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英皇證券集團有限公司*
Emperor Capital Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 717)

CONTINUING CONNECTED TRANSACTIONS
2020 MASTER LEASING AGREEMENT

Reference is made to the announcement dated 24 May 2018 in relation to the 2018 MLA. With the upcoming expiration of the 2018 MLA, the Company entered into the 2020 MLA with Emperor International on 3 December 2020 to regulate arrangements for Tenancy Transactions between the parties for a successive term of 3 years from 1 April 2021.

As the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Aggregate Tenancy Annual Caps are more than 0.1% but less than 5%, the Aggregate Tenancy Annual Caps are subject to the announcement, reporting and annual review requirements but exempt from Shareholders' approval under Chapter 14A of the Listing Rules.

2020 MLA

Reference is made to the announcement dated 24 May 2018 in relation to the 2018 MLA entered into between the Company and Emperor International which set out a framework of the terms governing the Tenancy Transactions between the Group and Emperor International Group.

The Group shall continue to lease certain office properties or other properties (including signage or signboard spaces) from Emperor International Group. In light of (1) the amendment to annual caps for the Group under the Listing Rules; and (2) the setting of a successive term of 3 years from 1 April 2021, the Board announces that with the upcoming expiration of the 2018 MLA, the Company and Emperor International entered into the 2020 MLA on 3 December 2020 to recite their agreement regarding the subject matter.

Date

3 December 2020

Term

1 April 2021 – 31 March 2024. 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 2020 MLA shall be automatically renewed for a successive period of 3 years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the 2020 MLA.

Key terms and conditions

The 2020 MLA mainly serves to amend certain definitive terms in light of the changes in the Listing Rules and to state the new term of three years from 1 April 2021.

Relevant members of the Group and relevant members of Emperor International Group may from time to time enter into Definitive Leasing Agreements in relation to any Tenancy Transaction upon, and subject to, the terms and conditions in compliance with the 2020 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 interest 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 thereunder 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, 2020 MLA and 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 transaction amounts

Set out below are the historical amounts of rental / licence fee paid under the Tenancy Transactions between the Group and Emperor International Group:

	For the year ended 30 September		
	2018	2019	2020
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Historical Tenancy Transaction amount	9,256	11,078	10,238

The Existing Tenancy Annual Caps under the 2018 MLA are HK\$18 million for each of the three years ended 30 September 2018, 2019 and 2020, and HK\$9 million for the 6 months ending 31 March 2021 respectively.

Aggregate Tenancy Annual Caps

According to HKFRS 16 Leases which was adopted by the Group effective from 1 October 2019, the Group is required to recognize a right-of-use asset and a lease liability, which are measured at the present value of the Fixed Lease Payments, discounted using the lessee's incremental borrowing rate in the year of entering into the lease where the relevant members of the Group acts as a lessee. Correspondingly, the Company is required to set annual caps for the maximum amount of the total value of right-of-use assets relating to leases to be or expected to be entered into by the relevant members of the Group as a lessee for each of the respective period(s) in each year under the 2020 MLA.

In addition, according to HKFRS 16, the Variable Lease Payments under Tenancy Transactions will be recognized as expenses incurred by the Group. The Company will set the annual caps for Variable Lease Payments and other short-term lease payments recognised as expenses which are determined with reference to the estimated annual maximum amount of Variable Lease Payments and other short-term lease payments payable by the Group in respect of Tenancy Transactions for each of the respective period(s) in each year under the 2020 MLA.

Set out below are the Aggregate Tenancy Annual Caps under the 2020 MLA for each of the respective periods:

	For the 6 months ending 30 September 2021 HK\$ '000	For the year ending 30 September 2022 HK\$ '000		For the 6 months ending 31 March 2024 HK\$ '000
		2023 HK\$ '000		
Aggregate Right-of-Use Annual Cap	10,525	5,000	33,945	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 right-of-use assets relating to leases to be or expected to be entered into by the Group in the respective period(s) of the term under the 2020 MLA; and (ii) the Variable Lease Payments and other short-term lease payments payables by the Group in respect of Tenancy Transactions in the respective period(s) of the term under the 2020 MLA.

The Aggregate Right-of-Use Annual Cap (i.e. aggregates all Tenancy Transactions to be or expected to be entered with Emperor International Group and the right-of-use assets to be recognized regardless of their location and usage) and the Aggregate Rental Expense Annual Cap (i.e. aggregates all short term Tenancy Transactions entered / to be or expected to be entered with Emperor International Group and the Variable Lease Payments to be paid by the Group regardless of their location and usage) 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 in the following areas in Hong Kong and the Mainland China:

Location

Emperor Group Centre, No. 288 Hennessy Road, Wanchai, Hong Kong

No.5 Canal Road East, Causeway Bay, Hong Kong

East Ocean Court, No.525 Shanghai Street, Kowloon, Hong Kong

Emperor Group Centre, D12 Jianwai Dajie, Chaoyang District, Beijing, PRC

There are 6 existing tenancy / lease / licence agreements entered into between members of the Group and relevant members of Emperor International Group regarding the above leased properties. The earliest expiry date of the leases is in March 2021 and the latest one is in March 2023. The monthly rental (excluding management fees and charges) ranges from HK\$2,500 to HK\$373,000 and the size of properties ranges from an outdoor signage space to office premises of 9,323 sq. ft. gross floor area. The duration of the leases are usually 2 to 3 years with the exception of office complex in Emperor Group Centre located in Beijing with market practices of 5 years' lease term;

- (iii) assuming all the above tenancies will be renewed upon expiry and taking into account the possible oncoming adjustment in rental rates;
- (iv) the business development and expansion of the Group and the possibility of entering into new Tenancy Transactions with Emperor International Group under the 2020 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.

REASONS FOR AND BENEFITS OF 2020 MLA

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of a wide range 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 2018 MLA, and shall continue to lease the properties in the future. With the upcoming expiration of the

2018 MLA, entering into the 2020 MLA will continue to govern the Tenancy Transactions between the Group and Emperor International Group, and also serves 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 (including the independent non-executive Directors) consider that the 2020 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 Group 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. Albert 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 2020 MLA constitutes continuing connected transactions of the Company.

Ms. Daisy Yeung, the Managing Director of the Company, 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.

As the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Aggregate Tenancy Annual Caps are more than 0.1% but less than 5%, the Aggregate Tenancy Annual Caps are subject to the announcement, reporting and annual review requirements but exempt from Shareholders' approval of the Company under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2018 MLA”	the master leasing agreement dated 24 May 2018 entered into between the Company and Emperor International
“2020 MLA”	the master leasing agreement dated 3 December 2020 entered into between the Company and Emperor International
“Aggregate Right-of-Use 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 periods during the term under the 2020 MLA
“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 incurred by 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 period(s) during the term under the 2020 MLA
“Aggregate Tenancy Annual Caps”	Aggregate Right-of-Use Annual Cap and Aggregate Rental Expense Annual Cap
“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 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 members 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 2018 MLA and 2020 MLA
“Dr. Albert 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 in Greater China and overseas and 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 Tenancy Annual Caps”	the previously obtained annual caps of the transactions contemplated under the 2018 MLA for each of the three financial years ended 30 September 2018, 2019, 2020 and the 6 months ending 31 March 2021
“Fixed Lease Payments”	fixed amount of periodic rental / licence fees paid or payable to Emperor International Group by the Group under the Definitive Leasing Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“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
“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)
“sq. ft.”	square feet
“Tenancy Transaction(s)”	all existing and future tenancy / licence transactions between members of the Group as tenants and relevant members of Emperor International Group as landlords regarding the leasing of properties as contemplated under the 2018 MLA or 2020 MLA (as the case may be) and the Definitive Leasing Agreements
“Variable Lease Payments”	variable amount of payment 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
Managing Director

Hong Kong, 3 December 2020

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

Executive Directors:

Ms. Daisy Yeung
Ms. Choi Suk Hing, Louisa
Ms. Pearl Chan

Independent Non-Executive Directors:

Mr. Chu Kar Wing
Mr. Poon Yan Wai
Ms. Wan Choi Ha