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英皇文化產業集團有限公司
Emperor Culture Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 491)

MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF ENTIRE EQUITY INTEREST
IN TALE SUCCUSS AND SALE LOAN

On 31 January 2022 (after trading hours), the Vendor and the Purchaser entered into the Sale and Purchase Agreements, pursuant to which, the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the entire equity interest in the Target Company and the loan due from the Target Company to the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreements.

The Acquisition constitutes a major and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules and is subject to announcement, Independent Shareholders' approval and reporting requirements under the Listing Rules.

INTRODUCTION

The Board announces that, on 31 January 2022 (after trading hours), the Vendor and the Purchaser entered into the Sale and Purchase Agreements as follows:

SALE AND PURCHASE AGREEMENTS DATED 31 JANUARY 2022

Vendor: Emperor Motion Picture Enterprise

Purchaser: Emperor Cinemas (China)

Assets to be acquired of

- (i) the Sale Shares; and
- (ii) the Sale Loan.

Consideration and payment terms

The consideration payable by the Purchaser to the Vendor for the acquisition of the Sale Shares and the Sale Loan shall be HK\$3.0 and HK\$1.0 respectively, implying an aggregate consideration of HK\$4.0, shall be payable by the Purchaser to the Vendor upon Completion.

The consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to the unaudited combined net liabilities of the Target Group of approximately HK\$532.1 million and the Sale Loan of approximately HK\$322.0 million as at 30 September 2021. The Directors (save for the independent non-executive Directors whose views shall be set out in the circular to be despatched) considered that the transactions under the Sale and Purchase Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent of the Sale Shares SPA

Completion for the acquisition of the Sale Shares shall be conditional upon the following conditions precedent:

- (a) the Vendor being the sole legal and beneficial owner of the Sale Shares free from all Encumbrances and having the capacity and power to sell and assign the Sale Shares to the Purchaser free from all Encumbrances at Completion;
- (b) the Purchaser having completed its due diligence investigation on the business, financial, legal and other aspects of the Target Group and reasonably satisfied with the result thereof;
- (c) the transaction contemplated under the Sale Shares SPA having been approved by the Independent Shareholders at the SGM;
- (d) the Vendor's representations, warranties and undertaking under the Sale Shares SPA being true and accurate in all material aspects and no materially misleading as if the Vendor had given them at Completion by reference to the facts and circumstances then existing as at Completion; and
- (e) any consents or conditions from any relevant parties as reasonably required by the Purchaser having been obtained and have not been revoked.

If any of the foregoing conditions is not fulfilled (or waived by the Purchaser in writing, except condition (c) above which cannot be waived) in accordance with the Sale Shares SPA within nine months from the date of the Sale Shares SPA, either party shall be entitled to terminate the Sale Shares SPA by giving at least five Business Days' prior notice in writing to the other party and the Sale Shares SPA shall be terminated upon expiry of such notice and cease to have further effect thereafter.

Conditions precedent of the Sale Loan SPA

Completion for the assignment of the Sale Loan shall be conditional upon the following conditions precedent:

- (a) the Vendor being the sole legal and beneficial owner of the Sale Loan free from all Encumbrances and having the capacity and power to sell and assign the Sale Loan to the Purchaser free from all Encumbrances at Completion;
- (b) the transaction contemplated under Sale Loan SPA having been approved by the Independent Shareholders at the SGM; and
- (c) the sale and purchase of the Sale Shares having been completed in accordance with the terms and conditions of the Sale Shares SPA.

If any of the foregoing conditions is not fulfilled (or waived by the Purchaser in writing, except condition (b) and (c) which cannot be waived) in accordance with the Sale Loan SPA, within nine months from the date of the Sale Loan SPA, either party shall be entitled to terminate the Sale Loan SPA by giving at least five Business Days' prior notice in writing to the other party and the Sale Loan SPA shall be terminated upon expiry of such notice and cease to have further effect thereafter.

Completion

Subject to the fulfilment of all the above conditions precedent (or waived by the Purchaser), Completion shall take place at or before 12:00 noon on the Completion Date at the place mutually agreed by the Vendor and the Purchaser or at such time or other place as may be agreed by the Vendor and the Purchaser in writing pursuant to the Sale and Purchase Agreements.

If the Sale and Purchase Agreements are terminated due to unfulfillment of any conditions precedent, neither party shall have any claim against the other party save and except for any antecedent breach.

INFORMATION OF THE VENDOR

The Vendor is an investment holding company incorporated in Hong Kong and is indirectly controlled by the Company's substantial shareholder, namely Albert Yeung Entertainment Holdings Limited (the "Controlling Shareholder").

After Completion, save for the Group, the Vendor, together with the other companies controlled by the Controlling Shareholder will cease to be engaged in cinema operation.

INFORMATION OF THE COMPANY AND THE PURCHASER

The Company is an investment holding company and its subsidiaries are principally engaged in entertainment, media and cultural development businesses which include (i) cinema operation; and (ii) investment in films and a variety of cultural events.

The Purchaser is an indirect wholly-owned subsidiary of the Company with principal business of investment holding.

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in the BVI and a direct wholly-owned subsidiary of the Vendor. The Target Group is principally engaged in cinema operation, which covers one cinema in Hong Kong and eight cinemas in mainland China spanning six cities including Shanghai, Shenzhen, Chengdu, Foshan, Zhuhai and Hefei.

For the purpose of this announcement, the unaudited combined financial information of the Target Group for the two years ended 30 June 2020 and 2021, assuming the group structure of the Target Group had been in existence at those dates, is set out below:

	For the year ended 30 June 2020 (unaudited) HK\$'000	For the year ended 30 June 2021 (unaudited) HK\$'000
Revenue	99,501	97,779
Net loss before taxation <i>(Note)</i>	(228,090)	(56,694)
Net loss after taxation <i>(Note)</i>	(228,090)	(56,694)

Note: Due to the outbreak of Covid-19 pandemic (“Pandemic”) since early 2020, the Group had made an impairment of the property, plant and equipment and the right-of-use assets in aggregate of HK\$171.2 million and HK\$25.6 million for the two financial years ended 30 June 2020 and 2021 respectively. For illustration purpose, the adjusted net loss before (or after) taxation for the two financial years ended 30 June 2020 and 2021 would be HK\$56.9 million and HK\$31.1 million respectively, excluding these impairment losses.

The unaudited combined total asset value and net liabilities of the Target Group as at 30 September 2021 were approximately HK\$255.0 million and HK\$532.1 million respectively.

REASONS AND BENEFIT FOR THE ACQUISITION

The Group has always been exploring opportunities to expand its cinema network, especially within the Greater China region. The Acquisition is in line with the overall business development strategy of the Group. Upon Completion, the coverage of the Group’s film exhibition network will be further expanded into the central business district in Hong Kong, and tier-1 and tier-2 cities in the mainland China, which will cement the Group’s position in the film exhibition industry.

The cinemas under the Target Group are currently operated with the brand “*Emperor*” which will be unified under the Group upon Completion. From the operational perspective, it will enable the Group to master the entire cinema network with the brand “*Emperor*” by achieving better resources allocation, enjoying economic of scale and implementing integrated marketing strategy. From the investment perspective, it will enable existing Shareholders and potential investors to better assess the investment values of the Group by understanding the layout and performance of the entire cinema operation under the Group.

The Directors have considered that (i) China has been the world's largest box office market for the second consecutive years since 2020, indicating a rapid recovery of China's film exhibition industry; (ii) riding on the continuous expansion of the middle-income group in China, there will have further impetus for the growth of entertainment and leisure demand; (iii) the suppressed desire for leisure and pent-up demand will be released if the Pandemic is well contained; (iv) the upcoming release of blockbuster movies; and (v) the overall strength of and synergies with other entertainment companies under the parent company of the Group, and therefore regarded the Acquisition at a nominal value a precious acquisition opportunity.

With the good progress on the implementation of vaccination programme and effective precautionary measures in both Hong Kong and mainland China, the management of the Group remains positive towards the outlook of film exhibition market in the long-run and is confident to seize the opportunities to be brought by the industry revival when the leisure life returns to normal, after taking into consideration the recent sporadic outbreak of coronavirus variant in Hong Kong and mainland China, as well as the loss making situation of the Target Group and the operating companies under the Target Group during the Pandemic.

The Directors (save and except that the views of the independent non-executive Directors representing the Independent Board Committee with regard to the Sale and Purchase Agreements and the transactions contemplated thereunder shall be set out in the circular) considers that the terms and conditions for the Acquisition are on normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Purchaser is an indirect wholly-owned subsidiary of the Company. The Vendor is the wholly-owned subsidiary of the Controlling Shareholder. As such, under Chapter 14A of the Listing Rules, the Vendor is a connected person of the Company and accordingly, the Acquisition constitutes a connected transaction for the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% but all of them are less than 100%, the Acquisition constitutes a major and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules and is subject to announcement, Independent Shareholders' approval and reporting requirement under the Listing Rules.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreements and the transactions contemplated thereunder and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, also involved in the management of the Vendor's group companies. For prudent sake, they did abstain from voting on the relevant board resolution(s) of the Company to approve the Acquisition.

Mr. Yeung Ching Loong, Alexander, an executive Director, did abstain from voting on the relevant board resolution(s) of the Company in view of his deemed interest in the Acquisition by virtue of being one of the eligible beneficiaries of the private discretionary trust which indirectly controls the Vendor.

Save as disclosed above, none of the other Directors was required to abstain from voting on the board resolution(s) to approve the Acquisition.

GENERAL

A circular containing, amongst other, (i) further details of the Acquisition; (ii) the financial information of the Target Group; (iii) a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition; (iv) the unaudited pro forma financial information of the Group upon Completion; (v) financial information of the Group; (vi) other information as required under the Listing Rules; and (vii) a notice of the SGM will be despatched to the Shareholders. In view of the intervening Chinese New Year Holiday and to allow sufficient time to prepare the necessary information for inclusion in the circular, it is expected that the circular will be despatched to the Shareholders on or before 25 March 2022.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Purchaser under the Sale and Purchase Agreements
“Board” or “Director(s)”	board of directors of the Company
“Business Day(s)”	a day other than a Saturday, Sunday or public holiday (or a day on which a tropical cyclone No.8 or above or a "black" rainstorm warning is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. on weekdays) on which banks are open in Hong Kong to the general public for business
“BVI”	the British Virgin Islands
“Company”	Emperor Culture Group Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreements
“Completion Date”	the date on which the Completion takes place which shall be within five Business Days (or such other day as mutually agreed by the Vendor and the Purchaser) following satisfaction (or where permitted, waived) of all conditions precedent to Completion pursuant to the Sale and Purchase Agreements
“connected person(s)”	has the same meaning as ascribed to it in the Listing Rules
“Emperor Cinemas (China)” or “Purchaser”	Emperor Cinemas (China) Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Company

“Emperor Motion Picture Enterprise” or “Vendor”	Emperor Motion Picture Enterprise Limited, a company incorporated in Hong Kong with limited liability
“Encumbrance”	mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect and any agreement or obligation to create or grant any of the aforesaid
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board comprising of all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	the Shareholders who do not have material interest in the transactions contemplated under the Sale and Purchase Agreements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Sale Loan”	all the loans and sums owing by the Target Company to the Vendor as at the Completion Date
“Sale Loan SPA”	the sale and purchase agreement dated 31 January 2022 entered into between the Vendor and the Purchaser in relation to the acquisition of the Sale Loan
“Sale Shares”	two issued ordinary shares of US\$1.0 each in the Target Company being the entire issued shares in the Target Company
“Sale Shares SPA”	the sale and purchase agreement dated 31 January 2022 entered into between the Vendor and the Purchaser in relation to the acquisition of the Sale Shares
“Sale and Purchase Agreements”	collectively, the Sale Shares SPA and the Sale Loan SPA

“SGM”	a special general meeting (or an adjournment thereof) of the Company to be convened to consider and, if think fit, to approve, among other things, the Sale and Purchase Agreements and the transactions contemplated thereunder
“Shareholders”	holder(s) of the ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tale Success” or “Target Company”	Tale Success Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Vendor
“Target Group”	Target Company, its subsidiaries and its investments
“US\$”	United States dollar, the lawful currency of United States of America
“%”	per cent

By order of the Board
Emperor Culture Group Limited
Fan Man Seung, Vanessa
Chairperson

Hong Kong, 31 January 2022

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

Executive Directors: Ms. Fan Man Seung, Vanessa
Mr. Wong Chi Fai
Mr. Yeung Ching Loong, Alexander
Ms. Shirley Percy Hughes

Independent Non-executive Directors: Ms. Chan Sim Ling, Irene
Mr. Ho Tat Kuen
Ms. Tam Sau Ying