
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Emperor Culture Group Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser or the transferee(s) or the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the Form of Acceptance, 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 Composite Document and the Form of Acceptance.



EMPEROR CULTURE GROUP HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

英皇文化產業集團有限公司
Emperor Culture Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 491)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY EMPEROR CAPITAL LIMITED ON BEHALF OF EMPEROR CULTURE GROUP HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF EMPEROR CULTURE GROUP LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY EMPEROR CULTURE GROUP HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial Adviser to Emperor Culture Group Holdings Limited



英皇融資有限公司
Emperor Capital Limited

Independent Financial Adviser to the Independent Board Committee



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Emperor Capital containing, among other things, details of the terms of the Offer is set out on pages 7 to 13 of this Composite Document. A letter from the Board is set out on pages 14 to 18 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Offer is set out on pages 19 to 20 of this Composite Document. A letter from Pelican, the Independent Financial Adviser, containing its advice on the Offer to the Independent Board Committee is set out on pages 21 to 40 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar (in respect of the Offer) as soon as possible and in any event no later than 4:00 p.m. on Friday, 10 January 2020 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the Form of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the sub-paragraph headed "Overseas Independent Shareholders" under the paragraph headed "THE OFFER" in the "Letter from Emperor Capital" on page 7 of this Composite Document and the paragraph headed "OVERSEAS INDEPENDENT SHAREHOLDERS" in Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Independent Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Overseas Independent Shareholders are advised to seek professional advice on deciding whether or not to accept the Offer.

The Composite Document will remain on the websites of the Stock Exchange at <https://www.hkexnews.hk> and the Company at <https://www.empculture.com> as long as the Offer remains open.

20 December 2019

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made jointly by the Offeror and the Company in the event of any changes to the timetable as and when appropriate.

Events	Time & Date
	2019
Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer (<i>Note 1</i>)	Friday, 20 December
	2020
Closing Date (<i>Note 1</i>)	Friday, 10 January
Latest time and date for acceptance of the Offer (<i>Notes 2 and 4</i>)	4:00 p.m. on Friday, 10 January
Announcement of the results of the Offer (<i>Note 2</i>)	No later than 7:00 p.m. on Friday, 10 January
Latest date of posting of remittances in respect of valid acceptances received under the Offer (<i>Notes 3 and 4</i>)	Tuesday, 21 January

Notes:

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the Offer shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in the section headed “RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offer are 4:00 p.m. on Friday, 10 January 2020 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be jointly issued by the Offeror and the Company on the website of the Stock Exchange by 7:00 p.m. on Friday, 10 January 2020, stating whether the Offer have been extended, revised or expired. In the event that the Offeror decides to extend the Offer and the announcement does not specify the next closing date, at least 14 days’ notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. Remittances in respect of the cash consideration (after deducting the seller’s ad valorem stamp duty in respect of the Offer) payable for the Offer Shares tendered under the Offer will be made to the Independent Shareholders accepting the Offer by ordinary post at his/her/its own risk as soon as possible, but in any event within 7 Business Days following the date of the receipt of duly completed Form of Acceptance together with all the valid requisite documents by the Registrar from the Independent Shareholders accepting the Offer in accordance with the Takeovers Code.
4. If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force on the Closing Date or the date for posting of remittances and it is (i) not cancelled in time for the trading of Shares on the Stock Exchange to resume in the afternoon, the Closing Date will be postponed to 4:00 p.m. on the next Business Day and the date for posting of remittances will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for the trading of Shares on the Stock Exchange to resume in the afternoon, the respective event will remain the same on the scheduled date according to the expected timetable.

EXPECTED TIMETABLE

Save as mentioned above, if the latest time for the acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) of any change in the expected timetable as soon as possible.

All times and dates in this Composite Document and the accompanying Form of Acceptance shall refer to Hong Kong times and dates.

NOTICE TO INDEPENDENT SHAREHOLDERS OUTSIDE HONG KONG

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Independent Shareholders who are residents, citizens or nationals of jurisdictions outside Hong Kong should keep themselves informed about and observe, at their own responsibility, any applicable legal and regulatory requirements. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant overseas jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes due in respect of such overseas jurisdiction. The Offeror and parties acting in concert with it, the Company, Emperor Capital, Emperor Securities, Pelican, the Registrar, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the paragraph headed “Overseas Independent Shareholders” under the section headed “The Offer” in the “Letter from Emperor Capital” in this Composite Document.

DEFINITIONS

In this Composite Document, the following terms and expressions (unless the context otherwise requires) shall have the following meanings:

“Acquired Share(s)”	138,980,000 Share(s) (representing approximately 4.33% of the entire issued share capital of the Company) and 97,000,000 Shares (representing approximately 3.02% of the entire issued share capital of the Company) acquired by the Offeror from third party sellers and from Win World respectively on 12 November 2019
“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning as ascribed to it under the Takeovers Code
“AY Entertainment Trust”	Albert Yeung Entertainment Discretionary Trust, a discretionary trust set up by Dr. Yeung Sau Shing, Albert
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Internet System”	the internet system established by CCASS and operated by HKSCC
“CCASS Phone System”	the phone system established by CCASS and operated by HKSCC
“Closing Date”	Friday, 10 January 2020, the closing date of the Offer, which is 21 days after the date of which this Composite Document is posted, or if the offer is extended, any subsequent closing date of the offer as extended and announced by the Offeror and the Company with the consent of the Executive in accordance with the Takeovers Code
“Company”	Emperor Culture Group Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the SPA Shares and, the Acquired Shares
“Composite Document”	this composite offer and response document jointly despatched by the Offeror and the Company to the Independent Shareholders in accordance with the Takeovers Code in respect of the Offer

DEFINITIONS

“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules and the term “connected” shall be construed accordingly
“Director(s)”	director(s) of the Company
“Emperor Capital”	Emperor Capital Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, the financial adviser to the Offeror in respect of the Offer
“Emperor Securities”	Emperor Securities Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO
“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest or other third party right, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback or trust arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Facility”	a loan facility of up to HK\$126,000,000 granted by Emperor Securities to the Offeror on 12 November 2019 for the Offeror to acquire the Offer Shares
“Form of Acceptance”	the form of acceptance and transfer of Shares in respect of the Offer
“Golden Skill”	Golden Skill Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly owned by Mr. Nicholas Tse
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Board, comprising all of the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Offer
“Independent Financial Adviser” or “Pelican”	Pelican Financial Limited, a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee in respect of the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Independent Third Party(ies)”	person(s) or company(s) who/which is/are not connected with the directors, chief executive or substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries, or any of their respective associates
“Joint Announcement”	the announcement jointly issued by the Offeror and the Company dated 15 November 2019, in relation to, among other, the Offer
“Last Trading Day”	12 November 2019, being the last full trading day immediately prior to suspension of trading in the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	17 December 2019, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	the mandatory unconditional cash offer made by Emperor Capital for and on behalf of the Offeror for the Offer Shares in accordance with the Takeovers Code
“Offer Period”	the period commencing from 15 November 2019, being the date of the first issuance of the Joint Announcement and ends on the Closing Date
“Offer Price”	the price at which the Offer is made, being HK\$0.08 per Offer Share
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror or parties acting in concert with it

DEFINITIONS

“Offeror”	Emperor Culture Group Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling shareholder of the Company, details of which are set out in the paragraph headed “Information on the Offeror” in the “Letter from Emperor Capital” in this Composite Document
“Overseas Independent Shareholder(s)”	Independent Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“Sale and Purchase Agreement”	the sale and purchase agreement dated 12 November 2019 entered into between Golden Skill and the Offeror in relation to the sale and purchase of SPA Shares
“Registrar”	Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing from 15 May 2019, which is six months prior to 15 November 2019, being the date of first issuance of the Joint Announcement, up to and including the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SPA Share(s)”	350,000,000 Shares (representing approximately 10.89% of the entire issued share capital of the Company) acquired by the Offeror pursuant to the Sale and Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Win World”	Win World Profits Limited, a company incorporated in British Virgin Islands with limited liability, which is beneficially owned by Dr. Yeung Sau Shing, Albert, being the founder of the AY Entertainment Trust
“%”	per cent



英皇融資有限公司
Emperor Capital Limited

20 December 2019

To the Independent Shareholders

Dear Sirs/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
EMPEROR CAPITAL LIMITED
ON BEHALF OF EMPEROR CULTURE GROUP HOLDINGS LIMITED TO ACQUIRE
ALL THE ISSUED SHARES OF EMPEROR CULTURE GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
EMPEROR CULTURE GROUP HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement. The Company was informed by the Offeror that, on 12 November 2019, the Offeror has acquired an aggregate of 585,980,000 Shares, representing approximately 18.24% of the entire issued share capital of the Company, pursuant to the Sale and Purchase Agreement and by way of off-market purchases. Completion took place on 12 November 2019.

Immediately after Completion, the Offeror and parties acting in concert with it are interested in 1,650,180,000 Shares, representing approximately 51.35% of the entire issued share capital of the Company. As at the Latest Practicable Date, the Offeror and parties acting in concert with it owned a total of 1,669,060,000 Shares in aggregate, representing approximately 51.94% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it).

This letter forms part of this Composite Document and sets out, among other things, details of the Offer, information of the Offeror and its intention regarding the Group and its employees. Further details on the terms and the procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

LETTER FROM EMPEROR CAPITAL

Independent Shareholders are strongly advised to carefully consider the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and the appendices as set out in this Composite Document and to consult their professional advisers before reaching a decision as to whether or not to accept the Offer.

THE OFFER

Principal terms of the Offer

For each Offer Share HK\$0.08 in cash

The Offer Price of HK\$0.08 per Offer Share is equal to the purchase price per SPA Share and Acquired Share. The Offer is unconditional in all respects.

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of the Composite Document. As at the Latest Practicable Date, the Company has no plan to distribute and/or declare any dividend during the Offer Period.

Comparisons of value

The Offer Price of HK\$0.08 per Offer Share represents:

- (i) a premium of approximately 11.11% over the closing price of HK\$0.072 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 10.80% over the average closing price of approximately HK\$0.0722 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (iii) an equivalent to the closing price of HK\$0.080 per Shares as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a discount of approximately 56.99% to the audited consolidated net asset of the Group of approximately HK\$0.186 per Share as at 30 June 2019 (being the date to which the latest audited consolidated annual results of the Group were made up), calculated based on the Group’s audited consolidated net assets of approximately HK\$599,129,000 as at 30 June 2019 and 3,213,340,890 Shares in issue as at the Latest Practicable Date.

LETTER FROM EMPEROR CAPITAL

Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares was HK\$0.121 per Share as quoted on the Stock Exchange on 17 July 2019 and the lowest closing price of the Shares was HK\$0.066 per Share as quoted on the Stock Exchange on 10 October 2019.

Value of the Offer

Excluding 1,669,060,000 Shares held by the Offeror and parties acting in concert with it after Completion, the number of Shares subject to the Offer is 1,544,280,890.

Based on the Offer Price of HK\$0.08 per Offer Share for 1,544,280,890 Offer Shares, the Offer is valued at HK\$123,542,471.20.

Confirmation of financial resources

The Offeror has paid the consideration for the SPA Shares and the Acquired Shares from its internal resources. The Offeror intends to fund the consideration payable under the Offer in full by its internal resources and/or the Facility. The Offeror confirms that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the Facility will not depend to any significant extent on the business of the Group.

Emperor Capital, being the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient resources are available to the Offeror to satisfy the amount of funds required for full acceptance of the Offer.

Pursuant to the arrangement of the Facility, the Offeror shall pledge in favour of Emperor Securities all its shareholding of 1,669,060,000 Shares and the Shares to be acquired under the Offer (if any) if the Facility is drawn by the Offeror to satisfy the payment under the Offer, and such arrangement will not result in a change of the voting rights of the Company before the enforcement of the relevant charge.

Effect of accepting the Offer

By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all liens, charges and Encumbrance and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of the Composite Document. As at the Latest Practicable Date, the Company has no plan to distribute and/or declare any dividend during the Offer Period.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event, within seven Business Days of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

LETTER FROM EMPEROR CAPITAL

Hong Kong stamp duty

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher. The amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholders accepting the Offer. The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Emperor Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Overseas Independent Shareholders

The availability of the Offer to any Overseas Independent Shareholder may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Independent Shareholders should observe any applicable legal or regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Independent Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant overseas jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Independent Shareholders in respect of such overseas jurisdictions).

Any acceptance by any Overseas Independent Shareholders and the beneficial owners of any Overseas Independent Shareholders of the Offer will be deemed to constitute a representation and a warranty from such Overseas Independent Shareholders to the Offeror that all applicable local laws and requirements have been complied with and such acceptance shall be valid and binding in accordance with all applicable laws and requirements. Overseas Independent Shareholders should consult their own professional advisers if in doubt. Independent Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

LETTER FROM EMPEROR CAPITAL

INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in entertainment, media and cultural development businesses, particularly in Greater China; which include (i) cinema development and operation; and (ii) investment in films and a variety of cultural events.

Details of the information of the Group are set out in the “Letter from the Board” in this Composite Document.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and the controlling shareholder (as defined in the Listing Rules) of the Company. The Offeror is an indirect wholly-owned subsidiary of Albert Yeung Entertainment Holdings Limited. Albert Yeung Entertainment Holdings Limited is an investment holding company holding various investments under the AY Entertainment Trust, including but not limited to entertainment, media and cultural development businesses in Hong Kong and Greater China. Albert Yeung Entertainment Holdings Limited is held by Alto Trust Limited, being the trustee of the AY Entertainment Trust. The AY Entertainment Trust is a discretionary trust of which Dr. Yeung Sau Shing, Albert is the founder.

As at the date of this Composite Document, the sole director and the ultimate beneficial owner of the Offeror are Albert Yeung Entertainment Management Limited and the AY Entertainment Trust respectively.

FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP

The Offeror intends to continue the principal business of the Group. The Offeror has no intention to discontinue the employment of any employees of the Group nor introduced major changes in the business of the Group nor re-deploy the fixed assets of the Group other than in the ordinary course of business.

The Offeror will, following the close of the Offer, review the operations of the Group from time to time in order to enhance a long-term growth potential for the Group and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base. The Offeror may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. As at the Latest Practicable Date, the Offeror has not identified any such investment or business opportunities.

Proposed change of Board composition

As at the Latest Practicable Date, the Offeror has no intention to change the composition of the Board.

LETTER FROM EMPEROR CAPITAL

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares after the close of the Offer.

Public float and maintaining the listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market,

then the Stock Exchange may exercise its discretion to suspend dealings in the Shares.

In order to ensure that within a reasonable period after the close of the Offer, there will be not less than 25% of the Company's total number of issued Shares held by the public, the Offeror and the Directors have jointly and severally undertaken to the Stock Exchange to take appropriate steps such as the engagement of a placing agent to place such number of Shares to other independent third parties not connected with the Company or any of its connected persons and not parties acting in concert with the Offeror, within a reasonable period following the close of the Offer to ensure that at least 25% of the total number of issued Shares will be held by the public.

Disclosure of dealings

In accordance with Rule 3.8 of the Takeovers Code, associates (as defined under the Takeovers Code, including but not limited to a person who owns or controls 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror) of the Company and the Offeror are hereby reminded to disclose their dealings in any relevant securities of the Company pursuant to the requirements of the Takeovers Code. The full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

LETTER FROM EMPEROR CAPITAL

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation."

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

Attention of the Overseas Independent Shareholders is drawn to the paragraph headed "Overseas Independent Shareholders" under the section headed "THE OFFER" in this letter and Appendix I to this Composite Document.

All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company and in the case of joint Independent Shareholders, to such Independent Shareholder whose name appears first in the register of members of the Company. The Offeror and parties acting in concert with it, the Company, Emperor Capital, Emperor Securities, Pelican, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the "Letter from the Board", the "Letter from the Independent Board Committee", the "Letter from the Independent Financial Adviser" and other information about the Group which are set out in this Composite Document and the accompanying Form of Acceptance before deciding whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
Emperor Capital Limited
Pearl Chan
Director



英皇文化產業集團有限公司
Emperor Culture Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 491)

Executive Directors:

Ms. Fan Man Seung, Vanessa (*Chairperson*)
Mr. Wong Chi Fai
Mr. Yeung Ching Loong, Alexander
Ms. Shirley Percy Hughes

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent Non-executive Directors:

Ms. Chan Sim Ling, Irene
Mr. Ho Tat Kuen
Ms. Tam Sau Ying

*Head Office and Principal Place of
Business in Hong Kong:*

28th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

20 December 2019

To the Independent Shareholders

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
EMPEROR CAPITAL LIMITED
ON BEHALF OF EMPEROR CULTURE GROUP HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
EMPEROR CULTURE GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY EMPEROR CULTURE GROUP HOLDINGS LIMITED AND PARTIES
ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement. The Company was informed by the Offeror that, on 12 November 2019, the Offeror has acquired an aggregate of 585,980,000 Shares, representing approximately 18.24% of the entire issued share capital of the Company, pursuant to the Sale and Purchase Agreement and by way of off-market purchases.

LETTER FROM THE BOARD

Immediately prior to entering into the Sale and Purchase Agreement and the acquisition of the Acquired Shares, the Offeror and parties acting in concert with it (including Win World) are interested in 1,161,200,000 Shares, representing approximately 36.14% of the entire issued share capital of the Company. Immediately after Completion, the Offeror and parties acting in concert with it are interested in 1,650,180,000 Shares, representing approximately 51.35% of the entire issued share capital of the Company. As at the Latest Practicable Date, the Offeror and parties acting in concert with it owned a total of 1,669,060,000 Shares in aggregate, representing approximately 51.94% of the entire issued share capital of the Company.

As at the Latest Practicable Date, the Company has 3,213,340,890 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares, as at the Latest Practicable Date.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Group, the Offeror and the Offer; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the terms of the Offer and as to acceptance of the Offer; and (iii) the letter from Pelican, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee in relation to the Offer.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Ms. Chan Sim Ling, Irene, Mr. Ho Tat Kuen and Ms. Tam Sau Ying (being all of the independent non-executive Directors) has been established by the Company, to advise the Independent Shareholders in relation to the terms and conditions of the Offer, in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. The above-named independent non-executive Directors have no direct or indirect interest or involvement in the Offer. It is considered appropriate for them to be members of the Independent Board Committee in this regard.

You are advised to read the “Letter from the Independent Board Committee” addressed to the Independent Shareholders, the “Letter from the Independent Financial Adviser” and the additional information contained in the appendices to this Composite Document before taking any action in respect of the Offer.

THE OFFER

Principal terms of the Offer

The terms of the Offer as set out in the “Letter from Emperor Capital” are extracted below. You are recommended to refer to the “Letter from Emperor Capital” and the Form of Acceptance for further details.

LETTER FROM THE BOARD

Emperor Capital, on behalf of the Offeror, is making the Offer on the following terms in accordance with Rule 26.1 of the Takeovers Code:

For each Offer Share. HK\$0.08 in cash

The Offer Price of HK\$0.08 per Offer Share is equal to the purchase price per SPA Share and Acquired Share. The Offer is unconditional in all respects.

Further details regarding the Offer, including the terms and procedures for acceptance of the Offer are set out in the “Letter from Emperor Capital” and appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in entertainment, media and cultural development businesses, particularly in Greater China; which include (i) cinema development and operation; and (ii) investment in films and a variety of cultural events.

Set out below is a summary of the audited consolidated results of the Company for each of the three financial years ended 30 June 2017, 2018 and 2019 as extracted from the annual results announcement of the Company for the year ended 30 June 2019:

	For the year ended 30 June		
	2019 (audited) <i>HK\$'000</i>	2018 (audited) <i>HK\$'000</i>	2017 (audited) <i>HK\$'000</i>
Revenue	145,753	91,202	44,925
Loss before taxation	(134,285)	(158,355)	(69,253)
Loss for the year attributable to the owners of the Company	(126,437)	(153,797)	(62,327)
	As at 30 June		
	2019 (audited) <i>HK\$'000</i>	2018 (audited) <i>HK\$'000</i>	2017 (audited) <i>HK\$'000</i>
Net assets	599,129	741,140	880,894

Your attention is drawn to the further details of the information of the Group as set out in appendices II and IV to this Composite Document.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately before Completion; and (ii) as at the Latest Practicable Date:

	Immediately Before Completion		As at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximate % of issued Shares (Note)</i>	<i>Number of Shares</i>	<i>Approximate % of issued Shares (Note)</i>
The Offeror and parties acting in concert with it				
The Offeror	1,064,200,000	33.12	1,669,060,000	51.94
Win World	97,000,000	3.02	—	—
Golden Skill	350,000,000	10.89	—	—
Public Shareholders	<u>1,702,140,890</u>	<u>52.97</u>	<u>1,544,280,890</u>	<u>48.06</u>
Total	<u>3,213,340,890</u>	<u>100.00</u>	<u>3,213,340,890</u>	<u>100.00</u>

Notes: The percentages are subject to rounding difference, if any.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from Emperor Capital” as set out in this Composite Document.

FUTURE INTENTIONS OF THE OFFEROR AND THE BOARD REGARDING THE GROUP

Your attention is drawn to the section headed “Future intentions of the Offeror regarding the Group” in the “Letter from Emperor Capital” as set out in this Composite Document. The Board is pleased to note that the Offeror intends to continue the principal business of the Group. The Offeror has no intention to discontinue the employment of any employees of the Group and dispose of or re-deploy the fixed assets of the Group other than in the ordinary course of business.

As at the Latest Practicable Date, the Board has no intention to enter nor has entered into any agreement, arrangement or understanding to (a) acquire and/or develop any new business; and (b) dispose of or downsize the existing businesses and/or any material operating assets of the Company.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer.

LETTER FROM THE BOARD

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market,

then the Stock Exchange may exercise its discretion to suspend dealings in the Shares.

In order to ensure that within a reasonable period after the close of the Offer, there will be not less than 25% of the Company's total number of issued Shares held by the public, the Offeror and the Directors have jointly and severally undertaken to the Stock Exchange to take appropriate steps within a reasonable period following the close of the Offer to ensure that at least 25% of the total number of issued Shares will be held by the public. The Offeror and the Company will issue a separate announcement as and when necessary in this regard.

RECOMMENDATION

Your attention is drawn to the "Letter from the Independent Board Committee" set out on pages 19 to 20 of this Composite Document and the "Letter from the Independent Financial Adviser" set out on pages 21 to 40 of this Composite Document, which contain, among other things, their advice in relation to the Offer and the principal factors considered by them in arriving at their recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

By order of the Board
Emperor Culture Group Limited
Fan Man Seung, Vanessa
Chairperson

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer which has been prepared for the purpose of inclusion in this Composite Document.



英皇文化產業集團有限公司
Emperor Culture Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 491)

20 December 2019

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
EMPEROR CAPITAL LIMITED
ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES
OF EMPEROR CULTURE GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite offer and response document dated 20 December 2019 jointly issued and despatched by the Offeror and the Company (the “**Composite Document**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the Offer after taking into account the advice from the Independent Financial Advisor. Pelican has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from the Independent Financial Adviser” on pages 21 to 40 of this Composite Document.

We also wish to draw your attention to the “Letter from the Board”, the “Letter from Emperor Capital” and the additional information set out in the appendices to this Composite Document and the accompanying Form of Acceptance in respect of the Offer and the acceptance and settlement procedures for the Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Offer, the advice and recommendation from Pelican, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and therefore we recommend the Independent Shareholders to accept the Offer.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the Offer Period. Should the market price of the Shares exceed the Offer Price during the Offer Period, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Offer, the Independent Shareholders may wish to consider selling their Shares in the market instead of accepting the Offer.

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in this Composite Document and the accompanying Form of Acceptance.

Your faithfully,
For and on behalf of the
**Independent Board Committee of
Emperor Culture Group Limited**

Ms. Chan Sim Ling, Irene

Mr. Ho Tat Kuen

Ms. Tam Sau Ying

Independent non-executive Directors



PELICAN FINANCIAL LIMITED

15/F, East Exchange Tower, 38-40 Leighton Road, Causeway Bay, Hong Kong

20 December 2019

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

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
EMPEROR CAPITAL LIMITED
ON BEHALF OF EMPEROR CULTURE GROUP HOLDINGS LIMITED TO ACQUIRE
ALL THE ISSUED SHARES OF EMPEROR CULTURE GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
EMPEROR CULTURE GROUP HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the composite offer and response document jointly issued and despatched by Emperor Culture Group Holdings Limited (the “**Offeror**”) and the Company dated 20 December 2019 (the “**Composite Document**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

Reference is made to the Joint Announcement, in relation to among other things, the Offer. The Company was informed by the Offeror that on 12 November 2019, the Offeror has acquired an aggregate of 585,980,000 Shares, representing approximately 18.24% of the entire issued share capital of the Company, pursuant to the Sale and Purchase Agreement and by way of off-market purchases. Completion took place on 12 November 2019.

Immediately after Completion, the Offeror and parties acting in concert with it are interested in 1,650,180,000 Shares, representing approximately 51.35% of the entire issued share capital of the Company. As at the Latest Practicable Date, the Offeror and parties acting in concert with it owned a total of 1,669,060,000 Shares in aggregate, representing approximately 51.94% of the entire issued share capital of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it).

As set out in the “Letter from Emperor Capital” in the Composite Document, Emperor Capital is making the Offer for and on behalf of the Offeror for the Offer Shares in accordance with the Takeovers Code.

The Board currently comprises four executive Directors and three independent non-executive Directors. The Independent Board Committee, which comprises all independent non-executive directors, namely Ms. Chan Sim Ling, Irene, Mr. Ho Tat Kuen and Ms. Tam Sau Ying, has been established pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. The Independent Board Committee has approved our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Offer.

Pelican Financial Limited (“**Pelican**”) is not connected with the Directors, chief executive or substantial Shareholders of the Company or the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interest between Pelican and the Company nor any other parties that could be reasonably be regarded as a hindrance to Pelican’s independence as defined under Rule 13.80 of Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer. In the last two years, there was no engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as independent financial adviser, no arrangement exists whereby Pelican will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Offer.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Independent Shareholders should, or should not, accept the Offer.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions. Our procedures include, among other things, review of relevant agreements, documents as well as information contained or referred to in the Composite Document and/or provided by the management of the Group and validation of such information, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

opinions expressed, by the Company, the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the annual report of the Company for the financial year ended 30 June 2019 (the “**2019 Annual Report**”), the Joint Announcement and the Composite Document. We have assumed that all information and representations that have been provided by the management of the Group, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

The sole director, being Albert Yeung Entertainment Management Limited, of the Offeror and the sole director, being Dr. Yeung Sau Shing, Albert, of Albert Yeung Entertainment Management Limited jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Group, Golden Skill, Sellers of Acquired Shares (except Win World) and their respective associates and parties acting in concert with any of them), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Company) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in this Composite Document misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Composite Document and provided to us by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Company and the Offeror or their respective shareholders, subsidiaries or associates (if applicable). We have also not considered the tax, regulatory and other legal implications on the Group or the Shareholders as a result of the Offer, since these depend on their individual circumstances. In particular, Overseas Independent Shareholders who are residents, citizens or nationals of jurisdictions outside Hong Kong should keep

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

themselves informed about and observe, at their own responsibility, any applicable legal and regulatory requirements. Should there be any subsequent major changes which occur during the Offer Period that would affect or alter our opinion, we will notify the Independent Board Committee as soon as possible.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Offer, we have considered the following principal factors and reasons:

1. Principal terms of the Offer

As set out in the “Letter from Emperor Capital” contained in the Composite Document, Emperor Capital is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For each Offer ShareHK\$0.08 in cash

The Offer Price of HK\$0.08 per Offer Share is equal to the purchase price per SPA Share and Acquired Share. The Offer is unconditional in all respects.

Excluding 1,669,060,000 Shares held by the Offeror and parties acting in concert with it after Completion and as at the Latest Practicable Date, the number of Shares subject to the Offer is 1,544,280,890.

Based on the Offer Price of HK\$0.08 per Offer Share for 1,544,280,890 Offer Shares, the Offer is valued at HK\$123,542,471.2.

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all liens, charges and Encumbrance and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of the Composite Document. As at the date of this Composite Document, the Company has no plan to distribute and/or declare any dividend during the Offer Period.

Acceptances of the Offer tendered by the Independent Shareholders or by their agent(s) on their behalf, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the section headed “Right of Withdrawal” in Appendix I to the Composite Document.

For details on the terms and procedures for acceptance of the Offer, please refer to the “Letter from Emperor Capital” contained in the Composite Document and Appendix I to the Composite Document.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Background information of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in entertainment, media and cultural development businesses, particularly in Greater China; which include (i) cinema development and operation; and (ii) investment in films and a variety of cultural events.

(a) Financial performance

Set out below is a summary of the financial results of the Group for the two years ended 30 June 2018 and 2019 as extracted from the 2019 Annual Report.

	For the financial year ended 30 June	
	2019 HK\$ million (audited)	2018 HK\$ million (audited)
<i>Revenue by segment</i>		
(i) Cinema development and operation	143.0	65.6
(ii) Investment in films and a variety of cultural events and others	2.8	25.6
Revenue	145.8	91.2
Gross profit	78.6	48.2
Loss for the year	(134.3)	(158.1)
Loss attributable to owners of the Company	(126.4)	(153.8)
Loss per Share attributable to ordinary Shareholders (Basic and diluted)	(0.04)	(0.05)

According to the 2019 Annual Report, the Group recorded a revenue of approximately HK\$145.8 million for the year ended 30 June 2019, which represented a growth of approximately 59.9% compared to the previous financial year. Such revenue growth was mainly attributed to the significant growth in revenue of the Group's cinema development and operation business, which had increased by more than a double compared to the previous financial year. Meanwhile, revenue from the Group's investment in films and a variety of cultural events and others businesses decreased from approximately HK\$25.6 million to approximately HK\$2.8 million for the years ended 30 June 2018 and 2019 respectively, mainly as a result of a reclassification of the revenue of the release of co-invested films corresponding to the change of accounting standard. For the year ended 30 June 2019, loss for the year decreased by approximately 15.1% to approximately HK\$134.3 million while loss attributable to owners of the Company decreased by approximately 17.8% to approximately HK\$126.4 million compared to the previous financial year, which was mainly a result of (i) the revenue growth as mentioned above; (ii) the gain on disposal of subsidiaries during the year; and (iii) the reduction of the fair value loss on investments in film production and securities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the years ended 30 June 2018 and 2019, the diluted loss per Share was the same as the basic loss per Share as there was no dilutive potential ordinary shares for both years. Meanwhile, as a result of the Group's financial results discussed above, for the years ended 30 June 2018 and 2019, loss per Share decreased from approximately HK\$0.05 to approximately HK\$0.04.

(b) Financial position

The audited consolidated assets and liabilities of the Group as at 30 June 2018 and 2019 as extracted from the 2019 Annual Report are summarized as follows:

	As at 30 June	
	2019	2018
	HK\$ million	HK\$ million
	(audited)	(audited)
<i>Total assets</i>		
Non-current assets	318.7	332.8
Current assets	381.6	569.8
<i>Total liabilities</i>		
Non-current liabilities	—	—
Current liabilities	101.1	161.5
Net assets	599.1	741.1
Equity attributable to owners of the Company	599.1	741.1

As at 30 June 2019, the Group's total assets amounted to approximately HK\$700.3 million, which mainly include (a) property, plant and equipment of approximately HK\$262.7 million; (b) financial assets at fair value through profit or loss of approximately HK\$170.8 million; (c) cash and bank balances of approximately HK\$166.5 million; and (d) deposits paid, inventories, trade receivables and other receivables, deposits and prepayments of approximately HK\$100.3 million. The Group had no non-current liabilities but only current liabilities of approximately HK\$101.1 million as at 30 June 2019, which mainly consisted of (a) trade and other payables of approximately HK\$40.8 million; (b) amount due to non-controlling interests and related companies of approximately HK\$49.2 million (where are unsecured, interest-free and repayable on demand); and (c) contract liabilities of approximately HK\$11.1 million. As at 30 June 2019, the Group had no interest-bearing bank and other borrowings and therefore the Group had a net cash balance of approximately HK\$166.5 million. As a result of the decrease in the amounts due to related companies from approximately HK\$15.6 million as at 30 June 2018 to approximately HK\$5.7 million as at 30 June 2019, the gearing ratio of the Group (expressed as a percentage of total borrowings over net asset value) was reduced from approximately 8% to 7.0% as at the respective dates.

The consolidated equity attributable to owners of the Company amounted to approximately HK\$741.1 million and HK\$599.1 million as at 30 June 2018 and 30 June 2019 respectively, with a value per Share of approximately HK\$0.23 and HK\$0.19 respectively (calculated based on the number of the Company's issued Shares as at the Last Trading Day). The Offer Price of HK\$0.08 per Share represents a discount of approximately 65.2% and 57.9% to the net asset value attributable to owners of the Company per Share as at 30 June 2018 and 30 June 2019 respectively.

For details of the financial information of the Group, please refer to Appendix II to the Composite Document.

3. Information on the Offeror

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and the controlling shareholder (as defined in the Listing Rules) of the Company. The Offeror is an indirect wholly-owned subsidiary of Albert Yeung Entertainment Holdings Limited. Albert Yeung Entertainment Holdings Limited is an investment holding company holding various investments under the AY Entertainment Trust, including but not limited to entertainment, media and cultural development businesses in Hong Kong and Greater China. Albert Yeung Entertainment Holdings Limited is held by Alto Trust Limited, being the trustee of the AY Entertainment Trust. The AY Entertainment Trust is a discretionary trust of which Dr. Yeung Sau Shing, Albert is the founder.

As at the date of the Composite Document, the sole director and the ultimate beneficial owner of the Offeror are Albert Yeung Entertainment Management Limited and the AY Entertainment Trust respectively.

4. Future intentions of the Offeror regarding the Group

As stated in the "Letter from Emperor Capital" contained in the Composite Document, the Offeror intends to continue the principal businesses and the employment of the employees of the Group and it has no intention to change the composition of the Board, or introduce any major changes to the existing businesses of the Group and any material redeployment of fixed assets of the Group which is not in the ordinary course of business.

The Offeror also intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer, for which 25% or more of the Shares in issue will need to be held by the public in accordance with the Listing Rules. As such, the Offeror and the Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps within a reasonable period following the close of the Offer to ensure that at least 25% of the total number of issued Shares will be held by the public.

Furthermore, the Offeror may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. As at the Latest Practicable Date, the Offeror has not identified any such investment or business opportunities.

5. Business prospects of the Group

As stated in the 2019 Annual Report, as at 30 June 2018 and 2019, the Group ran five cinemas under the label “Emperor Cinemas” in either large-scale commercial and entertainment complex or upscale residential areas in China and Hong Kong, offering a total of 54 houses with more than 6,200 seats. Since there was no change in the amount of the cinemas ran by the Group as at the two respective dates, we are of the view that the significant revenue growth in the Group’s cinema development and operation business for the year ended 30 June 2019 reflects the potential of the Chinese film market. According to the China Movie Data Information Network, Chinese movie box office revenue maintained at a stable level at RMB59.8 billion for the year ended 30 June 2019 compared to RMB60.7 billion for the year ended 30 June 2018, after a double-digit growth was observed in 2018. Despite such slight drop in movie box office revenue, China continued to record the world’s highest screen count, amounting to nearly 64,000 screens as of 30 June 2019. Coupled with the fact that the Group’s cinema development and operation business grew by double year-on-year for the year ended 30 June 2019, the Directors are therefore optimistic that the Group, whose principal place of business remains to be China, will be able to sustain its growth.

As advised by the Directors and upon our independent research, we also noted that in April 2019, the Chinese government agreed five relaxation measures which would further facilitate the entry of Hong Kong films and film practitioners into the Chinese market and enhance the flexibility of producing China-Hong Kong co-productions and reduce relevant production costs. According to the website of the Hong Kong Film Development Council, the five relaxation measures are:

1. “To remove the restriction on the number of Hong Kong people participating in Mainland film productions;
2. To remove the restriction on percentage of artistes and requirement of Mainland-related plots in motion pictures jointly produced by the Mainland and Hong Kong (Mainland-Hong Kong co-productions);
3. To waive the fees for establishing Mainland-Hong Kong co-production projects;
4. To allow Hong Kong films and film practitioners to apply for nomination for awards in Mainland film festivals; and
5. To allow Hong Kong film companies to apply for incentives for distributing and promoting outstanding Mainland motion pictures and Mainland-Hong Kong co-productions in Hong Kong, Macao and overseas.”¹

¹ For details, please refer to https://www.fdc.gov.hk/en/press/press_20190416_1.htm; and https://www.fdc.gov.hk/en/press/press_20190416_2.htm

We noted that the Directors are of the view that the film industry in Greater China will benefit as a whole from these new measures as both regions' talents create synergies and stimulate further development of the Chinese film market. We concur with the Directors and are also of the view that, such measures would enhance the reputation of the film industry in Hong Kong and allow the Group to leverage on such when promoting its label in China and other markets.

As stated in the 2019 Annual Report, the Group will continue its effort in solidifying its market presence, especially by expanding its film exhibition network under its label "Emperor Cinemas", and the Group has already secured new locations for its expansion across China, Hong Kong, Macau and even in Malaysia. We also noted that subsequent to 30 June 2019, the Group has extended its cinema footprint to MOSTown in Ma On Shan, Hong Kong and R&F Mall Johor Bahru in Malaysia, and it is expected more "Emperor Cinemas" will be in operation in the financial year of 2019/2020, allowing the Group to increase its capacity to capture the potential of the film market.

Given the above, although there was a minor adjustment in box office revenue due to market challenges and changes in market sentiment, the Directors are of the view, and we concur, that the long-term prospects of the Group's businesses remain uncertain but optimistic.

6. Evaluation of the principal terms of the Offer

In considering the fairness and reasonableness of the terms of the Offer, we have conducted the following analyses:

(a) Comparison of value

The Offer Price of HK\$0.08 per Offer Share represents:

- (i) a premium of approximately 11.11% over the closing price of HK\$0.072 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 10.80% over the average closing price of approximately HK\$0.0722 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (iii) an equivalent to the closing price of HK\$0.080 per Shares as quoted on the Stock Exchange on the Latest Practicable Date; and

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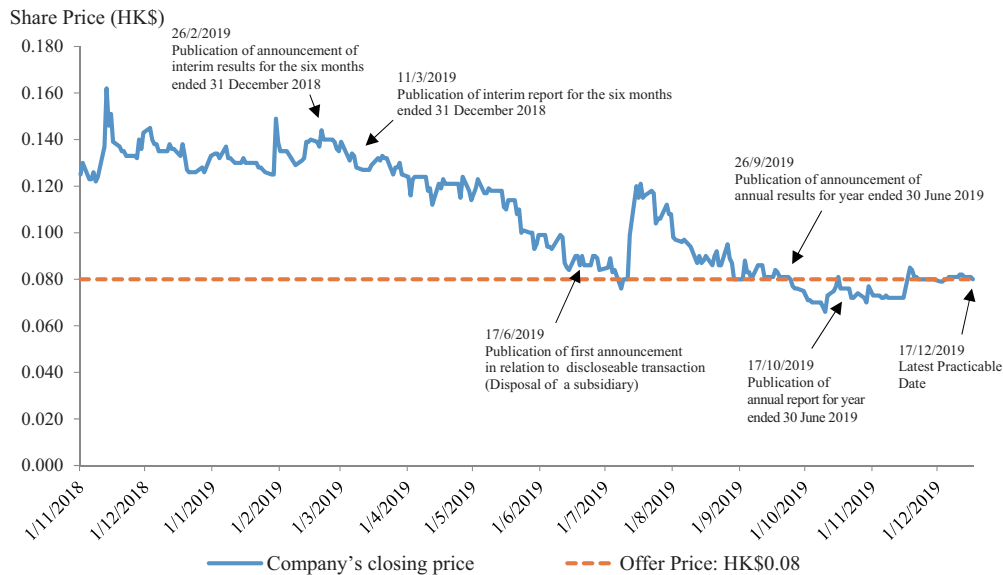
- (iv) a discount of approximately 56.99% to the audited consolidated net asset of the Group of approximately HK\$0.186 per Share as at 30 June 2019 (being the date to which the latest audited consolidated annual results of the Group were made up), calculated based on the Group's audited consolidated net assets of approximately HK\$599,129,000 as at 30 June 2019 and 3,213,340,890 Shares in issue as at the Latest Practicable Date.

As illustrated above, the Offer Price represents a premium to the recent closing prices of the Shares on the Stock Exchange but a discount to the latest audited consolidated net asset value per Share of the Group.

(b) Historical Share price performance

We have conducted an analysis between the historical closing prices of the Shares and the Offer Price. We have reviewed the daily closing prices of the Shares as quoted on the Stock Exchange during the period from 1 November 2018 up to and including the Latest Practicable Date (the “**Review Period**”), and we consider such sampling period of approximately one year is adequate as it represents a reasonable period to provide a general overview of the recent price performance of the Shares. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

Chart 1: Historical daily closing prices of the Shares during the Review Period



Source: the website of the Stock Exchange

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As illustrated in the chart above, during the Review Period, the closing prices of the Shares had demonstrated an overall declining trend. After the Company published its interim results announcement for the six months ended 31 December 2018 on 26 February 2019, which showed that the Group recorded an increased loss for the period of approximately HK\$81.3 million compared to approximately HK\$69.9 million for the previous corresponding period, the Share prices continued to drop and reached its lowest point at HK\$0.076 on 8 July 2019. Despite that the Share prices bounced back afterwards and reached its highest point at HK\$0.121 on 17 July 2019, which we noted from the Directors that the Company could not identify any specific factor which caused such rebound, the growth momentum was not maintained and the Share prices had gradually decreased and stagnated at an average closing price of HK\$0.084 since then. Similarly, although the Group was able to demonstrate an improved loss position in its annual results announcement for the year ended 30 June 2019 published on 26 September 2019, the Shares prices were not stimulated and demonstrated an overall downward trend up to the Latest Practicable Date.

As shown by the above table, the closing prices of the Shares ranged from HK\$0.066 to HK\$0.162, at an average of approximately HK\$0.107. The Offer Price of HK\$0.08 is therefore within the range of the closing prices of the Shares for the Review Period and particularly above the closing prices of the Shares after the Company's publication of its annual results announcement for the year ended 30 June 2019, which showed that the Group had continued to be loss-making for two consecutive financial years. As at the Latest Practicable Date, the closing price of the Share of HK\$0.080 is same as the Offer Price of HK\$0.08.

To compare the trend of the closing prices of the Shares against those of the Group's peer companies, we have conducted a search of Hong Kong companies listed on the Main Board of the Stock Exchange which (i) are principally engaged in similar businesses as the Group's in entertainment, media and cultural development businesses, with such businesses contributing the majority of the company's revenue and over half of such revenue generated in China for the latest completed financial year; (ii) have a market capitalisation of between HK\$100.0 million and HK\$500.0 million in view that the market capitalisation of the Company was approximately HK\$257.1 million as at the Latest Practicable Date; and (iii) are asset-light companies with majority of their assets being relatively liquid assets such as trade receivables and bank balances and cash.

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We have identified the below three comparable listed companies which met the aforementioned criteria (the “**Comparable Companies**”) and we consider them to be fair and exhaustive. Nevertheless, it should be noted that (i) the operations and prospects of the Comparable Companies are not the same as the Group and we have not conducted any investigation into the businesses, operations and prospects of the Comparable Companies; and (ii) due to the limited sample size, the Comparable Companies may or may not be representative. Set out below is the information of the Comparable Companies.

Table 1: Information of the Comparable Companies

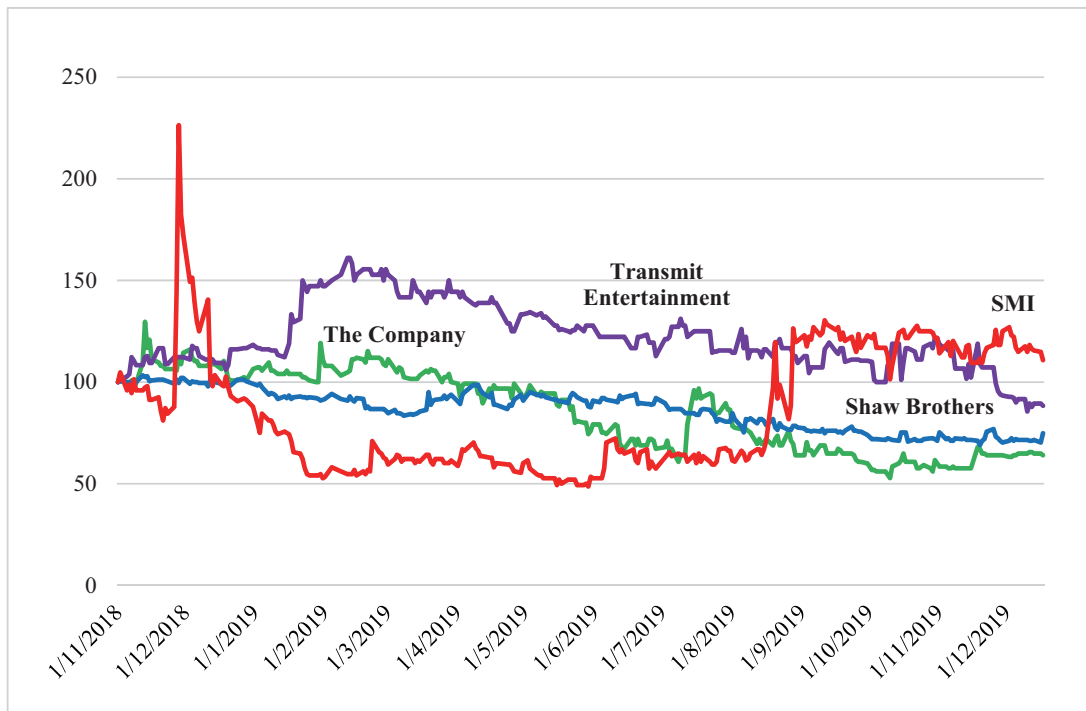
Company name	Principal businesses
Transmit Entertainment Limited (stock code: 1326) (“ Transmit Entertainment ”)	Production of film and television series, distribution and licensing of film rights, film exhibition, postproduction, as well as advertising, marketing and publication
Shaw Brothers Holdings Limited (stock code: 953) (“ Shaw Brothers ”)	Investments in films, drama and non-drama/productions in progress and artiste and event management
SMI Culture & Travel Group Holdings Limited (stock code: 2366) (“ SMI ”)	Production and distribution of films, television dramas, new media contents, online and film advertisements, agency operation for films, directors, scriptwriters and artists, tourism and online ticketing platform operation

Source: the website of the Stock Exchange

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The following chart illustrates the changes in the closing prices of the Company and the Comparable Companies quoted on the Stock Exchange during the Review Period, with their respective prices as at 1 November 2018 (being the beginning of the Review Period) as the base of 100.

Chart 2: Historical daily closing prices of the Company and Comparable Companies during the Review Period



Source: the website of the Stock Exchange

Apart from the fluctuation of SMI's share prices over the Review Period and the increase in Transmit Entertainment's share prices during January and February of 2019, we noted from the above chart that the closing prices of the Company and the Comparable Companies demonstrated, in general, an overall similar declining trend during the Review Period. We noted that the share prices of Transmit Entertainment started to increase significant in early January 2019, when the company first published a voluntary announcement regarding its entering into of the formal contracts with various artiste agencies and managers on 14 January 2019. However, Transmit Entertainment's share prices gradually decreased afterwards following the trends of other Comparable Companies and the Company. Meanwhile, the share prices of SMI had fluctuated during the Review Period. After our review of relevant disclosures published on the website of the Stock Exchange, we noted that the controlling shareholder of SMI is SMI Holdings Group Limited (stock code: 198), the trading of the shares of which had been suspended since 3 September 2019 given the uncertainties regarding the company's business operations and liquidity position. We are of the view that the share price performance of SMI is indirectly affected by the status of SMI

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Holdings Group Limited in resuming the trading of its shares on the Stock Exchange, therefore we are of the view that the share prices of SMI are not a preferable reference of market performance.

Given the above, we are of the view that the closing prices of the Shares generally followed its peers in demonstrating a declining trend during the Review Period. However, whether the prices of the Shares will continue such declining trend following the close of the Offer is uncertain.

(c) Liquidity of the Shares

In addition to the above analyses, we have also reviewed the trading liquidity of the Shares during the Review Period. The table below sets out the trading volume of the Shares on the Stock Exchange during the Review Period.

Table 2: Historical monthly trading volume of the Shares during the Review Period

Months	Number of trading days	Average daily trading volume <i>(Note 1)</i>	% of average daily trading volume to total issued Shares held by the public <i>(Note 2)</i>	% of average daily trading volume to total issued Shares <i>(Note 3)</i>
2018				
November	22	2,903,441	0.171%	0.090%
December	19	1,735,291	0.102%	0.054%
2019				
January	22	1,151,818	0.068%	0.036%
February	17	3,005,882	0.177%	0.094%
March	21	2,032,557	0.119%	0.063%
April	19	1,332,518	0.078%	0.041%
May	21	1,414,286	0.083%	0.044%
June	19	674,755	0.040%	0.021%
July	22	3,268,918	0.192%	0.102%
August	22	727,651	0.043%	0.023%
September	21	359,790	0.021%	0.011%
October	21	665,013	0.039%	0.020%
November	18	8,891,156	0.522%	0.280%
December <i>(Note 4)</i>	12	4,865,578	0.286%	0.150%
Minimum			0.021%	0.011%
Mean			0.139%	0.073%
Maximum			0.522%	0.227%

Source: the website of the Stock Exchange

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Notes:

1. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.
2. Shares held by the public Shareholders are based on information set out in the section headed “Shareholding structure of the Company” in the Board Letter.
3. The calculation is based on the average daily trading volumes of the Shares divided by the total issued share capital of the Company at the end of each month or as at the Latest Practicable Date, as applicable.
4. The period from 1 December 2019 to the Latest Practicable Date.

As set out in the above table, during the Review Period, the average daily trading volume of the Shares fluctuated between approximately 0.011% and 0.227% and a mean of 0.073% of the total number of issued Shares as at the respective month, and between approximately 0.021% and 0.522% and a mean of 0.139% of the total number of issued Shares held by the public.

Upon our review, we noted that the spike in the trading volume of the Shares and hence the increased percentage of average daily trading volume to total issued Shares and total issued Shares held by the public in November 2019, mainly occurred after the publication of the Joint Announcement on 15 November 2019, which we consider was a result of the market’s expectation of the Offer, as well as a result of the Offeror’s on-market purchase of a total of 1,500,000 Shares on 29 November 2019.

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We have further compared the liquidity of the Shares with those of the Comparable Companies during the Review Period. The following table illustrates (i) the average percentages of the average daily trading volume to total issued shares held by the public; and (ii) the average percentages of the average daily trading volume to total issued shares, of the Company and the Comparable Companies during the Review Period:

Table 3: Average trading volume of the shares of the Company and Comparable Companies during the Review Period (in descending order)

	Average % of average daily trading volume to total issued shares held by the public (Note 1)	Average % of average daily trading volume to total issued shares
SMI	0.862%	0.319%
Transmit Entertainment	0.229%	0.059%
Company	0.139%	0.073%
Shaw Brothers	0.123%	0.079%

Source: the website of the Stock Exchange

Note:

1. Shares held by the public Shareholders are based on information as disclosed in the latest published relevant disclosures or financial results.

As illustrated above, the liquidity of the Shares is in the lower-end among the Comparable Companies. Despite that if not consider the aforementioned spike in the trading of Shares in November 2019, between the period from November 2018 to October 2019, the average of the Company's average daily trading volume to total issued Shares held by the public would be approximately 0.094%, while the average of its average daily trading volume to total issued Shares would be approximately 0.050%, meaning that the liquidity of the Shares would be even lower. As such, we are of the view that the Shares have relatively low liquidity in general, in particular, in view of the percentages of the average daily trading volume to the total issued Shares were mainly below 0.1% (even after taking into consideration the significant increase in the average daily trading volume of the Shares in November 2019), as well as mainly below 0.2% if consider the average daily trading volume to the total issued Shares held by the public, it is expected that the Independent Shareholders may encounter difficulties in liquidating their Shares in the open market without exerting downward pressure on the Share

price. Therefore, we consider that the Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares.

(d) Share valuation analysis

We have further considered the price-to-earnings ratio (“**P/E Ratio**”) and price-to-book ratio (“**P/B Ratio**”), which are the two most commonly adopted valuation benchmarks in comparing the valuation of a company’s shares, of the Comparable Companies for comparison purposes. However, since the Group recorded a net loss for the year ended 30 June 2019, the comparison of the Group’s and the Comparable Companies’ P/E Ratios is not applicable. Meanwhile, according to the 2019 Annual Report, approximately 48.2% of the Group’s total assets as at 30 June 2019 were relatively liquid assets (including financial assets at fair value through profit or loss² of approximately HK\$170.8 million and bank balances and cash of approximately HK\$166.5 million), and that the Group did not own any physical properties for the year ended 30 June 2019. As such, with the Group being an asset-light company, one may consider that P/B Ratio may not be the most indicative assessment of the Offer Price. However, given that other references for assessing the Offer Price is relatively limited, we have included an analysis on the Group’s and the Comparable Companies’ P/B Ratios as illustrated below and we are of the view that it would still provide a meaningful reference for assessing the Offer Price.

In assessing the P/B Ratio of the Group under the Offer, we have taken into consideration the implied market capitalisation or total value of the Group under the Offer of approximately HK\$257.1 million (the “**Implied Market Capitalisation**”), which is derived from multiplying the Offer Price of HK\$0.08 by the total number of issued Shares of 3,213,340,890 as at the Latest Practicable Date. In determining the implied P/B Ratio under the Offer (the “**Implied P/B Ratio**”), we have divided the Implied Market Capitalisation by the audited total equity attributable to Shareholders of the Company of approximately HK\$623.5 million as at 30 June 2019 and have obtained the Implied P/B Ratio of approximately 0.41 times.

The following table sets out (i) the P/B Ratio of the Comparable Companies based on their closing share prices as at the Latest Practicable Date and their latest published financial information; and (ii) the Implied P/B Ratio of the Group based on the Offer Price and its 2019 Annual Report. Our analysis on the P/B Ratio below serves merely as an additional reference for Independent Shareholders when considering the Offer and is for illustrative purpose only.

² The financial assets of the Group refer to its investments in film production and investment in equity securities.

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Table 4: Analysis of the Group's and Comparable Companies' P/B Ratios

Company	Market capitalisation (Note 1) (HK\$ million)	P/B Ratio (Note 2) (times)
Transmit Entertainment	412.7	4.58
Shaw Brothers (Note 3)	256.9	0.55
SMI	215.8	0.82
Maximum:	412.7	4.58
Mean:	314.3	1.73
Median:	314.3	0.90
Minimum:	215.8	0.55
<i>The Group (implied under the Offer) (Note 4)</i>	257.1	0.41

Source: the website of the Stock Exchange

Notes:

1. The market capitalisations of the Comparable Companies are derived from the total number of shares (as disclosed in the latest monthly return or relevant disclosures) multiplied by the closing share price quoted on the Stock Exchange as at the Latest Practicable Date.
2. The P/B Ratio is derived from dividing the respective market capitalisation by the respective consolidated equity attributable to the owners of the company as extracted from the latest published financial statements.
3. An exchange rate of RMB1:HK\$1.113 was adopted as the company's reporting currency was RMB.
4. The Implied Market Capitalisation under the Offer is derived from multiplying the total number of issued Shares of 3,213,340,890 as at the Latest Practicable Date by the Offer Price of HK\$0.08. The Implied P/B Ratio is derived by dividing the Implied Market Capitalisation by the audited total equity attributable to Shareholders of the Company as at 30 June 2019.

As shown in the above table, the P/B Ratios of the Comparable Companies ranged from approximately 0.55 times to 4.58 times, with a median of approximately 0.90 times. The Implied P/B Ratio of approximately 0.41 times is therefore outside the range of the P/B Ratios of the Comparable Companies.

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Although it seems that the Offer Price is unattractive to the Independent Shareholders as the Implied P/B Ratio falls outside the range of the P/B Ratios of the Comparable Companies, we would like to emphasise that this is merely one of the factors taken into consideration in assessing the fairness and reasonableness of the Offer Price as our consideration of the Offer Price has been made on an overall basis having considered various principal factors as set out in various sections above and in particular, the recommendation section below.

RECOMMENDATION

Based on our analyses above, although (i) the Group had recorded significant revenue growth and had improved its loss position for the year ended 30 June 2019; (ii) the continuous efforts of the Group to solidifying its market presence as mentioned in the 2019 Annual Report; (iii) the Chinese film market remains to be positive and is increasingly supported by the government measures; (iv) the Implied P/B Ratio is outside the range of those of the Comparable Companies, having considered the following that:

- (i) the Offer Price (a) represents a premium over the closing price of the Shares on the Last Trading Day and is the same as the closing price of the Shares on the Latest Practicable Date; (b) represents a premium over the average closing prices of the Shares for the last thirty (30) consecutive trading days up to and including the Last Trading Day; (c) is within the range of the closing prices of the Shares for the Review Period and particularly above the closing prices of the Shares after the Company's publication of its annual results announcement for the year ended 30 June 2019, which showed that the Group had continued to be loss-making;
- (ii) the Group had been loss-making for two consecutive financial years and had recorded loss per Share of approximately HK\$0.05 and HK\$0.04 for the two financial years ended 30 June 2018 and 2019, respectively, and that profitability in the forthcoming years is uncertain; and
- (iii) the Offer represents an opportunity for Independent Shareholders to realise their investment since they may encounter difficulties in liquidating their Shares in the open market, especially when the trading of the Shares is not comparatively active compared to the Comparable Companies,

we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. Nonetheless, we would like to remind the Independent Shareholders who would like to realise part or all of their investments in the Shares to closely monitor the market price and liquidity of the Shares during the Offer Period and may, instead of accepting the Offer, consider selling their Shares in the open market should such sale proceeds, net of all transaction costs, exceed the amount receivable under the Offer.

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As each individual Independent Shareholder would have different investment objectives and/or circumstances, we advise the Independent Board Committee to also recommend the Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, they should carefully read the procedures for accepting the Offer as set out in the Composite Document, its appendices and the accompany Forms of Acceptance.

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

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

PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must lodge the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Offer, marked “Emperor Culture Group Limited — Offer” on the envelope, to the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Shares (whether in full or in part), you must either:
- (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and lodge the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/

registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and lodge to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and lodge it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Emperor Capital or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (f) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
 - (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other

documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

- (ii) from a registered Shareholder or its/his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (g) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.
- (h) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

SETTLEMENT OF THE OFFER

Provided that a valid Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, a cheque for the amount due to each of the Independent Shareholders who accepts the Offer less the seller's ad valorem stamp duty in respect of the Shares tendered by it/him/her or it/his/her agent(s) under the Offer will be despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days following the date of receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of the seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

No fractions of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid for the Offer, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code. The Offer is unconditional.
- (b) If the Offer is extended, the announcement of such extension will state the next closing date or the announcement will contain a statement that the Offer will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given to the Independent Shareholders before the Offer is closed and an announcement must be published. If, in the course of the Offer, the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least fourteen (14) days following the date on which the revised offer document(s) are posted and shall not close earlier than the Closing Date.
- (c) If the Closing Date is extended, any references in this Composite Document and the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

ANNOUNCEMENTS

By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Takeovers Code by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised, extended or has expired.

The announcement will state the total number of Shares and rights over Shares:

- a. for which acceptances of the Offer have been received;
- b. held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
- c. acquired or agreed to be acquired by the Offeror and parties acting in concert with it during the Offer Period.

The announcement will also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold.

The announcement will also specify the percentages of the issued share capital of the Company, and the percentages of voting rights, represented by these numbers.

In computing the total number of Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in this Appendix I, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owners separately. In order for beneficial owners of the Shares, whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

RIGHT OF WITHDRAWAL

Acceptances of the Offer tendered by the Independent Shareholders or by their agent(s) on their behalf, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph.

In the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the paragraph headed “Announcements” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, when the Independent Shareholder(s) withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities provided in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s) at their own risks.

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn.

HONG KONG STAMP DUTY

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher. The amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Offer. The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholder accepting the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

OVERSEAS INDEPENDENT SHAREHOLDERS

This Composite Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong.

The Offer is in respect of a company incorporated in the Bermuda and listed in Hong Kong and is therefore subject to the procedure and disclosure requirements of laws, regulations and rules in Hong Kong which may be different to those in other jurisdictions.

Independent Shareholders who are also Overseas Independent Shareholders who wish to participate in the Offer are subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offer. Overseas Independent Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers.

It is the responsibility of each Overseas Independent Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant overseas jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes due by such Overseas Independent Shareholder in respect of such overseas jurisdictions).

Each Overseas Independent Shareholder who wishes to accept the Offer is also fully responsible for other taxes and duties by whomsoever payable in respect of all relevant jurisdictions. The Offeror and parties acting in concert with it, the Company, Emperor Capital, Emperor Securities, Pelican, the Registrar, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such Overseas Independent Shareholder for any taxes, imposts, duties or requisite payment as such Overseas Independent Shareholder may be required to pay.

Acceptances of the Offer by any such person will be deemed to constitute a representation and a warranty by such person to the Offeror that all applicable local laws and requirements have been complied with and such person is permitted under all applicable laws and requirements to accept the Offer and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and requirements.

TAX ADVICE

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Emperor Capital, Emperor Securities, Pelican, the Registrar and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

GENERAL

- (a) All communications, notices, the Form of Acceptance, Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to the Independent Shareholders at their addresses as appeared in the register of members of the Company. None of the Offeror and parties acting in concert with it, the Company, Emperor Capital, Emperor Securities, Pelican, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (c) Accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror and/or Emperor Capital (or such person or persons as the Offeror and/or Emperor Capital may direct) to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror (or such person or persons as it may direct) the Shares in respect of which such person has accepted the Offer.

- (f) Acceptance of the Offer by the Independent Shareholder will be deemed to constitute a representation and a warranty by such person(s) to the Offeror that such Shares acquired under the Offer are sold or tendered by the Independent Shareholder free from all Encumbrances or similar third party rights or claims of any kind and together with all rights accruing or attaching thereto on the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Offer is made, ie, the date of despatch of this Composite Document.
- (g) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (h) Any Independent Shareholders accepting the Offer will be responsible for payment of any other transfer or cancellation or other taxes or duties payable by them in any relevant jurisdiction.
- (i) Save for the payment of seller's ad valorem stamp duty, settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.
- (j) Acceptance of the Offer by any nominee will be deemed to constitute a representation and a warranty by such nominee to the Offeror that the number of the Shares it has indicated in the Form of Acceptance is the aggregate number of the Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.
- (k) The English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text for the purpose of interpretation.
- (l) In making their decision, Independent Shareholders must rely on their own examination of the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, the Company, Emperor Capital, Emperor Securities, Pelican, the Registrar or their respective professional advisers. The Independent Shareholders should consult their own professional advisers for professional advice.
- (m) This Composite Document has been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated financial results of the Group for each of the three years ended 30 June 2017, 30 June 2018 and 30 June 2019 as extracted from the annual report of the Company for the year ended 30 June 2019 (“**2019 Annual Report**”), the annual report of the Company for the year ended 30 June 2018 (“**2018 Annual Report**”), and the annual report of the Company for the year ended 30 June 2017 (“**2017 Annual Report**”).

	2019	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	145,753	91,202	44,925
Cost of sales	<u>(67,113)</u>	<u>(42,972)</u>	<u>(37,460)</u>
Gross profit	78,640	48,230	7,465
Other income and gains	4,768	10,552	16,726
Selling and distribution expenses	(109,583)	(75,959)	(7,399)
Administrative expenses	(54,867)	(41,911)	(41,272)
Allowance for expected credit losses for trade receivables	(381)	—	—
Other operating expenses	(31,383)	(67,568)	(72,477)
Change in fair value of financial assets at fair value through profit or loss	<u>(22,918)</u>	<u>(31,691)</u>	<u>(7,115)</u>
Loss from operations	(135,724)	(158,347)	(104,072)
Gain/(loss) on disposal of subsidiaries	3,476	(8)	34,825
Finance cost	<u>(2,037)</u>	<u>—</u>	<u>(6)</u>
Loss before taxation	(134,285)	(158,355)	(69,253)
Taxation credit	<u>—</u>	<u>242</u>	<u>175</u>
Loss for the year	<u>(134,285)</u>	<u>(158,113)</u>	<u>(69,078)</u>
Other comprehensive (loss)/income for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations	(8,829)	3,216	100
Release of exchange reserve upon disposal of foreign subsidiaries	<u>305</u>	<u>—</u>	<u>—</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(8,524)</u>	<u>3,216</u>	<u>100</u>
Total comprehensive loss for the year	<u><u>(142,809)</u></u>	<u><u>(154,897)</u></u>	<u><u>(68,978)</u></u>

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company	(126,437)	(153,797)	(62,327)
Non-controlling interests	<u>(7,848)</u>	<u>(4,316)</u>	<u>(6,751)</u>
	<u><u>(134,285)</u></u>	<u><u>(158,113)</u></u>	<u><u>(69,078)</u></u>
Total comprehensive loss for the year attributable to:			
Owners of the Company	(133,870)	(151,473)	(61,825)
Non-controlling interests	<u>(8,939)</u>	<u>(3,424)</u>	<u>(7,153)</u>
	<u><u>(142,809)</u></u>	<u><u>(154,897)</u></u>	<u><u>(68,978)</u></u>
Loss per share attributable to the owners of the Company:			
Basic and diluted	<u>HK\$(0.04)</u>	<u>HK\$(0.05)</u>	<u>HK\$(0.03)</u>
Total dividend	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>
Dividend per Share	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

The auditors of the Company for the three years ended 30 June 2017, 2018 and 2019 were HLB Hodgson Impey Cheng Limited. Their opinions on the consolidated financial statements of the Group for each of the three years ended 30 June 2017, 2018 and 2019 were unqualified.

The following is a summary of the audited consolidated financial position of the Group as at 30 June 2017, 30 June 2018 and 30 June 2019 as extracted from the 2019 Annual Report, the 2018 Annual Report and the 2017 Annual Report.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	262,699	236,902	72,241
Goodwill	—	68,260	95,614
Intangible assets	—	27,661	25,489
Contingent consideration receivable	—	—	485
Deposits paid	<u>56,002</u>	<u>—</u>	<u>—</u>
	<u>318,701</u>	<u>332,823</u>	<u>193,829</u>
Current assets			
Inventories	641	894	131
Film and TV programme rights	—	14,031	11,986
Film and TV programme production in progress	—	150,797	215,463
Investments in film production	—	35,302	1,683
Trade receivables	4,761	12,227	16,642
Other receivables, deposits and prepayments	38,922	64,432	53,553
Contingent consideration receivable	—	7,210	7,998
Financial assets at fair value through profit or loss	170,783	20,750	52,441
Cash and bank balances	<u>166,465</u>	<u>264,142</u>	<u>452,616</u>
	381,572	569,785	812,513
Asset classified as held for sale	<u>—</u>	<u>—</u>	<u>47,600</u>
	<u>381,572</u>	<u>569,785</u>	<u>860,113</u>
Current liabilities			
Trade and other payables	40,776	101,045	111,887
Contract liabilities	11,128	—	—
Amounts due to related companies	5,651	15,553	16,049
Amount due to non-controlling interests	<u>43,589</u>	<u>44,870</u>	<u>44,870</u>
	<u>101,144</u>	<u>161,468</u>	<u>172,806</u>
Net current assets	<u>280,428</u>	<u>408,317</u>	<u>687,307</u>
Total assets less current liabilities			
Non-current liability	599,129	741,140	881,136
Deferred tax liability	<u>—</u>	<u>—</u>	<u>242</u>
Net assets	<u>599,129</u>	<u>741,140</u>	<u>880,894</u>
Capital and reserves attributable to the owners of the Company			
Share capital	32,133	32,133	32,133
Reserves	<u>591,385</u>	<u>720,573</u>	<u>872,046</u>
	623,518	752,706	904,179
Non-controlling interests	<u>(24,389)</u>	<u>(11,566)</u>	<u>(23,285)</u>
Total equity	<u>599,129</u>	<u>741,140</u>	<u>880,894</u>

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Composite Document the consolidated statements of profit or loss, the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in the (i) audited consolidated financial statements of the Group for the year ended 30 June 2017, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the “**2017 Financial Statements**”); (ii) audited consolidated financial statements of the Group for the year ended 30 June 2018, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the “**2018 Financial Statements**”); and (iii) audited consolidated financial statements of the Group for the year ended 30 June 2019, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the “**2019 Financial Statements**”).

The 2017 Financial Statements are set out from page 54 to 183 in the 2017 Annual Report which was published on 16 October 2017. The 2017 Annual Report is available on the websites of the Stock Exchange (<http://www.hkexnews.com>) and the Company (<https://www.empculture.com>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/1016/ltn20171016508.pdf>

The 2018 Financial Statements are set out from page 52 to 151 in the 2018 Annual Report which was published on 11 October 2018. The 2018 Annual Report is available on the websites of the Stock Exchange (<http://www.hkexnews.com>) and the Company (<https://www.empculture.com>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/1011/ltn20181011800.pdf>

The 2019 Financial Statements are set out from page 53 to 167 in the 2019 Annual Report which was published on 17 October 2019. The 2019 Annual Report is available on the websites of the Stock Exchange (<http://www.hkexnews.com>) and the Company (<https://www.empculture.com>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1017/ltn20191017047.pdf>

The 2017 Financial Statements, 2018 Financial Statements and 2019 Financial Statements (but not any other parts of the 2017 Annual Report, 2018 Annual Report and 2019 Annual Report, in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS

As at the close of business on 31 October 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, details of the Group's indebtedness are as follows:

Borrowings

The Group had amounts due to non-controlling interests and related companies of approximately HK\$43,589,000 and HK\$3,429,000 respectively which are unsecured, interest-free and repayable on demand.

Commitments

As at 31 October 2019, the Group had outstanding capital commitments in respect of acquisition of property, plant and equipment of approximately HK\$127,628,000.

Lease liabilities

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms of one to fifteen years. As at 31 October 2019, the Group recognised total lease liabilities of approximately HK\$837,114,000 in respect of non-cancellable operating leases contracts in accordance with Hong Kong Financial Reporting Standard 16 "Leases" which has been adopted on 1 July 2019.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business of the Group, as at 31 October 2019, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

Save and except as disclosed below, the Directors confirm that there has been no material changes in the financial or trading position or outlook of the Group subsequent to 30 June 2019, being the date to which the latest audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

According to the audited consolidated financial statements of the Group for the financial year ended 30 June 2019, the Group had non-cancellable operating leases of approximately HK\$1.9 billion as at 30 June 2019. An assessment indicates that these arrangements meet the definition of a lease under Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") which was effective for reporting periods beginning on or after 1 January 2019. Upon the application of HKFRS 16, the Group recognised right-of-use assets and corresponding liabilities of approximately HK\$818.5 million and HK\$837.1 million as at 31 October 2019 respectively, whereas there was no recognition of right-of-use assets and corresponding liabilities as at 30 June 2019.

RESPONSIBILITY STATEMENT

The information contained in this Composite Document relating to the Offeror, the terms of the Offer and the intentions of the Offeror in respect of the Group have been supplied by the Offeror. The sole director of Albert Yeung Entertainment Management Limited, Dr. Yeung Sau Shing, Albert, and the sole director of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, Golden Skill, Sellers of Acquired Shares (except Win World) and their respective associates and parties acting in concert with any of them), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

DISCLOSURE OF INTERESTS IN THE COMPANY

As at the Latest Practicable Date, details of interests in the relevant securities of the Company held or controlled by the Offeror were as follows:

Name	Number of Shares held	% of interest
The Offeror and parties acting concert with it	1,669,060,000	51.94

Save as disclosed above, as at the Latest Practicable Date, the Offeror did not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

ADDITIONAL DISCLOSURE ON INTERESTS AND DEALINGS IN SECURITIES OF THE COMPANY

Save for (i) the dealings in the Shares by Emperor Securities which are conducted in the normal course of business for and on behalf of its clients; (ii) the acquisition of the SPA Shares and the Acquired Shares; and (iii) the dealings as disclosed in this section, the Offeror and parties acting in concert with it had not dealt for value in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

- (a) During the Relevant Period, the Offeror and parties acting in concert with it had dealt for value in Shares, the particulars of which are as follows:

Date of transaction	Name	No. of shares purchased	Purchase price per share (HK\$)
29 November 2019	The Offeror	1,500,000	0.08
4 December 2019	The Offeror	17,380,000	0.08

- (b) As at the Latest Practicable Date:
- (a) save for the Offeror's interest in 1,669,060,000 Shares, the Offeror, its director and the parties acting in concert with the Offeror (including Emperor Securities) did not own, hold, control or have direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
 - (b) neither the Offeror nor parties acting in concert with it had received any irrevocable commitment to accept or reject the Offer;
 - (c) there was no arrangement of any kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror, or any party acting in concert with it and any other person;
 - (d) there was no agreement or arrangement to which the Offeror is a party which related to circumstances in which the Offeror might or might not invoke or seek to invoke a condition to the Offer;
 - (e) there were no Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or parties acting in concert with it had borrowed or lent during the Relevant Period;
 - (f) save for the Facility granted by Emperor Securities to the Offeror, there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
 - (g) no benefit (other than statutory compensation) was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Offer;
 - (h) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any party acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or dependence upon the Offer;
 - (i) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any party acting in concert with it, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
 - (j) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Offeror and/or parties acting in concert with it, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

- (k) other than the consideration under the Sale and Purchase Agreement and of the Acquired Shares, there is no other consideration, compensation or benefits in whatever form provided by the Offeror or parties acting in concert with it to Golden Skill and sellers of Acquired Shares or parties acting in concert with it in respect of the SPA Shares and Acquired Shares;
- (l) there is no special deal (under Rule 25 of the Takeovers Code) between the Offeror and parties acting in concert with it on one hand, and Golden Skill and all sellers of the Acquired Shares and their respective parties acting in concert with them on the other hand; and
- (m) there is no understanding, arrangement or agreement or special deal between any Shareholder, and (i) Offeror and any party acting in concert with it, including Win World or; (ii) the Company, its subsidiaries or associated company.

EXPERT AND CONSENT

The following is the qualification of the expert whose letter or opinion is contained in this Composite Document:

Name	Qualification
Emperor Capital	a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, the financial adviser to the Offeror in respect of the Offer

Emperor Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter or opinion and/or references to its name in the form and context in which it appears.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) on the website of the SFC (www.sfc.hk); (ii) on the website of the Company (www.empculture.com); and (iii) at the principal place of business of the Company on Business Days during normal business hours from 9:00 a.m. to 5:00 p.m. at 28/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong from the date of this Composite Document onwards for as long as the Offer remains open for acceptance:

- (i) the memorandum and articles of association of the Offeror that were valid as at the Latest Practicable Date;
- (ii) the letter from Emperor Capital, the text of which is set out on pages 7 to 13 of this Composite Document;

- (iii) the written consent of Emperor Capital referred to in the paragraph headed “Expert and consent” in this Appendix; and
- (iv) the loan agreement dated 12 November 2019 entered into between the Offeror as borrower and Emperor Securities as lender for the granting of the Facility of up to HK\$126,000,000.

GENERAL

- (i) The principal members of the Offeror’s concert group are Albert Yeung Entertainment Holdings Limited and Albert Yeung Entertainment Management Limited.
- (ii) The registered owner of Albert Yeung Entertainment Holdings Limited is Alto Trust Limited, being the trustee of the AY Entertainment Trust. The sole director of Albert Yeung Entertainment Holdings Limited is Albert Yeung Entertainment Management Limited.
- (iii) Albert Yeung Entertainment Management Limited is wholly-owned by Albert Yeung Entertainment Holdings Limited. The sole director of Albert Yeung Entertainment Management Limited is Dr. Yeung Sau Shing, Albert.
- (iv) The Offeror is an indirectly wholly-owned subsidiary of Albert Yeung Entertainment Holdings Limited. As at the Latest Practicable Date, the sole director of the Offeror is Albert Yeung Entertainment Management Limited.
- (v) The registered office of Alto Trust Limited is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (vi) The registered office address of Albert Yeung Entertainment Holdings Limited is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (vii) The registered office address of Albert Yeung Entertainment Management Limited is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (viii) The correspondence address of Dr. Yeung Sau Shing, Albert is 28/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.
- (ix) The registered office of the Offeror is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (x) The registered office of Emperor Capital is situated at 28/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.
- (xi) In the event of inconsistency, the English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Offer, the Offeror and the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company of HK\$0.01 each as at 30 June 2019 and the Latest Practicable Date were as follows:

<i>Authorised</i>		<i>HK\$</i>
<u>50,000,000,000</u>	Shares	<u>500,000,000</u>
<i>Issued</i>		
<u>3,213,340,890</u>	Shares	<u>32,133,408.9</u>

All the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital.

Since 30 June 2019, save for 3,213,340,890 Shares in issue, the Company does not have other class of securities, outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

3. DISCLOSURE OF INTERESTS BY DIRECTORS OF THE COMPANY

As at the Latest Practicable Date, save as disclosed below, none of the Director and their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this Composite Document pursuant to the Takeovers Code.

Name of Director	Capacity	Number of Share held/ interested	Approximate % of the total issued Shares
Mr. Yeung Ching Loong, Alexander (“ Mr. Alex Yeung ”)	Eligible beneficiary of AY Entertainment Trust	1,669,060,000	51.94

4. DISCLOSURE OF INTERESTS OF DIRECTORS IN ASSOCIATED CORPORATIONS

a. Long position interests in ordinary shares

Name of Director	Name of associated corporation	Capacity/Nature of interests	Number of issued ordinary shares held	Approximate % holding
Ms. Fan Man Seung, Vanessa	Emperor International Holdings Limited (“ Emperor International ”)	Beneficial owner	10,500,000	0.29%
Mr. Alex Yeung	Emperor International	Eligible beneficiary of the Albert Yeung Discretionary Trust (“ AY Trust ”)	2,747,610,489	74.71%
	Emperor Entertainment Hotel Limited (“ Emperor E Hotel ”)	Eligible beneficiary of the AY Trust	851,352,845	68.94%
	Emperor Watch & Jewellery Limited (“ Emperor W&J ”)	Eligible beneficiary of a private discretionary trust	4,290,850,000	63.29%
	Ulferts International Limited (“ Ulferts ”)	Eligible beneficiary of a private discretionary trust	600,000,000	75%

Note:

- Emperor International, Emperor E Hotel, Emperor W&J and Ulferts are companies whose shares are listed on the Stock Exchange.
- The shares in respect of Emperor International and Emperor E Hotel were ultimately owned by the AY Trust.
- The shares in respect of Emperor W&J and Ulferts were ultimately owned by the relevant private discretionary trusts (“**Private Trusts**”).
- AY Trust and the Private Trusts are discretionary trusts of which Mr. Alex Yeung is one of the eligible beneficiaries.

b. Long position interests in debentures

Name of Director	Name of associated corporation	Capacity/Nature of interests	Amount of Debentures
Mr. Wong Chi Fai	Emperor International	Interest in controlled corporation	HK\$2,000,000

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the 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 or recorded in the register required to be kept by the Company under section 336 of the SFO.

5. DEALINGS IN SECURITIES OF THE COMPANY AND THE OFFEROR

During the Relevant Period,

- (a) none of the Company or the Directors had dealt for value in any Shares, warrants, share options, derivatives and securities carrying conversion or subscription rights into Shares; and
- (b) neither the Company, any member of the Group nor any of the Directors was interested in or owned or controlled any shares, convertible securities, warrants options or derivatives of the Offeror and none of the Company nor the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

6. OTHER DISCLOSURE OF INTERESTS

During the relevant Period and as at the Latest Practicable Date:

- (a) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of member of the Group or by any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding exempt principal traders and exempt fund managers), and no such person had dealt for value in any Shares or any convertible securities, warrants, options or derivative issued by the Company;

- (b) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had owned, controlled or dealt for value in any Shares or any convertible securities, warrants, options or derivative issued by the Company;
- (c) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company, and no such person had dealt for value in any Shares or any convertible securities, warrants, options or derivative issued by the Company;
- (d) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares; and
- (e) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer.

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (b) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (c) no material contracts had been entered into by the Offeror in which any Director had a material personal interest.

7. MATERIAL CONTRACTS

Save as disclosed below, there were no contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) was entered into by the members of the Group within two years immediately preceding the date on which the Offer Period commenced and up to the Latest Practicable Date:

1. The sale and purchase agreement dated on 17 June 2019 entered into, among others, Goldcore Holdings Limited, a direct wholly-owned subsidiary of the Company as vendor, Richie Rich Holdings Limited as purchaser in relation to the disposal of 100% issued share capital of Magic Well Holdings Limited, for a consideration of HK\$48,000,000 which was settled in cash, details were set out in the announcement of the Company dated 17 June 2019.

8. GENERAL

- (a) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is at 28/F Emperor Group Centre, 288 Hennessy Road Wanchai, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their Chinese text for the purpose of interpretation.

9. MARKET PRICE

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the Latest Practicable Date; (ii) 12 November 2019, being the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period:

Date	Closing price per Share (HK\$)
31 May 2019	0.099
28 June 2019	0.084
31 July 2019	0.108
30 August 2019	0.080
30 September 2019	0.075
31 October 2019	0.075
12 November 2019 (being the Last Trading Day)	0.072
29 November 2019	0.080
Latest Practicable Date	0.080

During the Relevant Period, the highest closing price of the Shares was HK\$0.121 per Share as quoted on the Stock Exchange on 17 July 2019 and the lowest closing price of the Shares was HK\$0.066 per Share as quoted on the Stock Exchange on 10 October 2019.

10. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which:

- (i) have been entered into or amended (including both continuous and fixed term contracts) within 6 months prior to the commencement of the Offer Period;
- (ii) are continuous contracts with a notice period of 12 months or more; or
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

11. EXPERT AND CONSENT

The following is the qualification of the expert whose letter or opinion is contained in this Composite Document:

Name	Qualification
Pelican	a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activities under the SFO

Pelican has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letters or opinions and/or references to its name in the form and context in which it appears.

12. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Group and no litigation, arbitration or claims which would materially and adversely affect the operations of the Group was known to the Directors to be pending or threatened by or against any members of the Group.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) at the principal office of the Company at 28/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong; (ii) on the website of the Company (www.empculture.com); and (iii) on the website of the SFC (www.sfc.hk), during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two financial years ended 30 June 2019;

- (c) the letter from the Board, the text of which is set out in this Composite Document;
- (d) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (e) the letter from Pelican Financial Limited, the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (f) The sale and purchase agreement dated on 17 June 2019 entered into, among others, Goldcore Holdings Limited, a direct wholly-owned subsidiary of the Company as vendor, Richie Rich Holdings Limited as purchaser in relation to the disposal of 100% issued share capital of Magic Well Holdings Limited, for a consideration of HK\$48,000,000 which was settled in cash, details were set out in the announcement of the Company dated 17 June 2019; and
- (g) the written consent referred to under the paragraph headed “11. Expert and Consent” in this Appendix.