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

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

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偉祿集團控股有限公司
REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1196)

(I) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE PROVISION OF FINANCING SERVICES AND (II) NOTICE OF SPECIAL GENERAL MEETING

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



Capitalised terms used on this cover page shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the IBC containing its recommendation to the Independent Shareholders is set out on page 17 of this circular. A letter from Merdeka containing its advice to the IBC and the Independent Shareholders is set out on pages 18 to 33 of this circular.

A notice convening the SGM to be held at 11:00 a.m. on Monday, 28 December 2020 at Capital Conference Services Limited at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be) or the poll concerned. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) or the poll concerned should you so wish.

Precautionary measures to be taken by Realord Group Holdings Limited for better protection of the safety and health of the shareholders and other participants at the meeting in light of COVID-19 are set out on page SGM-2 of this circular. Any attendee who does not comply with the precautionary measures may be refused admission to or requested to leave the venue of the meeting. Shareholders are reminded that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution at the meeting as an alternative to attending the meeting in person. Realord Group Holdings Limited will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the meeting.

1 December 2020

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

| | |
|---------------------------|---|
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Company” | Realord Group Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1196) |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Dr. Lin” | Dr. Lin Xiaohui, the chairman and an executive Director of the Company, the spouse of Madam Su and the father of Mr. Lin and Ms. Lin |
| “Financing Agreement” | the financing agreement dated 28 October 2020 entered into among Realord APSL, Dr. Lin, Madam Su, Mr. Lin and Ms. Lin regarding the provision of the Financing Services by Realord APSL to the Lin Family Members and their respective majority-owned companies |
| “Financing Services” | collectively, the IPO financing services and the margin financing services to be provided by Realord APSL to the Lin Family Members and their respective majority-owned companies pursuant to the Financing Agreement |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “IBC” | an independent committee of the Board, comprising Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue, being all the independent non-executive Directors, which is established to advise the Independent Shareholders in respect of the terms of the Financing Agreement and the transactions contemplated thereunder (including the related annual caps) |

DEFINITIONS

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|----------------------------|--|
| “Independent Shareholders” | Shareholders other than the Lin Family Members and their associate(s) who have a material interest in the Financing Agreement and the transactions contemplated thereunder |
| “IPO(s)” | initial public offering(s) |
| “Latest Practicable Date” | 26 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Lin Family Members” | collectively, Dr. Lin, Madam Su, Mr. Lin and Ms. Lin |
| “Madam Su” | Madam Su Jiaohua, the chief executive officer and an executive Director of the Company, the spouse of Dr. Lin and the mother of Mr. Lin and Ms. Lin |
| “Manureen Holdings” | Manureen Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 70% by Dr. Lin and 30% by Madam Su respectively and the controlling shareholder of the Company |
| “Merdeka” | Merdeka Corporate Finance Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the IBC and the Independent Shareholders in respect of the terms of the Financing Agreement and the transactions contemplated thereunder (including the related annual caps) |
| “Mr. Lin” | Mr. Lin Sen, the son of Dr. Lin and Madam Su, the brother of Ms. Lin, and a director of certain subsidiaries of the Company |
| “Ms. Lin” | Ms. Lin Na, the daughter of Dr. Lin and Madam Su, and the sister of Mr. Lin |
| “New Challenger” | New Challenger Investments Limited, a company wholly-owned by Ms. Lin |

DEFINITIONS

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| “Realord APSL” | Realord Asia Pacific Securities Limited, a company incorporated in Hong Kong with limited liability, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO and an indirect 89.3%-owned subsidiary of the Company |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “SGM” | the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the resolution in respect of the Financing Agreement and the transactions contemplated thereunder (including the related annual caps) |
| “Share(s)” | ordinary share(s) of HK\$0.1 each in the issued share capital of the Company |
| “Shareholder(s)” | the holder(s) of the issued Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “%” | per cent. |

LETTER FROM THE BOARD



偉祿集團控股有限公司

REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1196)

Executive Directors:

Dr. Lin Xiaohui
Madam Su Jiaohua
Mr. Lin Xiaodong

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Mr. Yu Leung Fai
Mr. Fang Jixin
Dr. Li Jue

*Head office and principal place
of business in Hong Kong:*

Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

1 December 2020

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE PROVISION OF FINANCING SERVICES

INTRODUCTION

Reference is made to the announcement of the Company dated 28 October 2020 in relation to, among other things, the Financing Agreement.

On 28 October 2020, Realord APSL (an indirect 89.3%-owned subsidiary of the Company), Dr. Lin, Madam Su, Mr. Lin and Ms. Lin (together, the Lin Family Members) entered into the Financing Agreement. Realord APSL is principally engaged in the provision of securities brokerage and margin financing services. Pursuant to the Financing Agreement, Realord APSL shall provide the IPO financing services and the margin financing services (together, the Financing Services) to the Lin Family Members and their respective majority-owned companies for a term commencing from 1 January 2021 and ending on 31 December 2023 (both days inclusive).

LETTER FROM THE BOARD

Dr. Lin and Madam Su are executive Directors and spouse to each other. Dr. Lin and Madam Su respectively holds 70% and 30% of the equity interests in Manureen Holdings, the controlling shareholder of the Company, which in turn holds 1,073,160,000 Shares, representing approximately 74.6% of the entire issued share capital of the Company as at the Latest Practicable Date. Mr. Lin is a director of certain subsidiaries of the Company (including Realord APSL), the son of Dr. Lin and Madam Su, and the brother of Ms. Lin. Ms. Lin is the daughter of Dr. Lin and Madam Su, and the sister of Mr. Lin. By virtue of the aforesaid relationships of Dr. Lin, Madam Su and Mr. Lin with the Group and Ms. Lin as an associate of each of them, each of the Lin Family Members is a connected person of the Company under Chapter 14A of the Listing Rules.

As the proposed maximum daily balance of the financing to be extended to the Lin Family Members by way of the IPO financing and the margin financing is more than HK\$10,000,000 in aggregate and the relevant applicable percentage ratios are more than 5%, the Financing Agreement, the transactions contemplated thereunder and the related annual caps for the IPO financing and the margin financing are subject to, among other things, the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) details of the Financing Agreement; (ii) the letter of recommendation from the IBC to the Independent Shareholders; (iii) the letter of advice from Merdeka, an independent financial adviser, to the IBC and the Independent Shareholders; and (iv) the notice of SGM.

THE FINANCING AGREEMENT

Date : 28 October 2020

Parties : (i) Realord Asia Pacific Securities Limited, an indirect 89.3%-owned subsidiary of the Company;

(ii) Dr. Lin Xiaohui;

(iii) Madam Su Jiaohua;

(iv) Mr. Lin Sen; and

(v) Ms. Lin Na.

Realord APSL is a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO and is principally engaged in the provision of securities brokerage and margin financing services.

LETTER FROM THE BOARD

Dr. Lin and Madam Su are executive Directors and spouse to each other. Dr. Lin and Madam Su respectively holds 70% and 30% of the equity interests in Manureen Holdings, the controlling shareholder of the Company, which in turn holds 1,073,160,000 Shares, representing approximately 74.6% of the entire issued share capital of the Company as at the Latest Practicable Date. Mr. Lin is a director of certain subsidiaries of the Company (including Realord APSL), the son of Dr. Lin and Madam Su, and the brother of Ms. Lin. Ms. Lin is the daughter of Dr. Lin and Madam Su, and the sister of Mr. Lin. By virtue of the aforesaid relationships of Dr. Lin, Madam Su and Mr. Lin with the Group and Ms. Lin as an associate of each of them, each of the Lin Family Members is a connected person of the Company under Chapter 14A of the Listing Rules.

- Terms** : The Financing Agreement shall commence on 1 January 2021 and end on 31 December 2023 (both days inclusive).
- Scope of services** : Realord APSL shall provide (i) IPO financing services; and (ii) margin financing services to the Lin Family Members and their respective majority-owned companies. Each of the transactions to be conducted pursuant to the Financing Agreement shall also be subject to separate standard agreement(s), form(s), letter(s) and/or other document(s) in a form which are applicable to all clients of Realord APSL and have been adopted by Realord APSL from time to time.
- Condition precedent** : The Financing Agreement and the transactions contemplated thereunder are conditional upon the approval by the Independent Shareholders at the SGM.
- Pricing terms** : The terms and conditions of the transactions contemplated under the Financing Agreement (including the payment of interests arising from or in connection with the provision of the Financing Services to Realord APSL) shall be (i) on normal commercial terms, negotiated on an arm's length basis between the parties to the Financing Agreement, fair and reasonable, no less favourable to the Group than those offered to independent third party clients for the provision of similar financing services by Realord APSL and in the interest of the Company and its Shareholders as a whole; and (ii) in accordance with the standard pricing and credit policy of Realord APSL which are applicable to all of its clients (details of which are disclosed under the sections headed "Standard pricing policy" and "Internal control measures" below).

LETTER FROM THE BOARD

THE PROPOSED ANNUAL CAPS

The proposed maximum daily balance of the financing to be extended to each of the Lin Family Members and their respective majority-owned companies as contemplated under the Financing Agreement for each of the three years ending 31 December 2021, 2022 and 2023 are set out below:

| | For the year ending 31 December | | |
|---------------------------|---------------------------------|--------------|--------------|
| | 2021 | 2022 | 2023 |
| | HK\$'million | HK\$'million | HK\$'million |
| Maximum daily balance of: | | | |
| – IPO financing | | | |
| <i>Dr. Lin</i> | 250 | 250 | 250 |
| <i>Madam Su</i> | 250 | 250 | 250 |
| <i>Mr. Lin</i> | 250 | 250 | 250 |
| <i>Ms. Lin</i> | 250 | 250 | 250 |
| | <hr/> | <hr/> | <hr/> |
| Total | 1,000 | 1,000 | 1,000 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| – Margin financing | | | |
| <i>Dr. Lin</i> | 20 | 20 | 20 |
| <i>Madam Su</i> | – | – | – |
| <i>Mr. Lin</i> | 20 | 20 | 20 |
| <i>Ms. Lin</i> | 20 | 20 | 20 |
| | <hr/> | <hr/> | <hr/> |
| Total | 60 | 60 | 60 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Note: The respective amounts of maximum daily balance of financing to be extended to each of the Lin Family Members as disclosed above include the balances under his/her personal account and the accounts of his/her majority-owned companies.

LETTER FROM THE BOARD

Basis of determining the annual caps

(i) IPO financing services

Based on the information available on the website of the Stock Exchange, Hong Kong was the world's leading IPO venue in terms of IPO fund raising amount in 2019 and for seven out of the last 11 years. During the ten months ended 31 October 2020, the total IPO funds raised amounted to approximately HK\$249.1 billion, representing a growth of approximately 66% as compared to the same period in the previous year. According to the information available on the website of the Stock Exchange, there were 151 active IPO applications under processing or with approval in principle granted by the Stock Exchange as at 30 October 2020. The Group noted that the majority of the funds raised during the first ten months of 2020 was attributable to 39 IPOs, each raising total IPO net proceeds of over HK\$1 billion (before over-allotment option is exercised, where applicable) (the “**Identified Companies**”). The respective amount payable on application for subscribing the maximum number of shares of the Identified Companies under the respective public offer in Hong Kong ranged from approximately HK\$56 million to HK\$793 million (with an average of approximately HK\$205 million). The public offers in Hong Kong of the Identified Companies were oversubscribed by an average of approximately 407 times and as high as approximately 1,896 times. Given that over-subscriptions in IPOs are common in Hong Kong, investors tend to obtain IPO financing in the market and apply for larger number of shares to increase their chance of successful applications.

The proposed maximum daily balance of the IPO financing of HK\$250 million to be extended to each of the Lin Family Members and their respective majority-owned companies for each of the three financial years ending 31 December 2021, 2022 and 2023 under the Financing Agreement is determined having taken into account (i) the anticipated appetite of the Lin Family Members for subscription of IPOs to be launched in the market in the period covered by the Financing Agreement; (ii) the sound financial standing of the Lin Family Members after considering their profiles and financial positions; and (iii) the number of active IPO applications as mentioned above and the prevailing securities market sentiment in Hong Kong for IPOs. During the ten months ended 31 October 2020, the largest subscription application for a single IPO made by Manureen Holdings (a company owned as to 70% and 30% by Dr. Lin and Madam Su respectively and the controlling shareholder of the Company), Mr. Lin and New Challenger (a company wholly-owned by Ms. Lin) amounted to approximately HK\$127 million, HK\$78 million and HK\$30 million respectively, which were not funded by the IPO financing provided by Realord APSL.

The proposed maximum daily balance of the IPO financing of HK\$250 million to be extended to each of the Lin Family Members and their respective majority-owned companies was primarily based on the interests as expressed by the Lin Family Members in obtaining the IPO financing. In assessing the granting of such maximum amount to the Lin Family Members, Realord APSL took into consideration (i) the above historical subscription applications made by Manureen Holdings, Mr. Lin, New Challenger with their own resources which indicated the Lin Family Members' appetite for IPO subscription applications; (ii) that Dr. Lin and Madam Su respectively holds 70% and 30% of the equity interests in Manureen Holdings, which in turn holds approximately 74.6% of the entire issued share capital of the Company with a market value of approximately HK\$5,881 million based on the closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date; and (iii) the ability of the Lin Family Members to provide sufficient deposits in their accounts to comply with Realord APSL's policy of requiring all of its clients to provide deposits representing in general 10% of the IPO subscription application amount before granting them the relevant IPO financing amount (as detailed in the section headed “Internal control measures – IPO financing services” below), which is approximately HK\$27.8 million for each of the Lin Family Members (calculated based on the proposed maximum daily balance of the IPO financing of HK\$250 million each and assuming the application of the aforesaid 10% general deposit ratio), in view of their financial standing as mentioned above. Based on the aforesaid factors, Realord APSL considers that the proposed maximum daily balance of the IPO financing of HK\$250 million to be extended to each of the Lin Family Members and their respective majority-owned companies for each of the three financial years ending 31 December 2021, 2022 and 2023 is acceptable.

LETTER FROM THE BOARD

(ii) Margin financing services

According to the statistics published by the Stock Exchange, there were 2,524 listed companies in Hong Kong with a total market capitalisation of approximately HK\$43.3 trillion as at 31 October 2020, representing an approximately 5% and 36% growth in the number of listed companies and market capitalisation as compared to those as at 31 October 2019 respectively. The average daily turnover of the Hong Kong securities market for the first ten months of 2020 was approximately HK\$125 billion, which was approximately 40% higher when compared to the same period in 2019. The Group's management expects that the securities market will remain active, in particular with the stock connect collaborations between the Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

The proposed maximum daily balance of margin financing of HK\$20 million to be extended to each of Dr. Lin, Mr. Lin, Ms. Lin and their respective majority-owned companies for each of the three financial years ending 31 December 2021, 2022 and 2023 is determined having taken into consideration of (i) the anticipated demand of Dr. Lin, Mr. Lin and Ms. Lin for margin financing services; (ii) their sound financial standing after considering their profiles and financial positions; (iii) the range of the size of margin loan facilities provided by Realord APSL to independent third party clients which is currently HK\$20 million at maximum; and (iv) the prevailing securities market sentiment in Hong Kong. For the ten months ended 31 October 2020, the securities transaction amount transacted by Manureen Investment Limited (a company wholly-owned by Dr. Lin), Manureen Holdings, Mr. Lin and New Challenger through their respective accounts in Realord APSL was approximately HK\$40 million, HK\$2 million, HK\$46 million and HK\$239 million respectively, which were not funded by the margin financing provided by Realord APSL except that New Challenger utilised a margin facility granted by Realord APSL of not more than HK\$3 million, for which no default in meeting margin calls was noted.

The proposed maximum daily balance of the margin financing of HK\$20 million to be extended to each of Dr. Lin, Mr. Lin, Ms. Lin and their respective majority-owned companies was primarily based on the interests as expressed by Dr. Lin, Mr. Lin and Ms. Lin in obtaining the margin financing. In assessing the granting of such maximum amount to them, Realord APSL took into consideration (i) the above historical securities transactions of Manureen Investment Limited, Manureen Holdings, Mr. Lin and New Challenger by using their own resources and in respect of New Challenger also the margin facility granted by Realord APSL, and the good credit history of their accounts thereof; (ii) that Dr. Lin and Madam Su respectively holds 70% and 30% of the equity interests in Manureen Holdings, which in turn holds approximately 74.6% of the entire issued share capital of the Company with a market value of approximately HK\$5,881 million based on the closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date; and (iii) the ability of the Lin Family Members to provide sufficient deposits and collaterals in their accounts to comply with the policy of Realord APSL of requiring all of its clients to keep sufficient deposits and collaterals in their accounts to fulfill the margin financing ratio for the margin financing services (as detailed in the section headed "Internal control measures – Margin financing services" below) in view of their financial standing as mentioned above. Based on the aforesaid factors, Realord APSL considers that the proposed maximum daily balance of the margin financing of HK\$20 million to be extended to each of Dr. Lin, Mr. Lin and Ms. Lin and their respective majority-owned companies for each of the three financial years ending 31 December 2021, 2022 and 2023 is acceptable.

LETTER FROM THE BOARD

STANDARD PRICING POLICY

IPO financing services

Realord APSL determines the interest rate charged for each IPO financing with reference to, among other things, the securities market sentiment for the relevant IPO, the prevailing interest rates offered by other brokers in the market and the funding cost of Realord APSL. It is the policy of Realord APSL to offer the same interest rate to all of its clients for financing in respect of the same IPO.

Margin financing services

Realord APSL determines the interest rate charged for margin financing for each client based on the prime rate as quoted by a lending bank of the Group as a base rate plus an interest spread. The aforesaid base rate charged by Realord APSL to its clients will be adjusted accordingly when there is a change of prime rate as notified by its lending banker, which is usually on a monthly basis. As at the Latest Practicable Date, the prime rate as quoted by the Group's lending bank is 5%. Realord APSL generally applies a standard interest spread to its clients, which is determined with reference to, among other things, the interest rate offered by other brokers in the market, the credit standing of and the quality of securities provided by its client. As at the Latest Practicable Date, the standard interest spread is 3%. On a case-by-case basis, if the client has a lower credit standing and/or collaterals of lower quality, an additional spread shall be added on. It is expected that a standard interest spread will be applied to the Lin Family Members, which is the same as that charged to most of the independent third party clients of Realord APSL.

INTERNAL CONTROL MEASURES

IPO financing services

Set out below are the standard internal control measures of Realord APSL in conducting its business in relation to IPO financing services:

- (i) a responsible officer assesses market perception and demand for an IPO and seeks the approval of directors of Realord APSL as to whether the IPO financing services should be provided to its clients and if so, the relevant IPO financing margin ratio and interest rate to be charged. The IPO financing margin ratio is determined with reference to, among other things, the quality of the security and the ratio charged by other brokers in the market and lending bank(s) of Realord APSL, and in general represents 90% of the IPO subscription application amount. The IPO financing margin ratio and interest rate to be charged by Realord APSL are the same for all of its clients in respect of the same IPO; and
- (ii) following the approval of the directors of Realord APSL, the sales support team liaises with the finance department to see if any IPO facility could be obtained from the lending bank(s) of Realord APSL for the provision of such financing services to clients. If an IPO facility is available from the lending bank of Realord APSL, the sales support team shall collect indicative demand from clients. The credit department shall also perform credit checks upon receipt of each client's application to ensure that there is sufficient deposit in the client's account, which is 10% of the IPO subscription amount in general. The directors of Realord APSL shall determine the allocations of IPO financing amount among its clients based on the funding available.

LETTER FROM THE BOARD

In addition to the standard internal control policy above, Realord APSL adopts the following additional internal control measures in respect of the IPO financing services to be provided to the Lin Family Members and their respective majority-owned companies:

- (i) the sales support team shall ensure that the interest rate to be charged and IPO financing margin ratio applicable to the Lin Family Members and their respective majority-owned companies are the same as those to be offered to independent third party clients of Realord APSL for the same IPO application;
- (ii) pre-approval shall be obtained from any two of the independent non-executive Directors and the chief financial officer of the Company for each IPO application received from the Lin Family Members and their respective majority-owned companies to ensure that the terms of the IPO financing are in accordance with Realord APSL's policy and the Financing Agreement, and the aggregate amount of loans outstanding and to be granted does not exceed the relevant annual caps; and
- (iii) Realord APSL shall ensure that the allocation of facilities is fair and no more favourable to the Lin Family Members and their respective majority-owned companies as compared to independent third party clients. Subject to the funding(s) available from the lending bank(s) of Realord APSL for provision of such financing services (the "**Available Funds**"), the directors of Realord APSL shall allocate the Available Funds to its clients in proportion to their indicative IPO subscription amounts for a specific IPO. For the purpose of maintaining a balanced client portfolio, the following allocation policy is adopted in the event that the Available Funds are not sufficient to fulfil the total indicative IPO subscription amounts of all of its clients:
 - (a) if the aggregate indicative IPO subscription amount from the Lin Family Members and their respective majority-owned companies represents more than 50% of the total indicative IPO subscription amounts of all clients (including the Lin Family Members and their respective majority-owned companies), Realord APSL would allocate a maximum of 50% of the Available Funds to the Lin Family Members and their respective majority-owned companies. If the Available Funds are not fully utilised after the aforesaid allocation, Realord APSL may, in this case, provide the unutilised Available Funds to the Lin Family Members and their respective majority-owned companies; and
 - (b) if the aggregate indicative IPO subscription amount from the Lin Family Members and their respective majority-owned companies represents less than 50% of the total indicative IPO subscription amounts of all clients (including the Lin Family Members and their respective majority-owned companies), Realord APSL would allocate the Available Funds on a pro-rata basis to (1) the Lin Family Members and their respective majority-owned companies; and (2) independent third party clients.

The allocation among each of the Lin Family Members and their respective majority-owned companies shall be in proportion to their respective indicative IPO subscription amount.

LETTER FROM THE BOARD

Margin financing services

Set out below are the standard internal control measures of Realord APSL which are applicable to the provision of margin financing services to all of its clients:

- (i) Realord APSL enters into standing authority letter and standard client agreement with each client which govern the standard terms and conditions adopted by Realord APSL in respect of the provision of margin financing services applicable to all of its clients;
- (ii) prior to the grant of the margin facility limit to a client and determining the relevant interest rate to be charged, the credit department performs an assessment of a client based on, among other things, the profile, financial standing and trading patterns of such client. The grant of margin facility limit to a client, depending on the amount, together with the interest rate to be charged, shall be approved by responsible officer(s), member(s) of credit assessment committee (a committee comprising the chairman, the deputy chairman, an executive director and the head of equity capital market of Realord APSL and the chief financial officer of the Company) (the “**Credit Assessment Committee**”) or the board of directors of Realord APSL (as the case maybe) respectively. The margin facility limit granted will be reviewed on an annual basis. The interest rate for margin financing services is determined in accordance with the standard pricing policy of Realord APSL and the basis set out in the section headed “Standard pricing policy” above. From time to time, the interest rate charged to its clients will be reviewed to ensure that it is consistent with the market rate; and
- (iii) clients are required to maintain sufficient deposits and collaterals in their accounts to fulfill the margin financing ratio requirements as imposed by Realord APSL. The security collateral is charged by the clients in favour of Realord APSL as a continuing security for their punctual payment to Realord APSL of all outstanding amount under the margin facility and all other monies and sums due or owing from the clients to Realord APSL in connection with their accounts. The credit department determines a stock margin financing ratio for each security collateral with reference to, among other things, the quality of the security and the ratio offered by lending bank(s) to Realord APSL, which is then approved by the Credit Assessment Committee. All clients are subject to the same stock margin financing ratios for the same security collateral. In the event that the outstanding margin financing amount owed by a client to Realord APSL represents more than (a) 50% of the market values of the securities held by the client; or (b) 110% of the margin value of the securities held by the client (i.e. being the market value of the securities applied with the relevant stock margin financing ratio), the credit department will initiate margin call to the relevant client and the client is expected to settle the margin call within a reasonable period of time. In the event of default, Realord APSL shall be entitled to, among other things, sell all or part of the collateral at terms it thinks fit and apply the proceeds to discharge the indebtedness owed by such client.

LETTER FROM THE BOARD

In addition to the standard internal control policy described above, in respect of the margin financing services to be provided to each of Dr. Lin, Mr. Lin, Ms. Lin and their respective majority-owned companies, a responsible officer of Realord APSL shall review and approve the proposed interest rate charged and the margin financing ratio applicable to Dr. Lin, Mr. Lin, Ms. Lin and their respective majority-owned companies to ensure that they are no less favourable to the Group than those offered to independent third party clients.

Other additional internal control measures

To monitor compliance of the relevant Listing Rules applicable to connected transactions, the Company also adopts the following measures:

- (i) the operations department is responsible for the day-to-day monitoring of the level of Financing Services offered to the Lin Family Members and their respective majority-owned companies and shall report to the chief financial officer of the Company when the loan amounts for the respective Financing Services approach the respective annual caps;
- (ii) the independent non-executive Directors will perform annual review pursuant to Rule 14A.55 of the Listing Rules on whether the transactions conducted under the Financing Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms or better and on terms that are fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and
- (iii) pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor will confirm, among other things, (a) whether the Financing Services have been approved by the Board; (b) whether the Financing Services provided to the Lin Family Members and their respective majority-owned companies are, in all material respects, in accordance with the pricing policies of Realord APSL; (c) whether the transactions have been entered into, in all material aspects, in accordance with the Financing Agreement; and (d) whether the annual caps of the Financing Services have been exceeded.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE FINANCING AGREEMENT

The Group is principally engaged in (i) the provision of financial printing, digital printing and other related services; (ii) sales of hangtags, labels, shirt paper boards and plastic bags to manufacturers of consumer products; (iii) distribution and sales of motor vehicle parts; (iv) provision of corporate finance advisory, asset management, securities brokerage, margin financing and money lending services; (v) property investment, development and commercial operation; and (vi) the environmental protection industry, mainly in dismantling and trading of scrap materials.

As disclosed in the paragraph headed “Basis of determining the annual caps” under the section headed “The proposed annual caps” above, the stock market (including IPOs) in Hong Kong has been active. While the securities brokerage and margin financing sector continues to grow due to high level of activities in the Hong Kong stock market, there is also immense competition within the sector. To increase the competitiveness of the Group in this sector, the Group has been putting effort in expanding its customer portfolio and retaining customers by delivering quality services on competitive terms. The entering into of the Financing Agreement enables Realord APSL to offer the Financing Services to the Lin Family Members and their respective majority-owned companies from time to time, which will allow Realord APSL to retain them as recurrent clients and increase the revenue of Realord APSL. A larger client portfolio of Realord APSL as a whole would also facilitate Realord APSL in obtaining more fundings from its lending banks to support its business development. The terms of the Financing Agreement were negotiated between Realord APSL and the Lin Family Members on an arm’s length basis. The Group also has internal control measures in place to ensure that the terms of the Financing Services offered by Realord APSL to the Lin Family Members and their respective majority-owned companies are comparable to and no less favourable to the Group than those offered to independent third party clients.

Having considered the above, the Board (including the independent non-executive Directors) are of the view that the terms of the Financing Agreement (including the related annual caps) are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Dr. Lin and Madam Su are executive Directors and spouse to each other. As at the Latest Practicable Date, Dr. Lin and Madam Su respectively holds 70% and 30% of the equity interests in Manureen Holdings, the controlling shareholder of the Company, which in turn holds 1,073,160,000 Shares, representing approximately 74.6% of the entire issued share capital of the Company as at the Latest Practicable Date. Mr. Lin is a director of certain subsidiaries of the Company (including Realord APSL), the son of Dr. Lin and Madam Su, and the brother of Ms. Lin. Ms. Lin is the daughter of Dr. Lin and Madam Su, and the sister of Mr. Lin. By virtue of the aforesaid relationships of Dr. Lin, Madam Su and Mr. Lin with the Group and Ms. Lin as an associate of each of them, each of the Lin Family Members is a connected person of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the proposed maximum daily balance of the financing to be extended to the Lin Family Members by way of the IPO financing and the margin financing is more than HK\$10,000,000 in aggregate and the relevant applicable percentage ratios are more than 5%, the Financing Agreement, the transactions contemplated thereunder and the related annual caps for the IPO financing and margin financing are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The IBC, comprising all independent non-executive Directors, namely Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue, has been established to advise the Independent Shareholders on the terms of the Financing Agreement and the transactions contemplated thereunder (including the related annual caps). Merdeka has been appointed by the Company with the approval of the IBC as the independent financial adviser to advise the IBC and the Independent Shareholders in this regard.

SGM

The SGM will be convened and held for the purpose of considering, and if thought fit, approving the resolution in respect of the Financing Agreement and the transactions contemplated thereunder (including the related annual caps). In view of their interest in the Financing Agreement, the Lin Family Members and their respective associates will be required to abstain from voting on the resolution approving the Financing Agreement and the transactions contemplated thereunder (including the related annual caps) at the SGM. As at the Latest Practicable Date, Manureen Holdings, which is owned as to 70% by Dr. Lin and 30% by Madam Su and the controlling shareholder of the Company, holds 1,073,160,000 Shares, representing approximately 74.6% of the issued share capital of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquires, no other Shareholder has a material interest in the Financing Agreement and the transactions contemplated thereunder and is otherwise required to abstain from voting on the resolution to approve the Financing Agreement and the transactions contemplated thereunder (including the related annual caps) at the SGM.

Dr. Lin, Madam Su and Mr. Lin Xiaodong (brother of Dr. Lin) had abstained from voting on the relevant resolution at the Board meeting approving the Financing Agreement and the transactions contemplated thereunder. Save as disclosed above, each of the Directors has confirmed that he/she has no material interest in the Financing Agreement and the transactions contemplated thereunder.

The notice convening the SGM to be held at 11:00 a.m. on Monday, 28 December 2020 at Capital Conference Services Limited at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Tuesday, 22 December 2020 to Monday, 28 December 2020 (both dates inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the SGM. No transfer of Shares will be registered during this period. In order to be eligible to attend and vote at the SGM, unregistered holders of the Shares should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 21 December 2020.

RECOMMENDATION

The Directors (including the independent non-executive Directors whose recommendation is set out in the letter from the IBC) consider that the terms of the Financing Agreement and the transactions contemplated thereunder (including the related annual caps) are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Financing Agreement and the transactions contemplated thereunder (including the related annual caps).

Your attention is drawn to (i) the letter from the IBC as set out on page 17 of this circular which contains its recommendation to the Independent Shareholders in relation to the terms of the Financing Agreement and the transactions contemplated thereunder (including the related annual caps) after taking into account the advice from Merdeka; and (ii) the letter from Merdeka as set out on pages 18 to 33 of this circular which contains its advice to the IBC and the Independent Shareholders regarding the terms of the Financing Agreement and the transactions contemplated thereunder (including the related annual caps).

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of
Realord Group Holdings Limited
Lin Xiaohui
Chairman



偉祿集團控股有限公司
REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1196)

1 December 2020

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE PROVISION OF FINANCING SERVICES**

We refer to the circular of the Company date 1 December 2020 (the “**Circular**”), which this letter forms part of. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the members of the IBC to consider and advise the Independent Shareholders on the terms of the Financing Agreement and the transactions contemplated thereunder (including the related annual caps). Merdeka has been appointed as the independent financial adviser to advise the Independent Shareholders and us in this regard. We wish to draw your attention to the letter from the Board and the letter from Merdeka set out on pages 4 to 16 and pages 18 to 33 of the Circular, respectively, and the additional information set out in the appendix to the Circular.

Having taken into account the terms of the Financing Agreement and the advice and recommendations of Merdeka, we consider that the entering into of the Financing Agreement is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Independent Shareholders as a whole. We also consider that the terms of the Financing Agreement and the transactions contemplated thereunder (including the related annual caps) are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Financing Agreement and the transactions contemplated thereunder (including the related annual caps).

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. Yu Leung Fai

Independent

non-executive Director

Mr. Fang Jixin

Independent

non-executive Director

Dr. Li Jue

Independent

non-executive Director

LETTER FROM MERDEKA

The following is the full text of the letter from Merdeka which sets out its advice to the IBC and the Independent Shareholders in relation to the Financing Agreement and the transactions contemplated thereunder (including the proposed Annual Caps) set forth below for inclusion in this circular.



Room 1108-1110, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong
1 December 2020

*To: The IBC and the Independent Shareholders of
Realord Group Holdings Limited*

Dear Sirs/Madams,

CONTINUING CONNECTED TRANSACTION IN RELATION TO PROVISION OF FINANCING SERVICES

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the IBC and the Independent Shareholders in respect of the Financing Services to be provided by Realord APSL (an indirect non-wholly owned subsidiary of the Company) to the Lin Family Members under the Financing Agreement, and the proposed annual caps for the Financing Services for the three years ending 31 December 2023 (the “**Annual Caps**”), details of which are set out in the Letter from the Board (the “**Board Letter**”) in the circular of the Company dated 1 December 2020 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

As stated in the Board Letter, on 28 October 2020, Realord APSL and the Lin Family Members entered into the Financing Agreement in respect of the provision of the Financing Services by Realord APSL to the Lin Family Members and their respective majority-owned companies for a term commencing from 1 January 2021 and ending on 31 December 2023 (both days inclusive).

As stated in the Board Letter, Dr. Lin and Madam Su are executive Directors and spouse to each other. As at the Latest Practicable Date, Dr. Lin and Madam Su respectively holds 70% and 30% of the equity interests in Manureen Holdings, the controlling shareholder of the Company, which in turn holds 1,073,160,000 Shares, representing approximately 74.6% of the entire issued share capital of the Company. Mr. Lin is a director of certain subsidiaries of the Company (including Realord APSL), the son of Dr. Lin and Madam Su, and the brother of Ms. Lin. Ms. Lin is the daughter of Dr. Lin and Madam Su, and the sister of Mr. Lin. By virtue of the aforesaid relationships of Dr. Lin, Madam Su and Mr. Lin with the Group and Ms. Lin as an associate of each of them, each of the Lin Family Members is a connected person of the Company. Accordingly, the entering into of the Financing Agreement constitutes continuing connected transactions of the Company under the Chapter 14A of the Listing Rules.

LETTER FROM MERDEKA

As the proposed maximum daily balance of the financing to be extended to the Lin Family Members by way of IPO financing and margin financing is more than HK\$10,000,000 in aggregate and the relevant applicable percentage ratios are more than 5%, the Financing Agreement and the Annual Caps are subject to, among other things, the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The SGM will be convened and held by the Company to consider and, if thought fit, approve, among other things, the Financing Agreement and the transactions contemplated thereunder (including the Annual Caps). The Lin Family Members and their respective associates will be required to abstain from voting on the resolution(s) approving the Financing Agreement and the transactions contemplated thereunder (including the Annual Caps) to be proposed at the SGM. As at the Latest Practicable Date, Manureen Holdings, which is owned as to 70% by Dr. Lin and 30% by Madam Su and the controlling shareholder of the Company, holds 1,073,160,000 Shares, representing approximately 74.6% of the entire issued share capital of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquires, no other Shareholder has a material interest in the Financing Agreement and the transactions contemplated thereunder and is otherwise required to abstain from voting on the resolutions to approve the Financing Agreement and the transactions contemplated thereunder at the SGM.

Dr. Lin, Madam Su and Mr. Lin Xiaodong (brother of Dr. Lin) had abstained from voting on the relevant resolution(s) at the Board meeting approving the Financing Agreement and the transactions contemplated thereunder. Save as disclosed above, each of the Directors has confirmed that he/she has no material interest in the Financing Agreement and the transactions contemplated thereunder.

The IBC, comprising all the independent non-executive Directors, namely Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue, has been established to make recommendations to the Independent Shareholders in respect of the Financing Agreement and the transactions contemplated thereunder (including the Annual Caps).

We, Merdeka, have been appointed by the Company to advise the IBC and the Independent Shareholders as to (i) whether the Financing Agreement is entered into in the ordinary and usual course of business of the Company and the terms of the Financing Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the Financing Agreement is in the interests of the Company and the Shareholders as a whole and the Annual Caps are fair and reasonable; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Financing Agreement and the Annual Caps.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules. Accordingly, we are qualified to give independent advice in such regard.

LETTER FROM MERDEKA

BASIS OF OUR ADVICE

In putting forth our recommendation, we have relied on the information, opinions, facts and representations supplied to us by the Directors and/or the representatives of the Company and contained in or referred to in the Circular. We have reviewed, amongst other things, (i) the Financing Agreement; (ii) the annual reports of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”) and for the year ended 31 December 2019 (“**2019 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”); (iv) other information as set out in the Circular; (v) relevant information provided by the representatives of the Company; and (vi) relevant market data and information available from public sources.

We have assumed that all such information, opinions, facts and representations, which have been provided to us by the Directors and/or the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company and/or the representatives of the Company. The Company has also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld by the Company or is misleading. We consider that we have sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and the representatives of the Company, nor have we conducted any independent investigation into the business, affairs, operations, financial position or future prospects of each of Realord APSL, the Group, the Lin Family Members and any of their respective subsidiaries and associates.

Our opinion is based on the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. This letter is issued to the IBC and the Independent Shareholders, solely in connection for their consideration of the Financing Agreement and the transactions contemplated thereunder, and except for its inclusion in this Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations to the IBC and the Independent Shareholders in respect of whether the Financing Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below.

LETTER FROM MERDEKA

1 Background of and reasons for entering into of the Financing Agreement

Information on Realord APSL and the Group

The Group is principally engaged in (i) the provision of financial printing, digital printing and other related services; (ii) sales of hangtags, labels, shirt paper boards and plastic bags to manufacturers of consumer products; (iii) distribution and sales of motor vehicle parts; (iv) provision of corporate finance advisory, asset management, securities brokerage, margin financing and money lending services; (v) property investment, development and commercial operation; and (vi) the environmental protection industry, mainly in dismantling and trading of scrap materials.

Realord APSL is a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO and is principally engaged in the provision of securities brokerage and margin financing services. As stated in the 2019 Annual Report, Realord APSL is undergoing expansion and participated in primary market as joint book runner and underwriter while reinforcing its current brokerage and margin financing business in 2019.

Set forth below is certain financial information of the Group for the years ended 31 December 2018 (“**FY2018**”) and 31 December 2019 (“**FY2019**”) as extracted from the 2019 Annual Report and the six months ended 30 June 2019 (“**1H2019**”) and 30 June 2020 (“**1H2020**”) as extracted from 2020 Interim Report, respectively.

| | For the year ended | | For the six months ended | |
|-----------------------------------|---------------------------|--------------------------|---------------------------------|---------------|
| | 31 December | | 30 June | |
| | 2019 | 2018 | 2020 | 2019 |
| | <i>HK'000</i> | <i>HK'000</i> | <i>HK'000</i> | <i>HK'000</i> |
| | (audited) | (audited) | (unaudited) | (unaudited) |
| Total revenue | 828,898 | 811,039 | 306,112 | 403,401 |
| – Financial services segment | 40,872 | 10,272 | 35,914 | 14,003 |
| Gross profit | 188,115 | 181,728 | 86,604 | 101,084 |
| (Loss)/Profit for the year/period | (404,689) | 383,711 | 47,991 | 326,680 |
| | | As at 31 December | As at 30 June | |
| | | 2018 | 2019 | 2020 |
| | | <i>HK'000</i> | <i>HK'000</i> | <i>HK'000</i> |
| | | (audited) | (audited) | (unaudited) |
| Total assets | | 11,421,669 | 12,582,947 | 14,273,424 |
| – Bank balances and cash | | 896,544 | 585,052 | 1,618,575 |
| Total liabilities | | 8,489,243 | 9,363,657 | 11,086,732 |
| Total equity | | 2,932,426 | 3,219,290 | 3,186,692 |

LETTER FROM MERDEKA

As shown in the above table, the Group's total revenue amounted to approximately HK\$828.9 million for FY2019, representing an increase of approximately 2.2% as compared to the total revenue for FY2018. As understood in the 2019 Annual Report, the Group's increase in revenue during FY2019 was mainly due to the increase in revenue from two segments, including but not limited to financial services segment (i.e. corporate finance advisory, asset management, securities brokerage services and margin financing), which was increased by approximately 3 times to approximately HK\$40.9 million in FY2019 as compared to that in FY2018. The gross profit of the Group was approximately HK\$188.1 million for FY2019, representing an increase of approximately 3.5% as compared to that for FY2018. The Group recorded a loss of approximately HK\$404.7 million for FY2019 as compared that of a profit of approximately HK\$383.7 million for FY2018, and such decrease was mainly attributable to a net loss on fair value changes of the Group's investment properties.

The total revenue of the Group for 1H2020 amounted to approximately HK\$306.1 million, representing a decrease of approximately 24.1% as compared to that in 1H2019, which was mainly attributable to the decrease in the revenue of environmental protection segment and partially offset by increase in revenue of financial services segment. In addition, the Group recorded a profit of approximately HK\$48.0 million for 1H2020, which represented a decrease of approximately 85.3% as compared to a profit of approximately HK\$326.7 million for 1H2019. As stated in the 2020 Interim Report, such decrease was mainly attributable to (i) decrease in net gain on fair value changes of investment properties; (ii) certain items which were related to the gain on re-measurement of previously held interests in an associate and loss on early redemption of promissory notes; and (iii) increase in financial costs.

Information on the Lin Family Members

Dr. Lin and Madam Su are executive Directors and spouse to each other. As at the Latest Practicable Date, Dr. Lin and Madam Su respectively holds 70% and 30% of the equity interests in Manureen Holdings, the controlling shareholder of the Company, which in turn holds 1,073,160,000 Shares, representing approximately 74.6% of the entire issued share capital of the Company. Mr. Lin is a director of certain subsidiaries of the Company (including Realord APSL), the son of Dr. Lin and Madam Su, and the brother of Ms. Lin. Ms. Lin is the daughter of Dr. Lin and Madam Su, and the sister of Mr. Lin. By virtue of the aforesaid relationships of Dr. Lin, Madam Su and Mr. Lin with the Group and Ms. Lin as an associate of each of them, each of the Lin Family Members is a connected person of the Company.

Reasons for entering into of the Financing Agreement

As mentioned in the section headed "REASONS FOR AND BENEFITS OF ENTERING INTO OF THE FINANCING AGREEMENT" in the Board Letter, the stock market (including IPOs) in Hong Kong has been active, the total IPO funds raised amounted to approximately HK\$249.1 billion during the ten months ended 31 October 2020, representing a growth of approximately 66% as compared to the same period in the previous year, and there were 151 active IPO applications under processing or with approval in principle granted by the Stock Exchange as at 31 October 2020. Also, securities brokerage and margin financing sector continues to grow due to high level of activities in the Hong Kong stock market, the competition in securities brokerage and margin financing sector is becoming immense accordingly.

LETTER FROM MERDEKA

According to the official website of the Stock Exchange, we noted that the historical turnover value of listed securities in Hong Kong for the ten months ended 31 October 2020 (with comparative figures in 2019) as set out below:

| | Monthly turnover value | | Average daily turnover value | | |
|--------------|-------------------------------|--------------------------|-------------------------------------|----------------------|-----------------------|
| | <i>HK\$ million</i> | | <i>HK\$ million</i> | | |
| | 2019 | 2020 | 2019 | 2020 | |
| January | 1,944,233 | 2,078,682 | 88,347 | 103,934 | |
| February | 1,796,918 | 2,302,454 | 105,701 | 115,123 | |
| March | 2,322,091 | 3,117,403 | 110,576 | 141,700 | |
| April | 1,978,957 | 1,909,446 | 104,156 | 100,497 | |
| May | 2,045,495 | 2,294,253 | 97,405 | 114,713 | |
| June | 1,565,610 | 2,637,569 | 82,401 | 125,599 | |
| July | 1,512,298 | 3,632,257 | 68,741 | 165,103 | |
| August | 1,900,650 | 2,838,335 | 86,393 | 135,159 | |
| September | 1,592,651 | 2,698,528 | 75,841 | 122,660 | |
| October | 1,589,877 | 2,108,521 | 75,708 | 117,140 | |
| Total | <u>18,248,779</u> | <u>25,617,448</u> | Average | <u>89,529</u> | <u>124,163</u> |

Source: the Stock Exchange

Regarding the securities market in Hong Kong, as illustrated in the table, the aggregate amount of monthly turnover value for the ten months ended 31 October 2020 amounted to approximately HK\$25,617 billion, representing an increase of approximately 40.4% as compared to the aggregate amount of monthly turnover value for the corresponding period in 2019 of approximately HK\$18,249 billion. Further, average of average daily turnover value for the ten months ended 31 October 2020 increased by approximately 38.7% to approximately HK\$124 billion as compared to average of average daily turnover value for the corresponding period in 2019. Referring to an article, namely the “4Q 2020 Investment Outlook” published by Hang Seng Bank on 21 October 2020, we noted that China’s economy continues to pick up and corporate earnings are expected to continue to rebound in the fourth quarter which will be reflected in the performance of Hong Kong and A-share stock markets. Regarding the IPO market in Hong Kong, we noted from an investor presentation, namely the “HKEX Investor Presentation” published by the Stock Exchange in August 2020, that the Hong Kong IPO market was strong in the first half of 2020 with a total of 64 new listings in Hong Kong and total funds raised of approximately HK\$92.8 billion, representing a year on year increase of approximately 22.0% as compared to 2019. We also noted from a report, namely the “Mainland China and Hong Kong – 2020 mid-year review IPOs and other market trends” published by KPMG on 29 June 2020, that the total funds raised on the Main Board for the first half of 2020 amounted to approximately HK\$87.0 billion, representing a compound annual growth rate of approximately 19.7% as compared to the total funds raised on the Main Board of approximately HK\$42.4 billion in the first half of 2016. In conclusion, the securities and IPO markets in Hong Kong are expected to experience continual growth in future.

LETTER FROM MERDEKA

It is also noted from the Board Letter that the Group has been putting effort in expanding its customer portfolio and retaining customers by delivering quality services on competitive terms to increase the competitiveness of the Group in the securities brokerage and margin financing sector. As set out in the section headed “Information on Realord APSL and the Group” in this letter, we noted that the financial performance of financial services segment experienced an increasing trend in the past two years, and referring to the 2020 Interim Report, we noted that the Group is continuing its strategy in 2019, which is to build a one-stop financial services platform with good branding and market positioning for the Group’s financial services and going forward the Group will continue to integrate its various lines of financial services in order to provide a more comprehensive scope of services to customers.

Further, as mentioned in the Board Letter, the entering into of the Financing Agreement enables Realord APSL to offer the Financing Services to the Lin Family Members and their respective majority-owned companies from time to time, which will allow Realord APSL to retain them as recurrent clients and potentially increase the revenue of Realord APSL. As advised by the representatives of the Company, the Lin Family Members have maintained securities trading accounts with Realord APSL and we have obtained and reviewed the relevant account opening forms accordingly. As provision of financial services is one of the principal businesses of the Group, we concur with the Director’s view that the entering into of the Financing Agreement enables Realord APSL to retain the Lin Family Members and their respective majority-owned companies as recurrent clients, which would be able to increase Realord APSL’s revenue. We also believe that retaining recurrent clients would strengthen Realord APSL’s client portfolio, and hence would facilitate Realord APSL in obtaining more funding from lending banks to support its business development.

As mentioned in the Board Letter, the terms of the Financing Agreement were negotiated between Realord APSL and the Lin Family Members on an arm’s length basis. The Group also has internal control measures in place to ensure that the terms of the Financing Services to be offered by Realord APSL to the Lin Family Members and their respective majority-owned companies are comparable to and no less favourable than those offered to independent clients. We have obtained and reviewed the internal control measures of Realord APSL and have given to understand from the representatives of the Company that the Realord APSL has adopted (i) standard internal control measures applicable to all clients; and (ii) additional internal control measures for the Lin Family Members and their respective majority-owned companies, please refer to our assessment on the internal control measures in the section headed “Internal control measures” in this letter for details.

Having considered (i) the Financing Agreement is entered into in the ordinary and usual course of business of the Group; (ii) the financial services segment of the Group experienced an increasing trend in the past two years; (iii) the entering into of the Financing Agreement is in line with the Group’s future strategies and Realord APSL’s current expansion plan; (iv) the positive prospects of IPO and securities market in Hong Kong; (v) the Financing Services to be provided to the Lin Family Members and their respective majority-owned companies could allow Realord APSL to retain them as recurrent clients; and (vi) the additional internal control measures to be applied to the Lin Family Members and their respective majority-owned companies for the Financing Services, we are of the view that the entering into of the Financing Agreement is in the interests of the Company and the Shareholders as a whole.

LETTER FROM MERDEKA

2 The Financing Agreement

Principal terms under the Financing Agreement

On 28 October 2020, Realord APSL and the Lin Family Members entered into the Financing Agreement in respect of the provision of the Financing Services by Realord APSL to the Lin Family Members and their respective majority-owned companies for the three years ending 31 December 2023. A summary of the principal terms of the Financing Agreement is as follows:

| | | |
|----------------------------|---|---|
| Date | : | 28 October 2020 |
| Parties | : | (i) Realord Asia Pacific Securities Limited, an indirect 89.3%-owned subsidiary of the Company; (ii) Dr. Lin Xiaohui; (iii) Madam Su Jioahua; (iv) Mr. Lin Sen; and (v) Ms. Lin Na. |
| Terms | : | The Financing Agreement shall commence on 1 January 2021 and end on 31 December 2023 (both days inclusive). |
| Scope of services | : | Realord APSL shall provide (i) IPO financing services; and (ii) margin financing services to the Lin Family Members and their respective majority-owned companies. Each of the transactions to be conducted pursuant to the Financing Agreement shall also be subject to separate standard agreement(s), form(s), letter(s) and/or other document(s) in a form which are applicable to all clients of Realord APSL and have been adopted by Realord APSL from time to time. |
| Condition precedent | : | The Financing Agreement and the transactions contemplated thereunder are conditional upon the approval by the Independent Shareholders at the SGM. |

LETTER FROM MERDEKA

Pricing terms : The terms and conditions of the transactions contemplated under the Financing Agreement (including the payment of interests arising from or in connection with the provision of the Financing Services to Realord APSL) shall be (i) on normal commercial terms, negotiated on an arm's length basis between the parties to the Financing Agreement, fair and reasonable, no less favourable to the Group than those offered to independent third party clients for the provision of similar financing services by Realord APSL and in the interest of the Company and its Shareholders as a whole; and (ii) in accordance with the standard pricing and credit policy of Realord APSL which is applicable to all of its clients (details of which are disclosed under the sections headed "STANDARD PRICING POLICY" and "INTERNAL CONTROL MEASURES" in the Board Letter.

Referring to the above principle terms of the Financing Agreement, we noted that each of the transactions to be conducted pursuant to the Financing Agreement shall be subject to separate standard agreement(s), form(s), letter(s) and/or other document(s) in a form which are applicable to all clients of Realord APSL and have been adopted by Realord APSL. The terms and conditions of the abovementioned potential transactions (including the payment of interests arising from or in connection with the provision of the Financing Services by Realord APSL) shall be (i) on normal commercial terms, negotiated on an arm's length basis between the parties to the Financing Agreement, fair and reasonable, no less favourable to the Group than those offered to independent third party clients for the provision of similar financing services by Realord APSL and in the interest of the Company and its Shareholders as a whole; and (ii) in accordance with the standard pricing and credit policy of Realord APSL which are applicable to all of its clients. As advised by the representatives of the Company, the aforesaid interest rate to be offered to the Lin Family Members and their respective majority-owned companies for the Financing Services are subject to the same approval process as for independent clients to ensure that the interest rates provided to the Lin Family Members and their respective majority-owned companies are no less favourable to the Group than those offered to other clients who are independent third parties.

As stated in the Board Letter, Realord APSL determines the interest rates to be charged for each IPO financing with reference to, among other things, the securities market sentiment for the relevant IPO, the prevailing interest rates offered by other brokers in the market and the funding cost of Realord APSL, and it is Realord APSL's policy to offer the same interest rate to all of its clients for financing in respect of the same IPO. As advised by the representatives of the Company, Realord APSL will make reference to margin financing interest rates for the same IPO offered by at least 3 IPO brokers in Hong Kong and the selection of these IPO brokers are based on their popularity. As discussed with the representatives of the Company, Realord APSL, which targets to provide IPO financing services to retail clients, selects the aforementioned IPO brokers on a semi-annual basis by considering their media coverage, advertising frequency on traditional and/or social media, which is considered as a reliable method of measuring the familiarity of IPO brokers to retail customers.

LETTER FROM MERDEKA

In relation to the funding costs of Realord APSL, as advised by the representatives of the Company, Realord APSL will quote the interest rate(s) of the loan(s) to be granted for the same IPO from its lending bank(s) for determination of funding costs. The representatives of the Company further advised that Realord APSL did not engage in any provision of IPO financing services to its clients from January to May in 2020. Accordingly, for our due diligence purpose, we obtained an exhaustive list of Realord APSL in relation to interest rates charged by Realord APSL to all of its clients for IPOs listed from 1 June 2020 to 31 October 2020, which includes the interest rates charged to Realord APSL by its lending bank(s) and interest rates charged to all clients by Realord APSL for the corresponding period in 2020. We noted that there was an interest rate charged to a client, who is an independent third party, for an IPO listed in June being lower than an interest rate of a loan offered and granted by a lending bank to Realord APSL for the same IPO and as advised by the representatives of the Company, Realord APSL was notified by the lending bank that there was an increase in interest rate after Realord APSL had already informed and quoted the original interest rate to the client, and Realord APSL decided to maintain the original interest rate offered to the client. Save for the abovementioned scenario, we noted that all the interest rates charged by Realord APSL to its clients for the IPOs during the period from 1 June 2020 to 31 October 2020 are not less than the interest rates charged by lending bank(s) for the relevant IPO. We also noted from the Board Letter that the Lin Family Members and their respective majority-owned companies made IPO subscriptions by using their own resources in the past and therefore have no financing records on their securities accounts with Realord APSL.

Given that (i) it is Realord APSL's policy to offer the same interest rate to all of its clients, including but not limited to Lin Family Members and their respective majority-owned companies for financing in respect of the same IPO; (ii) the interest rate to be determined with reference to interest rate for the same IPO will be quoted from at least 3 popular IPO brokers in Hong Kong; and (iii) the interest rate of respective IPO is generally higher than the funding cost of such IPO, we are of the view that the IPO financing rate to be offered to the Lin Family Member and their respective majority-owned companies is no less favourable to the Group than that offered to independent clients in respect of the same IPO.

Regarding the interest rates to be charged for margin financing services, as stated in the Board Letter, Realord APSL determines such interest rate of each client based on prime rate as quoted by a lending bank of the Group as a base rate (the "**Base Rate**") plus an interest spread. The Base Rate will be adjusted accordingly when there is a change of prime rate as notified by its lending bank, which is usually on a monthly basis. Realord APSL generally applies a standard interest spread to its clients, which is determined with reference to the interest rate offered by other brokers in the market, and among other things, the credit standing of and the quality of securities provided by its client. As at the Latest Practicable date, the standard interest spread is 3% (the "**Standard Interest Spread**"). On a case-by-case basis, if the client has a lower credit standing and/or collaterals of lower quality, an additional spread shall be added on the Standard Interest Spread.

LETTER FROM MERDEKA

In assessing the interest rates to be charged for margin financing services, we have obtained a full list in relation to margin financing services offered by Realord APSL to all of its independent and connected clients (including the Lin Family Members and their respective associates) from 1 January 2020 to 31 October 2020 (the “**Margin List**”), which includes principal commercial terms of margin financing services. We noted from the Margin List that the Base Rate offered to all clients is 5%. Besides, as interest rate for margin financing services to be charged to the Lin Family Members is the Base Rate plus a Standard Interest Spread, we performed our checking on the Margin List and noted that (i) the Standard Interest Spread is applied to most of Realord APSL’s clients on the Margin List, and (ii) the interest spread offered to all connected persons from 1 January 2020 to 31 October 2020 was within the range of that offered to independent clients.

As further advised by the representative of the Company, Realord APSL may, on a case-by-case basis, add an additional spread on the Standard Interest Spread after taking into account of the credit standing and quality of the securities collateralised by its clients with reference to an internal credit manual that is applicable to both the Lin Family Members and independent clients. Accordingly, we obtained and reviewed the Realord APSL’s credit manual (the “**Credit Manual**”) which was prepared and approved by the board of directors of Realord APSL. According to the Credit Manual, we noted that (i) the credit assessment committee of Realord APSL have been set up to approve and monitor credit facilities and all transactions involving credit exposure; and (ii) the credit department of Realord APSL will perform duties, including but not limited to, processing trading limit and maximum loan limit and making periodic reviews, as well as formulating margin ratio mechanisms. Given the abovementioned, we believe that the Credit Manual is effective in assessing the credit standing and quality of the securities of Realord APSL, and concur with the Directors’ view that the Standard Interest Spread to be charged to the Lin Family Members and their respective majority-owned companies is the same as that charged to most independent clients of Realord APSL; and the interest rate to be offered to the Lin Family Members and their respective majority-owned companies is no less favourable to the Group than the interest rate offered to independent clients.

Based on the abovementioned, we are of the view that the pricing terms of the Financing Services under the Financing Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Annual Caps for the IPO financing services and basis for determination

The following table sets out the Annual Caps (i.e. the maximum daily balance) for the IPO financing services which may be provided by the Realord APSL to the Lin Family Members (the “**IPO Financing Caps**”) for each of the three years ending 31 December 2023, respectively:

| | For the year ending 31 December | | |
|---------------------------|--|-------------------------|-------------------------|
| | 2021 | 2022 | 2023 |
| | <i>HK’000</i> | <i>HK’000</i> | <i>HK’000</i> |
| Maximum daily balance | | | |
| – Dr. Lin | 250,000 | 250,000 | 250,000 |
| – Madam Su | 250,000 | 250,000 | 250,000 |
| – Mr. Lin | 250,000 | 250,000 | 250,000 |
| – Ms. Lin | 250,000 | 250,000 | 250,000 |
| | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> |
| IPO Financing Caps | <u><u>1,000,000</u></u> | <u><u>1,000,000</u></u> | <u><u>1,000,000</u></u> |

LETTER FROM MERDEKA

As illustrated above, the IPO Financing Caps is an aggregate amount of proposed maximum daily balance of the Lin Family Members for each of the three years ending 31 December 2023. As stated in the Board Letter, the proposed maximum daily balance of IPO financing of HK\$250 million to be extended to each of the Lin Family Members and their respective majority-owned companies for each of the three financial years ending 31 December 2021, 2022 and 2023 under the Financing Agreement is determined having taken into account (i) the anticipated appetite of the Lin Family Members for subscription of IPOs to be launched in the market in the period covered by the Financing Agreement; (ii) the sound financial standing of the Lin Family Members after considering their profiles and financial positions; and (iii) the number of active IPO applications and the prevailing securities market sentiment in Hong Kong for IPOs.

As set out in the Board Letter, during the ten months ended 31 October 2020, the largest subscription application for a single IPO made by Manureen Holdings, Mr. Lin and New Challenger amounted to approximately HK\$127 million, HK\$78 million and HK\$30 million respectively, which were not funded by Realord APSL. In assessing the IPO Financing Caps which was primarily based on the interests as expressed by the Lin Family Members in obtaining IPO financing, Realord APSL considered several factors, including but not limited to, the historical subscription applications made by Manureen Holdings, Mr. Lin and New Challenger with their own resources. Accordingly, we have obtained a summary list of IPO subscription record by the Lin Family Members for the aforesaid period (the “**IPO Subscription List**”) for reference. We noted that the largest subscription amount for a single IPO by Lin Family Members amounted to approximately HK\$127 million and the total subscription amount of the Lin Family Members during the ten months ended 31 October 2020 was substantial.

In addition, based on our discussion with the representatives of the Company, we noted that Realord APSL requires all of its clients to place certain deposits (the “**Cash Down Payment**”) in their Realord APSL’s securities accounts before granting IPO financing margin, which is in general at 10% of the IPO subscription application amount. In this regard, we reviewed the Credit Manual and noted that the credit department of Realord APSL will perform credit checking on clients, who are seeking IPO margin financing services, to ensure the sufficiency of the Cash Down Payment of such client(s) in their account(s) for the IPO application, and all clients (including connected clients) are subject to the same IPO margin financing Cash Down Payment ratio as well as interest rates. Besides, we noted that Manureen Holdings, a company owned as to 70% by Dr. Lin and 30% by Madam Su, was the legal and beneficial owner of 1,073,160,000 Shares, representing approximately 74.6% of the entire issued shares capital of the Company as at the Latest Practicable Date. We also noted that the market capitalization of the Company amounted to approximately HK\$7.9 billion (based on the Share price of HK\$5.48 as quoted from the Stock Exchange on the Latest Practicable Date). Given the abovementioned, we believe that the Lin Family Members have sound financial standing and are capable of fulfilling the Cash Down Payment requirement of the IPO Financing Caps.

LETTER FROM MERDEKA

As further referred to the Board Letter, the IPO Financing Caps are also determined with reference to the number of active IPO applications and the prevailing securities market sentiment in Hong Kong for IPO. In this regard, we have performed research on the stock market performance in Hong Kong, details of which were set out “Reasons for entering into of the Financing Agreement” in this letter.

Having considered that (i) IPO subscription amount of the Lin Family Members is substantial during the ten months ended 31 October 2020; (ii) the sound financial standing of the Lin Family Members; and (iii) the positive prospects of Hong Kong’s IPO and securities markets, we are of the view that the IPO Financing Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Annual Caps for the margin financing services and basis for determination

The following table sets out the Annual Caps (i.e. the maximum daily balance) for the margin financing services which may be provided by Realord APSL to each of Dr. Lin, Mr. Lin and Ms. Lin (collectively, the “**Margin Financing Caps**”) for each of the three years ending 31 December 2023, respectively:

| | For the year ending 31 December | | |
|------------------------------|--|---------------|---------------|
| | 2021 | 2022 | 2023 |
| | <i>HK’000</i> | <i>HK’000</i> | <i>HK’000</i> |
| Maximum daily balance | | | |
| – Dr. Lin | 20,000 | 20,000 | 20,000 |
| – Madam Su | – | – | – |
| – Mr. Lin | 20,000 | 20,000 | 20,000 |
| – Ms. Lin | 20,000 | 20,000 | 20,000 |
| | <hr/> | <hr/> | <hr/> |
| Margin Financing Caps | 60,000 | 60,000 | 60,000 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

As illustrated above, the Margin Financing Caps is an aggregate amount of proposed maximum daily balance of Dr. Lin, Mr. Lin and Ms. Lin for each of the three years ending 31 December 2023. As stated in the Board Letter, the proposed maximum daily balance of margin financing of HK\$20 million to be extended to each of Dr. Lin, Mr. Lin and Ms. Lin for each of the three financial years ending 31 December 2021, 2022 and 2023 is determined having taken into consideration of (i) the anticipated demand of Dr. Lin, Mr. Lin and Ms. Lin for margin financing services; (ii) their sound financial standings after considering their profiles and financial positions; (iii) the range of the size of margin loan facilities provided by Realord APSL to independent third party clients which is currently HK\$20 million at maximum; and (iv) the prevailing securities market sentiment in Hong Kong.

LETTER FROM MERDEKA

As stated in the Board Letter, the Margin Financing Caps was primarily based on the interests as expressed by Dr. Lin, Mr. Lin, Ms. Lin in obtaining the margin financing. In assessing the Margin Financing Caps, Realord APSL took into consideration several factors, including but not limited to, historical securities transactions and good credit history of Manureen Investment Limited (a company wholly-owned by Dr. Lin), Manureen Holdings, Mr. Lin and New Challenger as well as the margin facility granted by Realord APSL to New Challenger. The securities transaction amount transacted by Manureen Investment Limited, Manureen Holdings, Mr. Lin and New Challenger through their respective accounts in Realord APSL for the ten months ended 31 October 2020 was approximately HK\$40 million, HK\$2 million, HK\$46 million and HK\$239 million respectively, which were not funded by the margin financing provided by Realord APSL except that New Challenger utilised a margin facility granted by Realord APSL of not more than HK\$3 million, for which no default in meeting margin calls was noted. In order to assess the interests in obtaining margin financing services and financial standings of the Lin Family Members, other than the IPO Subscription List, we also obtained a full list of the Lin Family Members' transaction record in Realord APSL for the period from 1 January 2020 to 31 October 2020 (the "**Transaction List**") for reference. We noted from the Transaction List that trading records of the Lin Family Members were active during the ten months ended 31 October 2020 and the historical transaction amounts of the Lin Family Members were substantial.

In addition, as noted in the Board Letter, it is the policy of Realord APSL to require all its clients to maintain sufficient deposits and collateral in their account(s) to fulfill the margin financing ratio for margin financing services, and the security collateral is charged by clients in favour of Realord APSL as a continuing security for the punctual payment to Realord APSL of all outstanding amount under the margin facility and all other monies and sums due or owing from the clients to Realord APSL in connection with their accounts. Further, we noted that Manureen Holdings (a company owned as to 70% by Dr. Lin and 30% by Madam Su) was the legal and beneficial owner of 1,073,160,000 Shares, representing approximately 74.6% of the entire issued share capital of the Company as at the Latest Practicable Date, and the market capitalisation of the Company amounted to approximately HK\$7.9 billion (based on the Share price of HK\$5.48 as quoted from the Stock Exchange on the Latest Practicable Date). Given the abovementioned, we believe that the Lin Family Members have sound financial standing and are capable of fulfilling sufficient deposits and collateral in their respective accounts to fulfill the margin financing ratio requirements.

As the proposed maximum daily balance of each of Dr. Lin, Mr. Lin and Ms. Lin was determined with reference to the range of size of margin loan facilities provided to independent clients, we have obtained and reviewed a summary list of margin loan sizes granted by Realord APSL to independent clients from 1 January 2020 to 31 October 2020 and noted they ranged from HK\$30,000 to HK\$20,000,000. As the proposed maximum daily balance offered to each of Dr. Lin, Mr. Lin and Ms. Lin of HK\$20,000,000 is within the range of margin loan sizes granted by Realord APSL to independent clients, we believed the maximum daily balance to be provided to each of Dr. Lin, Mr. Lin and Ms. Lin is no less favourable to the Group than those offered to independent clients.

LETTER FROM MERDEKA

Having considered (i) the Lin Family Member's historical trading records; (ii) the sound financial standing of the Lin Family Members; (iii) the positive prospects of Hong Kong's securities and IPO markets, relevant analysis of which has been set out in the section headed "Reasons for entering into of the Financing Agreement" in this letter; and (iv) the proposed maximum daily balance of each of Dr. Lin, Mr. Lin and Ms. Lin is within the range offered to independent clients, we are of the view that the Margin Financing Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Given abovementioned, we are of the view that the proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Internal control measures

As noted from the Board Letter and our discussions with the representatives of the Company, we understood Realord APSL will not only conduct standard internal control measures for both IPO financing services and margin financing services to be provided to all clients, but also take additional internal control measures to monitor the IPO financing services and margin financing services to be provided to the Lin Family Members and their respective majority-owned companies.

Regarding the standard internal control measures for IPO financing services, as mentioned in the Board Letter, a responsible officer assesses market perception and demand for an IPO and seeks the approval from directors of Realord APSL on IPO financing services to be granted for a client. The IPO margin financing ratio is determined with reference to, among other things, the quality of the client's security and the ratio charged by other brokers in the market and lending banker(s) of Realord APSL, and in general represents 90% of the IPO subscription application amount. And following the approval of Realord APSL on granting IPO financing margin to such client, the sales support team will liaise with the financing department to see if any IPO facility could be obtained from lending bank(s) of Realord APSL. If the IPO facility is available from lending bank(s) of Realord APSL, the sales support team shall collect indicative demand from such client while the credit department shall perform credit checks upon receipt of each client's application to ensure that there is sufficient deposit in the client's account, which is 10% of the IPO subscription amount in general. Please refer to "IPO financing services" under the section headed "INTERNAL CONTROL MEASURES" in the Board Letter for details.

Regarding the standard internal control measures for margin financing services, credit department of Realord APSL performs an assessment of a client based on, among other things, the profile, financial standing and trading patterns of such client, and determines margin facility limit as well as interest rate to such client, which shall be approved by the credit assessment committee or board of directors of Realord APSL. At the same time, clients are required to maintain sufficient deposits and collateral in their accounts to fulfill the margin financing ratio requirements as set by Realord APSL. Please refer to "Margin financing services" under the section headed "INTERNAL CONTROL MEASURES" in the Board Letter for details.

LETTER FROM MERDEKA

As referred to the Board Letter, in order to ensure the terms offered to the Lin Family Members and their respective majority-owned companies for IPO financing services are no less favourable to the Group than those offered to independent third party clients, we noted that (i) the sales support team should ensure the interest rate to be charged to Lin Family Members and their respective majority-owned companies are the same as those to be charged to independent clients; (ii) pre-approval shall be obtained from any two of the independent non-executive Directors and the chief financial officer of the Company; and (iii) Realord APSL shall ensure that the allocation of facilities to all clients on a fair basis and so on. In relation to the additional internal control measures for margin financing services, we noted that a responsible officer shall review and approve the proposed interest rate charged and the margin financing ratio applicable to Dr. Lin, Mr. Lin, Ms. Lin and their respective majority-owned companies.

Given that the standard internal control measures of Realord APSL for both IPO financing services and margin financing services are extended to all clients while the additional internal control measures as mentioned above are applicable to the Lin Family Members to ensure the terms offered to Lin Family Members are no less favourable to the Group than those offered to independent third party clients, we are of the view that the internal control measures of Realord APSL for monitoring the Financing Services are sufficient.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the Financing Agreement is entered into in the ordinary and usual course of business of the Company and the terms of the Financing Agreement, including the Annual Caps, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Financing Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend (i) the IBC to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM in this regard.

Yours faithfully,
For and on behalf of
Merdeka Corporate Finance Limited
Jeannie Chan
Director

Ms. Jeannie Chan is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 10 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS**(a) Interests of the Directors or chief executive of the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were 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 taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares and underlying shares of the Company

| Name of Director | Capacity | Number of Shares held | Approximate percentage of the issued share capital of the Company |
|-------------------------|------------------------------------|----------------------------------|--|
| Dr. Lin Xiaohui | Interest of controlled corporation | 1,073,160,000 <i>(Note 1)</i> | 74.62% |
| Madam Su Jiaohua | Interest of spouse | 1,073,160,000 <i>(Note 2)</i> | 74.62% |
| Mr. Lin Xiaodong | Beneficial owner | 1,000,000 <i>(Note 3)</i> | 0.07% |
| Mr. Yu Leung Fai | Beneficial owner | 500,000 <i>(Note 3)</i> | 0.03% |
| Mr. Fang Jixin | Beneficial owner | 500,000 <i>(Note 3)</i> | 0.03% |
| Dr. Li Jue | Beneficial owner | 500,000 <i>(Note 3)</i> | 0.03% |

Notes:

1. As at the Latest Practicable Date, Manureen Holdings was the legal and beneficial owner of 1,073,160,000 Shares. Since Dr. Lin owned 70% of the issued share capital of Manureen Holdings, he was deemed to be interested in 1,073,160,000 Shares under the SFO.
2. Madam Su, the spouse of Dr. Lin, was deemed to be interested in 1,073,160,000 Shares which Dr. Lin was deemed to be interested under the SFO as at the Latest Practicable Date.
3. Under the share option scheme of the Company adopted on 10 August 2012, certain share options, each entitling its holder to subscribe for one Share, were granted on 20 May 2015 to the Directors with an exercise price of HK\$ 4.11 per Share and exercise period between 20 May 2017 and 19 May 2025. Accordingly, each of Mr. Lin Xiaodong, Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue was regarded as having an interest in the underlying Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests and short positions in the shares of the Company, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (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 taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as any Directors were aware, the interests or short positions owned by the following persons (other than the Directors or chief executive of the Company) in the Shares, underlying shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long position in the Shares

| Name of Shareholder | Capacity | Number of Shares held | Approximate percentage of the issued share capital of the Company |
|-----------------------------|------------------|------------------------------|--|
| Manureen Holdings (Note) | Beneficial owner | 1,073,160,000 | 74.62% |

Note:

As at the Latest Practicable Date, Manureen Holdings was the legal and beneficial owner of 1,073,160,000 Shares. Manureen Holdings was owned as to 70% by Dr. Lin and as to 30% by Madam Su.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO.

3. DIRECTORS' INTERESTS**(i) Interests in contract or arrangement**

Save for the Financing Agreement, which Dr. Lin and Madam Su had interests in, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

(ii) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up.

(iii) Interests in competing business

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) had an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. SERVICE CONTRACTS

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors considered that there was no material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions, letters or advice contained in this circular:

| Name | Qualification |
|-----------------------------------|---|
| Merdeka Corporate Finance Limited | A licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |

Merdeka has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Merdeka was not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Merdeka did not have any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2019 (the date to which the latest published audited financial statements of the Company were made up).

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong from 9:00 a.m. to 6:00 p.m. on any business day from the date of this circular and up to 14 days thereafter:

- (i) the Financing Agreement;
- (ii) the letter from the IBC to the Independent Shareholders, the text of which is set out on page 17 of this circular;
- (iii) the letter of advice from Merdeka to the IBC and the Independent Shareholders, the text of which is set out on pages 18 to 33 of this circular;
- (iv) the written consent referred to in the paragraph headed “Expert and consent” of this appendix;
- (v) this circular; and
- (vi) the memorandum of association and bye-laws of the Company.

8. GENERAL

- (i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is at Suites 2403-2410, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (ii) The Company’s branch share registrar and transfer office in Hong Kong is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (iii) The company secretary of the Company is Mr. Chan Chu Kin, who is a member of both the Certified Practising Accountants Australia and the Hong Kong Institute of Certified Public Accountants.
- (iv) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text of the same.

NOTICE OF SGM



偉祿集團控股有限公司 REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1196)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Realord Group Holdings Limited (the “Company”) will be held at 11:00 a.m. on Monday, 28 December 2020 at Capital Conference Services Limited at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong for the purpose of considering and, if thought fit, passing with or without modification the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (i) the financing agreement entered into between Realord Asia Pacific Securities Limited (“**Realord APSL**”), Dr. Lin Xiaohui (“**Dr. Lin**”), Madam Su Jiaohua (“**Madam Su**”), Mr. Lin Sen (“**Mr. Lin**”) and Ms. Lin Na (“**Ms. Lin**”) dated 28 October 2020 (the “**Financing Agreement**”) (a copy of which is tabled at the SGM marked “A” and initialed by the chairman of the SGM for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) the proposed annual caps as contemplated under the Financing Agreement for each of the three years ending 31 December 2021, 2022 and 2023 be and are hereby approved, confirmed and ratified; and
- (iii) any one director of the Company be and is hereby authorised to do all such acts and things and execute such documents (including the affixation of the common seal of the Company where execution under seal is required) and take all steps in which, in his/her opinion deemed necessary, desirable or expedient to implement and/or effect the transactions contemplated under the Financing Agreement for and on behalf of the Company.”

By Order of the Board
Realord Group Holdings Limited
Lin Xiaohui
Chairman

Hong Kong, 1 December 2020

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

*Head office and principal place of
business in Hong Kong:*
Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

NOTICE OF SGM

Notes:

1. A member entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the SGM is enclosed. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the office of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the SGM or any adjournment thereof or upon the poll concerned. Completion and return of a form of proxy will not preclude a member of the Company from attending in person and voting at the SGM or any adjournment thereof should he so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. Where there are joint holders of any share, any one of such holders may vote at the SGM either personally or by proxy in respect of such share as if he/she were solely entitled to vote; but if more than one of such joint holders are present at the SGM in person or by proxy, then the one of such joint holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. The Hong Kong branch register of members of the Company will be closed from Tuesday, 22 December 2020 to Monday, 28 December 2020 (both dates inclusive) for determining the identity of the shareholders of the Company who are entitled to attend and vote at the SGM. No transfer of shares of the Company will be registered during this period. In order to be eligible to attend and vote at the SGM, unregistered holders of the shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 21 December 2020.
5. In order to prevent the spread of COVID-19 pandemic and to better protect the health and safety of shareholders of the Company and other participants of the SGM, the Company will implement the following precautionary measures at the SGM:
 - compulsory body temperature checks and health declarations
 - compulsory wearing of surgical face masks
 - no provision of refreshments and corporate gifts
 - appropriate distancing and spacing in line with the guidance from the HKSAR Government will be maintained and as such, the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding
 - all attending shareholders of the Company, proxies and other attendees are required to submit at the entrance of the SGM venue a completed declaration form confirming their names and contact details, and be asked whether (a) they have travelled to, or to their best of knowledge had close contact with any person who has recently travelled to, areas outside of Hong Kong at any time in the preceding 14 days of the SGM; (b) they are subject to any compulsory quarantine prescribed by the HKSAR Government; and (c) they had close contact with confirmed case(s) and/or probable cases of COVID-19 patient(s). Any person who responds affirmatively to any one of the above questions will be denied entry into the SGM venue or be required to leave the SGM venue

The Company also advises the shareholders of the Company to attend and vote at the SGM by way of non-physical presence. The shareholders of the Company may choose to vote by filling in and submitting the relevant proxy form of the SGM, and appoint the chairman of the SGM as a proxy to vote on relevant resolution as instructed in accordance with the relevant proxy form instead of attending the SGM in person.

The Company will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the SGM.

Any attendee who does not comply with the precautionary measures above (and additional measures subsequently announced by the Company, if any) may be refused admission to or requested to leave the venue of the SGM.

As at the date of this notice, the executive directors of the Company are Dr. Lin Xiaohui, Madam Su Jiaohua and Mr. Lin Xiaodong; and the independent non-executive directors of the Company are Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue.