade. Population growth along with increasing urbanization and expansion of the middle class are particularly important to support the future growth of the domestic demand on affordable luxury goods, such as vehicles, luxury watches, etc. Steady growth in population together with improving living standard continuously derives a strong demand on housing and transportation. On the other hand, the unemployment rate was recorded at around 4.1% for the past few years, and it is estimated the rate will remain slightly lower at 4.02% from 2017 to 2021.

**Table 8-3 Population Forecast of China**

|                       | 2016A    | 2017F    | 2018F    | 2019F    | 2020F    | 2021F    |
|-----------------------|----------|----------|----------|----------|----------|----------|
| Population (Million)  | 1,382.71 | 1,390.85 | 1,399.03 | 1,407.27 | 1,415.55 | 1,423.88 |
| Unemployment rate (%) | 4.02     | 4.02     | 4.02     | 4.02     | 4.02     | 4.02     |

Source: World Economic Outlook Database (October 2017), International Monetary Fund

Although the one-child policy has curbed the growth of birth rate in China, the rising trend of China's population has not been slowed down in few decades. At the same time, the side effect of the policy has started to take effect in the current decade; the number of elderly people is rising and this age group is forecasted to grow in the next few decades. However, the Chinese government now has realized this trend and introduced Two-child policy which comes into effect throughout the country since October 2015. Hopefully this policy will offset the aging population structure in next few decades.

**Table 8-4 Age Distribution of China from 2006 to 2015 and CAGR**

| Age distribution | 2006 | 2007 | 2008 | 2009 | 2010 | 2011  | 2012  | 2013  | 2014  | 2015  | CAGR   |
|------------------|------|------|------|------|------|-------|-------|-------|-------|-------|--------|
| 0-14 (Million)   | 260  | 257  | 252  | 247  | 223  | 222   | 223   | 223   | 226   | 227   | -1.47% |
| 15-64 (Million)  | 951  | 958  | 967  | 975  | 999  | 1,003 | 1,004 | 1,006 | 1,005 | 1,004 | 0.60%  |
| >=65 (Million)   | 104  | 106  | 110  | 113  | 119  | 123   | 127   | 132   | 138   | 144   | 3.65%  |

*Source: National Bureau of Statistics of China*

#### 4. Inflation

Managing inflation risk has been one of the key missions for the China's government since 2010. The latest economic data released by National Bureau of Statistics of China indicated that the inflation rate was reported at 1.70% in November 2017 on year-over-year basis, with food prices dropped by 1.1% and non-food prices increased by 2.5%. China is expected to continue a prudent monetary policy, keep money supply, de-lever the state-led investment to a reasonable level, and optimize financing and credit structures in the future.

In comparison to the inflation of world's average and of emerging and developing economies, the outlook of China's inflation is far left behind. The continual appreciation on RMB during the period from mid-2010 to 2013 as well as the dominating role of export in China economy were the primary reasons. On one hand, with the Federal Reserve raising interest in December 2017, a new round of currency depreciation is expected to incur in emerging countries; on the other hand, in domestic, the total import trading volume keeps increasing. Due to these two factors, expectation for RMB depreciation becomes much stronger and the situation has been prevailing since 2014.

**Table 8-5 Annual Inflation Forecasts of China**

|                                         | Inflation, Average Consumer Prices Changes (%) |       |       |       |       |       |       |
|-----------------------------------------|------------------------------------------------|-------|-------|-------|-------|-------|-------|
|                                         | 2016A                                          | 2017F | 2018F | 2019F | 2020F | 2021F | 2022F |
| World                                   | 2.80                                           | 3.15  | 3.31  | 3.29  | 3.27  | 3.20  | 3.23  |
| emerging and<br>developing<br>economies | 4.32                                           | 4.21  | 4.44  | 4.14  | 4.07  | 3.97  | 3.94  |
| China                                   | 2.00                                           | 1.77  | 2.40  | 2.50  | 2.60  | 2.60  | 2.60  |

*Source: World Economic Outlook Database (October 2017), International Monetary Fund*

## 5. Government Policy

The Chinese government has issued the 13th Five-Year Plan (2016-2020) with the supply side reform as the main thread. The plan aims at 1) maintaining modest economy growth on a balanced, inclusive and sustainable basis, targeting to double GDP and per capita income of urban and rural residents comparing to 2010 by 2020; 2) upgrading the industry towards high-end level accompanied with contributions of consumption to economic growth accounting more, and improving the urbanization rate to a higher level; 3) enhancing agricultural modernization, improving people's living standards and quality, and helping the rural poor population out of poverty; 4) improving overall national quality, ecological environment quality and social civilization significantly; 5) implementing a more mature and stereotyped political system and achieving significant progress in national governance systems and governance capacity modernization.

The 19th National Congress of the Communist Party of China commenced on 8th October 2017 with a keynote report delivered by President Xi Jinping. The congress is China's most important political event and reviews the progress of the past five years and shapes the social and economic development for the next five-year term. President Xi's report to the congress included a pledge to deepen supply-side structural reform; encourage innovation; reduce financial risks; reform state-owned-enterprises; and expand market access to foreign companies.

In the Central Economic Work Conference held in Beijing at the end of 2017, the top leaders of the Communist Party of China emphasised that the main tasks in 2018 were as follows:

- Deepening supply-side structural reform;
- Activating dynamics of all market participants and promoting the reform of state-owned-enterprises;
- Renovating the economy of rural area;
- Promoting balanced development between different regions;
- Promoting the comprehensive opening-up structure of the market;
- Improving and secure people's livelihood;
- Accelerating the establishment of housing system covering both renting and purchasing, backed by supply from various market bodies as well as support from multi-channels; and
- Promoting the building of ecological civilization.

Overall speaking, inflation was mild and the economy may suffer a short-term slowdown, but it is just the part of the structural reform of the economy as stated in Likonomics. Currently, it leaves policy makers sufficient flexibility if they believe the economy needs any stimulation policies.

## **IX. ECONOMIC OVERVIEW OF HONG KONG**

In conjunction with the preparation of the valuation, we have also reviewed and analysed the current economic condition of Hong Kong where the primary profits of the Target and the Subject Companies are derived, and how the value of the Target and the Subject Companies may be impacted.

### **1. Gross Domestic Product**

Hong Kong, a global free port and financial hub, continues to thrive on the free flow of goods, services and capital. As an economic and financial gateway to China, and with an efficient regulatory framework, low and simple taxation, sophisticated capital market and excellent telecommunications, Hong Kong continues to offer the most convenient platform for international companies doing business on the mainland.

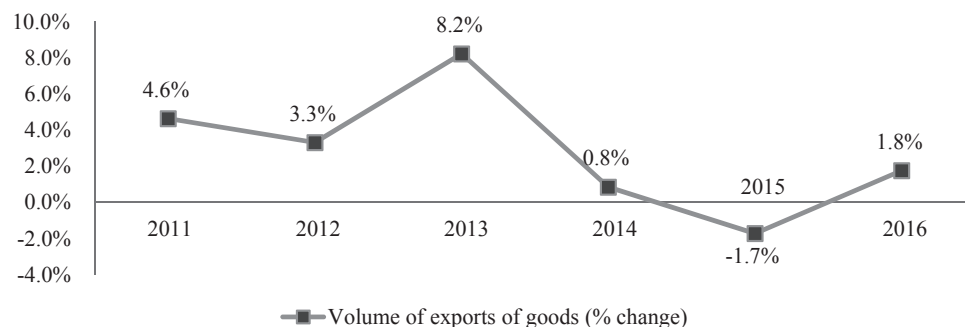
As of 2016, the territory continues to become the world's freest economy and the world's most services-oriented economy, with services sector contributing for more than 90% of Hong Kong's GDP.

Hong Kong's economy achieved moderate growth in 2016 with the resilient domestics demand. Per Hong Kong Trade Development Council ("HKTDC"), Hong Kong's economy expanded by 4.0% year-on-year in real terms in the first half of 2017, after growing by 2.0% in 2016. According to IMF, the real GDP of Hong Kong has increased by 2.39% and 2.05% in 2015 and 2016 respectively after the gradual recovery from the global financial tsunami in 2008 and the euro debt crisis in recent years.

For the rest of 2017, the external environment is expected to improve further whereas domestic demand should continue to be supported by favourable employment and income conditions.

The following graph and table illustrate the real growth of GDP in Hong Kong from 2011 to 2016 and the forecast from 2017 to 2022 respectively.

**Figure 9-1 Summary of Real GDP Growth (%) in Hong Kong from 2011 to 2016**



Source: World Economic Outlook Database, October 2017, IMF

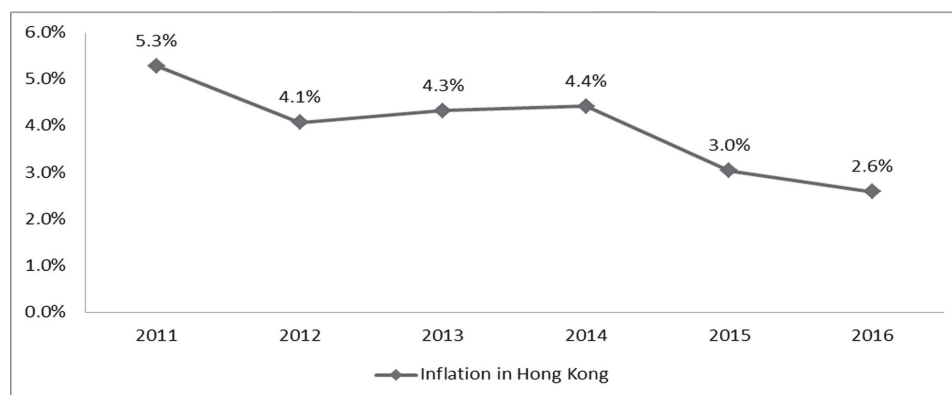
**Table 9-1 Forecast of Real GDP Growth (%) in Hong Kong from 2017 to 2022**

|                             | 2017F | 2018F | 2019F | 2020F | 2021F | 2022F |
|-----------------------------|-------|-------|-------|-------|-------|-------|
| Real GDP annual growth rate | 3.54% | 2.65% | 2.86% | 2.96% | 3.07% | 3.26% |

Source: World Economic Outlook Database, October 2017, IMF

## 2. Inflation Rate

Local inflationary pressures have remained moderate in the first half of 2017. According to Hong Kong Monetary Authority (“HKMA”), the underlying composite consumer price index (“CCPI”) picked up to 2.0% in the second quarter from 1.4% in the first quarter of 2017, on a year-on-year comparison. Inflation momentum, as measured by the annualised three-month-on-three-month underlying inflation rate, also rose from 0.8% in April to 2.2% in July 2017. The faster pace of price increases was mainly due to the higher costs of tradables as their price inflation turned positive to 2.4% in the three months ending July from a negative territory in the preceding three-month period. Growth in the housing rental component of the CCPI remained soft in the first half of 2017 amid the feedthrough of the earlier moderation in private residential rentals. On the whole, the annual year-on-year inflation rate in 2017 is expected to decelerate from 2.6% in 2016 to 2.0% in 2017, with reference to the IMF forecasting in October 2017. The following graph and table illustrate the inflation trend in Hong Kong from 2011 to 2016 and the inflation forecast in Hong Kong respectively.

**Figure 9-2 Summary of Inflation Rate (%) in Hong Kong from 2011 to 2016**

Source: World Economic Outlook Database, October 2017, IMF

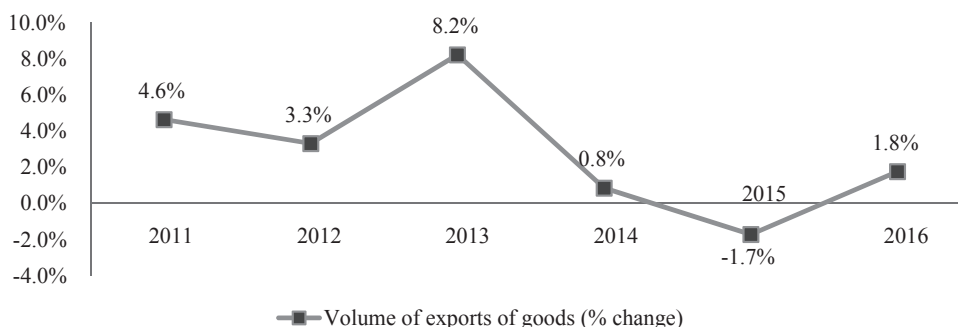
**Table 9-2 Forecast of Inflation Rate (%) in Hong Kong from 2017 to 2022**

|                                                 | 2017F | 2018F | 2019F | 2020F | 2021F | 2022F |
|-------------------------------------------------|-------|-------|-------|-------|-------|-------|
| Inflation (% change in average consumer prices) | 2.0%  | 2.2%  | 2.4%  | 2.6%  | 2.8%  | 3.0%  |

Source: World Economic Outlook Database, October 2017, IMF

### 3. Export Performance

Hong Kong exporters' confidence started to improve in 2017. According to HKTDC, Hong Kong's merchandise exports increased by 8.5% year-on-year in January-September 2017, after a marginal decrease of 0.5% in 2016. Hong Kong's merchandise exports are projected to grow by 5% as a whole in 2017. Undercurrent of US protectionism, political uncertainties in the European Union, renewed faltering of emerging markets and heightened geopolitical tensions are the major downside risks. On the supply side, Hong Kong exporters have to live with a challenging production environment on the mainland China, especially in the Pearl River Delta, which include the rising input costs. The following graph illustrates the growth in the volume of exports in Hong Kong from 2011 to 2016:

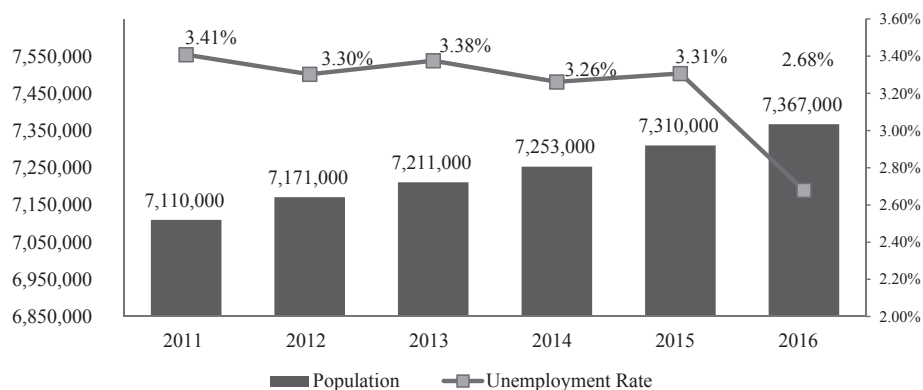
**Figure 9-3 Summary of Export Growth (%) in Hong Kong from 2011 to 2016**

Source: World Economic Outlook Database, October 2017, IMF

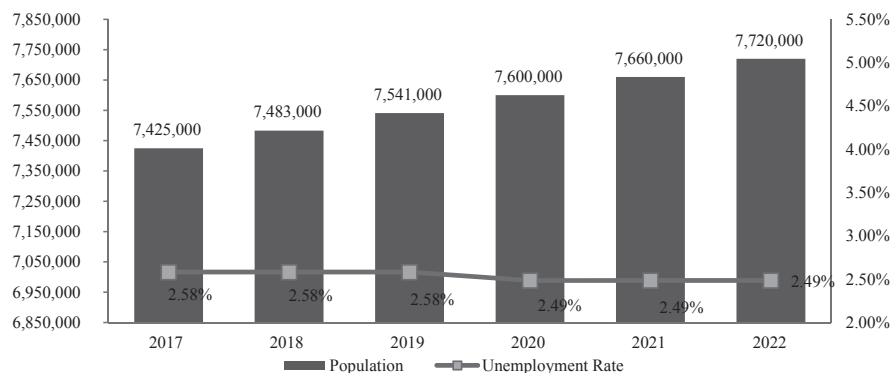
Major export markets of Hong Kong are mainland China, the European Union, the United States, the Association of Southeast Asian Nations, India and Japan, which accounts for approximately 54%, 8.9%, 8.6%, 7.5%, 4.2% and 3.3% of total exports in January to September of 2017 respectively. According to the information released by HKTDC, Hong Kong was ranked the 6th in the world's largest trading economy and the 15th in the world's largest exporter of commercial services.

#### 4. Population and Unemployment Rate

The population in Hong Kong has been increasing steadily from 7.11 million in 2011 to 7.37 million in 2016, while unemployment rate has dropped from 3.4% in 2010 to 2.7% in 2016. The population is estimated to reach 7.72 million in 2022 and the unemployment rate in the long run would stay below 2.6%. The following graphs show the population and unemployment trend in Hong Kong from 2011 to 2016 and the forecast from 2017 to 2022 respectively:

**Figure 9-4 Summary of Population and Unemployment Rate in Hong Kong from 2011 to 2016**

Source: World Economic Outlook Database, October 2017, IMF

**Figure 9-5 Forecast of Population and Unemployment Rate in Hong Kong from 2017 to 2022**

Source: World Economic Outlook Database, October 2017, IMF

## 5. Budget and Government Initiatives

The 2017-18 Budget laid out supportive measures to strengthen the competitiveness of the Hong Kong economy and make Hong Kong an even more liveable city. The government aims at: 1) examining facilitation measures to support the growth in transshipment, cross-boundary e-commerce and high value-added air cargo business in Hong Kong; 2) exploring with the Chinese authorities ways to open up more channels for two-way cross-border RMB fund flows and two-way participation of investors in the bond market; 3) providing funding for universities and industry to conduct research and development activities and to support start-ups; 4) striving to further improve air quality, water quality, green and blue assets and waste management; 5) taking measures to support SMEs such as extending the application period for the special concessionary measures under the SME Financing Guarantee Scheme to February 2018 to help enterprises tide over their liquidity needs.

The 2017 Policy Address highlighted that the Hong Kong Government will focus to achieve the following targets:

- Explore further with the Mainland the expansion and enhancement of CEPA in investment, economic and technical co-operation, etc. with a view to achieving results by mid-2017;
- Continue to co-operate closely with the Guangdong Provincial Government under the Guangdong-Hong Kong co-operation mechanism to better seize new opportunities for Hong Kong in the Guangdong-Hong Kong in-depth co-operation zone in Nansha;

- Actively consider the recommendations on the sustainable development of Hong Kong's financial market and financial services sector by the Financial Services Development Council concerning taxation, laws and regulations, nurturing talent, etc., and take forward the feasible measures. Invite the Hong Kong Trade Development Council (TDC) to strengthen the promotion of our financial services industry outside Hong Kong;
- Strengthen Hong Kong's status as a global offshore Renminbi business hub, taking advantage of the demand arising from the Belt and Road Initiative and the Mainland-Hong Kong Mutual Recognition of Funds Arrangement; and
- Strive to complete by mid-2017 the procedures for Hong Kong joining the Asian Infrastructure Investment Bank.

## **X. INDUSTRY OVERVIEW OF THE ASSET MANAGEMENT INDUSTRY**

Hong Kong is widely recognized as a leading asset management centre in Asia with a large concentration of international fund managers. According to the Fund Management Activities Survey 2016 released by the SFC in July 2017, Hong Kong's combined fund management business reached HKD18,293 billion as of the end of 2016; and HKD12,824 billion of which were contributed from the asset management business of licensed corporations, registered institutions and insurance companies.

### **1. Securities**

Hong Kong has one of the most active and liquid securities markets in the world. There is neither control over capital movements nor capital gains or dividend income tax. As at the end of 2016, Hong Kong's stock market was the fourth largest in Asia and eighth largest in the world in terms of market capitalization. There were 1,973 companies listed on Hong Kong Exchange ("HKEx"), with a total market capitalization of more than USD3.19 trillion<sup>1</sup>. Besides, Hong Kong is also one of the world's most active markets for initial public offerings ("IPO"), with 126 companies newly listed in HKEx and USD25.2 billion raised in 2016<sup>2</sup>.

Trading services of the securities industry in Hong Kong are provided by investment banks, commercial banks, finance companies and securities brokerage companies. Investment banks are the principal underwriters for IPO. Hong Kong's highly liberal and liquid securities market has attracted many international investment banks and securities houses to build their presence here, eyeing the IPO and securities businesses. In the secondary market, local retail customers are served mainly by local brokers and banks, whereas institutional buyers are principally served by the international brokers and investment banks.

<sup>1</sup> SFC: Market Capitalization of the World's Top Stock Exchanges (as at end December 2016)

<sup>2</sup> Source: HKEx Statistics, <http://www.hkex.com.hk/eng/stat/statrpt/factbook/factbook2016/Documents/01.pdf>

**Table 10-1 Number of SFC RA1 (Dealing in Securities) Holders in Hong Kong from 2010 to 2016**

| <b>Year</b> | <b>Number of Regulated Activities of Licensed Corporations<sup>3</sup></b> | <b>Number of Regulated Activities of Registered Institutions</b> | <b>Number of Regulated Activities of Licensed Representatives</b> |
|-------------|----------------------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------------------------|
| 2010        | 836                                                                        | 108                                                              | 24,821                                                            |
| 2011        | 882                                                                        | 109                                                              | 25,477                                                            |
| 2012        | 934                                                                        | 117                                                              | 24,815                                                            |
| 2013        | 957                                                                        | 120                                                              | 24,517                                                            |
| 2014        | 973                                                                        | 117                                                              | 24,656                                                            |
| 2015        | 1,024                                                                      | 118                                                              | 25,765                                                            |
| 2016        | 1,129                                                                      | 121                                                              | 25,866                                                            |

*Source: SFC*

Investors in Hong Kong securities market are well-diversified. As per a survey conducted by HKEx during 2014/15, overseas investors accounted for 39% of total market turnover value while local investors contributed 39%. Institutional and retail investors took up 51% and 27% of the market turnover value respectively.

The Shanghai-Hong Kong Stock Connect was launched in November 2014, allowing investors to access eligible Shanghai-listed shares through the HKEx (i.e. northbound trading) and eligible Hong Kong-listed shares through the Shanghai Stock Exchange (i.e. southbound trading). Currently, the respective daily quota for northbound and southbound trading are set at RMB13 billion and RMB10.5 billion. A similar trading scheme with Shenzhen is also launched in December 2016. Shenzhen Connect provides more access, more flexibility, more products, and more opportunities. It gives international and Hong Kong investors access to more A share stocks and more sectors, such as technology and healthcare companies listed on the Shenzhen Exchange and ChiNext. With 880 new stocks included as part of the link, most companies traded in Mainland China can now be accessed directly by foreign investors for the first time. Mainland investors now have more choice too, with 100 small cap stocks listed in Hong Kong now eligible for Shenzhen Connect, which will likely bring new energy to Hong Kong over time.

<sup>3</sup> According to SFC, LC includes licensed corporations, deemed licensed corporations and temporary licensed corporations.

HKEx has introduced two models to facilitate the listing and trading of RMB-denominated securities, namely Single Tranche Single Counter (“STSC”) and Dual Tranche Dual Counter (“DTDC”). STSC is the traditional model where the IPO of the stock will result in shares being traded in a single RMB counter in the secondary market. On the other hand, DTDC comprises separate but simultaneous offer and subsequent listing of shares in RMB and HKD by the same issuer, while shares of the two counters are of the same class and freely convertible. In September 2011, HKEx released guidelines on RMB-denominated follow-on offerings to enable listed companies to raise RMB funds by share placements and rights issues or open offers.

## 2. Asset Management

According to the SFC survey, the number of licensed corporations and registered institutions for asset management increased respectively from 798 in 2010 to 1,300 in 2016 and from 38 in 2010 to 40 in 2016, representing a corresponding CAGR of 7% and 2%.

**Table 10-2 Number of SFC RA9 (For Asset Management) Holders in Hong Kong from 2010 to 2016**

| Year | Number of<br>Regulated<br>Activities<br>of Licensed<br>Corporations <sup>4</sup> | Number of<br>Regulated<br>Activities<br>of Registered<br>Institutions | Number of<br>Regulated<br>Activities<br>of Licensed<br>Representatives |
|------|----------------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------|
| 2010 | 798                                                                              | 38                                                                    | 3,594                                                                  |
| 2011 | 844                                                                              | 40                                                                    | 4,163                                                                  |
| 2012 | 892                                                                              | 43                                                                    | 4,469                                                                  |
| 2013 | 950                                                                              | 45                                                                    | 4,853                                                                  |
| 2014 | 1,031                                                                            | 43                                                                    | 5,228                                                                  |
| 2015 | 1,135                                                                            | 42                                                                    | 5,821                                                                  |
| 2016 | 1,300                                                                            | 40                                                                    | 6,366                                                                  |

*Source: SFC*

Overseas investors remained a main source of funding for Hong Kong’s fund management. According to the SFC survey, around 66.3% of the investment funds (excluding REITs) were sourced from outside Hong Kong in 2016. Hong Kong maintains its position as a key sales and distribution centre in Asia.

<sup>4</sup> According to SFC, LC includes licensed corporations, deemed licensed corporations and temporary licensed corporations.

Hong Kong's asset management industry has developed a strong expertise of investing in Asia, in particular the mainland China. Such expertise is vital to Hong Kong's appeal for attracting funds for management. In 2016, the total assets managed in Hong Kong amounted to HKD7,027 billion. Over 70% of which were invested in the Asia-Pacific, amount to HKD4,954 billion, with HKD3,337 billion in Hong Kong and mainland China. The full potential of Hong Kong's fund management industry cannot be realized without the Chinese market. China has a growing demand for fund management expertise to manage its massive savings pool and rapidly expanding retirement funds. Given its proximity to the mainland, Hong Kong will keep playing a key role in sharing management skills and talents in the development of the mainland's asset management industry in the future.

In 2015, the SFC introduced a new strategy for developing Hong Kong as a global, full-service asset management centre, complete with a full range of ancillary services, with the ground-breaking Mainland-Hong Kong Mutual Recognition of Funds ("MRF") scheme at its core. The MRF scheme became operational on 1 July 2015, creating significant opportunities for Hong Kong's asset management industry. The MRF scheme has operated smoothly and will pave the way for greater market integration and connectivity between the Mainland and Hong Kong. As at January 2017, the SFC authorized 48 Mainland funds and the China Securities Regulatory Commission approved six Hong Kong funds under the MRF scheme. Following the successful implementation of MRF with the Mainland, the SFC will further explore cooperation arrangements in asset management with other overseas authorities. In December 2016, the SFC and the Swiss Financial Market Supervisory Authority signed a Memorandum of Understanding ("MoU") on Switzerland-Hong Kong Mutual Recognition of Funds and Asset Managers. Under the MoU, eligible Swiss and Hong Kong public funds can be distributed in each other's market through a streamlined vetting process. In December 2016, the "Shenzhen-Hong Kong Stock Connect" was officially launched, providing an alternative route for Hong Kong fund management companies to invest in one of the mainland's bourses.

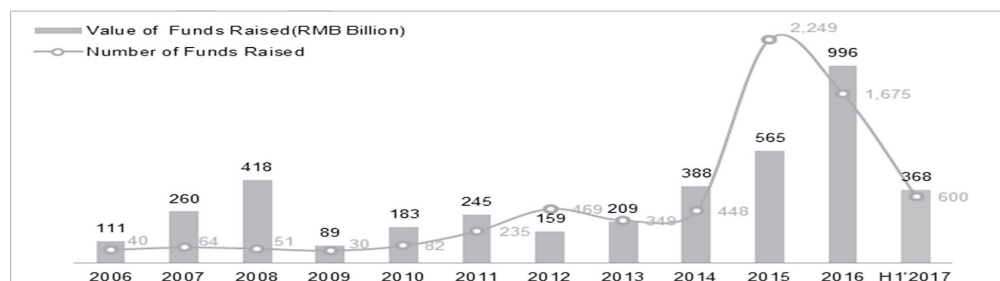
In additions, to keep pace with international regulatory developments, the SFC is now also focusing on enhancing the regulation of the asset management industry, including the conduct of asset managers and intermediaries in relation to commissions and independent advice, safe custody of fund assets and liquidity management.

### 3. Private Equity

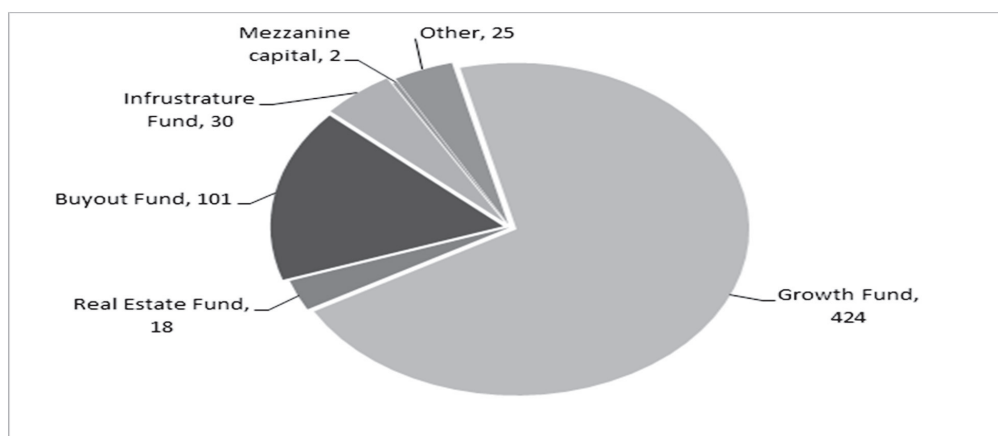
Private equity (“PE”) is an asset class investing in equity of non-publicly traded companies. The common investment strategies of PE firms include, but are not limited to, venture capital, leveraged buyouts, growth capital, distressed investment and mezzanine capital. Each of these categories of investors has its own set of goals, preferences and investment strategies. However, most of them have this same objective to provide extra capital to selected companies to nurture expansion, new-product development, or restructuring of the companies’ business operation, management, or optimising the capital structure. In a typical leveraged-buyout transaction, a PE firm buys majority control of an existing or mature firm. This is distinct from a venture-capital or growth-capital investment, in which the investors (typically venture-capital firms or angel investors) invest in young, growing or emerging companies, and rarely obtain majority control.

Over the past decade, PE in China has been one of the most attractive classes of investment for investors. According to a report released by Zero2IPO Research in July 2017, the industry has been growing considerably and there are now over 11,000 PE and venture capital firms in China, with over RMB7,500 billion of AUM. In the meanwhile, there was 1,675 RMB-denominated PE fund raised in 2016, hitting a historical record of total RMB 996 billion. The drivers of economic growth supporting this extraordinary investment trend have entered a period of significant transition. This transition has created a challenging environment for PE investing, placing more demands on the capabilities of General Partners (“GP”) and investment savvy of Limited Partners (“LP”) to generate outsized returns. In the next phase of PE in China, the industry is expected to continue to offer compelling opportunities for investment, but in different, and sometimes new sectors, and strategies.

**Figure 10-1 PE Fund Raised (RMB-denominated) in China, 2006-2017H1**



Source: Zero2IPO China VC/PE Market Review 1H 2017, July 2017

**Figure 10-2 PE Fund Raised in the First Half of 2017 by Type**

Source: Zero2IPO China VC/PE Market Review 1H 2017, July 2017

**Figure 10-3 Performances of China PE Funds**

| Vintage Year | Pooled Returns From Inception to June 30, 2016 |               |                              |
|--------------|------------------------------------------------|---------------|------------------------------|
|              | China: PE & VC Funds                           | U.S. PE Funds | China PE & VC Outperformance |
| 2005         | 20.9%                                          | 8.7%          | 1,218                        |
| 2006         | 17.2%                                          | 8.2%          | 893                          |
| 2007         | 15.7%                                          | 12.0%         | 376                          |
| 2008         | 19.2%                                          | 10.4%         | 878                          |
| 2009         | 13.8%                                          | 16.8%         | (299)                        |
| 2010         | 19.6%                                          | 13.7%         | 587                          |
| 2011         | 26.7%                                          | 13.8%         | 1,286                        |
| 2012         | 15.9%                                          | 11.9%         | 401                          |
| 2013         | 20.3%                                          | 4.7%          | 1,558                        |
| 2014         | 20.9%                                          | 3.1%          | 1,776                        |

Source: SIGULER& GUFF, China Private Equity Paper, January 2017

In terms of deal volume, internet industry is still PE fund's favoured sector in the first half of 2017 for which the number of completed deals recorded 282. Following is IT sector, the number of completed deals recorded 236. In addition, Bio/Healthcare, Media Entertainment, Electronics and Fintech are also popular sectors.

**Table 10-3 Industry Distribution of PE Deals in the First Half of 2017 in China**

| <b>Industries</b>   | <b>Deal Volume</b> | <b>Deal Value<br/>(RMB Billion)</b> |
|---------------------|--------------------|-------------------------------------|
| Internet            | 282                | 62.07                               |
| IT                  | 236                | 16.37                               |
| Bio/Healthcare      | 149                | 11.83                               |
| Media Entertainment | 140                | 17.70                               |
| Fintech/Finance     | 93                 | 20.03                               |
| Mechanical          | 90                 | 13.16                               |
| Telecom             | 69                 | 19.55                               |
| Electronics         | 58                 | 54.41                               |
| Automobile          | 57                 | 31.26                               |
| Chemicals           | 49                 | 5.73                                |
| Retail Chains       | 42                 | 2.39                                |
| Clean Tech          | 39                 | 5.90                                |
| Education           | 37                 | 1.12                                |
| Real Estate         | 36                 | 11.65                               |

*Source: Zero2IPO China VC/PE Market Review 1H 2017, July 2017*

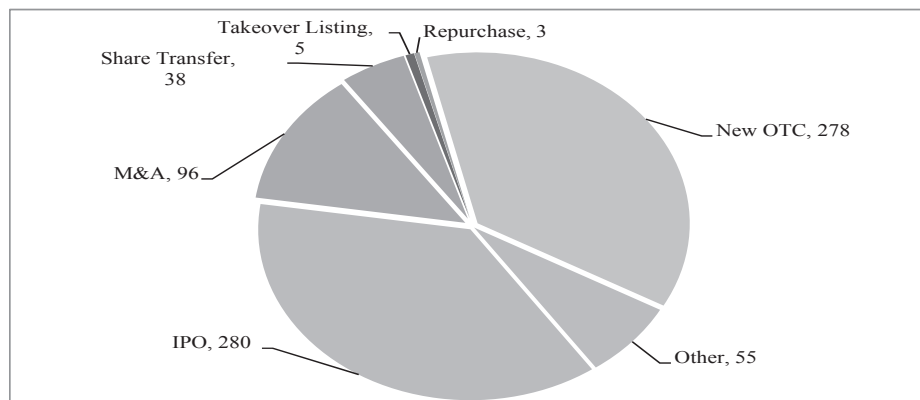
Traditional PE exit remains stable in the first half of 2017, of which there were 280 Initial Public Offering (“IPO”) exits and 96 mergers and acquisitions (“M&A”) exits and number of exits from the New OTC Market also keeps growing and recorded 278.

China’s rigid IPO policy, in combination with the narrow M&A market and the suspension of A-share IPOs between October 2012 and January 2014, to some degree limited access to capital for companies and also burdened the exit environment for PE managers. Today, despite the re-opening of the IPO market, there is a long list of companies still waiting to go public, as well as a great deal of capital “stuck” in the PE ecosystem. The exit environment should improve in the future as the China Securities Regulatory Commission (“CSRC”) carefully executes market reforms and switches its approval-based IPO listing requirements to a registration-based model. For these reasons, PE has played a significant role in China by providing equity financing to companies unable to access traditional funding channels. Most of the well-known, fast-growing companies in the private sector for examples JD.com, Alibaba, and Belle, have benefited from capital infusions from PE funds.

Significant changes have been proposed to the Chinese IPO market in recent years. Previously, IPO candidates were subject to a rigorous approval process. Improving the IPO system will give underwriters and market participants more flexibility and move China one step closer to a registration-based system. Under

the proposed new system, the CSRC will be responsible only for determining whether applicants have provided full and accurate information prior to listing. The assessment of risks and valuations will be left to the market, similar to the IPO process in most developed markets. This will result in a more consistent exit channel for PE investors, in addition to rational market valuations.

**Figure 10-4 Exited Cases of Private Equity Deals in the First Half of 2017 in China**



Source: Zero2IPO China VC/PE Market Review 1H 2017, July 2017

In views of short-term prospects in 2017, both the volume of fund raising and PE investment activities are expected to keep rising. In the meanwhile, unprecedented amounts of capital are now in play from “Big Asset Management” including insurers and other financial institutions, government and industry funds and SOE funds, which will bring more competition to the industry. Besides, PE funds would continue to face exit challenges. Though the valuation may go down, exit through A-share market are expected to accelerate and overseas listings will also increase, especially TMT and Fintech sectors.

## XI. COMPANY OVERVIEW

### 1. RoadShow Holdings Limited (the “Company”)

The Company and its subsidiaries are principally engaged in the provision of media sales and design services and production of advertisements for transit vehicle exteriors and interiors, online portal, mobile apps, shelters and outdoor signage advertising businesses. The Company and its subsidiaries are also engaged in the provision of integrated marketing services covering these advertising.

**2. Target Capital Management Limited (the “Target”)**

Target Capital Management Limited was established in 2006 and was authorized by the SFC to conduct its business activities in respect of the following regulated activities (CE Reference: ANW961)

Type 1 Licence (Dealing in securities) since the effective date of 29 June 2010. Typical examples include trading or broking stock and options for clients, trading bonds for clients, buying and selling mutual funds and unit trusts for clients, and placing and underwriting of securities.

Type 4 Licence (Advising on securities) since the effective date of 26 April 2007. Typical examples include giving investment advice to clients relating to the sale and purchase of securities, and issuing research reports and analyses on securities.

Type 9 Licence (Asset Management) since the effective date of 26 April 2007. Typical examples include managing a portfolio of securities or futures contracts for clients on discretionary basis, and managing funds on discretionary basis.

The Target has been imposed on the following licensing conditions:

- The Target shall not hold client assets. The terms “hold” and “client assets” are as defined under the SFO.
- For Type 9 regulated activity, the Target does not currently provide a service of managing a portfolio of futures contracts for another person.
- For Type 9 regulated activity, the Target does not currently conduct business involving the discretionary management of any collective investment scheme. The term “collective investment scheme” is as defined under the SFO.

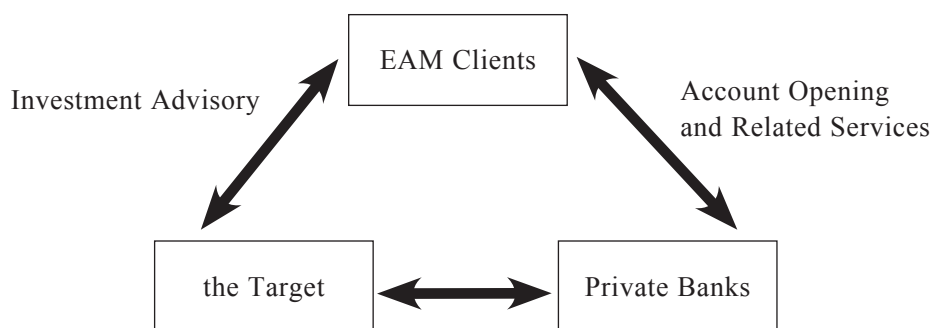
The Target has employed 7 responsible officers and 21 representatives to monitor and execute its regulated activities (per SFC registry updated 23 February 2018).

**XII. BUSINESS OVERVIEW OF THE TARGET AND THE SUBJECT COMPANIES**

The Target has primarily been engaged in the following two business, being named by the management as the EAM business and the FM business. As mentioned in its company introduction, the Target, together with the Subject Companies has advised on its pool of clients with a total AUM of HKD11.4 billion.

## 1. External Asset Management Business

The EAM business provides wealth management solutions to clients, mostly represented by high-net-worth-individuals (“HNWI”), under a partnership model with the clients’ private banks. These partner banks currently include UBS AG, Credit Suisse AG and major prominent international and PRC private banks and financial institutions (collectively referred to as the “Private Banks”). Under the EAM segment, the Target provides advices on investment strategies and relevant wealth products to its EAM Clients based on the following typical trilateral arrangements.



External Asset Management

As described by management of the Target and in accordance to sampled agreements, the Target and the Private Banks perform the following roles and functions in connection with the EAM.

- *Provision of Investment Advisory Services to EAM Clients*

Subject to specific arrangements in the agreements, EAM Clients appoint the Target as an independent advisor to provide advices on any financial or wealth management product(s) which are to be purchased or sold through platform(s) provided by or accounts opened with the Private Bank, or any product(s) that are considered appropriate. The Target receives commission rebates from the Private Banks, as agreed by and later periodically reviewed by its EAM Clients, in consideration of directing the transaction on behalf of the EAM Clients to the Private Banks from time to time, given that the related services provided by the Private Banks (“Related Services”)<sup>5</sup> are of demonstrable benefit to the EAM clients.

<sup>5</sup> The Related Services are services provided by the Private Banks, such as trade execution consistent with the best execution standards, brokerage rates not in excess of customary full-service rates, reasonable research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis, data and quotation services, computer hardware and software incidental to the above services, clearing and custodian services and investment-related publications.

- *Provision of Account Opening and Related Services and External Asset Management Services*

The Private Banks, when requested to do so by the Target acting for and on behalf of its EAM Clients, open banking accounts for and provide transaction execution and custody services to the EAM Clients. The Private Banks undertakes such Know-Your-Client due diligence on each EAM Client for who the Target requests the Private Banks to open an account as may be required by all applicable laws, regulatory requirements that are considered necessary or desirable. The Private Banks also provide the aforesaid Related Services to the EAM Client under the Target's advisory.

As of the Valuation Date, based on a set of consolidated data on the balances of the total net worth of EAM Clients managed by each of the following 10 Private Banks, the management has prepared the following AUM breakdown of its EAM segment.

**Table 12-1 Breakdown of the HKD5.84 Billion AUM under the EAM Segment**

|     | <b>List of Private Banks under<br/>the EAM Services</b> | <b>Underlying EAM Client AUM<br/>(HKD)*</b> |
|-----|---------------------------------------------------------|---------------------------------------------|
| 1.  | Private Bank 1                                          | Approximately 1,676,000,000                 |
| 2.  | Private Bank 2                                          | Approximately 1,691,000,000                 |
| 3.  | Private Bank 3                                          | Approximately 937,000,000                   |
| 4.  | Private Bank 4                                          | Approximately 712,000,000                   |
| 5.  | Private Bank 5                                          | Approximately 222,000,000                   |
| 6.  | Private Bank 6                                          | Approximately 233,000,000                   |
| 7.  | Private Bank 7                                          | Approximately 59,000,000                    |
| 8.  | Private Bank 8                                          | Approximately 136,000,000                   |
| 9.  | Private Bank 9                                          | Approximately 77,000,000                    |
| 10. | Private Bank 10                                         | Approximately 97,000,000                    |
|     | <b>TOTAL AUM UNDER THE<br/>EAM SEGMENT</b>              | <b>Approximately 5,839,000,000</b>          |

\* *Sum of the figures may not equal to the total due to rounding to HKD million*

We have also observed the historical AUM based on the record of the Target under the EAM segment. The said AUM appears to have steadily grown from its quarterly average of HKD5.27 billion in 2016, to HKD5.84 billion as of the Valuation Date. The HKD5.84 billion of AUM under the EAM segment as of the Valuation Date can serve as a reasonable starting basis for our valuation of the EAM segment.

Table 12-2 Comparing AUM between 2016 and 2017 up to November 2017

| Quarterly average of AUM<br>of the EAM Segment | Underlying EAM Client AUM<br>(HKD) |
|------------------------------------------------|------------------------------------|
| Year 2016                                      | 5,267,000,000                      |
| Year 2017                                      | 6,473,000,000                      |
| 30/11/2017                                     | 5,839,000,000                      |

Apart from the absolute amount of AUM, the earning quality of the AUM has also been taken into our latter overall valuation considerations.

## 2. Fund Advisory and Management Business

The Target is also involved in providing fund advisory services to the Subject Companies, being the fund managers/ general partners of the offshore private equity funds, with committed AUM amounted to HKD5.65 billion as of the Valuation Date. The fund advisory services include the following services in general to the Subject Companies.

- Introducing investors to invest in funds set up by the Subject Companies;
- Advising on fund establishment issues — Coordinating various service providers, including legal advisers, fund managers, trustees, brokers and bankers and handling related files;
- Advising on fund management issues — Including the setup of offshore funds, routine management and fund administration and related director services; and
- Advising on investment and management issues — Advising the Subject Companies on investment advices of traditional and alternative asset classes (including private and listed equities and bond, fund-related products), setting up codes of internal control and codes of conduct, etc.

The Target has currently provided its fund advisory business to the Subject Companies, being the fund managers/general partners of the following 8 private offshore investment funds (the “Investment Funds”). The Target charges an annual 0.35% advisory fee on committed AUM to the Subject Companies, out of the 0.50% management fee charged by the Subject Company to the Investment Funds.

Since the business of the Subject Companies is closely linked to the FM segment of the Target, which will be later integrated into the same segment after the completion of the proposed transaction, our valuation of the FM segment assumes a complete integration of the business, with full-fledged fund advisory and management services to be performed by the FM segment.

Table 12-3 Breakdown of the HKD5.65 Billion AUM under the FM Segment

| List of Eight Investment Funds            |                   | Committed AUM (HKD)  |
|-------------------------------------------|-------------------|----------------------|
| 1.                                        | Investment Fund 1 | 450,000,000          |
| 2.                                        | Investment Fund 2 | 525,000,000          |
| 3.                                        | Investment Fund 3 | 525,000,000          |
| 4.                                        | Investment Fund 4 | 2,735,059,141        |
| 5.                                        | Investment Fund 5 | 136,500,000*         |
| 6.                                        | Investment Fund 6 | 140,000,000          |
| 7.                                        | Investment Fund 7 | 378,300,000*         |
| 8.                                        | Investment Fund 8 | 764,400,000*         |
| <b>TOTAL AUM UNDER<br/>THE FM SEGMENT</b> |                   | <b>5,654,259,141</b> |

\* These three funds are denominated in USD and are converted into HKD at a long run exchange rate of 7.80.

While the Target is still under its expansion plan to locate further fund advisory opportunities, the committed AUM as of the Valuation Date was able to generate an annualised fund advisory revenue of HKD19,789,907 approximately based on the fund advisory agreements at a fee rate of 0.35% (0.50% if the Subject Companies are latter integrated into the FM segment of the Target).

As such, the committed HKD5.65 billion AUM under the FM segment can serve as a reasonable starting basis for our valuation of the FM segment. Apart from the absolute amount of AUM, the earning quality of the AUM has also been taken into our latter overall valuation considerations.

### XIII. VALUATION METHODOLOGY

The valuation of any asset or business can be broadly classified into one of three approaches, namely the asset approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the market value analysis of that asset.

#### 1. Asset-based Approach

This is a general way of determining a market value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

**2. Income-based Approach**

This is a general way of determining a market value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

When applying the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

**3. Market-based Approach**

This is a general way of determining a market value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should be approximate to one another.

**4. Selection of Valuation Approach**

- ***Asset approach — Rejected***

Under the asset approach, a value of the equity interest is determined based on the replacement cost or reproduction cost rather than the ability to generate streams of benefits in the future.

For the Target and the Subject Companies, future economic benefits will be generated from the operation of EAM and FM business, being collectively known as wealth advisory, asset management and advisory business. The asset approach alone is not relevant to reliably reflect the value of their Equity Interests being service companies. Accordingly, the asset approach was rejected.

- ***Income approach — Rejected***

Under the income approach, a value of the equity interest is determined based on the estimation of a pool of future inputs of the subject business. Such pool of projected inputs includes revenue and revenue growth, operating costs and margins, risk-adjusted discount rate and long term growth. A major challenge to income approach is its sensitivity to projected inputs, as slight deviation in discount rates and forecasted operating cash flows would result in significantly different valuation results.

Considering the dynamic nature of the EAM and FM business and multiple current and potential revenue streams of the Target and the Subject Companies projected by the management of the Target (i.e. being primarily the management, advisory and some incentive fees, and potential extended services under its Type 1 SFC Licence), it is extremely difficult to apply reliable, observable and justifiable input projections. (e.g. projected of EAM Clients' turnover activity and AUM, projected new fund advisory and management agreements to-sign.) As such, the income approach was rejected.

- ***Market approach — Accepted***

Under the Market Approach, a value of the equity interest is determined based on its (i) most recently traded prices, (ii) comparable peers' trading multiples and, (iii) comparable peers' transaction multiples.

The most recently traded prices of an equity interest, if proven to be conducted on an arm's length basis, can primarily serve as the primary reference of market value. Comparable peers' trading and transaction multiples can, at the same time, reflect the valuation of the subject kind of business with similar business nature and fundamentals, growth potential and expected risks from the market perspective.

We are aware of several comparable publicly listed companies in the markets and two reference transactions of the Target that could potentially facilitate a meaningful comparison. As such, we have adopted the market approach for its reliability and relevancy over the other two approaches.

#### **XIV. GENERAL ASSUMPTIONS OF VALUATION**

A number of general valuation assumptions have to be established in order to sufficiently support our conclusion. The general assumptions adopted in this valuation included:

1. There would be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in countries where the Target and the Subject Companies are located and carrying on their businesses, and from where a significant portion of their clients come from;

2. There would be no significant deviation in the industry trends and market conditions from the current market expectation;
3. There would be no major changes in the current taxation law in the subject jurisdictions;
4. There would be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;
5. All relevant legal approvals, business certificates or licenses for the normal course of operation have been formally obtained, in good standing and that no additional material costs or fees are needed to procure such during the application;
6. The Target and the Subject Companies would retain competent management, key personnel, and technical staff to support the ongoing operation; and
7. The Target and the Subject Companies can reasonably retain their AUM level in long run, despite there could be ups and downs in the AUM size in response to market fluctuations.

## **XV. METHODS UNDER MARKET APPROACH**

Under the Market Approach, a value of the equity interest is determined based on its (i) most recently traded prices, (ii) comparable peers' trading multiples and, (iii) comparable peers' transaction multiples. These three principles are addressed by the three valuation methods to be discussed below.

- **Direct Market Reference (For Reference Only)**

Direct Market Reference refers to latest concluded trading prices and transaction price/multiples of the exactly same subject under valuation. It is usually applied to value publicly traded companies and private companies with active previous funding rounds on an arm's length basis, as it is the most intuitive form of price discovery in the marketplace under ordinary situations. Apart from the observed trading and transaction prices, further reference is made to the market activity to determine if the subject under valuation can be purchased or sold in the same manner as the observed historical trades and transaction in the marketplace.

We are aware of two potential market reference of the Target that were concluded recently. The Target has allotted 300,000 new shares during August 2017 and its controlling shareholder has transferred 75% of the shares of the Target during November 2017. The implied valuations of these 2 market reference transactions serves as references to check the reasonableness of our valuation.

- **Guideline Public Company (“GPC”) Method (Accepted for Our Valuation)**

Under the GPC Method, the market value is derived from last trading multiples of a selected set of comparable companies (“Guideline Public Companies”). Trading multiples, which are measures of relative value, are computed by dividing the market capitalisations (or sometimes enterprise value) of the Guideline Public Companies by some identified value-driving economic variable(s) observed or calculated from their latest published fundamental data, being typically their financial data (such as revenue, earnings before interests and taxes, net profit, book equity) or other industry-specific value drivers (such as total AUM size for asset management and advisory industry, number of paying users for telecom industry) as at the Valuation Date. A typical challenge in applying the GPC Method is to identify a sufficient pool of relevant and sufficient Guideline Public Companies that are comparable to the Target and the Subject Companies in terms of their business models, underlying business risks and prospects.

We have accepted the GPC Method as the primary method after locating a pool of relevant and sufficient Guideline Public Companies with comparable business model.

- **Guideline Merger and Acquisition (“GMA”) Method (Rejected)**

Under the GMA Method, the market value is derived from the acquisition multiples at which businesses similar to that of the Target and the Subject Companies were exchanged. The GMA Method provides an indication of value by comparing the prices at which business of similar properties (business nature and risk assumed) are being exchanged between independent and informed willing buyers and sellers. Similar to GPC Method, when the GMA Method is applied, an indicative acquisition multiple is derived by referring to the considerations transferred in comparable acquisitions and the Target and the Subject Companies value-driving fundamentals. Application of GMA is typically subject to the following limitations:

1. Existence of historical (and recent) comparable transactions;
2. Availability and quality of public disclosure on the comparable but private transactions; and
3. Whether they were arm’s length transactions between the independent uncontrolled parties, or being viewed as conducted at an arm’s length pricing between the controlled parties.

We have rejected this method given that the transactions of private investment fund management and advisory companies (especially the transfer of stake of general partners) were not active and any details are not usually publicly disclosed.

**XVI. DIRECT MARKET REFERENCE (REFERENCE ONLY)**

Direct Market Reference refers to latest concluded trading prices and transaction price/multiples of the exactly same subject under valuation. It is usually applied to value publicly traded companies and private companies with active previous funding rounds on an arm's length basis, as it is the most intuitive form of price discovery in the marketplace under ordinary situations.

We are aware of two potential reference transactions of the Target that were concluded recently. The Target has allotted 300,000 new shares to two subscribers during August 2017 (the "Share Allotment") to raise capital for the development of the Target's business. Also, the Target's controlling shareholder has transferred 75% of the entire issued share capital of Target to a related party during November 2017 (the "Share Transfer") for the purpose of internal restructuring. The controlling shareholder first acquired the controlling stake in the Target in June 2016. As advised by the directors of Target, at the relevant time of the Share Allotment and the Share Transfer, the two subscribers and the controlling shareholder and its related party as mentioned above did not have any intention to dispose of their shareholdings in the Target. Having considered the intention of the Company to acquire 100% equity interest in the Target and the shares held by the two subscribers only represent minority interest in the Target, the two subscribers are willing to accept the Company's offer to acquire their shareholdings in the Target under the current proposed transaction.

Considering that one of the two subscribers under the Share Allotment is the current director and the responsible officer of the Target, and the Share Transfer was conducted between related parties, the both implied valuations of the Target based on the Share Allotment and the Share Transfer cannot be automatically deemed as fully conducted on an arm's length basis by virtue of their occurrence. As such, both implied valuations of the Target from the Share Allotment and the Share Transfer can at most serve as reference transactions in gauging the overall reasonableness of our latter valuation result, instead of being relied upon to form as market evidences.

The Share Allotment, being dated three months ahead of the Valuation Date, has an implied valuation of HKD265,000,000 of the 100% equity interest of the Target. Details of the Share Allotment is as follows:

**Table 16-1 Details of the Share Allotment**

|                                    |                                                                |
|------------------------------------|----------------------------------------------------------------|
| Date                               | 29 August 2017                                                 |
| Subject                            | Target Capital Management Limited                              |
| New investor(s)                    | 1) LIU Liping, 2) LU Rong                                      |
| % Allotted to new investor(s)      | 5.66% (or 300,000 shares out of the 5,300,000 shares in total) |
| Consideration (HKD)                | 15,000,000                                                     |
| Implied Post-Money Valuation (HKD) | 265,000,000                                                    |
| Implied Pre-Money Valuation (HKD)  | 250,000,000                                                    |

The Share Transfer, being dated three days ahead of the Valuation Date, has an implied valuation of HKD300,000,000 of the 100% equity interest of the Target. Details of the Share Transfer is as follows:

**Table 16-2 Details of the Share Transfer**

|                         |                                                                   |
|-------------------------|-------------------------------------------------------------------|
| Date                    | 27 November 2017                                                  |
| Subject                 | Target Capital Management Limited                                 |
| Transferor              | Bison Capital Fashion Limited (BVI)                               |
| Transferee              | Bison Capital Holding Company Limited<br>(Hong Kong)              |
| % Transfer              | 75% (or 3,975,000 shares out of the 5,300,000<br>shares in total) |
| Consideration (HKD)     | 225,000,000                                                       |
| Implied Valuation (HKD) | 300,000,000                                                       |

As discussed at the beginning of this section, as both implied valuations of the Target based on the Share Allotment and the Share Transfer cannot be automatically deemed as fully conducted on an arm's length basis, they can at most serve as reference transactions in gauging the overall reasonableness of our latter valuation result, instead of being relied upon to form as market evidences. Having said that, we can still gauge a sensible range of the recently executed prices of the Target.

## **XVII. GUIDELINE PUBLIC COMPANY METHOD (ACCEPTED)**

The premise behind the GPC Method is that prices of publicly traded stocks in the same or a similar industry provide objective evidence as to values at which investors are willing to buy and sell interest of companies in that industry. In applying the GPC Method, we have computed the trading multiples on various benefit streams for each of the Guideline Public Companies. An appropriate valuation multiple is then determined, and adjusted for the unique aspects of the company being valued if any. This valuation multiple is then applied to the company being valued to arrive at an estimate of value for the appropriate ownership interest.

### **1. Selection of the Valuation Multiple**

Valuations are typically cited on the market capitalisations or enterprise values of a set of identified Guideline Public Companies. Valuation multiples are computed from dividing the valuations by certain operating or financial results of the Guideline Public Companies. As we are instructed to determine the Equity Interests of the Target and the Subject Companies, we have naturally selected the valuation multiples cited on ratio of market capitalisations to either key operating or financial indicator of the Guideline Public Companies.

Once a valuation multiple is selected later and is computed based on the Guideline Public Companies, the market value of the Equity Interests can be subsequently computed by the following formula:

Market Value of 100% Equity Interests of the Target and the Subject Companies  
= Valuation multiple X Key operating or financial indicator of the Target and the Subject Companies

Since the Target and the Subject Companies and AUM-based wealth management, fund advisory and management companies which derive almost all of their revenue from their AUM, we have adopted this multiple of market capitalisation-to-AUM (being used interchangeably with “Price-to-AUM” or “P/AUM”) as the primary valuation multiple.

## **2. Reasons for Adopting the Price-to-AUM Multiple**

Capital market participants have long preferred to adopt the size of AUM to gauge the valuations of asset management and advisory companies due to its enhanced reliability on predicting the companies’ long run value over the traditional valuation metrics, such as revenue, earnings before interest, taxes, depreciation and amortization, net profit and net book value, due to the following pool of practical reasons.

The AUM of a typical asset management company represents the total amount of its clients’ net wealth under its management and/or fee-paying capital committed by its fund investors. Subject to the actual arrangements on activities to be performed by the company and its remuneration, the size of the AUM represent the most original form of intrinsic value driver of the asset management company. As such, its relative valuation is often quoted by valuation practitioners as a P/AUM multiple. Depending on the actual type of management activities to be performed, different types of asset management companies earn different structures of management fees and performance fees. For instances, private equity and alternative asset management companies typically charges much higher fixed management fee rates and performance fees than passive index mutual fund management companies. As such, the listed shares of private equity companies are often traded at a premium to its index fund peers, when both expressed in P/AUM multiples. By observing the current trading P/AUM of comparable asset managers that performs similar activities to the EAM segment (wealth management) and FM segment (fund advisory), we can gauge the valuations of the two segments based on their peers’ median valuations.

Other financial metrics (e.g. revenue, EBITDA, net income, net book value, etc) might not be quoted as primary metrics for valuing the asset management companies given their susceptibility to volatile return cycles of their managed investments that often momentarily distorts the representativeness of the metrics. A good illustration comes from a recent positive profit alert announcement made by a Hong Kong listed fund management company that its preliminary figure on 2017 consolidated profit has significantly increased by around 13x, being mainly attributable to a substantial increase in performance fee. This kind of common jump in performance fee would temporarily depress the company’s trailing price-to-earnings multiple to questionably low multiple, leaving the financial metrics potentially distorting when applied.

Price-to-AUM, however, provides more objective and reliable estimates on long-run sustained valuations of asset management and advisory companies, since it

is less susceptible to prior-year return volatilities of managed investments that hugely impact the prior-year performances fees and distort financial valuation metrics.

To apply the Price-to-AUM Multiple appropriately, we will further study the earning abilities of the EAM and FM segments and compare with their Guideline Public Companies. A median multiple (or average, depending on distributions), which is a common measure of central tendency of a sample, will be directly applied in our valuation analysis only if the segments' earning abilities are in line with their Guideline Public Companies as a whole. If there appear noticeable differences, such as missing incentive fees in the revenue streams, we will consider to further apply an adjustment to the median (or average) multiple(s) to reflect its subsequent impacts on the earning abilities and thus the valuation results.

### **3. Selection of the Guideline Public Companies**

The application of this method depends on the selection of the 2 sets of Guideline Public Companies that shared sufficient similarities to two underlying business segments of the Target and the Subject Companies so as to provide meaningful comparisons. We exercised due care in the selection of the Guideline Public Companies by using multiple screening criteria in deciding whether or not the business model of a particular Guideline Public Company is relevant. If the difference is so large such that no meaningful comparison can be made, or insufficient count of the companies survives the comparability screen, we would then question the use of this GPC method.

As of the Valuation Date, the Target had two primary business segments. Despite the fact that both two segments of the Target are both related to the asset management and advisory business, the EAM and FM segments still significantly differ in terms of their ways in deriving revenue from the client and fund AUM. The EAM business primarily provides wealth management solutions to HNWI's and charges a commission rebate to the Private Banks, whereas the FM business primarily provides fund advisory services to the Subject Companies and charges a fixed annual rate on committed fund AUM. These differing business models and pricing structures would result in an impact on valuation and should be carefully taken care of when selecting the two sets of Guideline Public Companies.

### **4. Reasons for an Extended Search on Guideline Public Companies from the Developed Markets**

We have initiated our comparable search by researching into the valuations of the asset management companies in Hong Kong and the PRC and studying their business models. Despite that a pool of related companies are identified, most of them are operating in business models significantly different from EAM segment and FM segment, with only two companies survive the business model screens (to be elaborated in latter sections of this report). As such, we have released our geographic restriction to cover the asset management companies from the rest of the developed markets on a top-down approach (most from the US) such that an adequate pool of sampled companies can pass the business model screens for valuation purpose.

Our latter research has retained 2 sets of Guideline Public Companies that survive our business model tests. The business model test was based on collective checks on a pool of fundamental factors that govern the comparability including but not limited to the nature of business operations, products and markets, asset and business mix, data sufficiency and quality.

For the EAM segment, we have primarily identified a pool of 13 wealth advisory companies as our Guideline Public Companies, which are mostly specialised in providing investment and wealth solutions to HNWIIs, separate accounts and institutional investors.

For the FM segment, we have primarily identified a pool of 14 fund management and advisory companies as our Guideline Public Companies, which are specialised in managing private equity and alternative investments on behalf of its fund investors.

#### **5. Computation of the Valuation Multiple**

Once we have identified the two sets of Guideline Public Companies and made necessary adjustments to their financial information, if any, the next step is to compute their P/AUM multiples on a reliable and consistent approach across all Guideline Public Companies. The process of computing the valuation multiple in this valuation consists of the following 2 procedures:

- Determination of the market capitalisation of each Guideline Public Companies as at the Valuation Date. The market capitalization is computed by multiplying the share price by the number of outstanding ordinary shares as at the Valuation Date.
- Determination of the latest filed AUM as at the Valuation Date. This measurement represents the denominator of the multiple.

#### **6. Adjustment to Valuation Multiple (if any)**

Application of the Price-to-AUM Multiple relies on the inherent assumption that the earning abilities of the AUMs of the 2 sets of Guideline Public Companies and the subject 2 segments are expected to be similar in the long run. To assess the validity of this assumption, we have further checked the earning abilities of the AUMs of the 2 sets of Guideline Public Companies and benchmarked them against the subject 2 segments.

### **XVIII. VALUATION OF THE EXTERNAL ASSET MANAGEMENT SEGMENT**

For the EAM segment, we have primarily identified a pool of 13 investment advisory companies as our Guideline Public Companies, which are specialised in providing investment and wealth solutions to HNWIIs, separate accounts and institutional investors.

**1. Selection of the Guideline Public Companies of the EAM Segment**

The following is a pool of key factors that we have applied to determine the comparability of any potential comparable companies, in order of the following priority, in forming our 13 Guideline Public Companies.

- ***Business Model as a Wealth Advisor to Manage Client Accounts***

Whether the public companies have carried out its wealth advisory business primarily based on providing wealth and personal finance solutions to clients, managing client accounts, and collecting fee revenue based on the activity and performance of client assets.

- ***Focused Business Model***

Ideally, the selected public companies mostly, if not all, focus on its wealth and personal finance businesses. Our valuation prefers investment advisors and managers with focused business model in the wealth and personal finance related business, to companies engaged in diversified, conglomerate-like and hybrid business such that pure-play valuation is not possible.

- ***Exposure to the Asia-Pacific Investment Theme***

Ideally, the selected public companies shall share this investment theme proximity to the Asia capital market from where the Target primarily derives its profits from. The valuation prefers wealth and investment advisor that has product offerings relating to the Asia-Pacific investment opportunities.

- ***Data Sufficiency and Quality***

Ideally, the selected public companies shall have its latest AUM posted on a reliable channel as close to the Valuation Date as possible. Also, the advisory, management and performance fee mechanism shall be fair disclosed or determined.

After considering primarily the aforesaid factors as a whole and in order of their priorities, the following list shows the 13 Guideline Public Companies that we have identified in connection with the valuation of the EAM segment of the Target.

Table 18-1 Guideline Public Companies of the EAM Segment

|   | <b>13 Guideline<br/>Public Comps</b> | <b>Ticker</b>     | <b>Business Activities</b>                                                                                                                                                                                                                                                                                                                                          |
|---|--------------------------------------|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | AFFILIATED<br>MANAGERS<br>GROUP      | AMG US<br>EQUITY  | Affiliated Managers Group, Inc. is a global asset management company that invests in boutique investment management firms. AMG offers access to a broad and diverse array of independent boutique managers with distinct brands and specialized investment processes, combined with the efficiency of in-market client service and a single point of contact.       |
| 2 | AMERIPRISE<br>FINANCIAL INC          | AMP US<br>EQUITY  | Ameriprise Financial, Inc. is a financial planning and services firm. The Company provides financial planning, products and services that are designed to be utilized as solutions for its clients' cash and liquidity, asset accumulation, income, protection, and estate and wealth transfer needs.                                                               |
| 3 | FEDERATED<br>INVESTORS<br>INC-CL B   | FII US<br>EQUITY  | Federated Investors, Inc. provides investment management products and related financial services. The Company sponsors, markets, and provides investment-related services to various investment products, including mutual funds and separate accounts, such as separately managed accounts, institutional accounts, sub-advised funds, and other managed products. |
| 4 | NORTHERN<br>TRUST CORP               | NTRS US<br>EQUITY | Northern Trust Corporation provides investment management, asset and fund administration, fiduciary, and financial solutions for corporations, institutions, and affluent individuals. The company offers a wide array of capabilities to help clients address the full spectrum of their wealth management needs, including wealth planning and management.        |

|   | <b>13 Guideline<br/>Public Comps</b> | <b>Ticker</b>     | <b>Business Activities</b>                                                                                                                                                                                                                                                                                                                                                            |
|---|--------------------------------------|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5 | SILVERCREST<br>ASSET<br>MANAGEMENT-A | SAMG US<br>EQUITY | Silvercrest Asset Management Group Inc. is a wealth management firm. The Company focuses on providing financial advisory and related family office services to high net worth individuals and institutional investors. Its capabilities include coordinated estate and wealth planning, financial and income tax planning, consolidated reporting, and personal accounting solutions. |
| 6 | VIRTUS<br>INVESTMENT<br>PARTNERS     | VRTS US<br>EQUITY | Virtus Investment Partners, Inc. is a financial advisory and consulting firm. The Company offers mutual, closed-end funds, managed accounts, and related services.                                                                                                                                                                                                                    |
| 7 | WADDELL<br>& REED<br>FINANCIAL-A     | WDR US<br>EQUITY  | Waddell & Reed Financial, Inc., through its subsidiaries, serves as investment advisor and exclusive underwriter and distributor for a family of mutual funds. By building personalized plans designed around individual needs, financial advisors with Waddell & Reed enable clients to not only identify wealth goals, but take action toward achieving them.                       |
| 8 | WESTWOOD<br>HOLDINGS<br>GROUP INC    | WHG US<br>EQUITY  | Westwood Holdings Group, Inc. provides investment advisory services to a broad range of institutional clients. The Company also provides trust and custodial services to institutions and high-net-worth individuals. The Company will connect clients' values to their wealth strategy to help create a lasting legacy for their families.                                           |
| 9 | CI FINANCIAL<br>CORP                 | CIX CN<br>EQUITY  | CI Financial Corporation is a diversified wealth management firm that offers investment funds. The Company offers mutual funds, industry-specific funds, RSP-eligible funds, multi-manager funds, segregated funds.                                                                                                                                                                   |

|    | 13 Guideline<br>Public Comps      | Ticker            | Business Activities                                                                                                                                                                                                                                                                                                                                                                    |
|----|-----------------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10 | EDMOND DE<br>ROTHSCHILD<br>SUISSE | RLD SW<br>EQUITY  | Edmond de Rothschild (Suisse) S.A. provides portfolio management, wealth management and other financial services. Its private banking activity takes a global view of clients' assets to protect, grow and pass on a family's assets and values to the next generation.                                                                                                                |
| 11 | FIERA CAPITAL<br>CORP             | FSZ CN<br>EQUITY  | Fiera Capital Corporation is an asset management firm. The Company offers a wide range of traditional and alternative investment solutions in asset allocation, and delivers investment management capabilities to institutional, private wealth and retail clients.                                                                                                                   |
| 12 | IGM FINANCIAL<br>INC              | IGM CN<br>EQUITY  | IGM Financial, Inc. offers a variety of personal financial planning services. The Company provides mutual funds, Guaranteed Investment Certificates, insurance products, and mortgage loans. It offers a wide variety of financial planning services and investment solutions to meet clients' unique needs.                                                                           |
| 13 | VONTOBEL<br>HOLDING AG-<br>REG    | VONN SW<br>EQUITY | Vontobel Holding AG is a globally active wealth and asset manager. The Company's wealth management provides professional, forward-looking advice to private clients, while the asset management division actively manages assets for institutional clients and funds. Vontobel's financial products business delivers custom investment solutions to intermediaries and other clients. |

*Source: Bloomberg, company filings, company websites*

## 2. Further Discussions on Hong Kong/PRC Wealth and Investment Advisor

As shown in the previous, the 13 Guideline Public Companies are US-listed, Canada-listed and Swiss-listed companies with comparable wealth management business model to the EAM segment. Based on our market observation, there is no identified listed companies in Hong Kong and PRC with sole business model comparable to the EAM segment with reliable AUM disclosed, since

wealth managers and advisors in Hong Kong and PRC usually exist as a sub-division of major listed commercial banks, listed security brokers and listed insurance companies and other listed financial conglomerates, instead of existing as a standalone listed company with sole principle business in providing wealth and investment solutions. There might exist some private companies with sole principle business in providing the wealth services comparable to the EAM segment, however no market valuations on these public companies are reliably disclosed. As such, we have proceeded to review the valuations of 13 Guideline Public Companies in the overseas developed markets that shows much enhanced business model comparability.

As developed market economies typically show lower industry growth rates than their emerging market counterparts, the bottom line is that the 13 Guideline Public Companies, when being viewed in aggregate, should reasonably be expected not being traded at a premium over their emerging market counterparts, including the Target, being a Hong Kong business that are significantly exposed to the PRC economy.

### 3. Implied P/AUM Valuation Multiple of the EAM Segment

As such, we believed that the selected 13 Guideline Public Companies were sufficiently comparable and serve as the best available piece of objective information as a whole for our valuation analysis. These 13 companies were selected as Guideline Public Companies because they are engaged in providing investment and wealth solutions to HNWI, separate accounts and institutional investors, which are comparable to the EAM segment of the Target. Details of the calculation of P/AUM multiple from the 13 Guideline Public Companies were as follows:

**Table 18-2 Implied P/AUM for the 13 Guideline Public Companies of the EAM Segment**

| #   | 13 Guideline Public Companies | Market Capitalization<br>(in USD million) | P/AUM |
|-----|-------------------------------|-------------------------------------------|-------|
| 1.  | AFFILIATED MANAGERS GROUP     | 11,042.46                                 | 1.37% |
| 2.  | AMERIPRISE FINANCIAL INC      | 24,146.62                                 | 3.49% |
| 3.  | FEDERATED INVESTORS INC-CL B  | 3,386.29                                  | 0.93% |
| 4.  | NORTHERN TRUST CORP           | 22,237.24                                 | 1.98% |
| 5.  | SILVERCREST ASSET MANAGEME-A  | 200.66                                    | 0.97% |
| 6.  | VIRTUS INVESTMENT PARTNERS    | 859.32                                    | 1.30% |
| 7.  | WADDELL & REED FINANCIAL-A    | 1,692.43                                  | 2.09% |
| 8.  | WESTWOOD HOLDINGS GROUP INC   | 607.25                                    | 2.57% |
| 9.  | CI FINANCIAL CORP             | 6,234.99                                  | 6.39% |
| 10. | EDMOND DE ROTHSCHILD SUISSE   | 1,668.87                                  | 1.44% |

| #   | 13 Guideline Public Companies | Market Capitalization<br>(in USD million) | P/AUM        |
|-----|-------------------------------|-------------------------------------------|--------------|
| 11. | FIERA CAPITAL CORP            | 823.52                                    | 0.84%        |
| 12. | IGM FINANCIAL INC             | 8,313.82                                  | 6.92%        |
| 13. | VONTOBEL HOLDING AG-REG       | 3,435.50                                  | 2.25%        |
|     | <b>Median</b>                 |                                           | <b>1.98%</b> |

*Source: Bloomberg, company filings*

We have observed this sample median of 1.98% from the pool of 13 Guideline Public Companies. We have further conducted regression analysis on these 13 observations and concluded that the size of AUM does not impact the P/AUM ratio on a 95% confidence level. For the EAM segment, by regressing the 13 P/AUM observations against their respective AUMs, the result shows a trivial coefficient with a t-stat of -0.37 (p-value of 0.72), implying the size of AUM is not statistically significant to the P/AUM observations on a 95% confidence level.

The bottom line of the analysis is, adopting the median P/AUM from the Guideline Public Companies with much larger AUM, shall not result in over-estimation of the market value of the EAM segment of the Target.

The adoption of median multiple is more appropriate for the EAM segment than any individual multiples or other rules (primarily the average rule after excluding outliers) due to the following reason:

- For industries with more dispersed company valuations (such as asset management, information technology), the median rule is often a more robust and objective measure of central tendency than any individual multiples and the average multiple (even after excluding outliers), since any outlier-exclusion rule can be subjective in nature (e.g. whether to define 2 standard deviations or more as the cutoff threshold of the outlier rule).
- Median rule retains sufficient data points and respects the presence of each observations. On the contrary, the average rule (after further excluding outliers) can result in reduced data points, and reduced level of sample representativeness. (This drawback particularly impacts the FM segment to be discussed in the latter sections.)

The list of 13 Guideline Public Companies is exhaustive based on our research and selection criteria on a best-effort basis, or any omissions beyond our awareness shall not result in material change in the conclusion, given that the existing sample size and the adoption of the median rule. We are of view that the current sample pools are fair in reaching a balance between sample sufficiency and representativeness of the comparable companies.

#### 4. Conclusion on the P/AUM Multiple for the EAM Segment

We have taken the sample median, being 1.98% of the 13 Guideline Public Companies, as the adopted P/AUM multiple for our valuation analysis. The median serves a better reflection of the central tendency of the sample if the distribution is not roughly identified as normally distributed. The adopted median rule is appropriate given the observed not-so-narrow range of the distribution of the P/AUMs (with moderate coefficient of variance of 0.80). The median rule is less susceptible to effect of outliers than the average rule. We believe the median rule can better take consideration of the side effect of the skewed data points than the average rule.

**Table 18-3 Summary of the Selected Multiples for the EAM Segment**

| Valuation Date         | Selected Multiple | Median* |
|------------------------|-------------------|---------|
| As at 30 November 2017 | P/AUM             | 1.98%   |

\* Rounded to the nearest 0.01%

For EAM segment, its recent earning power was approximately in line with that of the 13 Guideline Public Companies. No further adjustment is required (i.e. only a factor of 1.00 is adopted).

**XIX. VALUATION OF THE FUND MANAGEMENT AND ADVISORY SEGMENT**

For the FM segment, we have primarily identified a pool of 14 fund management and advisory companies as our Guideline Public Companies, which are specialised in managing private equity and alternative investments on behalf of its investors.

**1. Selection of the Guideline Public Companies of the FM Segment**

The following is a pool of the factors that we have applied to determine the comparability of the any potential comparable companies, in order of the following priority, in forming our 14 Guideline Public Companies.

- ***Business Model as an Investment Advisor/Manager to Private Funds***

Whether the public companies have carried out its fund advisory and management business primarily based on a partnership model, where the public companies primarily collect revenue from its limited partner investor clients in the form of management fees, advisory and performance-based fees, being primarily linked to the size of the client AUM base and the performance of the underlying investments managed on behalf of the clients.

- ***Focused Business Model***

Ideally, the selected public companies mostly, if not all, focus its fund management and advisory businesses. The valuation prefers fund advisors and general partners with concentrated business model in the fund advisory and management business, to companies engaged in diversified, conglomerate-like and hybrid business such that pure-play valuation is not possible.

- ***Exposure to Private Equity and other Alternative Asset Classes***

Whether the public companies have this private-equity oriented exposure, or private-equity-like business practices. Public companies engaged in managing significant investments from other traditional asset classes, such as real estate, commodity, forex, mutual funds, exchange-traded funds, hedge funds, trust funds and other alternative asset classes, are not as preferred as private equity and alternative asset focused funds, depending on the difference in the underlying macro-economic drivers.

- ***Exposure to the Asia-Pacific Investment Theme***

Ideally, the selected public companies shall share this market proximity to the Asia market from where the FM segment of the Target and the Subject Companies primarily derives its profits from. The valuation prefers fund advisors and general partners with investment experience and exposure to the Asia-Pacific market, or fund advisors and general partners listed in the PRC or Hong Kong, if available.

- ***Data Sufficiency and Quality***

Ideally, the selected public companies shall have its latest AUM posted on a reliable channel as close to the Valuation Date as possible. Also, the advisory, management and performance fee mechanism shall be fairly disclosed or determined.

As previously discussed, the valuation has been prepared on the basis that the Subject of Companies (the fund managers/general partners of offshore private equity funds) have already been integrated into the FM segment. As a result of the proposed integration, the FM segment will be very comparable to the 14 Guideline Public Companies of full-fledged asset management companies.

After considering primarily the aforesaid factors as a whole and in order of their priorities, the following list shows the 14 Guideline Public Companies that we have identified in connection with the valuation of the FM segment of the Target and the Subject Companies.

**Table 19-1 Guideline Public Companies of the FM Segment**

|    | <b>14 Guideline<br/>Public Comps</b> | <b>Ticker</b>     | <b>Business Activities</b>                                                                                                                                                                                                                                                       |
|----|--------------------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | APOLLO GLOBAL<br>MANAGEMENT          | APO US<br>EQUITY  | Apollo Global Management LLC provides global alternative asset manager services. The Company raises, invests, and manages private equity, credit-oriented capital markets, and real estate funds. The funds are invested across a core group of industries throughout the world. |
| 2. | ARES<br>MANAGEMENT<br>LP             | ARES US<br>EQUITY | Ares Management, L.P. is an asset management firm that focuses on tradable credit, direct lending, private equity and real estate markets. The Company also invest in all levels of a company capital structure-from senior debt to common equity.                               |

|    | <b>14 Guideline<br/>Public Comps</b>       | <b>Ticker</b>     | <b>Business Activities</b>                                                                                                                                                                                                                                                                                                                            |
|----|--------------------------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. | ARTISAN<br>PARTNERS<br>ASSET<br>MANAGEMENT | APAM US<br>EQUITY | Artisan Partners Asset Management Inc. operates as an investment management firm. The Company offers portfolio management, financial planning, and investment advisory services.                                                                                                                                                                      |
| 4. | BLACKROCK INC                              | BLK US<br>EQUITY  | BlackRock, Inc. provides diversified investment management services to institutional clients and to retail investors through various investment vehicles. The Company manages funds and also provides risk management services to fixed income institutional investors.                                                                               |
| 5. | BLACKSTONE<br>GROUP LP/THE                 | BX US<br>EQUITY   | The Blackstone Group L.P. is a global investment firm. The Company provides asset management services including investment vehicles focused on private equity, real estate, public debt and equity, non-investment grade credit, real assets, and secondary funds. The Blackstone Group offers its products and services to clients around the world. |
| 6. | CARLYLE<br>GROUP/THE                       | CG US<br>EQUITY   | The Carlyle Group LP operates as a diversified multi-product global alternative asset management firm. The Company advises investment funds and other investment vehicles that invest across a range of industries, geographies, asset classes, and investment strategies across business segments.                                                   |
| 7. | FORTRESS<br>INVESTMENT<br>GRP              | FIG US<br>EQUITY  | Fortress Investment Group LLC is an alternative asset manager. The Company raises, invests and manages private equity funds, hedge funds and publicly traded alternative investment vehicles.                                                                                                                                                         |
| 8. | FRANKLIN<br>RESOURCES<br>INC               | BEN US<br>EQUITY  | Franklin Resources, Inc. provides investment advisory services to mutual fund, retirement, institutional, and separate accounts investors. The Company manages various asset classes including global equity, global institutional and municipal fixed income, money funds, alternative investments, and hedge funds.                                 |

|     | <b>14 Guideline<br/>Public Comps</b> | <b>Ticker</b>       | <b>Business Activities</b>                                                                                                                                                                                                                                                                                                             |
|-----|--------------------------------------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9.  | INVESCO LTD                          | IVZ US<br>EQUITY    | Invesco Ltd. provides investment management services. The Company offers equity, fixed income, separate accounts, exchange traded, collective, and balance mutual funds. Invesco serves customers globally.                                                                                                                            |
| 10. | KKR & CO LP                          | KKR US<br>EQUITY    | KKR & Co. L.P. operates as an investment firm. The Company manages investments such as private equity, energy, infrastructure, real estate, credit strategies, and hedge funds. KKR serves clients globally.                                                                                                                           |
| 11. | OAKTREE<br>CAPITAL<br>GROUP LLC      | OAK US<br>EQUITY    | Oaktree Capital Group LLC is a global investment management firm focused on alternative markets. The Company specializes in credit and contrarian, value-oriented investing.                                                                                                                                                           |
| 12. | OM ASSET<br>MANAGEMENT<br>PLC        | OMAM US<br>EQUITY   | OM Asset Management plc operates as a diversified asset management company. The Company offers products in domestic and international equities, fixed income, and alternative investments, such as timber and real estate. OM Asset Management serves customers in the United States and the United Kingdom.                           |
| 13. | KUNWU JIUDING<br>INVESTMENT          | 600053 CH<br>EQUITY | Kunwu Jiuding Investment Holdings Co., Ltd develops and manages real estates. The Company also operates in private equity industry.                                                                                                                                                                                                    |
| 14. | VALUE<br>PARTNERS<br>GROUP LTD       | 806 HK<br>EQUITY    | Value Partners Group Limited is an independent, value oriented asset management group with a focus on China and the Asia-Pacific region. The Company's investor base includes institutions, corporations, statutory authorities, university endowment funds, charitable foundations, high net worth individuals, and retail investors. |

Source: Bloomberg, company filings, company websites

## 2. Further Discussions on Hong Kong/PRC Fund Management or Investment Companies

As shown in the previous table, 12 out of 14 Guideline Public Companies are US-listed companies with comparable business model to the FM segment. The remaining 2 Guideline Public Companies are the PRC-listed Kunwu Jiuding Investment Holdings Co., Ltd (Ticker: 600053 CH) and the Hong Kong-listed Value Partners Group Limited (Ticker: 806 HK). One might initially question the few observations from the PRC/Hong Kong public market. As such, we have conducted the following two follow-up procedures.

Firstly, to attempt to locate any potentially missing private fund advisors and managers, we proceed to initiate another search strategy based on a 2016 private equity ranking list<sup>6</sup> of famous private equity firms (under their capacity as the fund advisors/general partners) in the PRC. Based on its list of top 100 China Private Equity Firms in 2016, we are not aware that any of the 100 private equity firms are publicly traded companies, except Kunwu Jiuding Investment Holdings Co., Ltd (600053 CH). Excerpt of the top 10 are listed below for reference. We are also not aware that any of the 100 private equity firms have their transfer of the general partner stake recently and reliably disclosed. It is not surprised since the private equity firms in PRC, unlike the US, are mostly privately-held.

**Table 19-2 Top 10 China Private Equity Firms in 2016**

| <b>Excerpt of the Top 10 China Private Equity Firms in 2016</b> |                                                                | <b>Exchange Ticker (if Any)</b> |
|-----------------------------------------------------------------|----------------------------------------------------------------|---------------------------------|
| 1.                                                              | 鼎暉投資基金管理公司                                                     | • Private (Unlisted) Company    |
| 2.                                                              | 平安資本有限責任公司                                                     | • Private (Unlisted) Company    |
| 3.                                                              | 昆吾九鼎投資管理有限公司                                                   | • Listed, 600053 CH             |
| 4.                                                              | 中國光大控股有限公司 (PE arm)                                            | • Private (Unlisted) Company    |
| 5.                                                              | 騰訊投資 (a corporate venture capital arm of the Tencent Holdings) | • Private (Unlisted) Company    |
| 6.                                                              | 建銀國際財富公司                                                       | • Private (Unlisted) Company    |
| 7.                                                              | 矽谷天堂資產管理集團股份有限公司                                               | • Private (Unlisted) Company    |
| 8.                                                              | 上海復星創富投資管理有限公司                                                 | • Private (Unlisted) Company    |
| 9.                                                              | 弘毅投資有限公司                                                       | • Private (Unlisted) Company    |
| 10.                                                             | 高瓴資本管理有限公司                                                     | • Private (Unlisted) Company    |

*Source: Zero2ipo China Equity Investment Ranks in 2016, Complete listed of the top 100 PE per following link <<http://pe.pedaily.cn/201612/20161208406442.shtml>>*

<sup>6</sup> Based on “Zero2ipo China Equity Investment Ranks in 2016”, or “清科 2016 中國股權投資年度排名公佈” <http://pe.pedaily.cn/201612/20161208406442.shtml>

Secondly, to attempt to locate any potentially listed investment companies, we have further researched the Hong Kong and PRC listed public companies which are typically categorised under the investment and/or asset management sector. A full list of potential comparable companies has been identified, and then we have studied the business model, products and markets, asset and business mix, data sufficiency and quality. It is found that such investment sector companies were not sufficiently comparable to the operations of the FM segment and therefore those companies were not selected as Guideline Public Companies. The full list of rejected public companies and their business descriptions is detailed in Appendix I. As such, most of the 14 Guideline Public Companies selected are principally operating in the United States.

### 3. Implied P/AUM Valuation of the FM Segment

As such, we believed that the selected 14 Guideline Public Companies were sufficiently comparable and serve as the best available piece of objective information for our valuation analysis. These 14 companies were selected as Guideline Public Companies because they are engaged in fund management and advisory business and such lines of business were comparable to those of the FM segment, as represented by its current advisor role and the future manager role after integrating with the Subject Companies. Moreover, these Guideline Public Companies play advisors/ manager roles in private equity fund management activities, being sufficiently comparable to the FM segment. Details of the calculation of P/AUM multiple of the 14 Guideline Public Companies were as follows:

**Table 19-3 Implied P/AUM for the 14 Guideline Public Companies of the FM Segment**

| #   | 14 Guideline Public Companies     | Market Capitalization<br>(in USD million) | P/AUM  |
|-----|-----------------------------------|-------------------------------------------|--------|
| 1.  | APOLLO GLOBAL MANAGEMENT          | 12,806                                    | 5.30%  |
| 2.  | ARES MANAGEMENT LP                | 3,919                                     | 3.71%  |
| 3.  | ARTISAN PARTNERS ASSET MANAGEMENT | 2,985                                     | 2.63%  |
| 4.  | BLACKROCK INC                     | 81,152                                    | 1.36%  |
| 5.  | BLACKSTONE GROUP LP/THE           | 38,078                                    | 9.83%  |
| 6.  | CARLYLE GROUP/THE                 | 6,827                                     | 3.91%  |
| 7.  | FORTRESS INVESTMENT GRP           | 3,054                                     | 8.46%  |
| 8.  | FRANKLIN RESOURCES INC            | 24,012                                    | 3.19%  |
| 9.  | INVESCO LTD                       | 14,724                                    | 1.60%  |
| 10. | KKR & CO LP                       | 16,503                                    | 10.76% |

| #   | 14 Guideline Public Companies | Market Capitalization<br>(in USD million) | P/AUM        |
|-----|-------------------------------|-------------------------------------------|--------------|
| 11. | OAKTREE CAPITAL GROUP LLC     | 6,697                                     | 6.73%        |
| 12. | OM ASSET MANAGEMENT PLC       | 1,799                                     | 0.76%        |
| 13. | KUNWU JIUDING INVESTMENT      | 1,606                                     | 39.12%       |
| 14. | VALUE PARTNERS GROUP LTD      | 1,913                                     | 12.35%       |
|     | <b>Median</b>                 |                                           | <b>4.61%</b> |

*Source: Bloomberg, company filings*

We have observed this sample median of 4.61% from the pool of 14 Guideline Public Companies. We have further conducted regression analysis on these 14 observations and concluded that the size of AUM does not impact the P/AUM ratio on a 95% confidence level. For the FM segment, by regressing the 14 P/AUM observations against their respective AUMs, the result shows a trivial coefficient with a t-stat of -0.92 (p-value of 0.37), implying the size of AUM is not statistically significant to the P/AUM observations on a 95% confidence level.

The bottom line of the analysis is, adopting the median P/AUM from the Guideline Public Companies with much larger AUM, shall not result in over-estimation of the market value of the FM segment of the Target and Subject Companies.

The adoption of median multiple is more appropriate for the FM segment than any individual multiples or other rules (primarily the average rule after excluding outliers) due to the following reason:

- As discussed previously, for industries with more dispersed company valuations (such as asset management, information technology), the median rule is often a more robust and objective measure of central tendency than any individual multiples and the average multiple (even after excluding outliers), since any outlier-exclusion rule can be subjective in nature (e.g. whether to define 2 standard deviations or more as the cutoff threshold of the outlier rule).

- As discussed previously, the median rule retains sufficient data points and respects the presence of each observations. On the contrary, the average rule (after further excluding outliers) can potentially result in reduced data points, and reduced level of sample representativeness. For the FM segment in particular, any form of a proposed outlier-exclusion rule can be purely a statistical measure that might not always result in enhanced fundamental representativeness of the surviving data sets. For example, an outlier (Kunwu Jiuding Investment Holdings Co., 600053 CH EQUITY), with its P/AUM being 3.21 standard deviations higher than the average multiple, is the only PRC listed private equity comparable company we have identified. The exclusion of this PRC “outlier” under the average rule is statistically sound but cannot be fundamentally explained, especially when the outlier-exclusion rule suggests removing the only PRC comparable company (being shared with good proximity with the market that the FM segment is also involved).

The list of 14 Guideline Public Companies is exhaustive based on our research and selection criteria on a best-effort basis, or any omissions beyond our awareness shall not result in material change in the conclusion, given that the existing sample size and the adoption of the median rule. We are of view that the current sample pools are fair in reaching a balance between sample sufficiency and representativeness of the comparable companies.

#### **4. Conclusion on the P/AUM Multiple for the FM Segment**

We have taken the sample median, being 4.61% of the 14 Guideline Public Companies, as the adopted P/AUM multiple for our valuation analysis. The median serves a better reflection of the central tendency of the sample if the distribution is not roughly identified as normally distributed. The adopted median rule is appropriate given the observed not-so-narrow range of the distributions of the P/AUMs (with moderate coefficient of variance of 1.24 for the FM segment). The median rule is less susceptible to effect of outliers than the average rule.

We did not further exclude the only two Hong Kong and PRC-listed observations under the FM set (being high-end observations) since (i) it would result in significantly reduced representativeness of the FM set, (ii) outliers are usually retained under the median rule under common practices, and (iii) it would result in reduced sample size.

Table 19-4 Summary of the Selected Multiples for the FM Segment

| Valuation Date         | Selected Multiple | Median* |
|------------------------|-------------------|---------|
| As at 30 November 2017 | P/AUM             | 4.61%   |

\* Rounded to the nearest 0.01%

For FM segment, its recent earning power was also approximately in line with that of the 14 Guideline Public Companies, except that the 14 companies had also historically earned incentive fees that accounted for approximately 27% of their revenues. Since the FM segment has yet to earn any incentive fees from the eight Investment Funds based on the existing arrangements, we have adopted adjustment factor of 0.73 (being  $1 - 0.27$ ) to adjust the raw Price-to-AUM Multiple downwards. This adjustment to valuation multiple can appropriately reflect the quantitative difference (despite similar business models) between a valuation subject and its comparable peers, and is commonly adopted in in-depth valuation analyses.

Making further adjustments to observed peer multiples is a common valuation practice when a valuer identifies quantifiable differences between the comparable peers and a target company. These quantifiable differences broadly include risk profiles, growth prospects and incoming-generating abilities (especially when operating metrics are adopted, such as P/AUM, price-to-users, gross merchandise volume, etc).

Depending on the actual differences identified, the initial multiples would be adjusted upwards or downwards before applying it to valuations. The adjustment formula depends on the way the observed difference impacts valuation. For example, if the difference concerns risk and growth, the adjustment formula will be based on the well-known Gordon Growth Model to adjust for the capitalization rate.

For the subject valuation, the P/AUM Multiple has an inherent assumption that the earning abilities of each dollar of the AUM shall be comparable before we adopt the 4.61%. Given the fact that the FM segment of the Target and the Subject of Companies have yet to earn any incentive fees in the revenue composition that has accounted for 27% of the total revenue of its peers, our best-effort judgement is an intuitive one-on-one value adjustment to the 4.61% multiple. The bottom line is that this 0.73 adjustment shall not over-estimate the final result, since the market would likely attach a lower relative value to the risky incentive fee component than the remaining stable fees (mostly management fees), assuming all other variables equal.

Table 19-5 Summary of the Adjusted Multiples for the FM Segment

| Valuation Date         | Selected Multiple | Median* |
|------------------------|-------------------|---------|
| As at 30 November 2017 | P/AUM             | 3.36%   |

\* Rounded to the nearest 0.01%

## XX. CONTROL PREMIUM

Control premium represents the purchase price in excess of the currently traded (minority) market price of a publicly traded company that a potential buyer is willing to pay to obtain its control. A controlling shareholder can enjoy certain several advantages (such as autonomy over investment and distribution policies, operational and merger strategies, etc), that the holders of minority stake would not otherwise receive. As such, estimating the value of the control premium is necessary when valuing a block of shares where controlling or significant voting rights are attached.

In our valuation of the Equity Interests where 100% interest is concerned, we have computed the median P/AUM multiples with reference to the market capitalisations and latest AUMs disclosed by the 2 sets of Guideline Public Companies as at the Valuation Date. Since the market capitalisations are typically calculated as a product of the per-share (minority) trading prices and the outstanding numbers of shares, it can only reflect the valuation on a sum-of-minority-shares basis. On the other hand, the subject valuation concerns the 100% controlling interests. It is thus reasonable to apply a control premium to reflect these control advantages over the observed minority prices of the Guideline Public Companies.

In accordance with its research result as published in FactSet MergerStat Review 2017<sup>7</sup>, the average percent premium offered for acquiring a controlling equity interest to that for a minority interest in the recent years is approximately 10%<sup>8</sup>. We have adopted this 10% control premium as a fair and reasonable for the valuation of the Equity Interests in the Target and the Subject Companies.

## XXI. DISCOUNT FOR LACK OF MARKETABILITY

Discount for lack of marketability (“DLOM”) is one of the valuation adjustments with significant monetary impact on the final determination of market value. Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimal transaction costs, including direct or indirect costs. DLOM is a downward adjustment to the market value of a private investment to reflect its reduced level of marketability, regardless of whether the investment involve a controlling or minority stake in the private company. The magnitude of DLOM of private company is typically determined based on the following two considerations:

<sup>7</sup> Author: Factset Mergerstat, Publisher: Business Valuation Resources, LLC

<sup>8</sup> The 10-year average (2007-2016) is 9.2%, the 3-year average (2014-2016) is 9.5% and the latest observation (2016) is 15.3%.

**1) Private Control vs Private Minorities**

DLOM is usually observed to have a larger impact on transfer of non-marketable minority stakes in a private company than transfer of non-marketable controlling stakes in a private company. Minorities typically suffer from deeper DLOM given their “unattractiveness” to potential investors, since the minorities usually have fewer active options (only receiving dividends or sale to another investor) to receive liquidity, whereas controlling stakes have more active options (pursuing more advantaged operation and distribution policies, go public or sale to strategic buyout investors, etc).

**2) Expected Time Horizon of Liquidation Events**

DLOM is also subject to the length of time and level of effort as required by the current and perspective owner(s) to receive liquidity from ongoing operating cash inflow, a sale or a hypothetical go-public scenario. A sale scenario and a go-public scenario would typically take six to 24 months for the transaction/listing to be consummated at all. Furthermore, potential direct costs of sale or listing of the subject business interest, such as legal fees, accounting fees and intermediary fees, and potential indirect costs, such as level of pricing uncertainty and other restrictions to transfer shall be taken into consideration.

We believe a DLOM is essential for the valuation to reflect the non-marketable of the subject controlling stakes when compared to the marketable Guideline Public Companies. When computing the DLOM, we have made reference to the following source:

- As revealed by the FMV Restricted Stock Study in its DLOM Calculator, the average DLOM of the 786 transactions of all companies in its database is 19.1%, the average DLOM of the 205 transactions of all profiting companies is 18.7%. As such, a rounded 19% DLOM can reasonably reflect the required discount.

As such, we believe a DLOM of 19% is a reasonable basis to capture the liquidity and marketability nature of the subject two segments of the Target and the Subject Companies.

## XXII. SUMMARY OF VALUATION

As the final step of our valuation, we consolidated our above findings and discussions into the following summary. The Valuation of the Target and the Subject Companies as a whole is the sum-of-the-parts of its two existing segmental values.

**Table 22-1 Summary of Valuation of the Target and the Subject Companies as at 30 November 2017**

| As at 30 November 2017<br>(Amount in HKD)                                                                                    |       | EAM Segment<br>of the Target | FM Segment<br>of the Target<br>and the Subject<br>Companies |
|------------------------------------------------------------------------------------------------------------------------------|-------|------------------------------|-------------------------------------------------------------|
| Selected Multiples                                                                                                           | P/AUM | 1.98%                        | 4.61%                                                       |
| <i>Multiply by: Factor Adjustment<br/>(Note 1)</i>                                                                           |       | <u>1.00</u>                  | <u>0.73</u>                                                 |
| <b>Adopted Multiple</b>                                                                                                      | P/AUM | <b>1.98%</b>                 | <b>3.36%</b>                                                |
| <i>Multiply by: AUM by segments</i>                                                                                          |       | <u>5,839,000,000</u>         | <u>5,654,000,000</u>                                        |
| Implied Value on Listed Minority<br>Basis                                                                                    |       | 115,612,200                  | 189,974,400                                                 |
| <i>Add: Control Premium (Note 2)</i>                                                                                         | 10%   |                              | <u>30,558,660</u>                                           |
| Implied Value on Listed Control<br>Basis                                                                                     |       |                              | 336,145,260                                                 |
| <i>Less: DLOM (Note 3)</i>                                                                                                   | -19%  |                              | <u>(63,867,599)</u>                                         |
| Implied Value on Private Control<br>Basis (Note 4)                                                                           |       |                              | <u>272,277,661</u>                                          |
| <i>Multiply by: % Shareholding</i>                                                                                           |       |                              | <u><u>100%</u></u>                                          |
| <b>Implied Market Value of the 100%<br/>Equity Interests of the Target<br/>and the Subject Companies<br/>(Amount in HKD)</b> |       |                              | <u><u><b>272,277,661</b></u></u>                            |

\* Products and sums of the figures may not equal to the final figures due to rounding

*Note 1:* A factor adjustment of 0.73 was further imposed to the FM segment since the segment has yet to earn any performance-based revenue that had accounted for an average of 27% of its peers' total revenue. Apart from this, the historical earning power of AUM under the 2 segments did not fall out of a reasonable range as determined from its peers.

*Note 2:* Please refer to Section XX. Control Premium for detailed discussion.

*Note 3:* Please refer to Section XXI. Discount for Lack of Marketability for detailed discussion.

*Note 4:* The HKD21.9 million non-idle cash on book is deemed as essential for current operations, contingencies and growth expansions, as such we do not add back the cash balance.

The valuation conclusion falls within the range of implied valuations between HKD265,000,000 and HKD300,000,000 from previous transaction references.

### **XXIII.LIMITING CONDITIONS**

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company, the Target and the Subject Companies. Furthermore, we have not assessed any potential tax implication incidental to the transaction, in which the Company should seek advice from the tax adviser.

The opinions expressed in this report have been based on the information supplied to us by the Company and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation were provided by the management of the Company. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review were reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflected facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

### **XXIV.CONCLUSION OF VALUE**

In conclusion, based on the analysis stated above and the valuation methods employed, it was our opinion that the market value of the 100% Equity Interests in the Target Capital Management Limited and the Subject Companies as a whole as at 30 November 2017 was as follows:

| <b>Subject of Valuation</b>                                                                     | <b>Market Value*</b><br><b>(HKD)</b> |
|-------------------------------------------------------------------------------------------------|--------------------------------------|
| 100% Equity Interests in Target Capital Management Limited and the Subject Companies as a whole | 272,000,000                          |

\* Rounded to HKD millions

The opinion of value was based on generally accepted valuation procedures and practices that relied extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which could be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,  
For and on behalf of  
**GREATER CHINA APPRAISAL LIMITED**

**Max K.P. Tsang**, *CPA, CFA, FRM, MRICS, MStat*  
*Director*

Analysed and Reported by:

**Jimmy S.K. Wong**, *CPA, CFA, FRM, MFin (IM)*  
*Senior Manager, Business Valuation and Transaction Advisory*

**Bobby Zhu**  
*Assistant Manager, Business Valuation and Transaction Advisory*

**INVOLVED STAFF BIOGRAPHY**

**Max K.P. Tsang, CPA, CFA, FRM, MRICS, MStat**  
*Director*

Mr. Tsang has been working in the professional valuation field since 2011. Before joining the valuation field, he worked in banking and finance sector from 2008 to 2010. Mr. Tsang has been leading the team of business valuation for private and listed companies for the purposes of financial reporting, initial public offerings, mergers and acquisitions, financing, tax and litigation support. The scope of services includes business valuation and intangible asset valuation.

He has performed valuation and provided fairness opinion for listed companies in the United States, Australia and Germany. He has participated in many representative projects, such as valuation of global luxury brands, oil and gas extraction in the United States and Canada, BOT infrastructural project, solar and wind power plants, banks, logistic hub in Singapore, toll road in the United Kingdom, container port in Brazil and premium food manufacturer in Spain.

He has provided valuation advisory services for private equity funds in Hong Kong and the PRC regarding market value assessment of the general partner's stakes and investment portfolios for valuation control and financial reporting purposes (including compliance with IFRS 9). The investment portfolios included renowned internet and technology companies as well as infrastructural projects in China.

He has also served as the expert witness for litigation. He is also experienced in valuation of overseas project for State-owned Assets Supervision and Administration Commission of the State Council (SASAC) filing in the PRC. The valuation reports prepared by Mr. Tsang and his team have been regularly referenced by Hong Kong listed companies in their circulars, including companies in agriculture, retail, mining, internet, automobile, education, financial services, multimedia, internet, real estate, entertainment, electronic equipment and infrastructural sectors.

**Jimmy S.K. Wong, CPA, CFA, FRM, MFin (Investment Management)**  
*Senior Manager, Business Valuation and Transaction Advisory*

Mr. Wong has been working as a professional consultant on valuation, transfer pricing and tax services. Before joining GCA, he had worked as a senior consultant in one of the Big 4 accounting firms since 2010. His consulting experience includes providing extensive valuation and consulting services for private equity funds, listed and private firms and SOEs for financial reporting, IFRS 9 portfolio valuations, IPO, transactions, strategic restructuring, fund raising, litigation and tax compliance purposes. He has participated in a number of cases of multi-national conglomerates to formulate and model the impacts of their operating activities and tax strategies in the Asia-Pacific region. His industry exposure primarily covers the technology and social media, clean energy, financial services, consumer and industrial, utility and infrastructure, forestry and agriculture, and mining sectors. Mr Wong was inducted as a Lifetime member of the Beta Gamma Sigma Honour Society.

**Bobby Zhu**

*Assistant Manager, Business Valuation and Transaction Advisory*

Mr. Zhu graduated from Shanghai University of Finance & Economics with major in Financial Management. He has experiences in valuation of business and intangible assets for different industries including manufacturing, clean-tech energy and etc. Prior to joining GCA, he worked as Corporate Financial Analyst in Sony, and Internal Auditor in Natuzzi China.

**APPENDIX I — FURTHER RESEARCH**

In identifying and selecting the comparable Guideline Public Companies for the FM segment in particular (and partially for EAM segment as well), we have initially located a pool of global companies from the asset and investment management sector under which the Target and the Subject Companies are broadly classified. We have shortlisted, in the following list, the investment management companies (together known as the “HK/PRC Sector Companies”), which are primarily listed in Hong Kong and PRC, but are later identified as, after considering the below set of factors as a whole, being operated under significantly different business models.

- **Different Business Model**

The HK/PRC Sector Companies were mostly focused on non-management fee revenue, such as investment income and some considerably different revenue streams. They were typically engaged in direct investments and asset holding, but not exactly engaged in advising and managing the investment funds on behalf of external fund investors.

- **Different Asset Classes Invested**

The Sector Companies were mostly engaged in investment primarily in real estate, commodity, forex, mutual funds, exchange-traded funds, hedge funds, trust funds and other asset classes, instead of investing in private equities, private equity-like vehicles and other alternative investments.

- **Hybrid Business Nature/Investment Conglomerates**

A significant portion of the Sector Companies were invested in a few business segments different from investment management, such that a pure-play valuation is not possible.

- **Data Insufficiency**

A few Sector Companies might be mildly involved in the role of asset manager, but they do not provide relevant and reliable disclosure on their AUM and management fee principles.

With reference to the investigation results stated above, we have rejected the pool of Sector Companies from the Hong Kong and PRC listed below since their business models were not sufficiently comparable to the FM segment and EAM segment, and thus were excluded from our valuation analysis of the Market-based approach.

Table A-1 Sector Companies listed in Hong Kong and PRC, being rejected in our analysis

| #   | Sector Companies                                    | Ticker  | Business Activities                                                                                                                                                                      |
|-----|-----------------------------------------------------|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.  | China Huarong Asset Management Co., Ltd.            | 2799 HK | • Offers asset management, banking, securities services, financial leasing, trust services, and investment services                                                                      |
| 2.  | China Cinda Asset Management Co., Ltd.              | 1359 HK | • Invests, disposes, and manages non-performing assets and equity                                                                                                                        |
| 3.  | Guoco Group Limited                                 | 53 HK   | • Provides stock, commodity and bullion broking, insurance, and fund management services                                                                                                 |
| 4.  | Allied Properties (H.K.) Limited                    | 56 HK   | • Provides investment, brokerage, and financing services                                                                                                                                 |
| 5.  | Allied Group Limited                                | 373 HK  | • Provides investment, finance and corporate management, and consultancy services.                                                                                                       |
| 6.  | OP Financial Investments Ltd.                       | 1140 HK | • Invests in a diversified portfolio of investments in listed and Unlisted companies in the Greater China                                                                                |
| 7.  | Min Xin Holdings Limited                            | 222 HK  | • provides financial services and invests in securities                                                                                                                                  |
| 8.  | China Financial International Investments Ltd.      | 721 HK  | • Invests in a diversified portfolio of listed and unlisted companies in Hong Kong and China.                                                                                            |
| 9.  | China Investment Fund International Holdings Co Ltd | 612 HK  | • Investing in a portfolio of equity, equity-related and debt securities issued by enterprises established in or having significant operations or businesses in the PRC and/or Hong Kong |
| 10. | Cosmopolitan International Holdings Limited         | 120 HK  | • Trades securities and invests in properties.                                                                                                                                           |

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**APPENDIX I****VALUATION REPORT OF THE TARGET  
AND THE SUBJECT COMPANIES**

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| #   | Sector Companies                                    | Ticker  | Business Activities                                                                                                                                                   |
|-----|-----------------------------------------------------|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 11. | China Merchants China Direct Investments Limited    | 133 HK  | • Invests in unlisted enterprises in China and hi-tech projects, including initial public offerings and/or pre-listing placements and any shares listed in Hong Kong. |
| 12. | China Strategic Holdings Limited                    | 235 HK  | • Manufactures and trades pharmaceutical, batteries, and related products, and invests in securities.                                                                 |
| 13. | PT International Development Company Limited        | 372 HK  | • Provides financing, property investments, treasury investments, and other services.                                                                                 |
| 14. | Lee Hing Development Limited                        | 68 HK   | • Invests in securities and properties.                                                                                                                               |
| 15. | China Development Bank International Investment Ltd | 1062 HK | • Invests in money market securities and equity and debt related securities in listed and/or unlisted companies or entities on a global basis.                        |
| 16. | China Assets (Holdings) Limited                     | 170 HK  | • Invests in listed and unlisted companies in Hong Kong and China.                                                                                                    |
| 17. | SHK Hong Kong Industries Ltd.                       | 666 HK  | • Invests in listed securities, unlisted securities, and properties.                                                                                                  |
| 18. | Eagle Ride Investment Holdings Limited              | 901 HK  | • Operates as an investment holding company                                                                                                                           |
| 19. | Oriental Explorer Holdings Ltd.                     | 430 HK  | • Involves in property investment, trading of securities and investment holding                                                                                       |
| 20. | Grand Investment International Ltd.                 | 1160 HK | • Invests in a diversified portfolio of investments in listed or unlisted enterprises in Hong Kong and China.                                                         |
| 21. | China Innovation Investment Limited                 | 1217 HK | • Invests in listed and unlisted companies in Hong Kong and China.                                                                                                    |
| 22. | Global Mastermind Capital Ltd.                      | 905 HK  | • Invests in listed and unlisted companies in Hong Kong and in China.                                                                                                 |

| #   | Sector Companies                                     | Ticker    | Business Activities                                                                                          |
|-----|------------------------------------------------------|-----------|--------------------------------------------------------------------------------------------------------------|
| 23. | National Investments Fund Limited                    | 1227 HK   | • Invests in a diversified portfolio of listed and unlisted companies mainly in Hong Kong.                   |
| 24. | China Investment and Finance Group Ltd.              | 1226 HK   | • Invests in listed and unlisted companies in China, Hong Kong and Taiwan.                                   |
| 25. | DT Capital Limited                                   | 356 HK    | • Invests in a diversified portfolio of listed and unlisted companies in Hong Kong and China.                |
| 26. | China Investment Development Limited                 | 204 HK    | • Invests in unlisted and listed companies                                                                   |
| 27. | Capital VC Ltd                                       | 2324 HK   | • Invests in listed and unlisted companies mainly in Hong Kong and China                                     |
| 28. | China New Economy Fund Limited                       | 80 HK     | • Offers and manages long-term investment and capital ventures around the world.                             |
| 29. | AVIC Capital Co., Ltd.                               | 600705 CH | • Provides securities trading, leasing, trust and other financial services.                                  |
| 30. | Sainty Marine Corp Ltd                               | 002608 CH | • Involves in financing support and technical services.                                                      |
| 31. | Kingray New Materials Science & Technology Co., Ltd. | 600390 CH | • Provides trust fund management and securities trading services.                                            |
| 32. | CNPC Capital Co Ltd                                  | 000617 CH | • Provides investment management, capital management, finance monitoring, and risk control services.         |
| 33. | Guangzhou Yuexiu Financial Holdings Group Co., Ltd.  | 000987 CH | • Invests its own funds and offers company management services.                                              |
| 34. | Mingsheng Holdings Co Ltd                            | 000416 CH | • Engages in the business of equity investing, capital and asset management and related consulting services. |

| #   | Sector Companies                               | Ticker      | Business Activities                                                                                                                                   |
|-----|------------------------------------------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| 35. | Panda Financial Holding Corp Ltd               | 600599 CH • | Engages in the businesses of online financial asset management, production and sales of fireworks and firecrackers and firework performance services. |
| 36. | Shanghai Greencourt Investment Group Co., Ltd. | 600695 CH • | Provides asset management and investments services, and trading of food.                                                                              |

*Source: Bloomberg*

### GENERAL SERVICE CONDITIONS

The service(s) provided by Greater China Appraisal Limited will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Greater China Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company/firm name and logo in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

**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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS****Directors and chief executive**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO); or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, were as follows:

**(i) Interests in issued shares in the Company****The Company: ordinary shares of HK\$0.1 each**

| <b>Name of Director</b>  | <b>Nature of interests</b>          | <b>Number of<br/>Shares held</b> | <b>Approximate<br/>% of total<br/>issued Shares</b> |
|--------------------------|-------------------------------------|----------------------------------|-----------------------------------------------------|
| Mr. Xu ( <i>Note 1</i> ) | Interests in controlled corporation | 700,678,005                      | 70.25%                                              |

*Note:*

- These Shares were held by Bliss Chance, all the ordinary shares of which are wholly and beneficially owned by Bison Capital. Bison Capital is in turn wholly and beneficially owned by Mr. Xu, an executive Director. By virtue of the SFO, Mr. Xu is deemed to be interested in the Shares held by Bliss Chance.

**(ii) Interests in issued shares in the associated corporations of the Company****Bliss Chance (Note 1): ordinary shares of no par value**

| Name of Director | Capacity in which the interests are held     | Number of shares held | Approximate % of total issued shares in that class |
|------------------|----------------------------------------------|-----------------------|----------------------------------------------------|
| Mr. Xu           | Interests in controlled corporation (Note 2) | 200,000,000           | 100%                                               |

**Bison Capital (Note 1): ordinary shares of US\$1.00 each**

| Name of Director | Capacity in which the interests are held | Number of shares held | Approximate % of total issued shares in that class |
|------------------|------------------------------------------|-----------------------|----------------------------------------------------|
| Mr. Xu           | Personal Interests (Note 2)              | 1                     | 100%                                               |

*Notes:*

1. Bliss Chance and Bison Capital are the holding companies of the Company.
2. All the ordinary shares of Bliss Chance are wholly and beneficially owned by Bison Capital. Bison Capital is in turn wholly and beneficially owned by Mr. Xu, an executive Director. By virtue of the SFO, Mr. Xu is deemed to be interested in the shares of Bliss Chance held by Bison Capital. Mr. Xu is a director of Bliss Chance and Bison Capital.

**(iii) Short positions in the issued shares in the Company****The Company: ordinary shares of HK\$0.1 each**

| Name of Director | Nature of interests                 | Number of Shares that are subject to short position | Approximate % of total issued Shares |
|------------------|-------------------------------------|-----------------------------------------------------|--------------------------------------|
| Mr. Xu (Note 1)  | Interests in controlled corporation | 678,259,144                                         | 68.01%                               |

*Note:*

1. 678,259,144 Shares held by Bliss Chance have been charged in favour of Fruitful Worldwide Limited (“**Fruitful Worldwide**”). Fruitful Worldwide is wholly-owned by China Huarong International Holdings Ltd., which in turn is wholly-owned by China Huarong Asset Management Co., Ltd. All the ordinary shares of Bliss Chance are wholly and beneficially owned by Bison Capital. Bison Capital is in turn wholly and beneficially owned by Mr. Xu. By virtue of the SFO, Mr. Xu is deemed to be interested in the short positions in the Shares held by Bliss Chance.

*(iv) short positions in the associated corporations of the Company*

## Bliss Chance: ordinary shares of no par value

| Name of Director         | Nature of interests                                      | Number of shares<br>that are subject to<br>short position | Approximate %<br>of total issued<br>shares |
|--------------------------|----------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------|
| Mr. Xu ( <i>Note 1</i> ) | Interests in controlled<br>corporation ( <i>Note 1</i> ) | 200,000,000                                               | 100.00%                                    |

*Note:*

1. Bliss Chance is the holding company of the Company. All ordinary shares of Bliss Chance held by Bison Capital had been charged in favour of Fruitful Worldwide. By virtue of the SFO, Mr. Xu is deemed to be interested in the short positions in the shares of Bliss Chance held by Bison Capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest and short position which any such Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); or entered in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO; or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save for the interests of Mr. Xu in the Target through Vendor 1 and Vendor 2 as his associates, none of the Directors had direct or indirect interest in any assets which have been since 31 December 2016 (being the date to which the latest published audited financial statements of the Group were made up) and up to the Latest Practicable Date acquired or disposed of by or leased to any member of the Enlarged Group, or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

**3. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Enlarged Group other than contracts expiring or determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

**4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates was interested in any business which competes or is likely to compete either directly or indirectly with the Group's business.

**5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up.

**6. EXPERTS AND CONSENTS**

The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:

| <b>Name</b>                     | <b>Qualification</b>                                                                                       |
|---------------------------------|------------------------------------------------------------------------------------------------------------|
| Crescendo                       | a corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activity |
| Greater China Appraisal Limited | independent valuer                                                                                         |

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which have been since 31 December 2016 (being the date to which the latest published audited financial statements of the Group were made up) and up to the Latest Practicable Date acquired or disposed of by or leased to any member of the Enlarged Group, or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from 9 a.m. to 6 p.m. on Monday to Friday, excluding public holidays, at the principal office of the Company at Flat D, 2/F, HK Spinners Industrial Building, Phase 5, 760-762 Cheung Sha Wan Road, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM:

- (i) the Agreement;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 17 and 18 of this circular;
- (iii) the letter from Crescendo to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 41 of this circular;
- (iv) the letters of consent referred to under the section headed “Experts and Consents” in this appendix; and
- (v) the valuation report of the Target and the Subject Companies issued by Greater China Appraisal Limited as set out in Appendix I to this circular.

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## NOTICE OF SGM

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### ROADSHOW HOLDINGS LIMITED

### 路訊通控股有限公司 \*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 888)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**”) of RoadShow Holdings Limited (the “**Company**”) will be held at Novotel Century Hong Kong, Plaza 4, Lower Lobby, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 16 March 2018 at 10:45 a.m. (or so soon thereafter as the special general meeting convened to be held at 10:30 a.m. on the same day at the same place shall have been concluded or adjourned) for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

**“THAT:**

- (a) the sale and purchase agreement dated 23 January 2018 entered into among Bison Financial (Hong Kong) Limited (a wholly-owned subsidiary of the Company) as the purchaser and Bison Capital Holding Company Limited, Bison Capital Fashion Limited, TSE Sze Pan, LIU Li Ping and LU Rong as the vendors (the “**Vendors**”) in relation to the acquisition of the entire issued share capital of Target Capital Management Limited (the “**Target**”) (a copy of which has been produced to the meeting and marked “A” and initialed by the chairman of the Meeting for the purpose of identification) (the “**Agreement**”) and the transactions contemplated thereunder (including the acquisition of BTS Investment Limited, BTY Investment Limited, NanTai Investment Limited and Shangtai Asset Management Limited) be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised to execute all such documents, instruments, agreements and deeds and to do all such acts, matters and things ancillary to the transactions contemplated under the Agreement, and any one director of the Company and the secretary of the Company or any two directors of the Company be and are hereby authorized to execute all deeds and affix the seal of the Company ancillary to the transactions contemplated under the Agreement, as he or she may in his or her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Agreement and the transactions contemplated thereunder, and to agree to such variation of the terms of the Agreement and the transactions contemplated thereunder that are of administrative nature only as he or she may in his or her absolute discretion consider necessary or desirable.”

By Order of the Board  
**RoadShow Holdings Limited**  
**Christine MAK Lai Hung**  
*Company Secretary*

Hong Kong, 28 February 2018

\* For identification purposes only

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## NOTICE OF SGM

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*Notes:*

- (1) Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
- (2) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited (the "**Hong Kong Share Registrar**") at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment thereof (as the case may be) and if such event, the authority of the proxy shall be deemed to be revoked.
- (3) The register of members of the Company will be closed from 13 March 2018 to 16 March 2018, both dates inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the Meeting. In order to be eligible to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 March 2018.
- (4) Voting at the Meeting will be taken by poll.
- (5) As at the date of this notice, the board of directors of the Company comprises Mr. XU Peixin, Mr. BIAN Fang and Mr. ZHU Dong as executive directors; Dr. MA Weihua as non-executive director; and Dr. QI Daqing, Mr. CHEN Yigong and Mr. FENG Zhonghua as independent non-executive directors.