
PAST CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, Yu Ming entered into certain transactions with Allied Group and/or its subsidiaries and their associate. As Yu Ming is wholly owned by Allied Group prior to Acquisition Completion, such transactions would have constituted connected transactions under the Listing Rules. Upon the Acquisition Completion, Yu Ming will cease to be a subsidiary and connected person of Allied Group.

Details of the past connected transactions of Yu Ming during the Track Record Period are set out below.

Management Agreements

Yu Ming has been the investment manager of SHK since 1997. As SHK is a subsidiary of Allied Group, SHK is a connected person of Yu Ming under the Listing Rules, and the provision of investment management services to SHK constituted a connected transaction under the Listing Rules.

The management agreement entered into between Yu Ming and SHK is subject to renewal and approval by independent shareholders of SHK every three years. During the Track Record Period, Yu Ming and SHK had entered into the Management Agreement and the New Management Agreement. The New Management Agreement, extending the period of investment management services for another 3 years for the period from 1 January 2019 to 31 December 2021, was approved by independent shareholders of SHK on 12 September 2018.

Principal terms of the Management Agreement and the New Management Agreement are as follows:

- Services: Yu Ming shall provide non-exclusive investment management services and administrative services to SHK, including:
- (a) identify, review and evaluate investment and realization opportunities for SHK;
 - (b) make investment or realization recommendation to the SHK Exco;
 - (c) execute investment and realization decisions and instructions relating to SHK's investment as approved by the SHK Exco; and
 - (d) based on such information as may be reasonably available to it, monitor the performance and supervise the maintenance of the assets of SHK.

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Remuneration:

Management Fee:

quarterly in arrears, 0.375% of the consolidated net asset value attributable to the owners of SHK for such quarter without deduction of the management fee attributable to the relevant quarter (“**Gross NAV**”), calculated as the arithmetical average of the published Gross NAV.

Performance Fee:

annually in arrears, being 20% of the amount by which the audited NAV of SHK of the relevant year (disregarding the effect of new issue of securities, declaration, distribution or payment of dividends or return of capital to shareholders) exceeds the High Watermark.

Set out below is the revenue of Yu Ming derived from the provision of asset management services to SHK for the three years ended 31 December 2016, 2017 and 2018:

<i>(HK\$'million)</i>	Year ended 31 December		
	2016	2017	2018
Management fee	17.4	19.3	17.8
Performance fee	—	1.9	—
Total	<u>17.4</u>	<u>21.2</u>	<u>17.8</u>

Yu Ming shall also provide certain day-to-day administrative services to SHK including keeping books of accounts and records relating to the business of SHK, preparing half-yearly reports and accounts, preparing draft interim and annual financial statements, filing of statutory returns or registrations under the Companies Ordinance, business registration and taxation legislation.

SHK shall reimburse 40% of the renovation expenses, furniture and fixtures, rents, management fee, utilities, and rates in relation to the premises and office overhead expenses, such as postage, telecommunication, photocopying, insurance, courier and cleaning for the day-to-day administrative service incurred by Yu Ming. Such disbursement reimbursement from SHK amounted to approximately HK\$1.4 million, HK\$0.9 million and HK\$1.0 million for the three years ended 31 December 2016, 2017 and 2018.

Upon the Acquisition Completion and Resumption, Allied Group will not hold any equity interest in Yu Ming and the Company. As such, SHK will become an independent third party to the Company and the provision of asset management services by Yu Ming to SHK will not constitute a connected transaction to the Company.

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However, as investment manager of SHK, Yu Ming will continue to be regarded as a connected person of SHK pursuant to Rule 14A.08 of the Listing Rules, and the renewal of investment management services agreement will continue to be subject to approval by the independent shareholders of SHK at general meeting of SHK.

Lease of Office Premises

During the Track Record Period, the principal place of business of Yu Ming is situated at Room 1801, part of Room 1802 and part of 24/F of Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong (the “**Office Premises**”). The Office Premises are owned by Art View Properties Limited (“**Art View**”).

During the Track Record Period and up to the Latest Practicable Date, Yu Ming has entered into the following tenancy agreements in relation to the Office Premises:

Address and usage	Landlord	Term	Monthly rental	Management fee and air-conditioning charges payable to landlord
Room 1801, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong	Art View	Agreement dated 17 March 2015 with term from 1 April 2015 to 31 March 2017	HK\$58,528	HK\$11,894.40 per month and HK\$220 per hour for additional air conditioning supply outside normal business hour
Office use		Agreement dated 9 March 2017 with term from 1 April 2017 to 31 March 2019, as extended to 30 June 2019 by an extension letter dated 2 April 2019	HK\$67,968	HK\$12,649.60 per month and HK\$220 per hour for additional air conditioning supply outside normal business hour

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Address and usage	Landlord	Term	Monthly rental	Management fee and air-conditioning charges payable to landlord
Part of Room 1802 and part of 24/F, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong	Art View as the head landlord leases the whole floor of 24th Floor and Room 1802 to Allied Group. Allied Group sub-lets portion of Room 1802 and 24th Floor to Yu Ming with Art View's consent	Agreement dated 8 April 2015 with term from 1 April 2015 to 31 March 2017	HK\$16,800	HK\$3,400 per month for 1 April to 30 April 2015 HK\$3,700 per month for 1 May 2015 to 31 March 2017
Office use		Agreement dated 31 March 2017 with term from 1 April 2017 to 31 March 2019	HK\$19,500	HK\$3,700 per month
Part of 24/F, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong		Extension Letter dated 1 April 2019 with term from 1 April 2019 to 30 June 2019	HK\$13,700	HK\$2,600
Office Use				
Extension area to Room 1801 (previously known as Part of Room 1802), Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong	Art View	License agreement dated 1 April 2019 with term from 1 April 2019 to 30 June 2019	HK\$5,800	HK\$1,100
Office use				

Since Art View is a joint venture company of Allied Properties (H.K.) Limited, which in turn is a subsidiary of Allied Group, the leasing of the Office Premises constituted a connected transaction of Yu Ming under the Listing Rules.

During the three years ended 31 December 2018, the aggregate amount of rental fee and management fee and air conditioning charges paid by Yu Ming to Art View and Allied Group for the lease of the Office Premises was approximately HK\$1,113,000, HK\$1,227,000

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and HK\$1,261,000, respectively, and the amount reimbursed by SHK to Yu Ming was approximately HK\$445,000, HK\$491,000 and HK\$504,000 respectively. Yu Ming intends to continue to lease the Office Premises following Acquisition Completion.

Upon Acquisition Completion Yu Ming will cease to be a connected person of Allied Group and Art View, hence the leasing of the Office Premises will cease to constitute a connected transaction of the Enlarged Group under the Listing Rules.

The rental for the Office Premises was arrived at after arm's length negotiation between Yu Ming and Art View and Allied Group.

Corporate Finance Advisory Transactions

During the Track Record Period, Yu Ming entered into the following corporate finance advisory transactions, which constituted connected transactions under the Listing Rules.

Autobest Holdings Limited

On 13 September 2016, Yu Ming entered into an engagement letter with Autobest Holdings Limited (“**Autobest**”) for the provision of financial advisory service to Autobest on a transaction which involved mandatory unconditional cash offer pursuant to the Takeovers Code to acquire all issued shares of Dan Form Holdings Company Limited (now known as Asiasec Properties Limited), a company listed on the Main Board (stock code: 271) (the “**Autobest Transaction**”).

At the material time, Autobest was a wholly owned subsidiary of Tian An China Investments Company Limited, a company listed on the Main Board (stock code: 28), which was held as to approximately 48.66% by Allied Properties (H.K.) Limited which was in turn held as to approximately 74.99% by Allied Group. The provision of financial advisory service to Autobest therefore constituted a connected transaction under the Listing Rules.

The financial advisory service for the Autobest Transaction was completed in December 2016, revenue of Yu Ming derived from the provision of financial advisory service to Autobest for the year ended 31 December 2016 was HK\$2.0 million. The financial advisory fee was arrived at after arm's length negotiation between Yu Ming and Autobest.

Sun Hung Kai Investment Services Limited

On 16 December 2016, Yu Ming entered into an engagement letter with Sun Hung Kai Investment Services Limited (“**SHK Investment**”) for the provision of financial advisory service to SHK Investment on Takeovers Code related matter.

At the material time, SHK Investment was wholly owned by Sun Hung Kai Financial Group Limited, a company which was 30% owned by Sun Hung Kai & Co. Limited, a 57.29% owned subsidiary of Allied Properties (H.K.) Limited which in turn was a 74.99% owned subsidiary of Allied Group. The provision of financial advisory service therefore constituted a connected transaction under the Listing Rules.

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The financial advisory service has been completed and revenue derived from the provision of such financial advisory service in the sum of HK\$750,000 has been recognised in the year ended 31 December 2017. The financial advisory fee was arrived at after arm's length negotiation between Yu Ming and SHK Investment.

Manfield Chemical Holdings Limited

On 7 November 2018, Yu Ming entered into an engagement letter with Manfield Chemical Holdings Limited (“**Manfield**”, a company listed on the Main Board (stock code: 1561)) for the provision of financial advisory service to Manfield on a transaction which involved mandatory unconditional cash offer pursuant to the Takeovers Code to acquire all issued shares of Manfield by Timenew Limited (“**Timenew**”) as a result of Timenew's acquisition of 75% shareholding in Manfield from Guang Ming Holdings Limited (“**Guang Ming**”) (the “**Timenew Acquisition**”).

At the material time before completion of the Timenew Acquisition, Guang Ming was the controlling shareholder of Manfield. Guang Ming was held as to 51% by Mr. Lee Seng Hui, an executive director and controlling shareholder of Allied Group, beneficially. The provision of financial advisory service to Manfield therefore constituted a connected transaction under the Listing Rules.

The financial advisory service has been completed and revenue derived from the provision of such financial advisory service in the sum of HK\$3,000,000 has been recognized in the year ended 31 December 2018. The financial advisory fee was arrived at after arm's length negotiation between Yu Ming and Manfield.

Interest income from financial assets at fair value through other comprehensive income

During the Track Record Period, Yu Ming has subscribed and held bonds as financial assets at fair value through other comprehensive income. Interest income from financial assets at fair value through other comprehensive income was approximately HK\$5.9 million, HK\$5.6 million and HK\$1.2 million for the years ended 31 December 2016, 2017 and 2018 respectively.

Among the aforesaid interest income of Yu Ming for the years ended 31 December 2016, 2017 and 2018, approximately HK\$391,000, HK\$390,000 and HK\$392,000 were attributed from bonds issued by Sun Hung Kai & Co. (BVI) Limited and HK\$509,000, HK\$501,000 and HK\$179,000 were attributed from bonds issued by UA Finance (BVI) Limited respectively. The net carrying value of the bonds issued by Sun Hung Kai & Co. (BVI) Limited and/or UA Finance (BVI) Limited as at 31 December 2016, 2017 and 2018 was in aggregate HK\$16,009,000, HK\$16,783,000 and HK\$8,062,000 respectively.

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Below are the details of the bonds issued by Sun Hung Kai & Co. (BVI) Limited and UA Finance (BVI) Limited and held by Yu Ming during the Track Record Period:

Issuer	Sun Hung Kai & Co. (BVI) Limited
Guarantor	Sun Hung Kai & Co. (stock code 86)
Issue date	31 May 2016
Principal	USD1,053,000
Coupon rate (per annum)	4.75%
Maturity date	31 May 2021

Issuer	Sun Hung Kai & Co. (BVI) Limited
Guarantor	Sun Hung Kai & Co. (stock code 86)
Issue date	26 September 2012
Principal	USD1,000,000
Coupon rate (per annum)	6.375%
Maturity date	26 September 2017

Issuer	UA Finance (BVI) Limited
Guarantor	United Asia Finance Limited
Issue date	2 May 2013
Principal	RMB 7,000,000
Coupon rate (per annum)	6.90%
Maturity date	2 May 2018

Sun Hung Kai & Co. (BVI) Limited is a wholly-owned subsidiary of Sun Hung Kai & Co. Limited, a company listed on the Stock Exchange (stock code: 86). UA Finance (BVI) Limited is a wholly-owned subsidiary of United Asia Finance Limited, which is in turn a subsidiary of Sun Hung Kai & Co. Limited. As Sun Hung Kai & Co. Limited is a subsidiary of Allied Properties (H.K.) Limited, which in turn is a subsidiary of Allied Group as at the Latest Practicable Date, the subscription of the bonds issued by Sun Hung Kai & Co. (BVI) Limited and UA Finance (BVI) Limited and the receipt of interest income constituted connected transactions under the Listing Rules.

Yu Ming considers that the terms of the aforesaid bonds are fair and reasonable, and are comparable to market rates and in line with market practice.

Confirmation from the Proposed Directors

The Proposed Directors consider that the abovementioned connected transactions have been entered into in the ordinary and usual course of business of Yu Ming, on normal commercial terms, and that the terms are fair and reasonable. The connected nature of the continuing connected transactions mentioned above will cease upon Acquisition Completion.

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Confirmation from the Sponsor

The Sponsor is of the view that (i) the abovementioned connected transactions were entered into in the ordinary and usual course of business of Yu Ming, and are on normal commercial terms or better from the perspective of Yu Ming; (ii) the terms of the abovementioned connected transactions are fair and reasonable; and (iii) the continuing connected transactions mentioned above will cease upon Acquisition Completion.