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英皇娛樂酒店有限公司
Emperor Entertainment Hotel Limited
(Incorporated in Bermuda with limited liability)
(Stock Code : 296)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
2024 MASTER LEASING AGREEMENT

Reference is made to the announcement of the Company dated 3 December 2020 in relation to the 2020 MLA.

With the upcoming expiration of the 2020 MLA, while the Group intends to continue to lease properties (including but not limited to retail shops) to the members of Emperor W&J Group, the Company entered into the 2024 MLA with Emperor W&J on 23 March 2023 to govern arrangements for the Tenancy Transactions between the respective parties for a successive term of 3 years from 1 April 2024.

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

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2024 MLA DATED 23 MARCH 2023

Parties

- (1) The Company; and
- (2) Emperor W&J

Term

1 April 2024 – 31 March 2027

Subject to compliance with the then relevant requirements of the Listing Rules, or any waiver obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the 2024 MLA shall be automatically renewed for a successive period of 3 years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the 2024 MLA.

Key terms and conditions

Relevant members of the Group and the relevant members of Emperor W&J Group may from time to time enter into the Definitive Leasing Agreement(s) in relation to any Tenancy Transaction(s) upon, and subject to, the terms and conditions in compliance with the 2024 MLA, provides that:

- (a) all the Tenancy Transactions have been and shall be conducted in the usual and ordinary course of business of both the Group and the respective members of Emperor W&J Group and are in the interests of their respective shareholders as a whole;
- (b) the terms of each Definitive Leasing Agreement have been and shall be on normal commercial terms or on terms which are no less favourable than terms offered by independent third parties;
- (c) the terms of the Tenancy Transactions have been and shall be arrived at after arm's length negotiation and the amount of rental thereunder the respective Definitive Leasing Agreements shall be determined based on the condition of the properties and with reference to the then prevailing market rents on premises comparable in location, area and permitted use;
- (d) all the Tenancy Transactions have been and shall be concluded in compliance with all applicable provisions of the Listing Rules, the applicable laws, the 2024 MLA and the relevant Definitive Leasing Agreements; and
- (e) Emperor W&J Group has / shall have the option to consider third party landlords and premises other than the properties of the Group.

Historical transactions amount

Set out below are the historical amounts of rental / licence fee received under the Tenancy Transactions between the Group and the relevant members of Emperor W&J Group for the period of the 2020 MLA:

	For the year ended 31 March 2022 HK\$ '000	For the year ended 31 March 2023 HK\$ '000	For the two months ended 31 May 2023 HK\$ '000
Historical Tenancy Transactions amount	3,779	3,732	617

The Existing Aggregate Tenancy Annual Caps under the 2020 MLA are HK\$7 million for each of the year ended/ending 31 March 2022, 2023 and 2024 respectively.

Aggregate Tenancy Annual Caps

Set out below are the Aggregate Tenancy Annual Caps under the 2024 MLA proposed by the Board for each of 3 years ending 31 March 2025, 2026 and 2027:

	2025 HK\$ '000	2026 HK\$ '000	2027 HK\$ '000
Aggregate Tenancy Annual Caps	7,000	7,000	7,000

The Aggregate Tenancy Annual Caps aggregate all Tenancy Transactions entered / to be entered with Emperor W&J Group regardless of their location and usage, and have been determined after taking into account:

- (i) the historical transaction amounts of rental, management fee (if any) and charges paid by Emperor W&J Group to the Group under all Tenancy Transactions;
- (ii) the number of existing Tenancy Transactions entered into between the Group and the respective members of Emperor W&J Group as at 31 May 2023:

As at the date of this announcement, a member of the Group is leasing the below properties to a member of Emperor W&J Group in the following area in Macau:

Locations

Shops at Grand Emperor Hotel, 288 Avenida Commercial De, Macau

There are two existing lease agreements entered between the Group and Emperor W&J Group regarding the above leased properties. The expiry date of both leases is in March 2024. The monthly rental ranges from HK\$66,880 to HK\$248,000 and the size ranges from 1,129 sq. ft. to 4,391 sq. ft. The duration of the leases are usually 3 years.

- (iii) assuming all the above tenancies will be renewed upon expiry and taking into account the possible oncoming adjustment in rental rates;
- (iv) the potential business development and expansion of Emperor W&J Group and the possibility of entering into new Tenancy Transactions with the Group under the 2024 MLA in the forthcoming years; and
- (v) the prevailing market rents of the properties as compared with similar properties in the vicinity.

Based on the above, the Board is of the view that the proposed Aggregate Tenancy Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL PROCEDURES TO ASSESS TENANCY TRANSACTIONS

The Group will follow a series of procedures in selecting premises and determining the rentals and the terms of the tenancies. When the management of the Group plans to lease out vacant premises or renew existing tenancies, the operation team of the Group may liaise with potential tenants and/or existing tenants by providing a rent quote to them or soliciting proposed offers from them. The rent quote offered by the Group is decided based on the valuation of the subject premises (as appropriate), market rentals of similar properties within the proximity, condition of the subject premises and any other factors as deemed to be applicable by the Group. In case of soliciting proposed offers, the Group will assess with reference to market rentals of similar properties and/or valuation of the subject premises (as appropriate) and compare the proposed offers from potential tenants. The Group will also arrange for site visits as may be requested by the potential tenants. When the terms of Tenancy Transactions are basically agreed on after arm's length negotiation, the management of the Group will review the terms of Tenancy Transactions including rental and grant approval before execution of the Tenancy Transactions.

With the above control procedures, the Directors consider that the Tenancy Transactions are conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

In addition, to ensure that the Definitive Leasing Agreement(s) will be entered into in accordance with the general terms of the 2024 MLA and the requirements of Chapter 14A of the Listing Rules, (i) the management of the Group will assess each of the Definitive Leasing Agreements with the aforementioned procedures; (ii) the relevant departments of the Group will record the transaction amount(s) to ensure that the Aggregate Tenancy Annual Caps will not be exceeded; (iii) the Group will engage external auditor to conduct an annual review of the Tenancy Transactions to opine on whether the Aggregate Tenancy Annual Caps have been exceeded; and (iv) the independent non-executive Directors will review the Tenancy Transactions contemplated under the 2024 MLA annually.

Accordingly, the Board is of the view that (i) the Tenancy Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders; and (ii) the above internal control procedures are adequate to safeguard the interests of the Company and the Shareholders under the Tenancy Transactions.

REASONS FOR AND BENEFITS FOR THE 2024 MLA

The Company is an investment holding company and its subsidiaries are principally engaged in provision of hospitality and entertainment services in Hong Kong and Macau.

The Group currently leases properties to the relevant members of Emperor W&J Group pursuant to the 2020 MLA, and shall continue to lease out the properties in the future. With the upcoming expiration of the 2020 MLA, entering into the 2024 MLA will continue to govern the Tenancy Transactions between the Group and the relevant members of Emperor W&J Group, and also serve to streamline the relevant process of reporting, announcement and Shareholders' approval, if necessary, whenever there is new tenancy or renewal of the Tenancy Transactions between the Group and relevant counter-parties. Besides, the obtaining of the Aggregate Tenancy Annual Caps will help to reduce the relevant administrative burden and costs on the Company in compliance with the requirements under the Listing Rules. The Definitive Leasing Agreements will be agreed on an arm's length basis, on normal commercial terms or on terms no less favorable than those terms offered by independent third parties.

The Directors (including the independent non-executive Directors) consider that the 2024 MLA has been conducted in the ordinary and usual course of business of the Group and 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 Tenancy 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 Company and Emperor W&J are both indirectly controlled by the respective private discretionary trusts which were both set up by Dr. Yeung, who is the deemed substantial shareholder of the Company. As such, under Chapter 14A of the Listing Rules, Emperor W&J is a deemed connected person of the Company and accordingly, the transactions contemplated under the 2024 MLA constitute continuing connected transactions of the Company.

Ms. Luk Siu Man, Semon, the Chairperson of the Board and a non-executive Director of the Company, did abstain from voting on the relevant Board resolution(s) of the Company in view of her deemed interest in the transactions by virtue of being an associate of the eligible beneficiaries of the aforesaid private discretionary trust that controls Emperor W&J.

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 as they also take up a management role in Emperor W&J.

Save for the aforesaid, no other Director has a material interest or conflict of role in the transaction and has abstained from voting.

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

DEFINITIONS

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

“2020 MLA”	the master leasing agreement dated 3 December 2020 entered into between the Company and Emperor W&J
“2024 MLA”	the master leasing agreement dated 23 March 2023 entered into between the Company and Emperor W&J
“Aggregate Tenancy Annual Caps”	the maximum amount of rental / licence fee receivable by the Group under the 2024 MLA for each of the 3 financial years ending 31 March 2025, 2026 and 2027
“Board” or “Directors”	the board of directors of the Company
“Company”	Emperor Entertainment Hotel Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Definitive Leasing Agreement(s)”	definitive agreement(s) which has / have been entered and may be entered into between any member(s) of the Group and any member(s) of Emperor W&J Group in relation to any of the Tenancy Transactions (setting out the terms of the tenancy, including the parties, detailed description of the properties, usage, duration, rental and specific terms such as rent free period, early termination, deposits, fees and charges) subsisting as at the date hereof and at any time during the respective terms of the 2020 MLA and the 2024 MLA (as the case may be)
“Dr. Yeung”	Dr. Yeung Sau Shing, Albert
“Emperor W&J”	Emperor Watch & Jewellery Limited, a company incorporated in Hong Kong with limited liability, the subsidiaries of which are principally engaged in the sales of European-made internationally renowned watches , together with the jewellery products under tis own brand, “ <i>Emperor Jewellery</i> ”, whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 887)
“Emperor W&J Group”	Emperor W&J and its subsidiaries from time to time
“Existing Aggregate Tenancy Annual Caps”	the maximum amount of rental / licence fee to be received / receivable by the Group under the 2020 MLA for each of the respective periods during the terms of the 2020 MLA
“Group”	the Company and its subsidiaries from time to time

“HK\$”	Hong Kong dollar, the lawful currency in Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the shares of the Company
“sq. ft.”	square feet
“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 Transaction(s)”	all existing and future tenancy / licence transaction(s) between members of the Group as landlords and relevant members of Emperor W&J Group as tenants regarding the leasing of properties as contemplated under the 2020 MLA or the 2024 MLA (as the case may be) and the Definitive Leasing Agreements
“%”	per cent.

By order of the Board
Emperor Entertainment Hotel Limited
Luk Siu Man Semon
Chairperson

Hong Kong, 14 July 2023

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

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

Executive Directors: Mr. Wong Chi Fai
Ms. Fan Man Seung, Vanessa

Independent Non-executive Directors: Ms. Kwan Shin Luen, Susanna
Ms. Lai Ka Fung, May
Mr. Yeung Man Sun