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

(Incorporated in Bermuda with limited liability)

(Stock Code: 717)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
2024 MASTER LEASING AGREEMENT

Reference is made to the announcement of the Company dated 3 December 2020 in relation to the 2020 MLA.

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

The Board shall seek approval from the Independent Shareholders on the Aggregate Tenancy Annual Caps at the AGM.

As the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Aggregate Tenancy Annual Caps are more than 5% and exceed HK\$10,000,000, the Aggregate Tenancy Annual Caps are subject to the announcement, reporting and annual review requirements and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

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2024 MLA DATED 23 MARCH 2023

Parties

- (1) The Company; and
- (2) Emperor International

Term

1 April 2024 – 31 March 2027

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

Key terms and conditions

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

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

Historical transactions amount

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

	For the 6 months ended 30 September 2021 HK\$'000	For the year ended 30 September 2022 2023 HK\$'000 HK\$'000	
Right-of-use assets	2,730	–	25,330
Variable Lease Payments and other short-term lease payments	–	–	15

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

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

Aggregate Tenancy Annual Caps

In accordance with HKFRS 16 “Leases”, the Group is required to recognise a right-of-use asset and a lease liability, which are measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate in the year of entering into the lease where the Group acts as a lessee. Correspondingly, the Group is required to set annual caps on the total value of right-of-use assets relating to leases expected to be entered into by the Group as a lessee in each period/year under the 2024 MLA.

In addition, according to HKFRS 16 “Leases”, the Variable Lease Payments under Tenancy Transactions will be recognised as expenses incurred by the Group. The annual caps for Variable Lease Payments and other short-term lease payments will be recognised as expenses which are determined with reference to the annual maximum amount of Variable Lease Payments and other short-term lease payments payable by the Group in respect of Tenancy Transactions in each period/year under the 2024 MLA.

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

	For the 6 months ending 30 September 2024 <i>HK\$'000</i>	For the year ending 30 September		For the 6 months ending 31 March 2027 <i>HK\$'000</i>
		2025 <i>HK\$'000</i>	2026 <i>HK\$'000</i>	
Aggregate Right-of-Use Assets Annual Cap	5,000	16,000	35,000	5,000
Aggregate Rental Expense Annual Cap	5,000	5,000	5,000	5,000

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

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

- (i) the historical transaction amounts of rental, management fee (if any) and charges paid by the Group to Emperor International Group under all Tenancy Transactions;
- (ii) the number of existing Tenancy Transactions:

As at the date of this announcement, members of the Group are leasing properties from Emperor International Group at the following locations in Hong Kong and the Mainland China:

Locations

- (1) Emperor Group Centre, No. 288 Hennessy Road, Wanchai, Hong Kong
- (2) No. 5 Canal Road East, Causeway Bay, Hong Kong
- (3) East Ocean Court, No. 525 Shanghai Street, Kowloon, Hong Kong
- (4) Emperor Group Centre (Beijing), D12 Jianwai Dajie, Chaoyang District, Beijing, PRC

There are 5 existing tenancy/lease/licence agreements entered into between members of the Group and the relevant members of Emperor International Group regarding the above leased properties. The earliest expiry date of the leases will be in March 2025 and the latest one will be in June 2026. The monthly rental (excluding management fees and charges) ranges from HK\$2,500 to HK\$373,000 and the size of properties ranges from a signage board to office premises of 9,323 sq. ft. gross floor area. The duration of the leases are usually 2 to 3 years;

- (iii) assuming all the above tenancies will be renewed upon expiry and taking into account the possible oncoming adjustment in rental rates;
- (iv) the potential business development and expansion of the Group and the possibility of entering into new Tenancy Transactions with Emperor International Group under the 2024 MLA in the forthcoming years;
- (v) the location and usage of the properties of the existing portfolio of Emperor International Group and potential acquisition of properties by Emperor International Group which can be available for leasing to the members of the Group in the future; and
- (vi) the prevailing market rents of the properties as compared with similar properties in the vicinity.

Based on the above, the Board is of the view that the proposed Aggregate Tenancy Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL PROCEDURES TO ASSESS TENANCY TRANSACTIONS

The Group will follow a series of procedures in selecting the premises and determining the rentals and terms of the tenancies. When the management of the Group is about to renew existing tenancy or open a new branch which requires new premises, the operation team of the Group will conduct site visits and source available properties in the selected location. The Group will then collect rental quotations of not less than three shortlisted properties from different landlords if there are such number of available properties in the selected location. Furthermore, the Group will further assess the rental and obtain comparable information for the determination of terms of tenancy. In the event of the number of shortlisted properties in the selected location is less than three, the Company will assess the fairness and reasonableness of the rental with reference to the comparable information of similar properties in the vicinity such as rental rate per sq. ft. and location, which may include those not meeting the selection criteria of the Group or unavailable to the Group. Should there be no comparable information available, the Company will engage independent properties appraiser to prepare valuation reports. The Group may engage independent property appraiser to prepare valuation reports; conduct internal research to assess the valuation; and/or assess the valuation with reference to previous tenancy agreements for renewal cases. After the operation team gathers and analyses the aforesaid information of the proposed tenancy, the management will review and approve the tenancy. With such internal approval, the Definitive Leasing Agreement(s) will be entered into between relevant parties.

With the above control procedures, the Directors consider that the Tenancy Transactions are conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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

to opine on whether the Aggregate Tenancy Annual Caps have been exceeded; and (iv) the independent non-executive Directors will review the Tenancy Transactions contemplated under the 2024 MLA annually.

Accordingly, the Board is of the view that (i) the Tenancy Transactions will be conducted on normal commercial terms and will be in the interests of the Company and the Shareholders as a whole; and (ii) the above internal control procedures are adequate to safeguard the interests of the Company and the Shareholders under the Tenancy Transactions.

REASONS FOR AND BENEFITS OF THE 2024 MLA

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

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

The Directors (excluding the independent non-executive Directors who will provide their views after considering the opinion of an independent financial adviser) consider that the 2024 MLA has been conducted in the ordinary and usual course of business of the Group and negotiated on an arm's length basis, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the Aggregate Tenancy Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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

Ms. Daisy Yeung, the Chairperson of the Board and an executive Director, did abstain from voting on the relevant Board resolution(s) of the Company in view of her deemed interest in the transactions by virtue of being an eligible beneficiary of the aforesaid private discretionary trusts.

Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, being the executive Directors, did abstain from voting on the relevant Board resolution(s) of the Company as they also take up a management role in Emperor International.

Save for the aforesaid, no other Director has a material interest or conflict of role in the transactions and has abstained from voting.

As the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Aggregate Tenancy Annual Caps are more than 5% and exceed HK\$10,000,000, the Aggregate Tenancy Annual Caps are subject to the announcement, reporting and annual review requirements and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders as to (i) whether the terms of the 2024 MLA and the Aggregate Tenancy Annual Caps are fair and reasonable; (ii) whether the transactions contemplated under the 2024 MLA are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the transactions are in the interests of the Company and the Shareholders as a whole; and (iv) how to vote on the proposed resolutions. An independent financial advisor will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the 2024 MLA and the Aggregate Tenancy Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the AGM, is expected to be despatched to the Shareholders on or before 19 January 2024. The Company will seek approval from the Independent Shareholders in respect of the Aggregate Tenancy Annual Caps at the AGM, which is tentatively scheduled to be held in February 2024. A notice of the AGM, containing all resolutions to be proposed at the AGM (including the resolution to approve the Aggregate Tenancy Annual Caps) will be dispatched to the Shareholders on or before 19 January 2024.

DEFINITIONS

The following terms have the following meanings in this announcement, unless the context otherwise requires:

“2020 MLA”	the master leasing agreement dated 3 December 2020 entered into between the Company and Emperor International
“2024 MLA”	the master leasing agreement dated 23 March 2023 entered into between the Company and Emperor International

“Aggregate Rental Expense Annual Cap”	for the purpose of Chapter 14A of the Listing Rules and pursuant to HKFRS 16, the annual caps for Variable Lease Payments and other short-term lease payments recognised as expenses of the Group which are determined with reference to the annual maximum amount of Variable Lease Payments and other short-term lease payments to be or expected to be payable by the Group in respect of Tenancy Transactions for each of the respective financial periods during the term under the 2024 MLA
“Aggregate Right-of-Use Assets Annual Cap”	for the purpose of Chapter 14A of the Listing Rules and pursuant to HKFRS 16, the annual caps for Fixed Lease Payments which are determined with reference to the annual maximum amount of the total value of right-of-use asset in respect of Tenancy Transactions to be or expected to be entered into for each of the respective financial periods during the term under the 2024 MLA
“Aggregate Tenancy Annual Caps”	Aggregate Rental Expense Annual Cap and Aggregate Right-of-Use Assets Annual Cap
“AGM”	the forthcoming annual general meeting of the Company, which is tentatively scheduled to be held in February 2024 (including any adjournment) to consider and approve (if thought fit), inter alia, the Aggregate Tenancy Annual Caps
“Board” or “Directors”	the board of directors of the Company
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Company”	Emperor Capital Group Limited, an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Definitive Leasing Agreement(s)”	definitive agreement(s) which has/have been entered and may be entered into between any member(s) of the Group and any member(s) of Emperor International Group from time to time in relation to any of the Tenancy Transactions (setting out the terms of the tenancy, including the parties, detailed description of the properties, usage, duration, rental and specific terms such as rent free period, early termination, deposits, fees and charges) subsisting as at the date hereof and at any time during the respective terms of the 2020 MLA and the 2024 MLA (as the case may be)
“Dr. Yeung”	Dr. Yeung Sau Shing, Albert

“Emperor International”	Emperor International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the subsidiaries of which are principally engaged in property investment, property development and hospitality, whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 163)
“Emperor International Group”	Emperor International and its subsidiaries from time to time
“Existing Aggregate Rental Expense Annual Cap”	for the purpose of Chapter 14A of the Listing Rules and pursuant to HKFRS 16, the previously obtained annual caps for Variable Lease Payments and other short-term lease payments recognised as expenses of the Group which are determined with reference to the annual maximum amount of Variable Lease Payments and other short-term lease payments payable, to be or expected to be payable by the Group in respect of Tenancy Transactions for each of the respective financial periods during the term under the 2020 MLA
“Existing Aggregate Right-of-Use Assets Annual Cap”	for the purpose of Chapter 14A of the Listing Rules and pursuant to HKFRS 16, the previously obtained annual caps for Fixed Lease Payments which are determined with reference to the annual maximum amount of the total value of right-of-use asset in respect of Tenancy Transactions entered into, to be or expected to be entered into for each of the respective financial periods during the term under the 2020 MLA
“Fixed Lease Payments”	fixed amount of periodic rental/licence fees paid or payable to Emperor International Group by the Group under the Definitive Leasing Agreements
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar, the lawful currency in Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Aggregate Tenancy Annual Caps and the transactions contemplated under the 2024 MLA

“Independent Shareholders”	Shareholders who do not have material interests in the transactions contemplated under the 2024 MLA
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the shares of the Company
“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Tenancy Transaction(s)”	all existing and future tenancy/licence transaction(s) between members of the Group as tenants and the relevant members of Emperor International Group as landlords regarding the leasing of properties as contemplated under the 2020 MLA or the 2024 MLA (as the case may be) and the Definitive Leasing Agreements
“Variable Lease Payments”	variable amount of payments linked to revenue generated from the leased properties paid or payable to Emperor International Group by the Group under the Definitive Leasing Agreements
“%”	per cent.

By order of the Board
Emperor Capital Group Limited
Daisy Yeung
Chairperson

Hong Kong, 8 December 2023

As at the date of this announcement, the Board comprises:

Executive Directors:

Ms. Daisy Yeung
Mr. Wong Chi Fai
Ms. Fan Man Seung, Vanessa

Independent Non-Executive Directors:

Ms. Wan Choi Ha
Mr. Wong Tak Ming, Gary
Mr. Yu King Tin