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英皇國際集團有限公司
Emperor International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 163)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
DISPOSAL OF ENTIRE EQUITY INTEREST IN TARGET COMPANY

On 3 July 2023, the Vendor entered into the Sale and Purchase Agreement with the Purchaser in relation to the sale and purchase of the entire equity interest in the Target Company and the Vendor's loan due from the Target Company to the Vendor at a consideration of approximately HK\$1,942.8 million (subject to adjustments), which consists of (1) the net asset value of the Target Group with reference to the fair market valuation of the Property; and (2) the Vendor's loan. For details, please refer to the section headed "Consideration and payment terms" in this announcement.

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

INTRODUCTION

The Board announces that on 3 July 2023, after trading hours, the Vendor entered into the Sale and Purchase Agreement with the Purchaser in relation to the sale and purchase of (a) the Sale Share and (b) the Sale Loan.

THE SALE AND PURCHASE AGREEMENT DATED 3 JULY 2023

The Vendor : Emperor Property

The Purchaser : Emperor Agency

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase (a) the Sale Share; and (b) the Sale Loan.

Consideration and payment terms

The consideration for the Disposal payable by the Purchaser to the Vendor is approximately HK\$1,942.8 million (subject to adjustments) and shall be settled by the Purchaser by cash transfer to the designated bank account of the Vendor or such other method as mutually agreed by the Vendor and Purchaser upon Completion.

The consideration was arrived at arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the Management Accounts mainly: (i) the fair market valuation of the Property of HK\$2,000.0 million as at 15 June 2023 as indicated by an independent professional valuer; (ii) the loan due from the Target Company to the Vendor of approximately HK\$224.7 million as at 31 May 2023; and (iii) the unaudited net asset value of the Target Group of approximately HK\$1,718.1 million as at 31 May 2023.

The consideration is subject to the following adjustments with reference to the Completion Accounts:

- (a) reduced by any increase (or increased by any decrease, as the case may be) in the amount of any and all liabilities, including but not limited to, accrued expenses and deferred tax by the same amount but excluding the Sale Loan, all as shown between the Management Accounts and the Completion Accounts; and
- (b) increased by any increase (or decreased by any decrease, as the case may be) in the amount (if any) of the following assets (which for the avoidance of doubt excluding the Property, fittings and equipment) of the Target Group, by the same amount, all as shown between Management Accounts and Completion Accounts:–
 - (i) rental receivables, prepayment in respect of rates, government rent (if any), insurance premium (if any) and other outgoings recoverable from tenants, licensee or any third party in respect of the Property covering the period from but excluding the Completion Date;
 - (ii) refundable and subsisting management fee deposits and utility deposits placed with relevant authorities or suppliers for the supply of any utilities or services to the Property; and
 - (iii) other receivables (excluding rental incentives), tax recoverable, any bank or cash balance of the Target Group as at the Completion Date.

Conditions precedent

Completion shall be conditional upon the following conditions precedent:

- (a) the Purchaser having completed its due diligence investigation on the business, financial, legal and other aspects of the Target Group and is reasonably satisfied with the results thereof;
- (b) the Vendor having proved the good title to the Property in accordance with Section 13 of the Conveyancing and Property Ordinance and delivered to the Purchaser title deeds and documents in accordance with Section 13A of the Conveyancing and Property Ordinance and the terms of the Sale and Purchase Agreement;

- (c) the Target Group having completed its restructuring so that the Property and the fittings and equipment will be the only landed properties and fixed assets of the Target Group (the “**Restructuring**”); and
- (d) the approval by the Independent Shareholders of the Sale and Purchase Agreement and the transactions contemplated thereunder at the general meeting of the Company.

In the event that any of the foregoing conditions is not fulfilled (or otherwise waived by the Purchaser, except conditions (c) and (d) above which cannot be waived) in accordance with the Sale and Purchase Agreement on or before the Long Stop Date, either the Vendor or the Purchaser shall be entitled to terminate the Sale and Purchase Agreement by notice in writing to the other party whereupon, subject to the terms of the Sale and Purchase Agreement, the Vendor shall return to the Purchaser all money paid by the Purchaser to the Vendor under the Sale and Purchase Agreement (if any) forthwith without costs, compensation and interest and neither party shall have any claim against the other thereon save and except for any antecedent breach.

Completion

Subject to the fulfillment of all the above conditions precedent (or waived by the Purchaser, except conditions (c) and (d)) above which cannot be waived), Completion shall take place at or before 12:00 noon on the Completion Date or at such time as may be agreed by the Vendor and Purchaser in writing pursuant to the Sale and Purchase Agreement.

Immediately after Completion, the Target Group will cease to be subsidiaries of the Company and the Company will cease to have any equity interest in the Target Group.

INFORMATION OF THE COMPANY AND THE VENDOR

The Company is an investment holding company and its subsidiaries are principally engaged in property investments, property development and hospitality in the Greater China and overseas. The Vendor is a direct wholly-owned subsidiary of the Company with principal business of investment holding.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the Hong Kong. Its principal business is investment holding and it is indirectly controlled by a private discretionary trust which was set up by Dr. Yeung.

INFORMATION OF THE TARGET GROUP AND THE PROPERTY

The Target Company is a company incorporated in the BVI and indirectly wholly-owned by the Company. The principal business of the Target Company is investment holding. The Property Company is a company incorporated in Hong Kong with limited liability and directly wholly-owned by the Target Company. The Property Company is engaged in the business of property investment and hold the Property and the Excluded Properties. When the Restructuring is completed, the Property Company will directly hold the Property only.

For the two years ended 31 March 2022 and 2023, the financial information of the Property is as follows:

	For the year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Revenue	68,559	69,618
(Loss) / Profit before taxation	(214,420)	48,596
(Loss) / Profit after taxation	(215,243)	47,748

The Sale Loan amounted to approximately HK\$224.7 million as at 31 May 2023.

The Property, *Fitfort Shopping Arcade*, is a shopping mall occupying the basement, the whole lower and upper ground floor with a gross floor area of approximately 132,018 square feet located at No. 560 King's Road, Hong Kong. The fair market value of the Property was HK\$ 2,000.0 million as at 15 June 2023 as indicated by an independent professional valuer.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company will not hold any equity interest in the Target Group and they will cease to be subsidiaries of the Company.

Taking into account (i) the consideration for the Disposal of approximately HK\$1,942.8 million; (ii) the unaudited combined net asset value of the Target Group as stated in the Management Accounts as at 31 May 2023 in the amount of approximately HK\$1,718.1 million after adjustment on the book value of the Property to HK\$2,000.0 million as at 15 June 2023 as indicated in a preliminary valuation report prepared by an independent professional valuer; and (iii) the amount of Sale Loan of approximately HK\$224.7 million as at 31 May 2023, the Directors do not expect to recognise any gain/loss from the Disposal.

The aforesaid estimation is for illustrative purpose only and does not purport to represent the financial position of the Group after Completion. The actual financial effects of the Disposal will be determined with reference to the financial status of the Target Group as at the Completion Date.

The net proceeds from the Disposal, after the release and discharge of the existing securities on the Property of approximately HK\$805.5 million for the purpose of Disposal; and subject to adjustment pursuant to the terms of Sale and Purchase Agreement, is estimated to be approximately HK\$1,135.8 million, out of which, (i) not less than 80% will be used for enrichment of working capital for operation and expansion of existing property development and property investment businesses, with an aim to strengthen its financial position for future investment opportunities and enhance its investment portfolio for higher return; and (ii) the remaining will be used for general working capital such as staff cost, professional fees and other general administrative and operating expenses of the Group.

REASONS AND BENEFITS FOR THE DISPOSAL

The Group pursues quality properties with growth potential, which are mainly premium office towers and commercial complexes located in key commercial districts, as well as retail spaces in prime tourists shopping areas, in its core investment properties portfolio. Adopting a portfolio optimisation strategy, the Group examines its portfolio regularly to (i) expand the portfolio by acquisition of quality properties; (ii) enhance the asset value by redevelopment and refurbishment work on existing portfolio; and (iii) unlock the asset value by disposal of non-core assets.

After a regular review of the business operation of its investment portfolio, the Group is of the view that the Property is located beyond the traditional tourists shopping areas and is regarded as a non-core investment property with limited chances of further substantial value appreciation by transformation or redevelopment exercises. Therefore, the management considered the Disposal is a good opportunity to crystallise the appreciated value of the asset of approximately HK\$1,083.0 million against its purchase cost of approximately HK\$917.0 million. The Disposal will release a net proceeds of approximately HK\$1,135.8 million (subject to adjustments) to the Group for general working capital, and will strengthen its financial position for future investment opportunities and enhance its investment portfolio for higher return.

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 Agreement and the transactions contemplated thereunder shall be set out in a circular) considers that the terms and conditions of the Disposal are on normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal ((i) on a standalone basis; or (ii) when aggregating with the Previous Disposal pursuant to Rule 14.22 of the Listing Rules) exceeds 75%, the Disposal constitutes a very substantial transaction of the Company under Chapter 14 of the Listing Rules. The Vendor is a wholly-owned subsidiary of the Company. The Vendor and the Purchaser are both indirectly controlled by the respective private discretionary trusts which were all set up by Dr. Yeung who is the deemed substantial shareholder of the Company. As such, under Chapter 14A of the Listing Rules, the Purchaser is a deemed connected person of the Company and as one or more of the applicable percentage ratios (as defined in Listing Rules) in respect of the Disposal are greater than 5%, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Disposal is subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

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

Ms. Luk Siu Man, Semon, a non-executive Director and the Chairperson of Board and Mr. Yeung Ching Loong, Alexander, an executive Director and the Vice Chairman of the Board, did abstain from voting on the relevant board resolution(s) of the Company in view of their deemed interest in the Disposal by virtue of being an associate of the eligible beneficiaries of the private discretionary trusts that control the Vendor and the Purchaser and being one of the eligible beneficiaries of such trusts respectively. For the sake of prudence, Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, being the executive Directors also taking up a management role in the counter-party to the Sale and Purchase Agreement, abstained from voting on the Board resolutions approving the Disposal and the transactions contemplated under the Sale and Purchase Agreement. Save for the aforesaid, no other Director has a material interest or conflict of role in the transactions and has abstained from voting.

GENERAL

A circular containing, amongst other things, (i) further information on the Disposal; (ii) a letter from the Independent Board Committee in respect of the Disposal; (iii) a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Disposal; (iv) the valuation report of the Property; and (v) a notice convening the general meeting of the Company will be sent to the Shareholders by the Company. The Directors expected that the circular will be despatched on or before 23 August 2023 in order to allow the Company sufficient time to prepare the necessary information for inclusion in the circular.

TERMS USED IN THIS ANNOUNCEMENT

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

“associates”	has the meaning ascribed to it in the Listing Rules
“Board” or “Directors”	the board of directors of the Company
“Business Day”	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 generally open in Hong Kong to the general public for business
“BVI”	the British Virgin Islands
“Company”	Emperor International Holdings 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 Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement

“Completion Accounts”	the accounts of the Target Group (on a combined basis) comprising a statement of profit or loss for the period from 1 April 2023 to the Completion Date and a statement of financial position as at the Completion Date
“Completion Date”	within 3 Business Days following satisfaction (or waived by the Purchaser as appropriate, except paragraph (c) and (d) under the section headed “Conditions precedent” in the announcement) of all the conditions precedent to Completion pursuant to the Sale and Purchase Agreement, but in any event no later than the Long Stop Date
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Disposal”	the disposal of the Sale Share and the Sale Loan by the Vendor to the Purchaser under the Sale and Purchase Agreement
“Dr. Yeung”	Dr. Yeung Sau Shing, Albert
“Emperor Agency” or “Purchaser”	Emperor Agency Limited, which is a company incorporated in Hong Kong whose principal business is investment holding and is indirectly controlled by a private discretionary trust as set up by Dr. Yeung
“Emperor Property” or “Vendor”	Emperor Property Investment Limited, a company incorporated in the BVI and directly wholly-owned by the Company
“Excluded Properties”	ALL THOSE 9,000 equal undivided 290,671 st parts or shares of and in ALL THAT piece or parcel of ground registered in the Land Registry as INLAND LOT No. 3546 And of and in the messuages erections and buildings thereon now known as “HEALTHY GARDENS”, No. 560 King’s Road, Hong Kong TOGETHER with the exclusive right and privilege to hold use occupy and enjoy ALL THOSE the SECOND FLOOR and THIRD FLOOR of the Podium save and except the common area
“Group”	the Company and its subsidiaries from time to time, including but not limited to the Target Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Board Committee”	the independent committee of the Board comprising all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Disposal
“Independent Shareholder(s)”	the Shareholder(s) who do not have material interest in the transactions contemplated under the Sale and Purchase Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2023, or such other date as mutually agreed by the Vendor and the Purchaser
“Management Accounts”	the unaudited management accounts (on a combined basis) of the Target Group comprising a statement of profit or loss of the Target Group for the period from the 1 April 2023 up to the 31 May 2023 and a statement of financial position of the Target Group which was prepared based on an assumption that the Restructuring as referred to paragraph (c) under the section headed “Conditions precedent” in the announcement is completed on 31 May 2023
“Previous Disposal”	the previous disposal of entire issued share of Famous Gain Investments Limited and all loan, interest and all other sums owing by Famous Gain Investments Limited to Vendor, details of which are set out in the announcement and the circular of the Company dated 6 January and 10 February 2023 respectively
“Property”	ALL THOSE 45,074 equal undivided 290,671 st parts or shares of and in ALL THAT piece or parcel of ground registered in the Land Registry as INLAND LOT No. 3546 And of and in the messuages erections and buildings thereon now known as “HEALTHY GARDENS”, No. 560 King’s Road, Hong Kong TOGETHER with the exclusive right and privilege to hold use occupy and enjoy ALL THOSE the BASEMENT and the WHOLE OF LOWER and UPPER GROUND FLOORS of the Podium save and except the common area there on
“Property Company”	National Goal Limited, a company incorporated in Hong Kong with limited liability and directly wholly-owned by the Target Company and being the beneficial and registered owner of the Property

“Sale and Purchase Agreement”	the sale and purchase agreement dated 3 July 2023 entered into between the Vendor and Purchaser in relation to the Disposal
“Sale Loan”	all loan, interest and all other sums owing by Target Company to the Vendor as at Completion
“Sale Share”	1 share of US\$1.00 in the Target Company, which represents all the issued share and the entire issued share capital of the Target Company
“Shareholder(s)”	holder(s) of the ordinary 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)
“Target Company”	Joybridge Services Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company
“Target Group”	Target Company and Property Company
“%”	per cent.

By order of the Board
Emperor International Holdings Limited
Luk Siu Man, Semon
Chairperson

Hong Kong, 3 July 2023

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

Non-Executive Director: Ms. Luk Siu Man, Semon

Executive Directors: Mr. Yeung Ching Loong, Alexander
Mr. Wong Chi Fai
Ms. Fan Man Seung, Vanessa
Mr. Cheung Ping Keung

Independent Non-Executive Directors: Mr. Chan Hon Piu
Mr. Chu Kar Wing
Mr. Poon Yan Wai