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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)

CONTINUING CONNECTED TRANSACTIONS
MASTER FRAMEWORK AGREEMENT

On 15 July 2022, the Company as lessee, entered into the Master Framework Agreement with the Lessor, whereby any member(s) of the Group may, from time to time, enter into Definitive Agreement(s) in relation to any Tenancy and Licensing Transactions with any member(s) of the Lessor Group for the business development and the expansion of the cinema network of the Group. The Board shall seek approval from the Independent Shareholders at the SGM on the Aggregate Annual Caps.

As the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Aggregate Annual Caps are more than 5% and exceed HK\$10,000,000, the Aggregate 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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THE MASTER FRAMEWORK AGREEMENT

Date

15 July 2022

Parties

- (1) the Lessee; and
- (2) the Lessor

Term

15 July 2022 to 30 June 2025.

General terms of the Master Framework Agreement

Relevant member(s) of the Group and the relevant member(s) of the Lessor Group may from time to time enter into the Definitive Agreement(s) in relation to any Tenancy and Licensing Transactions upon, and subject to, the terms and conditions in compliance with the Master Framework Agreement, provided that:

- (a) all the Tenancy and Licensing Transactions shall be conducted in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole;
- (b) the terms of each Definitive Agreement shall be on normal commercial terms, fair and reasonable or on terms which are no less favourable to the Group than terms offered by independent third parties;
- (c) the terms of the Tenancy and Licensing Transactions shall be arrived at after arm's length negotiation and the terms, rental and licence fees under the respective Definitive Agreements shall be determined based on the condition of the properties with reference to the then prevailing market rents or licence fee on properties comparable in location, area and permitted use;
- (d) all the Tenancy and Licensing Transactions shall be concluded in compliance with all applicable provisions of the Listing Rules, the applicable laws, the Master Framework Agreement and relevant Definitive Agreements; and
- (e) the members of the Group have full discretion to accept or decline the offer made by the Lessor Group and are free to consider other offers from third party landlords and premises.

Aggregate Annual Caps

In accordance with HKFRS 16 "Leases", the Group is required to recognize 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 Master Framework Agreement.

In addition, according to HKFRS 16 "Leases", the Variable Lease Payment under Tenancy and Licensing Transactions will be recognized as expenses incurred by the Group. The annual caps for Variable Lease Payment and other short-term lease payment will be recognized as expenses which are determined with the reference to the annual maximum amount of Variable Lease Payment and other short-term lease payment payable by the Group in respect of Tenancy and Licensing Transactions in each period/year under the Master Framework Agreement.

Set out below are proposed Aggregate Annual Caps under the Master Framework Agreement for the years ending 30 June 2023, 2024 and 2025:

	For the years ending 30 June		
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate Right-of-Use Annual Cap	400,000	420,000	440,000
Aggregate Rental Expense Annual Cap	5,000	16,000	29,000

Aggregate 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 Master Framework Agreement; and (ii) the Variable Lease Payments and other short term lease payments payable by the Group in respect of Tenancy and Licensing Transactions in the respective period(s) of the term under the Master Framework Agreement.

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

- (i) the business development and expansion plan of the Group to expand its cinema network in Hong Kong and mainland China and the possibility of entering into new Tenancy and Licensing Transactions with the Lessor Group under the Master Framework Agreement in the forthcoming years;
- (ii) the historical right-of-use value recognised and variable lease paid to third party landlords in respect of the tenancy and licensing transactions of existing cinemas of the Group;
- (iii) the premises and any potential premises of the Lessor Group which could be available for leasing to the relevant members of Group in the future; and
- (iv) the expected market rental level of cinemas with reference to similar properties in Hong Kong and mainland China and the trend in market rent in general.

REASONS FOR AND BENEFITS OF THE MASTER FRAMEWORK AGREEMENT

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) investments in films and a variety of cultural events.

In recent years, the Group has been actively exploring to expand its cinema network in the Greater China region, especially in Hong Kong and mainland China. With the good progress made on the implementation of vaccination programme and effective precautionary measures, 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 for the business development and the expansion of the cinema network to be brought by the industry revival when the leisure life resumes normal.

The Master Framework Agreement sets out a framework of the terms governing the Tenancy and Licensing Transaction(s) to be entered between the Group and the Lessor Group which shall be conducted in the ordinary and usual course of business on normal commercial terms, negotiated on arm's length basis, be fair and reasonable, and on terms no less favourable to the Group than those terms offered by independent third parties.

In addition, the Master Framework Agreement serves to streamline the relevant process of reporting, announcement and, if necessary, Independent Shareholders' approval process whenever there is a new Tenancy and Licensing Transaction between the Group and the Lessor Group. The obtaining of the Aggregate Annual Caps can help reducing the administrative burden and costs to be borne by the Company in complying with the requirements under the Listing Rules from time to time.

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 Master Framework Agreement has been 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 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 Lessor is the controlling Shareholder which owns approximately 73.80% equity interest in the Company. As such, the Lessor is a connected person of the Company and accordingly, the Master Framework Agreement constitutes a continuing connected transaction of the Company.

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 transactions by virtue of being one of the eligible beneficiaries of the private discretionary trusts that controls the Lessor.

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 in view of their management role in both the Company and the Lessor Group.

As the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Aggregate Annual Caps are more than 5% and exceed HK\$10,000,000, the Aggregate 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 Company will seek approval from the Independent Shareholders at the SGM on the Aggregate Annual Caps in respect of the transactions contemplated under the Master Framework Agreement. The Independent Board Committee has been established to advise the Independent Shareholders as to (i) whether the Aggregate Annual Caps are fair and reasonable; (ii) whether the transactions contemplated under the Master Framework Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the proposed resolution(s). An independent financial advisor will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular of the Company containing, among others, (i) further information on the Aggregate Annual Caps and the Master Framework Agreement; (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 SGM, the circular is expected to be despatched to the Shareholders on or before 5 August 2022.

DEFINITIONS

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

“Aggregate Annual Caps”	Aggregate Right-of-Use Annual Cap(s) and Aggregate Rental Expense Annual Cap(s)
“Aggregate Rental Expense Annual Cap(s)”	for the purpose of Chapter 14A of the Listing Rules and pursuant to HKFRS 16, the annual cap(s) for Variable Lease Payment and other short-term lease payment recognised as expenses incurred by the Group which are determined with the reference to the annual maximum amount of Variable Lease Payment and other short-term lease payment payable by the Group in respect of Tenancy and Licensing Transaction(s) to be or expected to be entered into for each of the respective period(s) during the term under the Master Framework Agreement
“Aggregate Right-of-Use Annual Cap(s)”	for the purpose of Chapter 14A of the Listing Rules and pursuant to HKFRS 16, the annual caps for Fixed Lease Payment which are determined with the reference to the annual maximum amount of the total value of right-of-use asset in respect of Tenancy and Licensing Transactions to be or expected to be entered into for each of the respective periods during the term under the Master Framework Agreement
“Board”	the board of Directors
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Company” or “Lessee”	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
“Definitive Agreement(s)”	definitive agreement(s) which have been entered and may be entered into between any member(s) of the Group and any member(s) of the Lessor Group from time to time in relation to any of the Tenancy and Licensing Transactions subsisting as at the date hereof and at any time during the term of the Master Framework Agreement
“Directors”	the directors of the Company

“Fixed Lease Payment”	a fixed dollar amount of periodic rental/ license fee payable by the Group under the Definitive Agreement(s)
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	The Hong Kong Special Administration 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 Annual Cap and the transactions contemplated under Master Framework Agreement
“Independent Shareholder(s)”	Shareholder(s) who do not have material interests in the transaction contemplated under Master Framework Agreement
“Lessor”	Albert Yeung Entertainment Holdings Limited, an investment holding company incorporated in the British Virgin Islands and held by a private discretionary trust as set up by Dr. Yeung Sau Shing, Albert and being a substantial Shareholder
“Lessor Group”	the Lessor and its subsidiaries, excluding the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Framework Agreement”	the master framework agreement dated 15 July 2022 entered into between the Company and the Lessor
“PRC”	the People’s Republic of China
“SGM”	A special general meeting (or any adjournment thereof) of the Company to be held to consider and, if thought fit, approve the Aggregate Annual Caps
“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)

“Tenancy and Licensing Transaction(s)”	all future tenancy and/or licensing transaction(s) and any sub-let or sub-licensing transaction(s) between member(s) of the Lessor as landlords/ licensors (as applicable) and member(s) of the Group as tenants/ licensees (as applicable) for leasing or licensing the Lessor Group’s properties, assets and any right-of-use as contemplated under the Master Framework Agreement and/or the Definitive Agreement(s)
“Variable Lease Payment”	a variable amount of payment linked to revenue generated from the leased or licensed properties payable to the Lessor Group by the Group under the Definitive Agreement(s)
“%”	per cent

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

Hong Kong, 15 July 2022

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

<i>Executive Directors:</i>	Ms. Fan Man Seung, Vanessa Mr. Wong Chi Fai Mr. Yeung Ching Loong, Alexander Ms. Shirley Percy Hughes
<i>Independent Non-Executive Directors:</i>	Ms. Chan Sim Ling, Irene Mr. Ho Tat Kuen Ms. Tam Sau Ying