

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



英皇集團（國際）有限公司*
Emperor International Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 163)



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 TRANSACTION

The boards of directors of Emperor International and Emperor Culture announce that on 24 August 2017, Thyme as landlord entered into the Tenancy Agreement with Perfect Perform as tenant in relation to the tenancy of the Premises.

Under Chapter 14A of the Listing Rules, Perfect Perform is a connected person of Emperor International whilst Thyme is a connected person of Emperor Culture and accordingly, the Tenancy Agreement constitutes a continuing connected transaction for both Emperor International and Emperor Culture.

As the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the aggregate annual caps of both Emperor International and Emperor Culture are more than 0.1% but less than 5%, the Tenancy Agreement is subject to the announcement, reporting and annual review requirements, but exempt from the respective shareholders' approval of both Emperor International and Emperor Culture under Chapter 14A of the Listing Rules.

As the term of the Tenancy Agreement exceeds 3 years, pursuant to Rule 14A.52 of the Listing Rules, Emperor International and Emperor Culture have jointly appointed Beijing Securities as the independent financial adviser to issue an independent opinion confirming that it is a normal business practice for Emperor International and Emperor Culture to enter into the Tenancy Agreement which is of a duration longer than 3 years.

The boards of directors of Emperor International and Emperor Culture announce that on 24 August 2017, Thyme as landlord entered into the Tenancy Agreement with Perfect Perform as tenant in relation to the tenancy of the Premises.

* for identification purpose only

TENANCY AGREEMENT DATED 24 AUGUST 2017

Parties

Landlord : Thyme
Tenant : Perfect Perform

The Premises

The Premises is situated at Shop Nos. 301 & 302 (known as The Cinema Space) and Shop Nos. 305B & 305C, Second Floor (Level 3) of New Town Mansion, No. 2 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong with gross floor area of approximately 17,069 sq. ft.

Operation and usage

The Premises shall be used for cinema operation and related businesses, including sale of food and beverage and related products e.g. books, music, art pieces, souvenirs and publications.

Term

The Tenancy Agreement has a term of 6 years from 1 September 2017 to 31 August 2023 (both days inclusive). The Landlord has granted the Tenant an option to renew the tenancy of the Premises (the “**Option**”). Upon exercising the Option by the Tenant, the Landlord shall continue to lease the Premises to the Tenant for a further term of 6 years. Under such circumstance, the committed period of the Landlord for the Tenancy Agreement shall be up to 31 August 2029. Further announcement shall be issued by Emperor Culture and/or Emperor International (if necessary) as and when the Option is exercised.

Rent free period

- (i) 1 September 2017 to 31 December 2017;
- (ii) 1 September 2018 to 30 September 2018; and
- (iii) 1 September 2019 to 30 September 2019 (both days inclusive)

Rentals

Pursuant to the Tenancy Agreement, the Tenant shall pay to the Landlord the following:

The higher of monthly base rent or turnover rent, both rents inclusive of government rent and property tax but exclusive government rates, management fees, air-conditioning charges and other outgoing charges (“**Rentals**”):

Monthly Base Rent

For the tenancy period	Monthly rental (HK\$)
1 September 2017 to 31 August 2023	600,000

Effective monthly rental (HK\$)
550,000

For the option period (if exercised)	Monthly rental / Effective monthly rental (HK\$)
1 September 2023 to 31 August 2029	not more than 660,000

Turnover Rent

For the tenancy period

Equivalent to 20% of the gross box-office sales of the Tenant's business at the Premises during the relevant calendar month.

For the option period (if exercised)

Equivalent to 25% of the gross box-office sales of the Tenant's business at the Premises during the relevant calendar month.

Deposit

Pursuant to the Tenancy Agreement, the Tenant shall pay the Landlord a refundable deposit of approximately HK\$2,058,787.50, which is equivalent to 3 months' rent, management fees, air-conditioning charges and Government rates.

ANNUAL CAPS

Emperor International Annual Caps and Emperor Culture Annual Caps under the Tenancy Agreement are calculated upon considering (i) the tenancy covers a term of 6 years commencing from 1 September 2017 to 31 August 2023 and, applicable for Emperor International Annual Caps purpose, an additional 6 years until 31 August 2029 (assuming the Option is exercised); (ii) the cinema commences business on 1 March 2018 and assuming that the Turnover Rent will be higher than the Base Rent; (iii) the estimated attendance rate with market reference and the size of the cinema; and (iv) the market price of movie tickets in Hong Kong.

Emperor International Annual Caps

The Emperor International Annual Caps under the Tenancy Agreement for each of the years ending 31 March 2018 to 2030 will be as follows:

For the year ending 31 March	Annual Caps (HK\$'000)
2018 (from 1 September 2017)	4,230
2019	7,670
2020	8,950
2021	8,540
2022	8,570
2023	8,550
2024 (up to 31 August 2023)	3,620

Assuming the Option is exercised

2024 (from 1 September 2023)	6,680
2025	11,470
2026	11,500
2027	11,540
2028	11,580
2029	11,620
2030 (up to 31 August 2029)	4,860

Emperor Culture Annual Caps

The Emperor Culture Annual Caps under the Tenancy Agreement for each of the years ending 30 June 2018 to 2024 will be as follows:

For the year ending 30 June	Annual Caps (HK\$'000)
2018 (from 1 September 2017)	6,040
2019	7,930
2020	9,000
2021	8,550
2022	8,560
2023	8,590
2024 (up to 31 August 2023)	1,460

Should the Tenant exercise the Option to renew for additional 6 years, Emperor Culture Group will publish a further announcement to set out the Emperor Culture Annual Caps from 1 September 2023 to 30 June 2024 and for each of the years ending 30 June 2025 to 2030.

REASONS AND BENEFITS FOR THE TENANCY AGREEMENT

Emperor International is an investment holding company and its subsidiaries are principally engaged in property investments, property development and hospitality in the Greater China and overseas. Thyme is principally engaged in property investment. The Premises is held by Thyme as investment property in Hong Kong for rental income.

Emperor Culture is an investment holding company and its subsidiaries are principally engaged in entertainment, media and cultural development business, particularly in the Greater China, which include (i) cinema development and operation; (ii) investment and production of films, TV programmes and other media related projects; (iii) investment in a variety of cultural events; and (iv) investment in securities. Perfect Perform is principally engaged in the provision of group tenancy agent services for Emperor Culture and its subsidiaries.

The terms of the Tenancy Agreement are arrived at after arm's length negotiation and the Rentals were determined with reference to and taking into account (i) the prevailing market rental of similar properties and business nature in nearby locations; (ii) the location of the Premises; and (iii) the expected inflation rate in future.

The directors of both Emperor International and Emperor Culture (including their respective independent non-executive directors) considered that the terms of the Tenancy Agreement are fair and reasonable and the transaction is on normal commercial terms, in the ordinary and usual course of business and in the interests of both Emperor International and Emperor Culture and their respective shareholders as a whole.

OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

As the term of the Tenancy Agreement exceeds 3 years, pursuant to Rule 14A.52 of the Listing Rules, Emperor International and Emperor Culture have jointly appointed Beijing Securities as the independent financial adviser to issue an independent opinion which is stated below:

Beijing Securities has taken into account the following factors when formulating its independent opinion pursuant to Rule 14A.52 of the Listing Rules:

- (a) Emperor International 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 Premises is held by the Landlord as investment property in Hong Kong for rental income. Emperor Culture is an investment holding company and its subsidiaries are principally engaged in entertainment, media and cultural development business, particularly in Greater China, which include (i) cinema development and operation; (ii) investment and production of films, TV programmes and other media related projects; (iii) investment in a variety of cultural events; and (iv) investment in securities.

- (b) The Premises is positioned as a new cinema complex with cinema operation and related businesses, including sale of food and beverage and related products e.g. books, music, art pieces, souvenirs and publications. Cinema is a place with unique entertainment facility where customers are willing to travel from distance and stable customer traffic flow can be built. The Tenant, being an indirect wholly-owned subsidiary of Emperor Culture and which has the experience in the operation of cinema, will serve as an anchor tenant to operate the cinema complex. As the Tenant is expected to incur significant initial investment and set up cost to establish the cinema complex in the Premises and in order to attract the Tenant to operate the cinema complex, it is fair and reasonable for the Landlord to offer longer term lease to the Tenant to enable it to secure the return of the initial set up cost to the cinema complex.
- (c) For the six months ended 31 December 2016, Emperor Culture's revenue from cinema operation accounted for approximately 44.6% of its total revenue. The entering of the Tenancy Agreement by the Tenant therefore could provide a platform for the further development of Emperor Culture's business in cinema development and operation. Further, the longer term lease under the Tenancy Agreement would allow the Tenant to lock in the prime location in which the Premises is situated and to invest in and establish a cinema complex with the environment which is conducive in attracting customers and therefore generate stable revenue stream and cash inflow attributable to the Tenant as well as to contribute to the turnover rent payable to the Landlord.

In addition to the factors stated above, in considering whether it is a normal business practice for leases of cinema operations to have a duration longer than 3 years, Beijing Securities has also conducted research on companies listed on the Stock Exchange which have cinema operations. In particular, Beijing Securities noted from the annual reports of Pegasus Entertainment Holdings Limited (stock code: 1326), a company principally engaged in film and television series production, distribution and licensing of film rights, film exhibition, post-production, and advertising, marketing and publication, it is noted that it leases premises in Hong Kong for cinema operations and they have a duration of longer than 3 years, with a period ranging from 10 to 15 years. Further, Beijing Securities has also reviewed the leases entered into between Emperor Culture with other independent third parties for the operation of cinema (the "**Sample Leases**") and note that the Sample Leases typically have duration longer than 3 years, with a period ranging from 10 to 15 years.

In light of the above, Beijing Securities is of the view that it is reasonable for Emperor International and Emperor Culture to enter into the Tenancy Agreement which is of a duration longer than 3 years, as having a longer term lease is beneficial to Emperor International and Emperor Culture and it is also an industry norm to have leases of more than 10 years for cinema operations.

Having considered the principal factors set out above, Beijing Securities is of the view that it is a normal business practice for Emperor International and Emperor Culture to enter into the Tenancy Agreement which is of duration longer than 3 years.

GENERAL

Thyme is an indirect wholly-owned subsidiary of Emperor International. Perfect Perform is an indirect wholly-owned subsidiary of Emperor Culture. Emperor International and Emperor Culture are both indirectly controlled by the AY Trust. As such, under Chapter 14A of the Listing Rules, Perfect Perform is a connected person of Emperor International whilst Thyme is a connected person of Emperor Culture and accordingly, the Tenancy Agreement constitutes a continuing connected transaction for both Emperor International and Emperor Culture.

Ms. Luk Siu Man, Semon, the Chairperson of Emperor International, did abstain from voting on the relevant board resolution of Emperor International in view of her deemed interest in the transaction by virtue of being an associate of the eligible beneficiaries of the AY Trust.

Mr. Yeung Ching Loong, Alexander, an executive director of Emperor Culture, did abstain from voting on the relevant board resolution of Emperor Culture in view of his deemed interest in the transaction by virtue of being one of the eligible beneficiaries of the AY Trust.

As the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the aggregate annual caps of both Emperor International and Emperor Culture are more than 0.1% but less than 5%, the Tenancy Agreement is subject to the announcement, reporting and annual review requirements, but exempt from the respective shareholders' approval of both Emperor International and Emperor Culture under Chapter 14A of the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

“AY Trust”	The Albert Yeung Discretionary Trust, a discretionary trust set up by Dr. Yeung Sau Shing, Albert
“Beijing Securities”	Beijing Securities Limited, a licensed corporation under the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed for the purpose of Rule 14A.52 of the Listing Rules
“Emperor Culture”	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
“Emperor Culture Annual Caps”	the maximum amount of Rentals payable by the Tenant under the Tenancy Agreement for each of the years ending 30 June 2018 to 2024
“Emperor International”	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

“Emperor International Annual Caps”	the maximum amount of Rentals receivable by the Landlord under the Tenancy Agreement for each of the years ending 31 March 2018 to 2024 and, assuming the Option is exercised, for each of the years ending 31 March 2024 to 2030
“HK\$”	Hong Kong dollars
“Hong Kong”	The Hong Kong Special Administrative Region of the People's Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Perfect Perform” or “Tenant”	Perfect Perform Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Emperor Culture
“Premises”	Shop Nos. 301 & 302 (known as The Cinema Space) and Shop Nos. 305B & 305C, Second Floor (Level 3) of New Town Mansion, No. 2 Tuen Lee Street, Tuen Mun, New Territories
“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement dated 24 August 2017 entered into between Thyme as landlord and Perfect Perform as tenant in relation to the tenancy of the Premises
“Thyme” or “Landlord”	Thyme Company Limited, a company incorporated in Hong Kong with limited liability and an indirect 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 Culture Group Limited
Fan Man Seung, Vanessa
Chairperson

Hong Kong, 24 August 2017

As at the date hereof, the board of directors of Emperor International comprises:

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

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

Independent Non-executive Directors: Ms. Cheng Ka Yu
Mr. Wong Tak Ming, Gary
Mr. Chan Hon Piu

As at the date hereof, the board of directors of Emperor Culture comprises:

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

Independent Non-executive Directors: Mr. Ng Hoi Yue
Ms. Chan Sim Ling, Irene
Mr. Ho Tat Kuen