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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 TRANSACTION
THE MASTER LEASING AGREEMENT

The Board announces that on 24 May 2018, the Company and Emperor International entered into the Master Leasing Agreement which set out a framework of the terms governing the Tenancy Transactions between the Group and Emperor International Group. The Master Leasing Agreement shall commence on 24 May 2018 and expire on 31 March 2021.

As at the date of this announcement, the Company and Emperor International are both indirectly controlled by the AY Trust. As such, under Chapter 14A of the Listing Rules, Emperor International is a connected person of the Company and accordingly, the Master Leasing Agreement constitutes a continuing connected transaction of the Company.

As the highest applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Tenancy Annual Cap of the Company are more than 5% and exceed HK\$10,000,000, the Master Leasing Agreement and the Tenancy Annual Cap are subject to the announcement, reporting and annual review requirements and the Shareholders' approval under Chapter 14A of the Listing Rules.

The Company will convene a SGM for the purpose of seeking approval from the Independent Shareholders on the Master Leasing Agreement and the Tenancy Annual Cap. The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Master Leasing Agreement and the Tenancy Annual Cap. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

As additional time is required to prepare the circular of the Company containing, amongst others, (i) further information on the Master Leasing Agreement and the Tenancy Annual Cap; (ii) a letter from the Independent Board Committee; (iii) a letter from an independent financial adviser; and (iv) the notice of the SGM, the circular is expected to be despatched to the Shareholders on or before 10 July 2018.

The Board announces that on 24 May 2018, the Company and Emperor International entered into the Master Leasing Agreement which set out a framework of the terms governing the Tenancy Transactions between the Group and Emperor International Group.

The principal terms of the Master Leasing Agreement are set out below:

THE MASTER LEASING AGREEMENT

Background

The Group has from time to time entered into Tenancy Transactions for leasing certain office properties or other properties (including cinema or advertising space) from Emperor International Group. By entering into the Master Leasing Agreement, the Group shall continue to lease the properties from Emperor International Group subject to the terms of the Master Leasing Agreement and the terms and rental specified in each Definitive Leasing Agreement which will be entered into from time to time.

Date

24 May 2018

Parties

- (1) the Company; and
- (2) Emperor International.

Term

Subject to the conditions set out in the Master Leasing Agreement, the Master Leasing Agreement shall commence on 24 May 2018 and expire on 31 March 2021 or such other date (subject to a maximum period of 3 years) as agreed by the Company and Emperor International.

General terms of the Master Leasing Agreement

Relevant members of the Group and the relevant members of Emperor International Group may from time to time enter into the Definitive Leasing Agreement(s) in relation to any Tenancy Transaction upon, and subject to, the terms and conditions in compliance with the Master Leasing Agreement. Each of the Definitive Leasing Agreements shall set 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.

The Master Leasing Agreement provides that:

- (a) the Tenancy Transactions shall be conducted in the usual and ordinary course of business of the Group and Emperor International Group;
- (b) the terms of each Definitive Leasing Agreement shall be on normal commercial terms or on terms which are no less favorable to the Group than those terms offered by independent third

parties;

- (c) the terms and rental shall be subject to arm's length negotiation and be determined based on the condition of the properties and with reference to the then prevailing market rents on property(ies) comparable in location, area and permitted use;
- (d) the Tenancy Transactions shall be in compliance with all applicable provisions of the Listing Rules, the applicable laws, the Master Leasing Agreement and the relevant Definitive Leasing Agreements; and
- (e) the Group has the option to consider third party landlords and premises other than the properties of Emperor International Group.

Conditions

The Master Leasing Agreement is conditional upon:

- (1) the approval by the independent shareholders of Emperor International on the Master Leasing Agreement and its relevant annual cap; and
- (2) the passing of the resolution(s) by the Independent Shareholders at the SGM in relation to the Master Leasing Agreement and the Tenancy Annual Cap.

If the conditions precedent of the Master Leasing Agreement set out in the above paragraph are not satisfied within 6 months of the date of the Master Leasing Agreement, it shall cease to be of any effect and the Tenancy Annual Cap shall lapse.

Historical transaction amounts

Set out below are the historical amounts of the Tenancy Transactions between the Group and Emperor International Group:

	For the year ended 30 June		For the 10 months ended 30 April
	2016	2017	2018
	HK\$	HK\$	HK\$
Historical Tenancy Transactions amount	16,000	726,000	8,818,000

The Proposed Tenancy Annual Cap

Set out below is the proposed Tenancy Annual Cap for the Master Leasing Agreement:

	For the years ending 30 June		For the 9 months ending 31 March
	2019	2020	2021
	HK\$	HK\$	HK\$
Tenancy Annual Cap (<i>note</i>)	28,000,000	28,000,000	21,000,000

The Tenancy Annual Cap aggregates all Tenancy Transactions entered / to be entered with Emperor International Group regardless of their location and usage and has been determined after taking into account:

- (i) the historical transaction amounts of rental, management fee (if any) and charges paid by the Group to Emperor International Group under all Tenancy Transactions;
- (ii) the number of existing Tenancy Transactions:

As at the date of this announcement, the Group is leasing properties from Emperor International Group in the following areas in Hong Kong and the PRC:

Location

- (1) the cinema space at New Town Mansion, No. 2 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong; and
- (2) the cinema space and certain office premises at Beijing Emperor Group Centre, D12 Jianwai Dajie, Chaoyang District, Beijing.

There are four existing tenancy / lease / licence agreements entered between members of the Group and Emperor International Group regarding the above leased properties. The earliest expiry date of the leases will be in February 2021 and the latest one will be in May 2027. The monthly rental ^(note) ranges from HK\$40,283 to HK\$410,960 and the size ranges from an office premises of 63.82 sq.m. to a cinema complex of 6,476.40 sq.m. The duration of the leases are usually 3 to 5 years, with exception such as cinema complex which requires a longer duration of up to 10 years with an option to renew for another 6 years;

- (iii) assuming all the above tenancies may be renewed upon expiry and there may be an increase in rental comparable to the market rate;
- (iv) the business development and expansion of the Group and the possibility of entering into new Tenancy Transactions with Emperor International Group under the Master Leasing Agreement in the forthcoming years;
- (v) the location and usage of the properties of the existing portfolio of Emperor International Group and potential acquisition of properties by Emperor International Group which can be available for leasing to members of the Group in the future, in particular new venues for cinema operations in Hong Kong and the PRC; and
- (vi) the prevailing market rents of the properties as compared with similar properties in the vicinity.

Note: for illustrative purpose of this announcement only, (i) certain amounts of the Tenancy Annual Cap and (ii) the monthly rental of certain existing Tenancy Transactions are converted from RMB into HK\$ at the rate of RMB1.00 = HK\$1.24.

Termination of the current annual caps

Subject to the conditions of the Master Leasing Agreement having been fulfilled, the Tenancy Annual Cap shall replace all the current annual caps obtained by the Company for the Tenancy Transactions entered by the Group and Emperor International Group before the date of fulfillment of the conditions of the Master Leasing Agreement.

REASONS FOR AND BENEFITS OF THE MASTER LEASING AGREEMENT

The Company 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 including music concerts, live shows and theatrical performance; and (iv) investment in securities.

The Master Leasing Agreement sets out a framework of the terms governing the Tenancy Transactions between the Group and Emperor International Group and also serves to streamline the reporting, announcement and, if necessary, the Shareholders' approval process whenever there is new tenancy or renewal of the Tenancy Transactions between the Group and Emperor International Group. The obtaining of the Tenancy Annual Cap can help to reduce the administrative burden and costs on the Company in compliance with the requirements under the Listing Rules from time to time. The Definitive Leasing Agreements will be agreed on an arm's length basis, on normal commercial terms or on terms no less favorable to the Group than those terms offered by independent third parties.

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 Leasing Agreement have been negotiated on an arm's length basis, on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the Tenancy Annual Cap are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company and Emperor International are both indirectly controlled by the AY Trust. As such, under Chapter 14A of the Listing Rules, Emperor International is a connected person of the Company and accordingly, the Master Leasing Agreement constitutes a continuing connected transaction of the Company.

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

As the highest applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Tenancy Annual Cap of the Company are more than 5% and exceed HK\$10,000,000, the Master Leasing Agreement and the Tenancy Annual Cap are subject to the announcement, reporting and annual review requirements and the Shareholders' approval under

GENERAL

The Company will convene a SGM for the purpose of seeking approval from the Independent Shareholders on the Master Leasing Agreement and the Tenancy Annual Cap. The Independent Board Committee has been established to advise the Independent Shareholders as to (i) whether the terms of the Master Leasing Agreement and the Tenancy Annual Cap are fair and reasonable; (ii) whether the transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the transactions are in the interests of the Company and the Shareholders as a whole; and (iv) how to vote on the transactions. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

As additional time is required to prepare the circular of the Company containing, amongst others, (i) further information on the Master Leasing Agreement and the Tenancy Annual Cap; (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 10 July 2018.

DEFINITIONS

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

“AY Trust”	The Albert Yeung Discretionary Trust, a discretionary trust set up by Dr. Yeung Sau Shing, Albert
“Board”	The board of directors of the Company
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Company”	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 Leasing Agreement(s)”	definitive agreements which have been entered and may be entered into between any member(s) of the Group and any member(s) of Emperor International Group from time to time in relation to any of the Tenancy Transactions subsisting as at the date hereof and at any time during the term of the Master Leasing Agreement
“Directors”	the directors of the Company

“Emperor International”	Emperor International Holdings Limited, a company indirectly owned as to approximately 74.71% by the AY Trust as at the date of this announcement, an exempted company incorporated in Bermuda with limited liability, the subsidiaries of which are principally engaged in property investments, property development and hospitality and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 163)
“Emperor International Group”	Emperor International and its subsidiaries from time to time
“Group”	the Company and its subsidiaries from time to time
“Independent Board Committee”	an independent committee of the board of the Directors, comprising all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Master Leasing Agreements and the Tenancy Annual Cap
“Independent Shareholders”	the Shareholders other than the AY Trust and its associates who have material interest in the Master Leasing Agreement
“HK\$”	Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Master Leasing Agreement”	the agreement dated 24 May 2018 entered into between the Company and Emperor International in relation to the Tenancy Transactions
“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 Master Leasing Agreement and the Tenancy Annual Cap
“Shareholder(s)”	holder(s) of 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)
“sq. m.”	square meter

“Tenancy Annual Cap”	the maximum amount of rental / licence fee paid / payable by the Group under the Master Leasing Agreement and the Definitive Leasing Agreements for each of the financial years ending 30 June 2019 and 2020, and the 9 months ending 31 March 2021
“Tenancy Transaction(s)”	all existing and future tenancy / licence transaction(s) between members of the Group as tenants and relevant members of Emperor International Group as landlords regarding the leasing of properties as contemplated under the Master Leasing Agreement and the Definitive Leasing Agreements
“%”	per cent

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

Hong Kong, 24 May 2018

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

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

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