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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 TRANSACTION
PROVISION OF FINANCIAL SERVICES**

The Board announces that on 12 February 2018 (after trading hours), the Company entered into the Chan Financial Services Agreement with Mr. Chan in relation to the provision of financial services and Loans to Mr. Chan and his associates, and involving payment of commission and fee to Mr. Chan and his associates for his/their acting as placee(s) or underwriter(s) for securities to be issued (if any) by the Company and securities to be underwritten or placed (if any) by the Group for a term commencing from 12 February 2018 to 30 September 2020.

Under Chapter 14A of the Listing Rules, Mr. Chan and his associates are connected persons of the Company. Accordingly, the transactions contemplated under the Chan Financial Services Agreement constitute continuing connected transactions for the Company.

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

* *For identification purpose only*

THE CHAN FINANCIAL SERVICES AGREEMENT

Pursuant to the Chan Financial Services Agreement dated 12 February 2018 entered into between the Company and Mr. Chan, being an executive Director of the Company, the Group has agreed to (i) provide financial services including brokerage service for securities, futures and options trading, as well as wealth management and asset management services to Mr. Chan and his associates; (ii) provide Loans including margin loans, initial public offering loans and term loans to Mr. Chan and his associates; and (iii) pay commission and fee to Mr. Chan and his associates for his/ their acting as placee(s) or underwriter(s) for securities to be issued (if any) by the Company or for securities to be underwritten or placed (if any) by the Group for a term commencing from 12 February 2018 to 30 September 2020.

The provision of financial services and Loans to Mr. Chan and his associates; and the payment of commission and fee to Mr. Chan and his associates for his/their acting as placee(s)/underwriter(s) under the Chan Financial Services Agreement is within the ordinary course of business of the Group. Detailed rates and terms will be specified in the individual contracts of each transaction based on the type of services. The rates and terms (including the payment of commission and fee to Mr. Chan and his associates) will be on normal commercial terms and with reference to the market price and practice, and in any event no more favourable than those available to Independent Third Parties.

In determining the Annual Caps under the Chan Financial Services Agreement, the Directors have categorized the transactions contemplated under the Chan Financial Services Agreement as follows:

- (i) commission, brokerage, fees and interest income to be received from Mr. Chan and his associates;
- (ii) the Loans to be provided to Mr. Chan and his associates; and
- (iii) commission and fee to be paid to Mr. Chan and his associates for his/their acting as placees or underwriters for securities to be issued (if any) by the Company or for securities to be underwritten or placed (if any) by the Group.

HISTORICAL TRANSACTION

For the period from 1 October 2015 to 30 September 2017, there was no historical transaction between the Group and Mr. Chan and his associates. For the period from 1 October 2017 to 31 January 2018, (i) the total commission, brokerage, fees and interest income received from Mr. Chan and his associates amounted to approximately HK\$76,000; (ii) the maximum loan amount advanced by the Group to Mr. Chan and his associates was approximately

HK\$2,549,000; and (iii) Mr. Chan and his associates did not act as placee(s) or underwriter(s) for securities of the Company or for securities underwritten or placed by the Group and hence, no such commission and/or fee was paid to them.

The historical maximum loan amount together with the interest and other incomes from Mr. Chan and his associates were, in aggregate, within the de minimis threshold under Chapter 14A of the Listing Rules and hence were exempt from reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules.

ANNUAL CAPS OF THE CHAN FINANCIAL SERVICES AGREEMENT

Set out below are the Annual Caps for the Chan Financial Services Agreement for each of the years ending 30 September 2018, 2019 and 2020:

	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(i) Commission, brokerage, fees and interest income from Mr. Chan and his associates	11,000	17,000	17,000
(ii) Maximum amount of Loans to Mr. Chan and his associates	40,000	40,000	40,000
(iii) Commission and fee to Mr. Chan and his associates for their services being provided to the Group	<u>800</u>	<u>1,200</u>	<u>1,200</u>
Total	<u>51,800</u>	<u>58,200</u>	<u>58,200</u>

In determining the Annual Caps for the transactions contemplated under the Chan Financial Services Agreement, the following principal factors have been taken into consideration:

- (i) Commission, brokerage, fees and interest income to be received from Mr. Chan and his associates
 - the Annual Cap under this category shall include (i) commission and brokerage fees on dealing in securities, futures and options contracts; (ii) commission income from asset management, insurance brokerage and wealth management; and (iii) interest income from financing;

- the estimated maximum annual income under the Annual Caps from Mr. Chan and his associates is approximately 1.8% to the Group's total commission and brokerage income and interest income from margin, IPO and other financings of the financial year ended 30 September 2017;
- the expected commission, brokerages and fees income to be generated from Mr. Chan and his associates is estimated with reference to their historical trading pattern and assuming that they will be utilizing the maximum amount of Loans to be advanced to them in the financial services by the Group throughout each of the three financial years ending 30 September 2020;
- the expected interest income to be generated from Mr. Chan and his associates assuming the maximum amount of Loans will be advanced to Mr. Chan and his associates throughout each of the three financial years ending 30 September 2020; and
- the Annual Cap is calculated based on the following market rates:
 - (a) the normal market commission and brokerage fees on dealing in securities in Hong Kong range from approximately 0.1% to 0.25% of the transaction amount;
 - (b) management and performance fee from wealth and asset management will be charged at a percentage of the asset value and/or the appreciation of asset value with reference to the then prevailing market price and practice of the wealth and asset managers in the market; and
 - (c) the market interest rate for securities margin financing in Hong Kong ranges from approximately Prime Rate minus 0.5% to Prime Rate plus 5% per annum of the margin loan amount normally; for the IPO loan, the current market interest rate is approximately 2% per annum or below of the IPO loan amount and varies from case to case on each IPO; for the term loan, the current market interest rate ranges from approximately 9% to 39% per annum of the term loan amount normally.

(ii) Maximum amount of Loans to Mr. Chan and his associates

- the maximum amount of Loans to be advanced to Mr. Chan and his associates under the Annual Caps is determined according to their investment need of Mr. Chan and his associates and is approximately 0.60% to the Group's total amount of loan and advances, secured margin loans and IPO loans of the financial year ended 30 September 2017;
- the active promotion of the loan and financing business of the Group in recent years (in particular the second mortgage financing and personal loans) to attract new customers;
- the available cash flow and resources for loans and the amount to be advanced to each individual client will increase as the Group's liquid capital increases as a result of the recent bond issue of the Company; and
- the prevailing investment sentiment of the Hong Kong stock market is high and Hang Seng Index reaches high of over 33,000 points in January 2018. Recent initial public offering market is popular with numerous over-subscription initial public offering cases.

(iii) Commission and fee to Mr. Chan and his associates for their services being provided to the Group

- the Annual Cap under this category shall include commission and fee payable to Mr. Chan and his associates (i) for his/their acting as placee(s) or underwriter(s) for securities to be issued (if any) by the Company; and (ii) for his/their acting as underwriter(s) or placee(s) for securities of other listed companies underwritten or placed (if any) by the Group;
- the increasing opportunities for the Group being the placing agent, underwriter or sub-underwriter for equity and debt securities in view of the recent market sentiment. In addition to acting as underwriters or placees for the securities of other listed companies underwritten or placed by the Group, Mr. Chan and his associates can also participate in the future fund raising activities of the Company (if any) as placees or underwriters, as the Group's fund raising activities have become more active in the recent years; and

- it is envisaged that, when Mr. Chan and his associates act as placee(s) or underwriter(s) for securities to be issued by the Company (if any); and/or securities of other listed companies underwritten or placed by the Group (if any), Mr. Chan and his associates will be acting in the capacity of general investors of the Company and/or the other listed companies, the commission receivable by Mr. Chan and his associates (if any) will be on normal commercial terms offered to other securities investors of the Group and in ordinary and usual course of business of the Group.

REASONS FOR THE CHAN FINANCIAL SERVICES AGREEMENTS

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

Over the years, the Group has successfully transformed from a local brokerage house to an integrated one-stop financial institution. The Chan Financial Services Agreement covers a wide range of financial services which will enable Mr. Chan and his associates to meet their investment or financial needs.

The Directors considered that the Chan Financial Services Agreement allows controllable flexibility to provide financial services and Loans to Mr. Chan and his associates. The Annual Caps and the scope of services under the Chan Financial Services Agreement allow Mr. Chan and his associates to participate in the securities market and/or investment opportunities in a timely manner and at the same time contribute to the Group's revenue. The Directors (including the independent non-executive Directors but excluding Mr. Chan) considered that the Chan Financial Services Agreement is on normal commercial terms, in the ordinary course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Under Chapter 14A of the Listing Rules, Mr. Chan and his associates are connected persons of the Company. Accordingly, the transactions contemplated under the Chan Financial Services Agreement constitute continuing connected transactions for the Company.

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

Mr. Chan, being an executive Director, has material interest in the Chan Financial Services Agreement and did abstain from voting on the Board resolution for approving the Chan Financial Services Agreement.

TERMS USED IN THIS ANNOUNCEMENT

“Annual Cap(s)”	the annual cap(s) for the transactions contemplated under the Chan Financial Services Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board” or “Director(s)”	director(s) of the Company
“Chan Financial Services Agreement”	an agreement dated 12 February 2018 entered into between the Company and Mr. Chan in relation to the financial services between the Group and Mr. Chan and his associates
“Company”	Emperor Capital Group Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the People Republic of China
“Independent Third Parties”	independent third parties who are not connected persons of the Company as defined in the Listing Rules and are independent of the Company and the connected persons of the Company

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	revolving margin loan facilities, term loans (such as personal loans and mortgage loans) and initial public offering financing provided by the Group to Mr. Chan and his associates from time to time
“Mr. Chan”	Mr. Chan Shek Wah, an executive Director
“Prime Rate”	prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
Emperor Capital Group Limited
Daisy Yeung
Managing Director

Hong Kong, 12 February 2018

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

Executive Directors:

Ms. Daisy Yeung
Mr. Chan Shek Wah
Ms. Choi Suk Hing, Louisa
Ms. Pearl Chan

Independent Non-Executive Directors:

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