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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

PROVISION OF FINANCIAL SERVICES

The term of the Previous Yeung Financial Services Agreement and Previous Emperor Group Financial Services Agreement both dated 26 March 2010 will expire on 30 September 2012. Pursuant to the Previous Financial Services Agreements, the Group provides financial services to the Yeung Family and the Emperor Group in accordance with the terms and conditions thereof for the period from 1 April 2010 to 30 September 2012. In order for the Group to continue to provide similar financial services to the Yeung Family and the Emperor Group, the Company entered into (i) the 2012 Yeung Financial Services Agreement; and (ii) the 2012 Emperor Group Financial Services Agreement with the relevant parties on 28 September 2012.

The Yeung Family and the Emperor Group are connected persons of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the 2012 Yeung Financial Services Agreement and the 2012 Emperor Group Financial Services Agreement constitute continuing connected transactions of the Company.

The applicable percentage ratios calculated with reference to both Yeung Proposed Annual Caps and Emperor Group Proposed Annual Caps exceed 5%, and the annual amount exceeds HK\$10 million. Accordingly, the 2012 Yeung Financial Services Agreement, the 2012 Emperor Group Financial Services Agreement, the Yeung Proposed Annual Caps and the Emperor Group Proposed Annual Caps are subject to reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

* *for identification purpose only*

A circular containing, amongst others, the details of the 2012 Yeung Financial Services Agreement, the 2012 Emperor Group Financial Services Agreement, the Yeung Proposed Annual Caps and the Emperor Group Proposed Annual Caps, a letter of advice from the independent financial adviser, a letter of recommendation from the Independent Board Committee together with a notice convening the SGM will be dispatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

BACKGROUND

The term of the Previous Financial Services Agreements dated 26 March 2010 will expire on 30 September 2012. Pursuant to the Previous Financial Services Agreements, the Group provides financial services to the Yeung Family and the Emperor Group in accordance with the terms and conditions thereof for the period from 1 April 2010 to 30 September 2012. In order for the Group to continue to provide similar financial services to the Yeung Family and the Emperor Group, the Company entered into (i) the 2012 Yeung Financial Services Agreement; and (ii) the 2012 Emperor Group Financial Services Agreement with the relevant parties on 28 September 2012.

THE 2012 YEUNG FINANCIAL SERVICES AGREEMENT

Pursuant to the 2012 Yeung Financial Services Agreement dated 28 September 2012 entered into between the Company and Ms. Daisy Yeung, the Group has agreed to provide to the members of the Yeung Family (i) financial services including brokerage services for securities, futures and options trading; (ii) margin loans; (iii) IPO loans; (iv) term loans; and (v) financial advisory services, from time to time on normal commercial terms and at rates no more favourable than those available to other Independent Third Parties commencing from 1 October 2012 up to 30 September 2015. Items (i) – (v) are collectively referred to as the “Yeung Financial Services”. Under the 2012 Yeung Financial Services Agreement, the Group has also agreed to pay commission and fee to the Yeung Family for their acting as places for the securities underwritten or placed by 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 will be on normal commercial terms and in accordance with the market price and practice, and in any event no more favourable than those available to Independent Third Party. The provision of the Yeung Financial Services and the payment of commission to Yeung Family are within the ordinary course of business of the Group.

In determining the annual caps under the 2012 Yeung Financial Services Agreement, the Directors have categorized the transactions under the 2012 Yeung Financial Services Agreement into six types:

- (i) commission, brokerage and interest income to be received from the Yeung Family for the Group’s provision of the Yeung Financial Services;
- (ii) margin loans to be provided to the Yeung Family;

- (iii) IPO loans to be provided to the Yeung Family;
- (iv) term loans to be provided to the Yeung Family;
- (v) financial advisory services to be provided to the Yeung Family (including general corporate financial advice such as corporate governance issues, shareholders dealings in shares, corporate investment and advice on Listing Rules or Takeovers Code); and
- (vi) commission and fee to be paid to the Yeung Family for their acting as places for securities underwritten or placed by the Group.

Yeung Previous Annual Caps

Set out below are the Yeung Previous Annual Caps obtained for the Previous Yeung Financial Services Agreement:

	Yeung Previous Annual Caps For the financial year ended 30 September		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Commission and brokerage on dealing in securities, futures and options trading and interest income from the Yeung Family	10,500	10,500	10,500
(ii) Maximum margin loan amount to the Yeung Family	40,000	40,000	40,000
(iii) Maximum IPO loan amount to the Yeung Family	250,000	250,000	250,000
(iv) Commission and fee payment to the Yeung Family	500	500	500
Total	<u><u>301,000</u></u>	<u><u>301,000</u></u>	<u><u>301,000</u></u>

Historical transactions amounts

Set out below are the historical transaction amounts between the Yeung Family and the Group for the Period.

	For the year ended 30 September		For the eleven months ended 31 August
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Commission and brokerage on dealing in securities, futures and options trading and interest income from the Yeung Family	4,414	7,769	5,008
(ii) Maximum margin loan amount to the Yeung Family	22,369	29,888	31,892
(iii) Maximum IPO loan amount to the Yeung Family	117,325	81,278	540
(iv) Commission and fee payment to the Yeung Family	nil	311	189

During the Period, no term loan was granted to any members of the Yeung Family and the Group received financial advisory fee, in aggregate, amount to HK\$600,000 for financial advisory services provided to the Yeung Family.

Yeung Proposed Annual Caps

Set out below are the Yeung Proposed Annual Caps for the 2012 Yeung Financial Services Agreement:

	Yeung Proposed Annual Caps For the financial year ending 30 September		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Commission and brokerage on dealing in securities, futures and options trading and interest income from the Yeung Family	25,000	25,000	25,000
(ii) Maximum margin loan amount to the Yeung Family	110,000	110,000	110,000
(iii) Maximum IPO loan amount to the Yeung Family	200,000	200,000	200,000
(iv) Maximum term loan amount to the Yeung Family	150,000	150,000	150,000
(v) Financial advisory fee from the Yeung Family	2,500	2,500	2,500
(vi) Commission and fee payment to the Yeung Family	500	500	500
Total	<u>488,000</u>	<u>488,000</u>	<u>488,000</u>

In determining the Yeung Proposed Annual Caps for the transactions contemplated under the 2012 Yeung Financial Services Agreement, the following principal factors have been taken into consideration:

- (i) Commission and interest income from the Yeung Family
 - the Group's turnover in relation to commission and brokerage income from dealings in securities, futures and options and interest income from margin, IPO and other financings has increased since the time when the Yeung Previous Annual Caps were determined; and

- the expected increase in interest income due to the proposed increase in the maximum amount of margin loans and IPO loans and the addition of term loan to be advanced to the Yeung Family for the three financial years ending 30 September 2015.
- (ii) Maximum margin loan amount to the Yeung Family
- the substantial growth of the Group’s interests income from margin loans during the Period reflecting the fact that the margin loan amount advanced during the Period has substantially increased;
 - the highest amount of margin loans advanced to the Yeung Family during the Period and the growth in the margin amount advanced to the Yeung Family in each year; and
 - the highest amount of margin loan advanced to individual Independent Third Parties during the Period.
- (iii) IPO financing to the Yeung Family
- it is expected that the amount of IPO financing to the Yeung Family will be reduced for the three years ending 30 September 2015 as the trading activities of the members of Yeung Family in the IPO market have been decreased throughout the Period.
- (iv) Maximum term loan amount to the Yeung Family
- the active expansion of the loan and financing business of the Group in year 2012 (including expanding into the second mortgage financing) and the Group’s active promotion of its money lending business to attract new customers; and
 - the highest amount of term loan advanced to individual Independent Third Parties during the Period.
- (v) Financial advisory fee from the Yeung Family
- Historically, the Group has provided corporate financial advisory services to members of the Yeung Family in relation to their investment projects, acquisition of listed shares under the Takeovers Code, and acting as the sponsor for the listing of some of the members under the Emperor Group. In view of the increasing trend in the financial advisory fee as reference to the market, the Company includes this new item to the 2012 Yeung Financial Services Agreement and the Yeung Proposed Annual Caps.

(vi) Commission and fee payment payable to the Yeung Family

- the annual amount for the year ending 30 September 2012 under the Yeung Previous Annual Caps will remain applicable, and it is expected that the same amount will be sufficient for each of the three years ending 30 September 2015 as the placing/underwriting activities of the members of Yeung Family were not active during the Period.

2012 EMPEROR GROUP FINANCIAL SERVICES AGREEMENT

Pursuant to the 2012 Emperor Group Financial Services Agreement dated 28 September 2012 entered into between the Company and AY Holdings, the Group has agreed to provide to the listed members of the Emperor Group (i) financial services including brokerage services for securities, futures and options trading and act as placing agent, underwriter or sub-underwriter for the listed members of the Emperor Group; (ii) margin loans; (iii) IPO loans; (iv) term loans, and (v) financial advisory services, from time to time from 1 October 2012 up to 30 September 2015. Items (i) – (v) are collectively referred to as the “Emperor Group Financial Services”. Detailed rates and terms will be specified in the individual contracts of each transaction based on the type of services. The rates and terms will be on normal commercial terms in accordance with the market price and practice, and in any event no more favourable than those available to Independent Third Party. The provision of the Emperor Group Financial Services to Emperor Group is in the ordinary course of business of the Group.

In determining the annual caps under the 2012 Emperor Group Financial Services Agreement, the Directors have categorized the transactions under the 2012 Emperor Group Financial Services Agreement into five types:

- (i) commission, brokerage and interest income to be received from the Emperor Group for the Group’s provision of the Emperor Group Financial Services;
- (ii) margin loans to be provided to the listed members of the Emperor Group;
- (iii) IPO loans to be provided to the listed members of the Emperor Group;
- (iv) term loans to be provided to the listed members of the Emperor Group; and
- (v) financial advisory services to be provided to the listed members of the Emperor Group (including general corporate financial services such as advice on Listing Rules or Takeovers Code on corporate exercises).

Emperor Group Previous Annual Caps

Set out below are the Emperor Group Previous Annual Caps obtained for the Previous Emperor Group Financial Services Agreement:

	Emperor Group Previous Annual Caps For the financial year ended 30 September		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Commission and brokerage on dealing in securities, futures and options trading and interest income from the Emperor Group	8,000	9,000	10,000
(ii) Maximum margin loan amount to the Emperor Group	1,600	1,600	1,600
(iii) Maximum IPO loan amount to the Emperor Group	2,500	2,500	2,500
Total	<u>12,100</u>	<u>13,100</u>	<u>14,100</u>

Historical transactions amounts

Set out below are the historical transaction amounts between the Emperor Group and the Group for the Period:

	For the year ended 30 September		For the eleven months ended
	2010	2011	31 August 2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Commission and brokerage on dealing in securities, futures and options trading and interest income from the Emperor Group	3,955	25	50
(ii) Maximum margin loan amount to the Emperor Group	nil	nil	nil
(iii) Maximum IPO loan amount to the Emperor Group	nil	nil	nil

During the Period, no term loan was granted to any listed members under the Emperor Group.

As at the date of this announcement, there are five listed companies under the Emperor Group. Historically, the Group provided corporate financial advisory services to individual listed members of the Emperor Group, and the amount of fee received from each listed company is less than HK\$1,000,000 for each of the financial years.

Emperor Group Proposed Annual Caps

Set out below are the Emperor Group Proposed Annual Caps for the 2012 Emperor Group Financial Services Agreement:

	Emperor Group Proposed Annual Caps For the financial year ending 30 September		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Commission and brokerage on dealing in securities, futures and options trading and interest income from the listed members of the Emperor Group	30,000	30,000	30,000
(ii) Maximum margin loan amount to the listed members of the Emperor Group	110,000	110,000	110,000
(iii) Maximum IPO loan amount to the listed members of the Emperor Group	2,500	2,500	2,500
(iv) Maximum term loan amount to the listed members of the Emperor Group	150,000	150,000	150,000
(v) Financial advisory fee from the listed members of the Emperor Group	8,000	8,000	8,000
Total	<u>300,500</u>	<u>300,500</u>	<u>300,500</u>

In determining the Emperor Group Proposed Annual Caps for the transactions contemplated under the 2012 Emperor Group Financial Services Agreement, the following principal factors have been taken into consideration:

- (i) Commission and interest income from the listed members under the Emperor Group
 - the Group has been acting as placing agents/underwriters for the listed companies of the Emperor Group and the amount of commission income for placing, underwriting and sub-underwriting services to be provided to the Emperor Group is expected to increase as the amount of fund raise is expected to increase in view of the market capitalization of the listed companies under the Emperor Group;
 - the substantial increase in the market capitalization of the listed companies under the Emperor Group during the Period; and
 - the expected increase in interest income due to the proposed increase in the maximum amount of margin loans and the addition of term loan to be advanced to the Emperor Group for the three financial years ending 30 September 2015.
- (ii) Maximum margin loan amount to the listed members under the Emperor Group
 - the substantial growth of the Group's interests income from margin loans during the Period reflecting the fact that the margin loan amount advanced during the Period has substantially increased;
 - the provision of margin financing by the Group to support possible business expansion of the listed companies under the Emperor Group, which may include investment in other listed shares in Hong Kong; and
 - the highest amount of margin loan amount advanced to individual Independent Third Parties during the Period.
- (iii) IPO financing to the listed members under the Emperor Group
 - the annual amount for the year ending 30 September 2012 under the Emperor Group Previous Annual Caps will remain applicable and it is expected that the same amount will be sufficient for each of the three years ending 30 September 2015 as the trading activities of the Emperor Group in the IPO market were not active during the Period.

- (iv) Maximum term loan amount to the listed members under the Emperor Group
 - the active expansion of the loan and financing business of the Group in year 2012 (including expanding into the second mortgage financing);
 - the Group can provide term loan to listed companies under the Emperor Group as investment funding for expansion of their businesses; and
 - the highest amount of term loan advanced to individual Independent Third Parties during the Period.

- (v) Financial advisory fee from the listed members under the Emperor Group
 - the historical amount of advisory fee received from the listed members under the Emperor Group for various fund raising activities and corporate exercises during the Period;
 - the increase in financial advisory fee as reference to the market.

REASONS FOR THE PROPOSED FINANCIAL SERVICES AGREEMENTS

The principal business activity of the Company is investment holding and its subsidiaries are principally engaging in the provision of financial services in Hong Kong, including (i) brokerage services for securities, futures and options traded on the exchanges in Hong Kong, the United States, Japan and the United Kingdom, as well as wealth management and asset management services; (ii) provision of margin and IPO financings as well as loans and advances such as personal money lending and second mortgage loan; (iii) placing and underwriting services; and (iv) corporate finance advisory.

In August 2011, the Company has completed a rights issue and net proceeds of HK\$578 million were raised. The Group has been actively seeking new business opportunities. The Directors considered that with the gradual stabilization of the financial markets, the entering into of the 2012 Yeung Financial Services Agreement and the 2012 Emperor Group Financial Services Agreement allow the flexibility of the Group to continue to provide the financial services to the Yeung Family and the Emperor Group which is in line with the dedication of the Group in expanding its business. The increase in the cap amount under the Yeung Proposed Annual Caps and the Emperor Group Proposed Annual Caps allows the Group to participate in the corporate exercise and/or the investment opportunities of its clients in a timely manner which is beneficial to the Group's revenue. The Directors considered that the 2012 Yeung Financial Services Agreement and the 2012 Emperor Group Financial Services Agreement are on normal commercial terms, in the ordinary course of business of the Group, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Ms. Daisy Yeung is the managing director of the Company and other members of the Yeung Family are defined as her associates under the Listing Rules. As such, the transactions contemplated under the 2012 Yeung Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The applicable percentage ratios calculated with reference to the Yeung Annual Caps exceed 5%, and the annual amount exceeds HK\$10 million. Accordingly, the 2012 Yeung Financial Services Agreement and the Yeung Proposed Annual Caps are subject to reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

The Company is owned as to approximately 63.92% indirectly by AY Holdings. As such, the Emperor Group is defined as connected person under 14A of the Listing Rules. AY Holdings is an investment holding company and incorporated in the British Virgin Islands, and AY Holdings is legally wholly-owned by STC International Limited acting as the trustee of The Albert Yeung Discretionary Trust, a discretionary trust set up by Dr. Albert Yeung, a deemed substantial shareholder of the Company.

The applicable percentage ratios calculated with reference to the 2012 Emperor Group Annual Caps exceed 5%, and the annual amount exceeds HK\$10 million. Accordingly, the 2012 Emperor Group Financial Services Agreement and the Emperor Group Proposed Annual Caps are subject to reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

A circular containing, amongst others, the details of the 2012 Yeung Financial Services Agreement, the 2012 Emperor Group Financial Services Agreement, the Yeung Proposed Annual Caps and the Emperor Group Proposed Annual Caps, a letter of advice from the independent financial adviser, a letter of recommendation from the Independent Board Committee, together with a notice convening the SGM will be dispatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

“associate”	has the meaning ascribe thereto under the Listing Rules
“AY Holdings”	Albert Yeung Holdings Limited (formerly known as Million Way Holdings Limited), an investment holding company incorporated in the British Virgin Islands on 7 December 2007
“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
“Director(s)”	director(s) of the Company
“Dr. Albert Yeung”	Dr. Yeung Sau Shing, Albert
“Emperor Group”	AY Holdings, its subsidiaries and associates (which includes but not limited to Emperor International Holdings Limited, its subsidiaries and its associates)
“Emperor Group Proposed Annual Caps”	The annual caps for the transactions contemplated under the 2012 Emperor Group Financial Services Agreement for each of the three years ending 30 September 2015
“Emperor Group Previous Annual Caps”	the previously obtained annual caps of the transactions contemplated under the Previous Emperor Group Financial Services Agreement for the three years ending 30 September 2012
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People Republic of China
“Independent Shareholders”	Shareholders other than Ms. Daisy Yeung, AY Holdings and their respective associates
“Independent Board Committee”	the independent committee of the Board formed to advise the Independent Shareholders in respect of the 2012 Yeung Financial Services Agreement, the Yeung Proposed Annual Caps, the 2012 Emperor Group Financial Services Agreement and the Emperor Group Proposed Annual Caps
“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
“IPO”	initial public offering
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange

“Period”	two years ended 30 September 2011 and the eleven months ended 31 August 2012
“Previous Emperor Group Financial Services Agreement”	An agreement date 26 March 2010 entered into between the Company and Emperor International Holdings Limited in relation to the financial services provided by the Group to the Emperor Group
“Previous Financial Services Agreements ”	Previous Yeung Financial Services Agreement and Previous Emperor Group Financial Services Agreement
“Previous Yeung Financial Services Agreement”	An agreement date 26 March 2010 entered into between the Company and Ms. Daisy Yeung in relation to the financial services provided by the Group to the Yeung Family
“SGM”	the special general meeting of the Company to be convened to consider and approve, if thought fit, the 2012 Yeung Financial Services Agreement, the Yeung Proposed Annual Caps, the 2012 Emperor Group Financial Services Agreement and the Emperor Group Proposed Annual Caps
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Takeovers Code”	The Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yeung Family”	Ms. Daisy Yeung, the managing director of the Company, and her associates
“Yeung Previous Annual Caps”	the previously obtained annual caps of the transactions contemplated under the previous Yeung Financial Services Agreement for the three years ending 30 September 2012
“Yeung Proposed Annual Caps”	the annual caps for the transactions contemplated under the 2012 Yeung Financial Services Agreement for each of the three years ending 30 September 2015

“2012 Emperor Group Financial Services Agreement”	an agreement dated 28 September 2012 entered into between the Company and AY Holdings in relation to the financial services to be provided by the Group to the Emperor Group
“2012 Yeung Financial Services Agreement”	an agreement dated 28 September 2012 entered into between the Company and Ms. Daisy Yeung in relation to the financial services to be provided by the Group to the Yeung Family
“HK\$”	Hong Kong dollars

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

Hong Kong, 28 September 2012

As at the date of this announcement, the board of Directors comprises:

Executive Directors:

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

Independent Non-Executive Directors:

Mr. Kwok Chi Sun, Vincent
Mr. Cheng Wing Keung, Raymond
Mr. Chu Kar Wing