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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)



英皇娛樂酒店有限公司

Emperor Entertainment Hotel Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 296)

**DISCLOSEABLE TRANSACTION VERY SUBSTANTIAL ACQUISITION
AND CONNECTED TRANSACTION**

**IN RELATION TO SALE AND PURCHASE OF
THE SALE SHARE AND THE SALE LOAN OF
THE TARGET COMPANY**

SP AGREEMENT

On 24 May 2024 (after trading hours), the Vendor and the Purchaser entered into the SP Agreement 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 Sale Loan due from the Target Company to the Vendor. The principal asset of the Target Group is the Property, of which the value is agreed at HK\$700.0 million between the parties to the SP Agreement (the preliminary valuation of the Property as at 24 May 2024 was HK\$705.0 million).

LISTING RULES IMPLICATIONS

Emperor International

The Transaction constitutes a discloseable transaction for Emperor International under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements but is exempt from shareholders' approval requirement under the Listing Rules.

Emperor E Hotel

The Transaction constitutes a very substantial acquisition and connected transaction for Emperor E Hotel under Chapter 14 and Chapter 14A of the Listing Rules and is subject to announcement, circular, independent shareholders' approval and reporting requirements under the Listing Rules.

The Boards announce that, on 24 May 2024 (after trading hours), the Vendor and the Purchaser entered into the SP Agreement with details as follows:–

SP AGREEMENT

Date: 24 May 2024

Vendor: Emperor Property Development

Purchaser: Poly Keen

Subject matter

Pursuant to the SP Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share and the Sale Loan on terms therein contained.

Consideration and payment terms

The Consideration payable (subject to adjustments) by the Purchaser to the Vendor shall be determined by the following formula:

$$\text{Consideration} = A + B - C$$

where:

“A” means HK\$700.0 million, being the agreed value of the Property;

“B” means the carrying value/book value of the tangible assets of the Target Group (but excluding the Property and the fittings and equipment, if any) as at the Completion Date as shown in the Pro-forma Completion Account; and

“C” means the amount of all liabilities of the Target Group, including actual or contingent, accrued and deferred liabilities but excluding the Sale Loan, as at the Completion Date as shown in the Pro-forma Completion Account.

In accordance with the formula as set out above, the Consideration is estimated to be approximately HK\$655.2 million with reference to the Management Account, consisting of mainly (i) the agreed value of the Property of HK\$700.0 million with reference to the preliminary fair market valuation of HK\$705.0 million of the Property as at 24 May 2024 as assessed by an independent professional valuer; (ii) the carrying value/book value of the tangible assets of the Target Group (but excluding the Property and the fittings and equipment, if any) of approximately HK\$1.0 million as at 31 March 2024; and (iii) the amount of all liabilities of the Target Group of approximately HK\$45.8 million as at 31 March 2024 after excluding (a) the Sale Loan of approximately HK\$637.8 million; and (b) the bank loan of approximately HK\$265.6 million as at 31 March 2024, which shall be fully repaid on or before Completion.

The Consideration (subject to adjustments) shall be settled as follows:

- (a) An initial deposit of HK\$150.0 million (“**Initial Deposit**”) shall be paid by the Purchaser to the Vendor within 10 Business Days after signing of the SP Agreement;

- (b) A sum of HK\$350.0 million, being part of the Consideration, (“**Second Payment**”) shall be paid by the Purchaser to the Vendor upon Completion; and
- (c) Subject to the adjustments with reference to the Completion Account, the Balance shall be payable to the Vendor after the Completion Date by seven equal quarterly installments, and the first quarterly installment will be paid on the date which numerically corresponds to the date of Completion in the third calendar month after the Completion Date.

The Consideration (or any part thereof) shall be settled by the Purchaser by cash transfer to the designated bank account(s) of the Vendor or such other method as mutually agreed by the Vendor and the Purchaser from time to time.

Pro-forma Completion Account and Completion Account

Pursuant to the SP Agreement, the Vendor shall deliver to the Purchaser (i) the Pro-forma Completion Account within 5 Business Days prior to Completion; and (ii) the Completion Account together with the calculation of the final consideration with reference to the Completion Account (“**Final Consideration**”) as at the Completion Date.

The Consideration payable shall be subject to the adjustments following agreement or determination of the Completion Account and the Final Consideration in accordance with terms of the SP Agreement. The Consideration shall be adjusted in the following manner:

- (a) If the Final Consideration is less than the Consideration as determined by reference to the Pro-forma Completion Account, the Consideration shall be adjusted downward by such difference; or
- (b) If the Final Consideration is higher than the Consideration as determined by reference to the Pro-forma Completion Account, the Consideration shall be adjusted upward by such difference.

For the avoidance of doubts, the Balance, being the Consideration less the Initial Deposit and the Second Payment, should be adjusted by such difference accordingly.

Conditions precedent

Completion is conditional upon the following conditions precedent having been satisfied:–

- (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 Property Holding Company’s good title to the Property in accordance with Section 13 of the Conveyancing and Property Ordinance; and
- (c) Emperor E Hotel having obtained all required approvals at the SGM for the SP Agreement and the Transaction contemplated thereunder.

In the event that any of the foregoing conditions is not fulfilled (or waived by the Purchaser, except condition (c) above which cannot be waived) in accordance with the SP Agreement within 9 months from the date of the SP Agreement (or such later date as agreed by the Vendor and the Purchaser), (i) the Purchaser shall be entitled to forthwith terminate the SP Agreement by notice in writing to the Vendor; and (ii) in the event of non-fulfilment of condition (c), either party shall be entitled to forthwith terminate the SP Agreement by notice in writing to the other party and the Vendor shall within 10 Business Days after the date of the said notice by the Purchaser or the Vendor, as the case may be, return all the money previously paid by the Purchaser (including the Initial Deposit) to the Vendor under the SP Agreement without any interest costs or compensation and neither party shall have any claim against the other party save and except for any antecedent breach.

Completion

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

Immediately after Completion, the Target Company will become an indirect non-wholly owned subsidiary of Emperor E Hotel; on the other hand, the Target Company will become an indirect non-wholly owned subsidiary of Emperor International (through its shareholdings in Emperor E Hotel).

INFORMATION OF THE TARGET GROUP AND THE PROPERTY

The Target Company is a company incorporated in the BVI and an indirect wholly-owned subsidiary of Emperor International. The principal business of the Target Company is investment holding and the principal business of the Target Group as a whole is engaged in holding the Property for development.

For the purpose of this joint announcement, assuming the Target Group had been formed since 1 April 2022, the unaudited combined financial information of the Target Group for the two years ended 31 March 2023 and 2024 is set out below:

	For the year ended 31 March 2024 (unaudited) <i>HK\$'000</i>	For the year ended 31 March 2023 (unaudited) <i>HK\$'000</i>
Loss before taxation	12,864	96,774
Loss after taxation	12,864	96,774

As the Property was under-construction during the two years ended 31 March 2023 and 2024, there was no revenue recognised during the respective periods.

The unaudited combined total asset value and net liabilities of the Target Group as at 31 March 2024 were approximately HK\$706.0 million and HK\$243.2 million respectively. As at 31 March 2024, the preliminary valuation of the Property was HK\$705.0 million. The Sale Loan amounted to approximately HK\$637.8 million as at 31 March 2024.

The Property is a 25-storey apartment building situated at Nos. 20-26 Old Bailey Street & No. 11 Chancery Lane, Central, Hong Kong, with 69 units and a gross floor area of approximately 29,685 sq. ft.

INFORMATION OF EMPEROR INTERNATIONAL AND THE VENDOR

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

INFORMATION OF EMPEROR E HOTEL AND THE PURCHASER

Emperor E Hotel is an investment holding company and its subsidiaries are principally engaged in the provision of hospitality services in Hong Kong and Macau. The Purchaser is an indirect non-wholly owned subsidiary of Emperor E Hotel with principal business of investment holding.

POSSIBLE FINANCIAL EFFECT OF THE TRANSACTION ON EMPEROR INTERNATIONAL

Based on the information provided by the Vendor, the original acquisition costs of the Property through construction and acquisition paid by the Property Holding Company was approximately HK\$737.7 million. Upon Completion, each company of the Target Group shall remain as a subsidiary of Emperor International, and the Target Group's results will continue to be consolidated into the financial statements of Emperor International. Accordingly, it is expected that there will be no gain or loss arising from the Transaction for Emperor International. Emperor International Shareholders should note that the actual amount of gain/loss on the Transaction to be recorded by Emperor International Group (if any) will be subject to review by the auditors of Emperor International.

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

The net proceeds of approximately HK\$654.5 million (subject to adjustments) from the Transaction for Emperor International will be applied for future business development of Emperor International Group and as working capital.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Emperor E Hotel has been engaging in the provision of hospitality services in the past two decades, and currently operates a number of hotels and serviced apartments in Hong Kong and Macau. The management of Emperor E Hotel considered that the acquisition of the Property will enable the Group to expand its assets portfolio within the scope of its principal business, thereby further widen its revenue base and expand its market presence. Comparing with the original acquisition costs of the Property through construction and acquisition of approximately HK\$737.3 million and its preliminary valuation of HK\$705.0 million, Emperor E Hotel considers this as an opportunity to acquire the Property at an agreed value of HK\$700.0 million.

Emperor E Hotel takes a positive stance towards the hospitality sector in Hong Kong and believes that the demand for serviced apartments will continue growing taking into consideration: (i) the New Capital Investment Entrant Scheme as well as various talent schemes introduced by the local government have attracted a huge number of applicants, covering talents, professionals, expatriates and their families from the Mainland China and overseas, resulting in a rise in long-stay hospitality demand; (ii) long-stay hospitality demand from the Mainland China and overseas students who are studying in Hong Kong; and (iii) business travels will stay active with Hong Kong remaining the key gateway for access to the Mainland China's capital market and continuing playing an important role within the Greater Bay Area. Particularly after the resumption of international travels, the hotels have shifted back their focus from long-stay amid the pandemic to short-stay, thereby increasing the demand for long-stay in serviced apartments.

In respect of Emperor International, the Transaction will enable it to realise its capital investment in the Target Group. The net proceeds of approximately HK\$654.5 million (subject to adjustments) will enhance its financial position and the liquidity of Emperor International and save up additional reserve for backing up its investment opportunities in the future.

The respective Boards (including the independent non-executive directors of Emperor International but excluding independent non-executive directors of Emperor E Hotel who will provide their views in the circular after considering the opinion of an independent financial adviser) are of the view that the terms of the SP Agreement are fair and reasonable and that they are on normal commercial terms and in the interests of both Emperor International and Emperor E Hotel and their respective shareholders as a whole.

IMPLICATION OF THE LISTING RULES

Emperor International

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction exceed 5% but less than 25%, the Transaction constitutes a discloseable disposal of Emperor International under Chapter 14 of the Listing Rules. Accordingly, the Transaction is subject to reporting and announcement requirements but is exempt from shareholders' approval requirement under the Chapter 14 of the Listing Rules.

As at the date of this joint announcement, Emperor E Hotel is indirectly owned as to approximately 71.63% by Emperor International and Emperor International is indirectly owned as to approximately 74.71% by a private discretionary trust. Accordingly, the private discretionary trust ultimately owns the effective interest in Emperor E Hotel as to approximately 53.51%. Ms. Luk Siu Man, Semon, the Chairperson of the Board and a non-executive director of Emperor International, and Mr. Yeung Ching Loong, Alexander, the Vice Chairman of the Board and an executive director of Emperor International, did abstain from voting on the relevant Board resolution(s) of Emperor International in view of their deemed interests in the Transaction by virtue of being an associate of the eligible beneficiaries and one of the eligible beneficiaries of the private discretionary trust respectively. Save for the above, the aforesaid private discretionary trust does not hold any other interest in Emperor E Hotel other than through its shareholding in Emperor International.

Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, being common directors of Emperor International and Emperor E Hotel, did abstain from voting on the relevant Board resolution(s) of Emperor International to approve the Transaction.

Save as disclosed above, none of the other directors of Emperor International was required to abstain from voting on the Board resolution(s) to approve the Transaction.

Emperor E Hotel

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction exceed 100%, the Transaction constitutes a very substantial acquisition of Emperor E Hotel under Chapter 14 of the Listing Rules. Given that Emperor E Hotel is indirectly owned as to approximately 71.63% by Emperor International, Emperor International is a connected person of Emperor E Hotel. Accordingly, the Transaction constitutes a connected transaction for Emperor E Hotel under Chapter 14A of the Listing Rules and is subject to announcement, circular, independent shareholders' approval and reporting requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all independent non-executive directors of Emperor E Hotel has been established to advise the Independent Shareholders of Emperor E Hotel in respect of the terms of the SP Agreement and the Transaction contemplated thereunder and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders of Emperor E Hotel in the same regard.

Ms. Luk Siu Man, Semon, the Chairperson of the Board and a non-executive director of Emperor E Hotel, did abstain from voting on the relevant Board resolution(s) of Emperor E Hotel in view of her deemed interest in the Transaction by virtue of being an associate of the eligible beneficiaries of the private discretionary trust which ultimately owns Emperor International as to approximately 74.71%.

Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, being common directors of Emperor International and Emperor E Hotel, did abstain from voting on the relevant Board resolution(s) of Emperor E Hotel to approve the Transaction.

Save as disclosed above, none of the other directors of Emperor E Hotel was required to abstain from voting on the Board resolution(s) to approve the Transaction.

A circular containing, amongst other, (i) further details of the Transaction; (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 of Emperor E Hotel regarding the Transaction; (iv) the unaudited pro-forma financial information of Emperor E Hotel Group upon Completion; (v) the valuation report of the Target Group; (vi) the financial information of Emperor E Hotel Group; (vii) other information as required under the Listing Rules; and (viii) a notice of SGM is expected to be despatched to Emperor E Hotel Shareholders. The directors of Emperor E Hotel expect that the circular will be despatched on or before 28 June 2024 in order to allow sufficient time to prepare the necessary information for inclusion in the circular.

TERMS USED IN THIS JOINT ANNOUNCEMENT

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Balance”	the balance of the Consideration less the Initial Deposit and the Second Payment
“Board(s)”	the board(s) of directors of Emperor International and/or Emperor E Hotel (as the case maybe)
“Business Day(s)”	a day (other than a Saturday, Sunday, 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 which banks are open in Hong Kong to the general public for business
“BVI”	the British Virgin Islands
“Completion”	the completion of the Transaction in accordance with the terms and conditions of the SP Agreement
“Completion Account”	unaudited combined statement of financial position of the Target Group as at the Completion Date and unaudited combined statement of profit or loss and other comprehensive income of the Target Group for the period from 1 April 2024 to the Completion Date, prepared in accordance with accounting principles and practices generally accepted in Hong Kong and in compliance with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to be delivered to the Purchaser pursuant to the SP Agreement
“Completion Date”	within 7 Business Days following satisfaction (or waived by the Purchaser as appropriate under the section headed “Conditions precedent” in the joint announcement) of all the conditions precedent to Completion pursuant to the SP Agreement

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of the Transaction
“Emperor E Hotel”	Emperor Entertainment Hotel Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 296)
“Emperor E Hotel Group”	Emperor E Hotel and its subsidiaries from time to time
“Emperor E Hotel Shareholder(s)”	holder(s) of the ordinary share(s) of Emperor E Hotel
“Emperor International”	Emperor International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 163)
“Emperor International Group”	Emperor International and its subsidiaries from time to time
“Emperor International Shareholder(s)”	holder(s) of the ordinary share(s) of Emperor International
“HK\$”	Hong Kong dollars, being 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 of Emperor E Hotel, established to advise the Independent Shareholders of Emperor E Hotel in respect of the Transaction
“Independent Shareholders of Emperor E Hotel”	Emperor E Hotel Shareholders who do not have material interest in the Transaction contemplated under the SP Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Management Account”	unaudited combined management account of the Target Group comprising a combined statement of profit or loss and other comprehensive income for the period from 1 April 2023 to 31 March 2024 and a combined statement of financial position as at 31 March 2024;

“Pro-forma Completion Account”	unaudited pro-forma combined statement of financial position of the Target Group as at the Completion Date and unaudited pro-forma combined statement of profit or loss and other comprehensive income of the Target Group for the period from 1 April 2024 to the Completion Date prepared in accordance with accounting principles and practices generally accepted in Hong Kong and in compliance with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), to be delivered to the Purchaser within 5 Business Days prior to Completion
“Property”	a 25-storey apartment building situated at Nos. 20-26 Old Bailey Street & No. 11 Chancery Lane, Central, Hong Kong
“Property Holding Company”	a company within the Target Group holding the Property
“Purchaser” or “Poly Keen”	Poly Keen International Limited, a company incorporated in the BVI with principal business of investment holding and an indirect non-wholly owned subsidiary of Emperor E Hotel
“Sale Loan”	all loan, interest (if any) and all other sums owing by the Target Company to the Vendor as at Completion
“Sale Share”	1 share of US\$1.00 in the share capital of the Target Company, representing its entire issued share capital
“SGM”	the special general meeting of Emperor E Hotel to be convened for the purpose of approving the SP Agreement and the Transaction
“SP Agreement”	the sale and purchase agreement dated 24 May 2024 entered into between the Vendor and the Purchaser in relation to the Transaction
“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)
“Target Company”	Star Omen Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of Emperor International
“Target Group”	Target Company and its subsidiaries, including but not limited to the Property Holding Company
“Transaction”	the sale and purchase of the Sale Share and the Sale Loan

“Vendor” or “Emperor Property Development” Emperor Property Development Limited, a company incorporated in the BVI with principal business of investment holding and a direct wholly-owned subsidiary of Emperor International

“%” per cent.

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

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

Hong Kong, 24 May 2024

As at the date of this joint announcement:

The board of directors of Emperor International comprises Ms. Luk Siu Man, Semon and Mr. Cheung Ping Keung as non-executive directors, Mr. Yeung Ching Loong, Alexander, Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa as executive directors, and Mr. Chan Hon Piu, Mr. Chu Kar Wing and Mr. Poon Yan Wai as independent non-executive directors.

The board of directors of Emperor E Hotel comprises Ms. Luk Siu Man, Semon as non-executive director, Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa as executive directors, and Ms. Kwan Shin Luen, Susanna, Ms. Lai Ka Fung, May and Mr. Yeung Man Sun as independent non-executive directors.