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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Emperor Entertainment Hotel Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)**

**(I) VERY SUBSTANTIAL ACQUISITION AND  
CONNECTED TRANSACTION  
AND  
(II) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



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A letter from the Board is set out from pages 5 to 13 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out from pages 14 to 15 of this circular. A letter from Octal, the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders in relation to the Transaction is set out from pages 16 to 32 of this circular.

A notice convening the SGM to be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Thursday, 18 July 2024 at 10:30 a.m. is set out from pages SGM-1 to SGM-2 of this circular. Whether or not you intend to attend the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event not less than 48 hours before the time of the SGM (by Tuesday, 16 July 2024, before 10:30 a.m.) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof (as the case may be) should you subsequently so wish and in such event the form of proxy previously submitted shall be deemed to be revoked.

3 July 2024

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“associate”	has the meaning ascribed to it in the Listing Rules
“AY Holdings”	Albert Yeung Holdings Limited, an investment holding company incorporated in the BVI and held by a private discretionary trust as set up by Dr. Yeung
“Balance”	the balance of the Consideration less the Initial Deposit and the Second Payment
“Board” or “Directors”	the board of directors of the Company
“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
“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
“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

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## DEFINITIONS

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“Completion Date”	within 7 Business Days (or such later date as mutually agreed by the Vendor and the Purchaser in writing) following satisfaction (or waived by the Purchaser as appropriate) of all the conditions precedent to Completion under the section headed “Conditions Precedent” in the “Letter from the Board” of this circular pursuant to the SP Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of the Transaction
“Dr. Yeung”	Dr. Yeung Sau Shing, Albert
“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)
“Enlarged Group”	the Group enlarged by acquisition of the Target Group
“Group”	the Company and its subsidiaries from time to time
“HKD” or “HK\$”	Hong Kong dollars, being the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all of the independent non-executive directors of the Company, established to advise the Independent Shareholders in respect of the Transaction
“Independent Financial Adviser” or “Octal”	Octal Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction
“Independent Shareholders”	the Shareholders who do not have material interest in the Transaction contemplated under the SP Agreement
“Latest Practicable Date”	27 June 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“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
“MOP”	Macanese pataca, the lawful currency of Macau
“PRC”	The People’s Republic of China
“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 the Company
“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
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“SGM”	the special general meeting (or an adjournment thereof) of the Company to be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Thursday, 18 July 2024 at 10:30 a.m. to consider and, if think fit, approve, among other things, the SP Agreement and the Transaction contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.0001 each in the share capital of the Company
“Shareholders”	holder(s) of the Shares
“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.

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LETTER FROM THE BOARD

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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)**

*Non-executive Director:*

Ms. Luk Siu Man, Semon (*Chairperson*)

*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

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of  
business in Hong Kong:*

28th Floor

Emperor Group Centre

288 Hennessy Road

Wanchai

Hong Kong

3 July 2024

*To the Shareholders*

Dear Sir/Madam,

**VERY SUBSTANTIAL ACQUISITION AND  
CONNECTED TRANSACTION  
IN RELATION TO SALE AND PURCHASE OF  
THE SALE SHARE AND THE SALE LOAN OF  
THE TARGET COMPANY**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 24 May 2024 whereby the Board announced that 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 Sale Share and the Sale Loan due from the Target Company to the Vendor.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, amongst other, (i) further details of the Transaction; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders regarding the Transaction; (iii) a letter from Octal to the Independent Board Committee and the Independent Shareholders regarding the Transaction; (iv) the financial information of the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) the valuation report of the Property; (vii) the financial information of the Group; (viii) other information as required under the Listing Rules; and (ix) a notice convening the SGM for the purpose of considering and, if think fit, approving, by way of poll, the SP Agreement and the Transaction contemplated thereunder.

### THE SP AGREEMENT DATED 24 MAY 2024

The Vendor: Emperor Property Development

The 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 (subject to adjustments) was determined after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms and 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 fair market valuation of HK\$705.0 million of the Property as at 24 May 2024 as assessed by an independent professional valuer, details of which were set out in Appendix I to this circular; (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)



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## LETTER FROM THE BOARD

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the amount of all liabilities of the Target Group of approximately HK\$45.8 million as at 31 March 2024 but excluding (a) the Sale Loan of approximately HK\$637.8 million; and (b) the secured bank borrowings of approximately HK\$265.6 million as at 31 March 2024, which shall be fully repaid by the Vendor 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**”) was 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;

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## LETTER FROM THE BOARD

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- (b) the Vendor having proved the Property Holding Company's good title to the Property to the reasonable satisfaction of the Purchaser in accordance with Section 13 of the Conveyancing and Property Ordinance; and
- (c) the Company 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.

As at the Latest Practicable Date, save for condition (c), conditions (a) and (b) have been fulfilled.

### **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.

Since the Purchaser is indirectly owned as to 80% by the Company, immediately after Completion, the Company will indirectly hold 80% equity interest in the Target Company. Thus, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

### **INFORMATION OF THE TARGET GROUP AND THE PROPERTY**

#### **Information of the Target Group**

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.

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## LETTER FROM THE BOARD

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For the two years ended 31 March 2023 and 2024, the combined financial information of the Target Group as disclosed in “Accountant’s Report of the Target Group” under Appendix IV is as follows:

	<b>For the year ended 31 March 2024 (audited) HK\$'000</b>	<b>For the year ended 31 March 2023 (audited) HK\$'000</b>
Loss before taxation	12,865	96,774
Loss after taxation	12,865	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 audited 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 valuation of the Property was HK\$705.0 million which is same as the valuation as at 24 May 2024. 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. As at the Latest Practicable Date, the construction of the Property has been completed and the occupation permit is expected to be received in the third quarter of 2024. Subsequently, the Group plans to kick off pre-leasing of the Property as a serviced apartment in the third quarter of 2024 after Completion.

### **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 THE COMPANY AND THE PURCHASER**

The Company 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 the Company with principal business of investment holding.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECTS OF THE TRANSACTION

Immediately upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company. The consolidated financial statements of the Target Group will be consolidated into the consolidated financial statements of the Group. Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix V to this circular, the financial effects of the Transaction are summarised below:

#### **Earnings**

As set out in Appendix IV to this circular, no revenue was generated from the Target Group for each of the two years ended 31 March 2023 and 31 March 2024. Upon Completion, the Property is to be held by the Group to earn rentals and hence is classified as investment property, which is initially measured at cost and subsequently measured at fair value. Changes in fair value of investment property will be recognised in profit or loss.

#### **Net assets**

As extracted from the annual results announcement of the Company for the year ended 31 March 2024, the audited consolidated total assets and total liabilities of the Group were approximately HK\$4,862.4 million and HK\$290.2 million respectively. As set out in Appendix V to this circular, assuming Completion had taken place on 31 March 2024, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group would increase to approximately HK\$5,067.0 million and HK\$491.2 million respectively.

### REASONS AND BENEFITS FOR THE TRANSACTION

The Group 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 the Company 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 valuation of HK\$705.0 million, the Company considers this as an opportunity to acquire the Property at an agreed value of HK\$700.0 million.

The Company 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.

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## LETTER FROM THE BOARD

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The Directors (including independent non-executive Directors who have separately provided their views in the letter from the Independent Board Committee of this circular after considering the opinion of the 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 the Company and the Shareholders as a whole.

### **SUPPLEMENTAL INFORMATION ON THE TOURISM AND HOSPITALITY SECTORS IN HONG KONG**

To enrich the Shareholders' understanding on macroscopic statistics and relevant information in relation to the Transaction and the market development of the hospitality sector in Hong Kong, the Board would like to provide extensive and discreet information by an alternative professional in this aspect. A Market Consultant's Report contains, including but not limited to, an overview of hospitality industry in Hong Kong showing the market statistics of visitation profile and the market insights of the future development, specific market data and analysis of the serviced apartments in Hong Kong as well as in specific district(s), conducted by an independent professional on macroscopic business environment is set out in Appendix II to this circular. The Market Consultant has confirmed to the Company that, as at the Latest Practicable Date, it does not have any interest in the Company and is an independent third party to the Company.

### **IMPLICATIONS UNDER THE LISTING RULES**

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 the Company under Chapter 14 of the Listing Rules. Given that the Company is indirectly owned as to approximately 71.63% by Emperor International, Emperor International is a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction for the Company 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 has been established to advise the Independent Shareholders in respect of the terms of the SP Agreement and the Transaction contemplated thereunder and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

Ms. Luk Siu Man, Semon, the Chairperson of the Board and a non-executive Directors, did abstain from voting on the relevant Board resolution(s) 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 the Company, did abstain from voting on the relevant Board resolution(s) to approve the Transaction.

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

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## LETTER FROM THE BOARD

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### SGM

A notice convening the SGM to be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Thursday, 18 July 2024 at 10:30 a.m. is set out from pages SGM-1 to SGM-2 of this circular. An ordinary resolution (“**Resolution**”) will be proposed at the SGM for the Independent Shareholders to approve the SP Agreement and the Transaction contemplated thereunder.

As at the Latest Practicable Date, given that Emperor International is a controlling shareholder of the Company, Emperor International is considered to have material interest in the Transaction. Hence, Emperor International and its associate(s) will abstain from voting on the Resolution. In compliance with the Listing Rules, the Resolution will be voted by way of poll and the results of the SGM will be published after the SGM. Save as disclosed above and to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholders have a material interest in the Transaction which requires them to abstain from voting in the Resolution.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong Branch Share Registrar, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event not less than 48 hours before the time of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be).

In order to qualify for the right to attend and vote at the SGM, all relevant share certificates and properly completed transfer forms must be lodged for registration with the Company’s Hong Kong Branch Share Registrar, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Friday, 12 July 2024.

**No refreshments or drinks will be served and no corporate gifts will be distributed at the SGM.**

### RECOMMENDATION

The Board is of the view that the terms of the SP Agreement have been 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. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the Resolution to be proposed at the SGM. Before deciding how to vote on the Resolution at the SGM, you are advised to read (i) the letter from the Independent Board Committee from pages 14 to 15 of this circular; and (ii) the letter from Octal from pages 16 to 32 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the SP Agreement and the Transaction contemplated thereunder as well as the principal factors and reasons considered by it in arriving its opinions.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

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LETTER FROM INDEPENDENT BOARD COMMITTEE

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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)**

3 July 2024

*To the Independent Shareholders*

Dear Sir/Madam,

**VERY SUBSTANTIAL ACQUISITION AND  
CONNECTED TRANSACTION  
IN RELATION TO SALE AND PURCHASE OF  
THE SALE SHARE AND THE SALE LOAN OF  
THE TARGET COMPANY**

We refer to the circular of the Company to the Shareholders dated 3 July 2024 (“**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as those defined in the Circular.

We, Independent Board Committee, have been appointed by the Board to advise you on the terms of SP Agreement and the Transaction contemplated thereunder. Octal has been appointed to advise you and us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are set out from pages 16 to 32 of the Circular. Your attention is also drawn to the “Letter from the Board” and the “Letter from the Independent Financial Adviser” in the Circular and the additional information set out in the appendices thereto.

Having considered the advice given by Octal, in particular the principal factors, reasons and recommendation as set out in its letter, we consider that, the Target Group (including the Property) is intended for the enrichment of assets portfolios, which in turns, is of great significance for the Group’s continuous success driven by tactful expansion of principal businesses, from time to time. Given the Transaction is of necessity for the principal activities of the Group in strategic perspective, the entering into the SP Agreement and the Transaction contemplated thereunder is believed as the ordinary and usual course of business of the Group.



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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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We are of the view that (i) the terms of the SP Agreement and the Transaction contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) this is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the relevant ordinary resolution to be proposed at the SGM to approve the SP Agreement and the Transaction contemplated thereunder.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**

**Yeung Man Sun**

**Kwan Shin Luen, Susanna**  
*Independent Non-executive Directors*

**Lai Ka Fung, May**

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## LETTER FROM OCTAL

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801-805, 8/F, Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

3 July 2024

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO SALE AND PURCHASE OF THE SALE SHARE AND THE SALE LOAN OF THE TARGET COMPANY**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the SP Agreement, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 3 July 2024 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

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.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Ms. Kwan Shin Luen, Susanna, Ms. Lai Ka Fung, May and Mr. Yeung Man Sun, has been formed to advise the Independent Shareholders on the terms of the Transaction contemplated thereunder. We, Octal Capital Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion for the Independent Board Committee’s consideration when making recommendations to the Independent Shareholders.

As at the Latest Practicable Date, we are not connected with the Group and the Target Group, or where applicable, any of the respective substantial shareholders, directors or chief executives, or any of their respective subsidiaries or associates pursuant to Rule 13.84 of the Listing Rules.

During the last two years, we were engaged by Emperor International, which wholly owns the Vendor, as the independent financial adviser in respect of the major and connected transaction in relation to the disposal of entire equity interest in the target company which holds a property interest in Hong Kong (the “**Previous Engagement**”), where the details of the transaction can be referred to the circular dated 10 February 2023 published by Emperor International. Under the Previous Engagement, we were required to express our opinion on and give recommendation to the independent board committee and the independent shareholders of Emperor International in respect of the transaction.

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Apart from normal professional fees payable to us by Emperor International and the Company in connection with these appointments, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company, the Group or the Target Group or any of their respective subsidiaries or associates. Despite the Previous Engagement, we consider our independence is unaffected due to the facts that (i) under the Previous Engagement, we were entitled to receive normal professional fee that was comparable to market rates and the fee did not form a significant portion to our overall income; (ii) we had discharged our responsibilities with due care and skill and performed our duties with impartiality in respect of our engagement with Emperor International; and (iii) the engagement was handled independently as an individual task. Therefore, we consider ourselves eligible to act as the Independent Financial Adviser to the Company pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Group and the SP Agreement, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice, among other things, (i) the SP Agreement; (ii) the Valuation Report; (iii) the Market Consultant's Report; (iv) the annual report of the Company for the year ended 31 March 2023 (“**FY2022/23**”) (the “**2022/23 Annual Report**”) and the annual results announcement for the year ended 31 March 2024 (“**FY2023/24**”) (the “**2023/24 Annual Results Announcement**”); and (v) other information as set out in the Circular. We have no reason to neither suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and the Target Group and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

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## LETTER FROM OCTAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the SP Agreement, we have considered the following principal factors and reasons:

#### 1. Information of the Company and the Purchaser

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of hospitality services in Hong Kong and Macau. The Group currently operates one hotel and three serviced apartments in Hong Kong and two hotels in Macau.

Set out below is a summary of the consolidated financial information of the Group for the year ended 31 March 2022 (“FY2021/22”), FY2022/23 and FY2023/24 as extracted from the 2022/23 Annual Report and the 2023/24 Annual Results Announcement.

#### (a) Financial performance of the Group

<i>Expressed in HK\$' million</i>	<b>FY2021/22</b>	<b>FY2022/23</b>	<b>FY2023/24</b>
	(audited)	(audited)	(audited)
<b>Revenue</b>			
Gaming operation	261	88	459
Hotel operation	131	173	282
Lease of properties	<u>24</u>	<u>30</u>	<u>48</u>
<b>Total revenue</b>	<b>416</b>	<b>291</b>	<b>789</b>
<b>Gross (loss)/profit</b>	<b>(83)</b>	<b>(116)</b>	<b>308</b>
<b>(Loss)/profit before taxation</b>	<b>(725)</b>	<b>(181)</b>	<b>35</b>
<b>(Loss)/profit attributable to owners of the Company</b>	<b>(528)</b>	<b>(98)</b>	<b>61</b>

#### *Comparison between FY2021/22 and FY2022/23*

Revenue of the Group decreased by approximately 30.0% from approximately HK\$416 million for FY2021/22 to approximately HK\$291 million for FY2022/23. Such decrease was primarily due to the decrease of approximately 66.3% or approximately HK\$173 million in revenue from gaming operation, due to the fact that the Group's gaming operation in Grand Emperor Hotel was taken up and run by SJM Resorts, S.A. (“SJM”) under the arrangements between the Group and SJM with effect from 27 June 2022 to 31 December 2022. For details, please refer to the joint announcement of the Company and Emperor International dated 15 June 2022.

Gross loss of the Group increased by approximately 39.8% from HK\$83 million for FY2021/22 to HK\$116 million for FY2022/23. The increase in gross loss was mainly due to continued weak performance in the gaming operation segment during FY2022/23.

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The Group's loss before taxation declined from approximately HK\$725 million for FY2021/22 to approximately HK\$181 million for FY2022/23. Such decrease was mainly due to the reversal of impairment losses of assets and the fair value gain of investment properties in FY2022/23, compared to substantial impairment losses of assets and fair value loss of investment of properties in FY2021/22.

### *Comparison between FY2022/23 and FY2023/24*

Revenue of the Group increased by approximately 171.1% from approximately HK\$291 million for FY2022/23 to approximately HK\$789 million for FY2023/24. Such decrease was primarily due to the significant growth of approximately 421.6% or approximately HK\$371 million in revenue from gaming operation. This substantial increase in gaming operation revenue was due to the rebound in consumption sentiment and entertainment demand during FY2023/24.

Gross profit of the Group improved from a loss of approximately HK\$116 million for FY2022/23 to a profit of approximately HK\$308 million for FY2023/24. The shift in gross profit was mainly due to the strong performance in the gaming operation segment during FY2023/24.

The Group's profit before taxation improved from a loss of approximately HK\$181 million for FY2022/23 to a profit of approximately HK\$35 million for FY2023/24. Such improvement was mainly due to the significant increase in revenue together with the shift from gross loss to gross profit for FY2023/24.

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**LETTER FROM OCTAL**

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**(b) Financial position of the Group**

	<b>As at</b> <b>31 March 2024</b> (audited) <i>HK\$' million</i>
Investment properties	1,486
Property, plant and equipment	2,254
Pledged bank deposit	31
Other non-current assets	<u>386</u>
<b>Total non-current assets</b>	<b>4,157</b>
Trade and other receivables	78
Cash, bank balances and short-term bank deposits	615
Other current assets	<u>12</u>
<b>Total current assets</b>	<b>705</b>
<b>Total assets</b>	<b>4,862</b>
Lease liabilities	26
Deferred taxation	<u>63</u>
<b>Total non-current liabilities</b>	<b>89</b>
Trade and other payables	102
Amounts due to related companies	6
Amounts due to non-controlling interests of subsidiaries	40
Taxation payable	52
Lease liabilities	<u>1</u>
<b>Total current liabilities</b>	<b>201</b>
<b>Total liabilities</b>	<b>290</b>
<b>Net assets</b>	<b>4,572</b>

Total assets of the Group amounted to approximately HK\$4,862 million as at 31 March 2024, which were mainly comprised of (i) property, plant and equipment of approximately HK\$2,254 million, representing approximately 46.4% of the total assets; and (ii) investment properties of approximately HK\$1,486 million, representing approximately 30.6% of the total assets.

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Total liabilities of the Group amounted to approximately HK\$290 million as at 31 March 2024, which were mainly comprised of (i) trade and other payables of approximately HK\$102 million, representing approximately 35.2% of the total liabilities; (ii) deferred taxation payable of HK\$63 million representing approximately 21.7% of the total liabilities; and (iii) taxation payable of HK\$52 million representing approximately 17.9% of the total liabilities.

The Group was in a positive net cash position as at 31 March 2024, and hence had a zero net gearing ratio, being (i) amounts due to non-controlling interests of subsidiaries of approximately HK\$40 million less (ii) total amount of approximately HK\$615 million of cash, bank balances and short-term bank deposits, and divided by (iii) the net assets of approximately HK\$4,572 million.

### 2. Information of the Purchaser

The Purchaser, Poly Keen, is a company incorporated in the BVI with principal business of investment holding and an indirect subsidiary which is owned as to 80% by the Company.

### 3. Information of the Target Group and the Property

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

Pursuant to Appendix IV to the Circular and assuming the Target Group had been formed since 1 April 2022, the audited combined financial information of the Target Group for the two years ended 31 March 2023 and 2024 is set out below:

	<b>For the year ended 31 March 2023</b>	<b>For the year ended 31 March 2024</b>
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	96,774	12,865
Loss after taxation	96,774	12,865

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 above losses are mainly attributable to diminution in value of the Property during the two years ended 31 March 2023 and 2024.

The audited 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 valuation of the Property as assessed by Vincorn Consulting and Appraisal Limited (the “**Valuer**”) was HK\$705.0 million which is same as the valuation as at 24 May 2024. The Sale Loan amounted to approximately HK\$637.8 million as at 31 March 2024.

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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 with saleable area ranging from approximately 213 sq.ft. to 389 sq.ft.. As per approved building plans dated 12 April 2024, the Property has a site area and a gross floor area of approximately 3,298.75 sq.ft. and 29,685.58 sq.ft. respectively. The subject lots of the Property, Inland Lot No. 4417 and The Remaining Portion of Inland Lot No. 4418, are held under Government leases for a common term of 999 years commencing from 1 February 1855.

The construction of the Property has been completed and the occupation permit is expected to be received in the third quarter of 2024. Subsequently, the Group plans to kick off pre-leasing of the Property as a serviced apartment in the third quarter of 2024 after Completion, if the Transaction is approved by the Independent Shareholders.

#### **4. Background of and the reasons for entering into the SP Agreement**

As set out in Appendix II to the Circular, Savills (Hong Kong) Limited (the “**Market Consultant**”) considers the competitive landscape of the Property to remain relatively stable given all the six existing serviced apartments near the Property are completed before 2020 with no new supply nearby over the past three years, whilst the demand for serviced apartments driven by young people from the PRC is likely to rise in future years. The Property also enjoys locational advantage as renting apartments in Central has always been popular among young professional and expatriates given its proximity to area where Grade A office buildings are located and where further large scale commercial projects are to be completed over the next few years. The Directors concur with the Market Consultant that the market outlook of the serviced apartment industry in Hong Kong is positive in long term.

According to the 2023/24 Annual Results Announcement, benefiting from the revival in visitor arrivals and a recovery in hospitality and entertainment demand, the Group’s revenue from hotels and serviced apartments (the “**Hotels and Serviced Apartments Revenue**”) increased by approximately 62.3% in FY2023/24 comparing with that of FY2022/23. The Hotels and Serviced Apartments Revenue accounted for a substantial proportion of 41.8% in the Group’s total revenue in FY2023/24. The Group’s fast-growing Hotels and Serviced Apartments Revenue included room revenue, food and beverage revenue, and rental income and other revenue generated from a total of six hotels and serviced apartments. The existing three serviced apartments located in Wanchai, Causeway Bay and Kennedy Town, thus the Property, as a serviced apartment located in Central, could enrich the Group’s portfolio of serviced apartments in the vibrant commercial districts and residential neighborhoods.

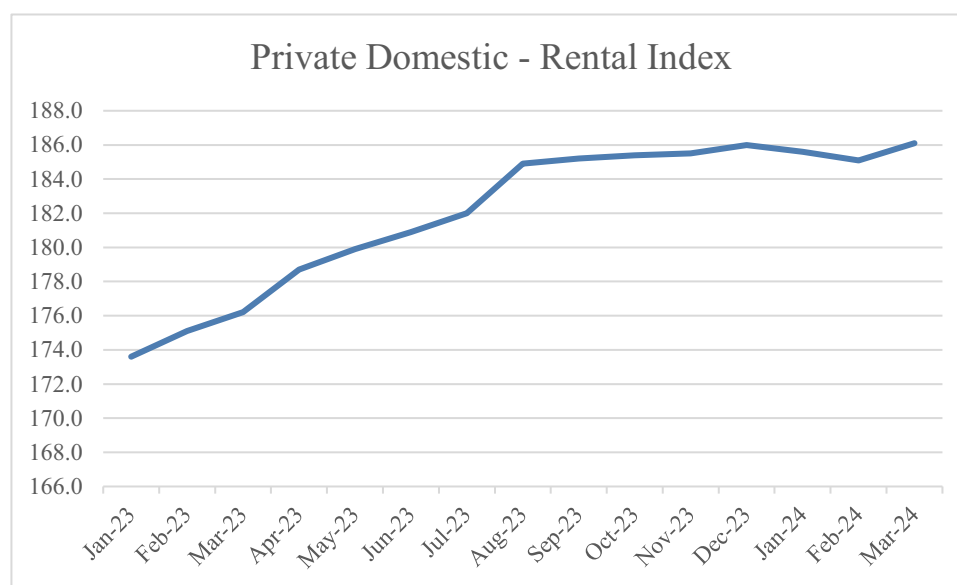


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The commercial rationale for the Transaction is also supported by the rising rental prices in Hong Kong. As mentioned in the Market Consultant’s Report, the rental prices in Hong Kong have been rebounding since 2023 onwards due to the full border reopening together with the influx of talents from various admission schemes. This trend is supported by the rental index for private residential properties released by the Rating and Valuation Department under the Government of Hong Kong (the “**Rental Index**”), as presented in the chart below. The Rental Index showed consecutive increases throughout the period starting from January 2023 to March 2024. The management of the Company considers the rising rental prices, as indicated by both the Market Consultant’s Report and the Rental Index, could suggest a recovering demand for residential properties and a potentially favourable outlook for the rental income to be generated from the Property, providing a basis for the commercial rationale of the Transaction.



*Note:* According to the Rating and Valuation Department under the Government of Hong Kong, “private domestic” units are defined as independent dwellings with exclusive cooking facilities, bathroom and toilet, and the selected rental index incorporates rental prices of all unit classes of saleable area sizes under the department’s classification.

*Source:* Data series – “Private Domestic – Rental Indices By Class (Territory-wide)” from the Rating and Valuation Department under the Government of Hong Kong

Having considered that (i) the market outlook of the serviced apartment industry in Hong Kong from the Market Consultant’s Report; (ii) the serviced apartment rental index and the serviced apartment occupancy rates have shown an increasing trend since 2023 as shown in the Market Consultant’s Report; and (iii) the Group’s assets portfolio, revenue base and market presence could further be expanded, we are of the view that the Transaction is commercially justifiable.

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### 5. The SP Agreement

On 24 May 2024 (after trading hours), the Purchaser entered into the SP Agreement with the Vendor, which is a connected party, in relation to the sale and purchase of the Sale Share and the Sale Loan at a consideration of approximately HK\$655.2 million (subject to adjustments).

#### 5.1. Consideration

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.

The Consideration (subject to adjustments) is illustrated below for reference:

#### *Summary of the estimated Consideration*

	<b><i>Approximately HK\$' million</i></b>
The agreed value of the Property (A)	700.0
Add: The book value of the tangible assets of the Target Group (excluding the Property) as at 31 March 2024 as per Appendix IV to the Circular <sup>Note 1</sup> (B)	1.0
Less: The amount of all liabilities of the Target Group (excluding the Sale Loan and the secured bank borrowings) as at 31 March 2024 as per Appendix IV to the Circular <sup>Note 2</sup> (C)	<u>(45.8)</u>
<b>The estimated Consideration</b>	<b><u><u>655.2</u></u></b>

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## LETTER FROM OCTAL

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*Note 1: Breakdown of the estimated item (B) in the formula:*

	<b><i>Approximately HK\$' million</i></b>
The carrying value/book value of the tangible assets of the Target Group as at 31 March 2024 as per Appendix IV to the Circular	706.0
Less: The valuation of the Property as per Appendix IV to the Circular	<u>(705.0)</u>
<b>The estimated item (B) in the formula</b>	<b><u><u>1.0</u></u></b>

*Note 2: Breakdown of the estimated item (C) in the formula:*

	<b><i>Approximately HK\$' million</i></b>
The amount of all liabilities of the Target Group as at 31 March 2024 as per Appendix IV to the Circular	949.2
Less: The Sale Loan	(637.8)
Less: The secured bank borrowings as at 31 March 2024, which shall be fully repaid by the Vendor on or before Completion	<u>(265.6)</u>
<b>The estimated item (C) in the formula</b>	<b><u><u>45.8</u></u></b>

### *Valuation Report*

Given that as at the Latest Practicable Date, the Target Company and its subsidiaries, including but not limited to the Property Holding Company, principally serve as investment holding vehicles and that their only property interest is the Property, in assessing the fairness and reasonableness of the Consideration (subject to adjustments), we have reviewed the Valuation Report.

We have performed the works with reference to Note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Valuation Report, which included (i) inquiry on the Valuer's current and prior relationship with the Group and the Vendor; (ii) review of the terms of the Valuer's engagement, in particular its scope of work, for the assessment of the Valuation Report; (iii) assessment of the Valuer's experiences in valuing properties in Hong Kong similar to the Property; (iv) obtaining information on the Valuer's track records on other property valuations; and (v) discussion with the Valuer regarding the bases, methodology and assumptions adopted in the Valuation Report.

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## LETTER FROM OCTAL

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a) The Valuer

We have conducted a telephone interview with the Valuer to enquire its experience in valuing similar property interests in Hong Kong. We noted that the Valuer had acted as valuer for a wide range of public companies listed in Hong Kong for similar transactions, including sale and purchase transactions of properties situated in Hong Kong. In addition, we understand that Mr. Vincent Cheung (“**Mr. Cheung**”), the managing director of the Valuer and the signor of the Valuation Report, is a fellow of the Hong Kong Institute of Surveyors, a fellow of the Royal Institution of Chartered Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent PRC. He has over 26 years’ experience in valuation of fixed and intangible assets of this magnitude and nature in the subject region. As such, we are of the view that the Valuer and Mr. Cheung are qualified, experienced and competent in performing the valuation of the Property.

We have also enquired with the Valuer as to its independence from the Company and the Vendor and were given to understand that the Valuer is an independent third party of the Company and its connected persons. The Valuer confirmed to us that it was not aware of any relationship or interest between itself and the Company or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company. Apart from normal professional fees payable to it in connection with its engagement for the valuation, the Valuer confirmed that no arrangements exist whereby it will receive any fee or benefit from the Company and its associates. Given the above, we are of the view that the Valuer is independent from the Company in respect of the valuation of the Property.

Furthermore, we have reviewed the terms of engagement of the Valuer, in particular to its scope of work. We noted that its scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the Valuation Report. We have also performed work as required under note (1)(d) to the Listing Rule 13.80 in relation to the Valuer and its work as regards the valuation of the Property.

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b) Valuation basis

As stated in the Valuation Report, the valuation is conducted in compliance with Chapter 5 of the Listing Rules and the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors. Based on our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions used in arriving at the valuation of the Property. The Valuer carried out inspections, made relevant enquiries and searches for the purpose of the valuation of the Property. We have reviewed and discussed with the Valuer the basis and assumptions adopted in arriving at the value of the Property. Taking into consideration of the nature of the Property and that the valuation is conducted in accordance with the aforesaid requirements, we consider that the basis and assumptions adopted by the Valuer for determining the market value of the Property are appropriate.

c) Valuation methodology

As disclosed in the Valuation Report, the Valuer adopts market approach in valuing the Property.

According to our discussion with the Valuer, valuations of completed properties are normally conducted in market approach and income approach. We understand that given data on comparable premises/properties in the Hong Kong property market are mostly publicly available, the Valuer considered the adoption of the market approach as the most appropriate as it would provide a more objective result. In fact, the market approach is universally considered as the most accepted valuation approach for valuing most forms of properties. Given that Hong Kong has an active and well-publicised property market and that there already exists sufficient samples of comparable premises/properties available for analysis, we are of the view that these comparable premises/properties provide good and objective benchmarks for the valuation of the Property. Accordingly, we agree with the Valuer that the market approach is appropriate for the valuation of the Property.

On the other hand, we are advised by the Valuer that the income approach is less appropriate for the valuation of the Property as it is subject to substantial assumptions and estimations, mainly including discount rate, occupancy rate, rental income and its growth rate. Therefore, we concur with the view of the Valuer that income approach is less appropriate for the valuation of the Property.

The Property mainly comprises residential units. As stated in the Valuation Report, during the course of the valuation of the Property under the market approach, the Valuer considered and analysed the residential sale comparables in the vicinity. 6 residential sale transactions (the “**Comparables**”) are adopted as they are considered relevant to the Property in terms of physical and locational attributes.

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## LETTER FROM OCTAL

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The following table sets forth the details of the Comparables:

	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
<b>Development</b>	The Richmond	The Richmond	Caine Hill	Alassio	Central 8	The Richmond
<b>Address</b>	No. 62C Robinson Road	No. 62C Robinson Road	No. 73 Caine Road	No. 100 Caine Road	No. 8 Mosque Street	No. 62C Robinson Road
<b>District</b>	Mid-levels	Mid-levels	Mid-levels	Mid-levels	Mid-levels	Mid-levels
<b>Year of Completion</b>	2021	2021	2023	2016	2020	2021
<b>Floor</b>	30/F	27/F	29/F	5/F	3/F	6/F
<b>Unit</b>	B	B	A	C	D	A
<b>Effective Saleable Area (sq.ft.)</b>	462	462	289	544	196	304
<b>Date of Instrument</b>	22 Mar 2024	12 Jan 2024	18 Sep 2023	31 Mar 2023	13 Mar 2023	7 Mar 2023
<b>Consideration (HK\$)</b>	17,746,000	16,535,000	9,705,800	19,500,000	5,810,000	10,000,000
<b>Effective Saleable Unit Rate (HK\$/sq.ft.)</b>	38,411	35,790	33,584	35,846	29,681	32,895

Based on the above table, all the Comparables are high-rise residential units located in Mid-levels of Hong Kong, being the same district as the Property. The Comparables are relatively new buildings, of which their construction has been completed within the past 10 years. The sales transactions took place within 18 months before the valuation date. The Comparables are generally small size units with effective saleable areas ranging from 196 sq.ft. to 544 sq.ft., being similar to the average saleable area of units in the Property. Taking into these similarities, we consider that the Comparables are relevant of the Property in terms of physical attributes. The effective saleable unit rates of the adopted Comparables range from HK\$29,681 to HK\$38,411 per sq.ft. on the basis of effective saleable area, with an average effective saleable unit rate of approximately HK\$34,368 per sq.ft..

The unit rate adopted in the valuation is within the range of the effective saleable unit rates of the relevant Comparables after due adjustments on the effective unit saleable rates of the Comparables in terms of their different attributes such as timing of sale transactions, location, building age, floor level, size and view. The adopted unit rate is HK\$34,000 per sq.ft. for the benchmark unit (the “**Benchmark Unit Rate**”) on the basis of effective saleable area. We understand that the Valuer multiplied the Benchmark Unit Rate with the corresponding area of all units of the Property after adjustments on the Benchmark Unit Rate to reflect the variations of different units of the Property, including their floor level, size and view. We consider that the rationale behind these adjustments is fair and reasonable.

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Through our discussion with the Valuer, we also understand that data and information about the comparable premises/properties were mostly obtained from online public domains, which included the websites of the Land Registry under the Government of Hong Kong. As confirmed by the Valuer, the Comparables represent an exhaustive list to the best of their knowledge. Accordingly, we considered that the selection of the comparable premises/properties used in the valuation of the Property is fair and reasonable.

d) Valuation assumptions

According to the Valuation Report, the valuation of the Property was made on the assumption that the seller sells the Property in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the valuation of the Property. In addition, the Valuer assumed that no allowances have been made for any charges, mortgages or amounts owing in relation to the Property, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the Property. As the Property is held under long term leasehold interests, the Valuer also assumed that the owner has free and uninterrupted rights to use the Property for the whole of the unexpired term of the leasehold interests. In this regard, we noted from the Valuer that these assumptions are commonly adopted in the valuation of properties. Given that we consider it objective and appropriate to appraise the Property the same way as other similar properties on the open market, we are of the view that these valuation assumptions are fair and reasonable.

On the other hand, it is noted that the Consideration, which is approximately HK\$655.2 million (subject to adjustments), includes both the Sale Share and the Sale Loan. The Sale Loan amounts to around HK\$637.8 million and will be settled on a dollar-for-dollar basis. In other words, the consideration of the Sale Share is approximately HK\$17.4 million. Taking into consideration the Target Company's net liabilities of about HK\$243.2 million as at 31 March 2024, and the secured bank borrowings of approximately HK\$265.6 million as at 31 March 2024, which will be fully repaid by the Vendor on or before Completion, the adjusted net asset value of the Target Group as at 31 March 2024 stands at approximately HK\$22.4 million. Thus, the consideration of HK\$17.4 million for the Sale Share represents a discount of approximately 22.3% to the adjusted net assets value of the Target Group.

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## LETTER FROM OCTAL

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### *Conclusion*

Given that (i) the Property represents the only property interests and the core asset of the Target Group and hence we consider the Valuation Report an appropriate reference for determining its valuation; (ii) the consideration of the Sale Loan is equal to the face value of the Sale Loan on a dollar-for-dollar basis; and (iii) the Consideration is subject to adjustments as set out in the paragraphs headed “5.1 Consideration” in this letter above and as such adjustment mechanism is designed to reflect the changes of the net assets value of the Target Group (apart from the Property, the Sale Loan and the secured bank borrowings that shall be fully repaid by the Vendor on or before Completion), the final Consideration as at the Completion Date for the Transaction as determined with reference to the fair market value is fair and reasonable.

### **5.2. Settlement of consideration**

Pursuant to the SP Agreement, the Consideration (subject to adjustments) shall be settled as follows:

- (a) the Initial Deposit was paid by the Purchaser to the Vendor within 10 Business Days after signing of the SP Agreement;
- (b) the 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 falling 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.

Having considered that (i) the transfer of the ownership title of the Sale Share and Sale Loan from the Vendor to the Purchaser shall take place on the Completion Date, and (ii) the Consideration (subject to adjustments) is to be paid by the Purchaser to the Vendor’s designated account(s) by instalments, consisting of the Initial Deposit, the Second Payment upon Completion, and seven subsequent instalments following the Completion Date, this payment structure provides a balanced arrangement that ensures cashflow of the Consideration (subject to adjustments) to the Vendor while allowing the Company to have less financial burden by spreading the payment obligations over a period of time, thus, we are of the view that the payment terms are fair and reasonable.



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## LETTER FROM OCTAL

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### **6. Possible financial effects of the Transaction**

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

The financial effects of the Transaction on the Group's earnings, working capital and net asset value are set out below. However, it should be noted that the analysis below is for illustrative purposes only and does not purport to represent how the financial position of the Group would be upon Completion.

#### **6.1. Earnings**

As set out in the "Letter from the Board" to the Circular, no revenue was generated from the Target Group for each of the two years ended 31 March 2023 and 2024. Following the Completion, the financial results of the Target Group will be consolidated into the Group. The Property is to be held by the Group to earn rentals and hence is classified as investment property, which is initially measured at cost and subsequently measured at fair value. Changes in fair value of investment property will be recognised in profit or loss. As of the Latest Practicable Date, the construction of the Property has been completed and the leasing of the serviced apartments within the Property has not yet commenced. After Completion, the Target Group could contribute rental income to the Group subject to the initiation of the leasing operation of the Property.

#### **6.2. Working capital**

The working capital position of the Group is expected to decrease gradually after Completion as the Consideration (subject to adjustments) will be settled in cash by instalments in two years after the date of Completion. According to the 2023/24 Annual Results Announcement, the Group had short-term bank deposits and bank balances and cash in aggregate of approximately HK\$615.0 million as at 31 March 2024. We have also reviewed the working capital forecast covering the next twelve months after the Latest Practicable Date prepared by the management of the Company and noted that the working capital of the Group is sufficient for its ordinary operation after settlements of the Consideration (subject to adjustments). Based on the above and our discussion with the management of the Company, the Group's working capital and liquidity position is expected to remain ample after Completion.

#### **6.3. Net assets value**

As extracted from the 2023/24 Annual Results Announcement, the consolidated net assets value of the Group was approximately HK\$4.6 billion. Based on the unaudited pro forma financial information of the Enlarged Group as set in Appendix V to the Circular, the unaudited pro forma net assets of the Enlarged Group as at 31 March 2024 would maintain at approximately HK\$4.6 billion assuming Completion had taken place on 31 March 2024.

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## LETTER FROM OCTAL

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Having considered the reasons and benefits of the Transaction, the fairness and reasonableness of the Consideration (subject to adjustments) and the potential rental revenue to be generated from the Target Group, we are of the view that the short-term adverse financial impacts of the Transaction on the Enlarged Group's working capital position are commercially justifiable.

### RECOMMENDATION

Based on the above, we consider that the SP Agreement and the Transaction contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the SP Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the SP Agreement and the Transaction contemplated thereunder.

Yours faithfully,  
For and on behalf of  
Octal Capital Limited

**Alan Fung**  
*Managing Director*

**Wong Wai Leung**  
*Executive Director*

*Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer of Type 9 (asset management) regulated activities. Mr. Wong has accumulated decades of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.*

*The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the property interests to be acquired the Group. Terms defined in this appendix applies to this appendix only.*

Vincorn Consulting and Appraisal Limited  
Units 1602-4, 16/F  
No. 308 Des Voeux Road Central  
Hong Kong

**The Board of Directors**

Emperor Entertainment Hotel Limited  
28/F, Emperor Group Centre,  
No. 288 Hennessy Road,  
Wanchai, Hong Kong

3 July 2024

Dear Sirs,

**INSTRUCTION AND VALUATION DATE**

We refer to your instructions for us to assess the Market Value of the property interests located in Hong Kong to be acquired by Emperor Entertainment Hotel Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Value of the property interests as at 24 May 2024 (the “**Valuation Date**”).

**VALUATION STANDARDS**

The valuation has been prepared in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors effective from 31 December 2020 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2022; and the requirements set out in the Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**VALUATION BASIS**

Our valuation has been undertaken on the basis of Market Value. Market Value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

**VALUATION ASSUMPTIONS**

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

As the property interests are held under long term leasehold interests, we have assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term of the leasehold interests.

**VALUATION METHODOLOGY**

When valuing the property interests to be acquired by the Group, we have adopted Market Approach.

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, building age, building quality and so on.

**LAND TENURE AND TITLE INVESTIGATION**

We have made enquires and relevant searches at the Hong Kong Land Registry. However, we have not searched the original documents nor have we verified the existence of any amendments, which do not appear in the documents available to us. All documents have been used for reference only.

All legal documents disclosed in this letter and the valuation certificate are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter and the valuation certificate.

**INFORMATION SOURCES**

We have relied to a considerable extent on the information provided by the Group. We have also accepted advice given to us on matters such as identification of the property, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of information provided to us by the Group which is material to the valuation.

**INSPECTION AND INVESTIGATIONS**

The property was inspected externally and internally. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the property. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the property and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the property and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

**CURRENCY**

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollars (“**HKD**”).

The valuation certificate is attached hereto.

Yours faithfully,  
For and on behalf of  
**Vincorn Consulting and Appraisal Limited**

**Vincent Cheung**  
*BSc(Hons) MBA FHKIS FRICS RPS(GP)*  
*MCIREA MHKSI MISCM MHIREA FHKIoD*  
*RICS Registered Valuer*  
*Registered Real Estate Appraiser & Agent PRC*  
*Managing Director*

*Note:* Vincent Cheung is a fellow of the Hong Kong Institute of Surveyors, a fellow of the Royal Institution of Chartered Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region (“**Hong Kong**”), a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a fellow of the Hong Kong Institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People’s Republic of China. He is suitably qualified to carry out the valuation and has over 26 years of experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region.

## VALUATION CERTIFICATE

## Property Interests to be Acquired by the Group for Investment in Hong Kong

Property	Description and Tenure	Occupancy Particulars	Market Value in the Existing State as at 24 May 2024
Nos. 20-26 Old Bailey Street & No. 11 Chancery Lane, Central, Hong Kong	<p>The property comprises a 25-storey residential building located in Mid-Levels.</p> <p>As per approved building plans dated 12 April 2024, the property has a site area and a gross floor area of approximately 3,298.75 square feet (“sq.ft.”) and 29,685.58 sq.ft. respectively. As per information provided by the Group, the property is physically completed in 2024 and pending for the issuance of Occupation Permit.</p> <p>The subject lots, Inland Lot No. 4417 and The Remaining Portion of Inland Lot No. 4418, are held under Government Leases for a common term of 999 years commencing from 1 February 1855.</p>	As per our on-site inspection and information provided by the Company, the property is currently vacant.	HKD705,000,000 (HONG KONG DOLLARS SEVEN HUNDRED AND FIVE MILLION)

## Notes:

1. The property was inspected by Iverson Chan *BSc(Hons) MHKIS MRICS RPS(GP) RICS Registered Valuer CAIA* on 14 May 2024.
2. The valuation and this certificate were prepared by Vincent Cheung *BSc(Hons) MBA FHKIS FRICS RPS(GP) MCIREA MHKSI MISC MHIAREA FHKIoD RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC*, Kit Cheung *BSc(Hons) FHKIS MRICS RPS(GP) MCIREA MHIAREA RICS Registered Valuer Registered Real Estate Appraiser PRC* and Iverson Chan *BSc(Hons) MHKIS MRICS RPS(GP) RICS Registered Valuer CAIA*.

3. The details of the land search records of the property dated 13 May 2024 are summarised below:-

Item	Details	Unit	Date of Assignment	Memorial No.
Registered Owner:	Century Chain Limited By various assignments detailed below:-			
		Shop on Ground Floor, No. 20 Old Bailey Street	12 March 2018	18041102530174
		Shop on Ground Floor, No. 22 Old Bailey Street	12 March 2018	18041102530132
		Flat on Mezzanine Floor, Nos. 20-22 Old Bailey Street	12 March 2018	18041102530097
		Flat on 1st Floor, Nos. 20-22 Old Bailey Street	12 March 2018	18041102530117
		Flat on 2nd Floor, Nos. 20-22 Old Bailey Street	12 March 2018	18041102530142
		Flat on 3rd Floor, Nos. 20-22 Old Bailey Street	12 March 2018	18041102530051
		Flat on 4th Floor, Nos. 20-22 Old Bailey Street	12 March 2018	18041102530075
		Roof, Nos. 20-22 Old Bailey Street	12 March 2018	18041102530063
		Shop on Ground Floor, No. 24 Old Bailey Street	12 March 2018	18041102530049
		Shop on Ground Floor, No. 26 Old Bailey Street	12 March 2018	18041102530185
		Flat on 1st Floor, Nos. 24-26 Old Bailey Street	13 April 2018	18050802100026
		Flat on 2nd Floor, Nos. 24-26 Old Bailey Street	12 March 2018	18041102530158
		Flat on 3rd Floor, Nos. 24-26 Old Bailey Street	12 March 2018	18041102530102
		Flat on 4th Floor, Nos. 24-26 Old Bailey Street	12 March 2018	18041102530167
		Flat on 5th Floor, Nos. 24-26 Old Bailey Street	12 March 2018	18041102530122
		Roof, Nos. 24-26 Old Bailey Street	12 March 2018	18041102530082
		Flat A on Ground Floor, No. 11 Chancery Lane	12 March 2018	18040901800031
		Flat B on Ground Floor, No. 11 Chancery Lane	12 March 2018 & 20 June 2018	18040901800046 & 18071702240051
		Flat A on 1st Floor, No. 11 Chancery Lane	12 March 2018	18040901800027
		Flat B on 1st Floor, No. 11 Chancery Lane	12 March 2018	18040901800057
		Flat A on 2nd Floor, No. 11 Chancery Lane	13 April 2018	18050902340113
		Flat B on 2nd Floor, No. 11 Chancery Lane	12 March 2018	18040901800061
		Flat A on 3rd Floor, No. 11 Chancery Lane	12 March 2018	18040901800079
		Flat B on 3rd Floor, No. 11 Chancery Lane	12 March 2018	18040901800083
		Flat A on 4th Floor, No. 11 Chancery Lane	12 March 2018	18041002070045



Unit	Date of Assignment	Memorial No.
Flat B on 4th Floor, No. 11 Chancery Lane	13 April 2018	18050902340100
Flat A on 5th Floor and Roof, No. 11 Chancery Lane	13 April 2018	18050902340124
Flat B on 5th Floor and Roof, No. 11 Chancery Lane	12 March 2018	18040901800095
The Space under the Staircase, No. 11 Chancery Lane	30 August 2018	18092002120016

Government Rent: HKD20 per annum (Inland Lot No. 4417 and Inland Lot No. 4418)

Major Encumbrances: Debenture and Mortgage in favour of The Bank of East Asia, Limited dated 20 December 2018, registered vide Memorial No. 19010302230055

4. The property is erected on Inland Lot No. 4417 and The Remaining Portion of Inland Lot No. 4418, which are held under Government Leases. The salient conditions are summarised below:-

Item	Details
Lot Numbers:	Inland Lot No. 4417 and Inland Lot No. 4418
Lease Term:	999 years commencing from 1 February 1855
Major Special Conditions:	The said Lessee or any other person or persons shall not nor will during the continuance of this demise use exercise or follow in or upon the said premises or any part thereof the trade or business of a Brazier, Slaughterman, Soap-maker, Sugar-baker, Fellmonger, Melter of Tallow, Oilman, Butcher, Distiller, Victualler or Tavern-keeper, Blacksmith, Nightman, Scavenger or any other noisy noisome or offensive trade or business whatever without the previous licence of His said Majesty signified in writing by the Governor or other person duly authorised in that behalf.

5. The property falls within an area zoned "Residential (Group A)" under Hong Kong Planning Area No. 3 – Approved Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/34 approved on 3 November 2020.

6. The general description and market information of the property are summarised below:-

Location	:	The property is located at Nos. 20-26 Old Bailey Street & No. 11 Chancery Lane, Central, Hong Kong.
Transportation	:	Hong Kong International Airport and Central MTR Station are located approximately 36.7 kilometres and 0.6 kilometres away from the property respectively.
Nature of Surrounding Area	:	The area is predominately a residential area in Mid-Levels.

7. Pursuant to the information provided by the Company, Century Chain Limited is an indirect wholly-owned subsidiary of Emperor International Holdings Limited.

8. In the course of our valuation of the property, we have considered and analysed residential sale comparables.

The residential sale comparables collected on an exhaustive basis are considered relevant to the property in terms of property type, location, building age, size and transaction date. A total of six residential sale comparables located in Mid-levels, with a building age within 10 years from the completion year of the property, transacted within 18 months on or before the valuation date and with a saleable area of not greater than 1,000 sq.ft. have been identified and analysed. The unit rates of the adopted residential sale comparables range from HKD29,681 to HKD38,411 per sq.ft. on the basis of effective saleable area. The following table shows the details of residential sale comparables with the adopted adjustments:

Development	Comparable 1 The Richmond	Comparable 2 The Richmond	Comparable 3 Caine Hill	Comparable 4 Alassio	Comparable 5 Central 8	Comparable 6 The Richmond
Address	No. 62C Robinson Road	No. 62C Robinson Road	No. 73 Caine Road	No. 100 Caine Road	No. 8 Mosque Street	No. 62C Robinson Road
District	Mid-levels	Mid-levels	Mid-levels	Mid-levels	Mid-levels	Mid-levels
Year of Completion	2021	2021	2023	2016	2020	2021
Property Type	Residential	Residential	Residential	Residential	Residential	Residential
Floor	30/F	27/F	29/F	5/F	3/F	6/F
Actual Floor	26/F	23/F	25/F	4/F	3/F	5/F
Unit	B	B	A	C	D	A
Effective Saleable Area (sq.ft.)	462.00	462.00	289.00	544.00	195.75	304.00
View	Building View	Building View	Building View	Building View	Building View	Building View
Nature	Agreement for Sale & Purchase	Agreement for Sale & Purchase	Supplemental Agreement for Sale & Purchase	Agreement for Sale & Purchase	Agreement for Sale & Purchase	Agreement for Sale & Purchase
Date of Instrument	22 March 2024	12 January 2024	18 September 2023	31 March 2023	13 March 2023	7 March 2023
Consideration (HKD)	17,746,000	16,535,000	9,705,800	19,500,000	5,810,000	10,000,000
<b>Effective Saleable Unit Rate (HKD/sq.ft.)</b>	<b>38,411</b>	<b>35,790</b>	<b>33,584</b>	<b>35,846</b>	<b>29,681</b>	<b>32,895</b>
<b>Adjustment</b>						
Time	Nil	(0.6%)	(7.1%)	(13.2%)	(13.2%)	(13.2%)
Location	Nil	Nil	Nil	Nil	5.0%	Nil
Building Age	1.5%	1.5%	0.5%	4.0%	2.0%	1.5%
Floor Level	(8.0%)	(6.5%)	(7.5%)	3.0%	3.5%	2.5%
Size	0.4%	0.4%	(0.5%)	0.8%	(1.0%)	(0.4%)
View	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>	<u>10.0%</u>	<u>10.0%</u>	<u>10.0%</u>
Total Adjustment	(1.6%)	(0.6%)	(9.8%)	3.1%	4.8%	(1.1%)
<b>Adjusted Effective Saleable Unit Rate (HKD/sq.ft.)</b>	<b>37,799</b>	<b>35,574</b>	<b>30,299</b>	<b>36,945</b>	<b>31,109</b>	<b>32,536</b>

Adjustments in terms of different aspects, including time, location, building age, floor level, size and view, have been made to the unit rates of the adopted comparables. After due adjustments in terms of the aforesaid aspects, the adjusted unit rates of the adopted residential sale comparables range from HKD30,299 to HKD37,799 per sq.ft. on the basis of effective saleable area. The five adjusted unit rates of residential sale comparables are assigned with the same weight and represent a weighted average of HKD34,000 per sq.ft. on the basis of effective saleable area for the benchmark unit.

Further adjustments in terms of floor, size and view have been made to the adopted unit rates of each unit of the property, based on the benchmark unit rate of HKD34,000 per sq.ft. After due adjustments in terms of the aforesaid aspects, the adjusted unit rates of each unit of the property range from HKD25,972 to HKD36,492 per sq.ft. on the basis of effective saleable area, which represents an averaged unit rate of HKD32,081 per sq.ft. on the basis of effective saleable area. The Market Value of the property with a total effective saleable area of 21,975.58 sq.ft. is hence circa HKD705,000,000.

3 July 2024  
 The Directors,  
 Emperor Entertainment Hotel Limited  
 28/F Emperor Group Centre  
 288 Hennessy Road  
 Wanchai, Hong Kong



Dear Sir/Madam,

We have prepared a market research report of the hospitality sector and addressed the specific market dynamics of the serviced apartment market with a focus on Central for Emperor Entertainment Hotel Limited.

## 1.0 CENTRAL DISTRICT SERVICED APARTMENT MARKET ANALYSIS

### 1.1 Recent district developments and trends

#### *New office developments to bring about more diverse and high calibre corporations*

Central, being the core business district of Hong Kong for decades, has around 27 million sq ft of Grade A office spaces at the end of 2023, hosting some of the largest international, Chinese and local financial institutions and professional services companies. In the first half of 2024 there are three new Grade A office projects being added to Central office stock, namely the Henderson (465,000 sq ft), Cheung Kong Center 2 (494,000 sq ft) and Six Pacific Place (219,000 sq ft). Pre-leasing of these brand new, state-of-the-art office premises are well underway, attracting high calibre multinationals from a diverse background to the Central district.

#### *Location Map of New Office Projects in Central*



Source: Google map, Savills Research & Consultancy

**Recently Completed / Future Grade A Office Supply in Central**

Address	GFA (sq. ft.)	Expected year of completion	Type
The Henderson	465,000	2024	Grade A Office
Cheung Kong Center 2	493,500	2024	Grade A Office
Six Pacific Place	218,916	2024	Grade A Office
Peel Street/Graham Street Project	320,000	2025	Grade A Office
Takshing House, 20 Des Voeux Road Central	153,686	2025	Grade A Office
<b>Total</b>	<b>1,651,102</b>		

Source: Buildings Department, company reports, Savills Research & Consultancy

**Comprehensive Development of Site 3, Central**



Henderson Land was awarded the tender of development of Site 3 in Central in 2021, with a total development area of 1.6 million sq ft, including both office (660,000 sq ft) and retail (940,000 sq ft). With a scheduled phased completion by 2027 and 2032, this waterfront low-rise commercial development would feature a six-storey aquarium, together with other art, culture and theatre facilities. The project is stand to become another iconic development attracting more multinational businesses and tourists.

***Site 3 Development Details***

<b>Development</b>	<b>Parameters</b>
Site Area:	516,312 sq ft
Total GFA:	Not more than 1,614,587 sq ft: Office c. 660k sf; Retail c. 940k sf
Plot Ratio	3.1
Use	Three towers commercial development mainly for office and retail uses, rooftop park & continuous landscaped deck, public open space, Government, Institution or Community (G/IC) facilities and public car parking spaces.
Maximum Building Height	50 mPD (Western Portion) 16 mPD (Eastern Portion)
Building covenant	To be completed and made fit for occupation on or before the 31st day of December, 2027 (Site A) and 2032 (Site B)

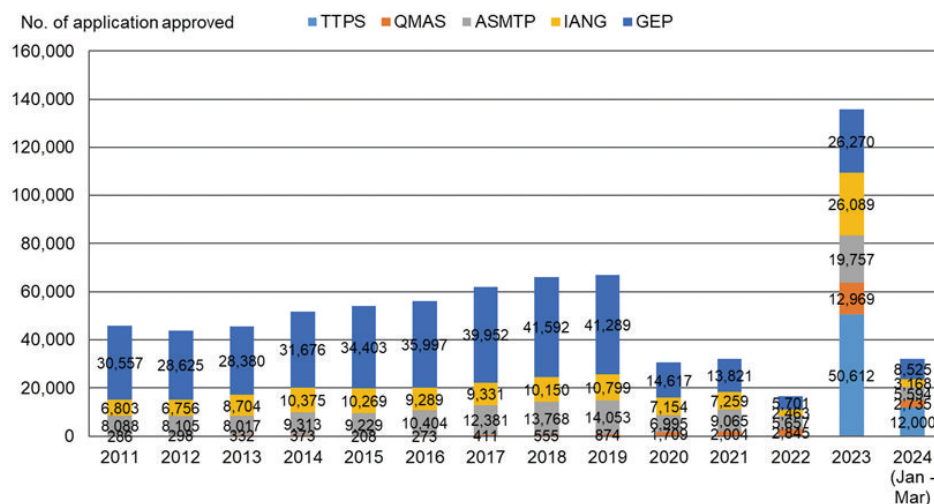
*Source:* Lands Department, Savills Research & Consultancy

**1.2 District serviced apartment market analysis*****1.2.1 Central district******Expatriates and talents***

Many existing serviced apartment tenants are expatriates working for MNCs and the employees of Mainland Chinese firms, who require proximity to key office nodes on Hong Kong Island (most serviced apartment tenants work in the banking and financial services sectors or are professionals and consultants in related service industries).

Admissions of overseas and Mainland talents and professionals has been one of the major demand drivers for serviced apartments more recently. In Hong Kong, the five most common admission schemes are the General Employment Policy (GEP), Immigration Arrangement for Non-local Graduates (IANG), Admission Scheme for Mainland Talents and Professionals (ASMTP), Quality Migrant Admission Scheme (QMAS) and the Top Talent Pass Scheme (TTPS), which has been newly introduced since late-2022.

Number of overseas applications approved, 2011 – 2024 (Jan to Mar)



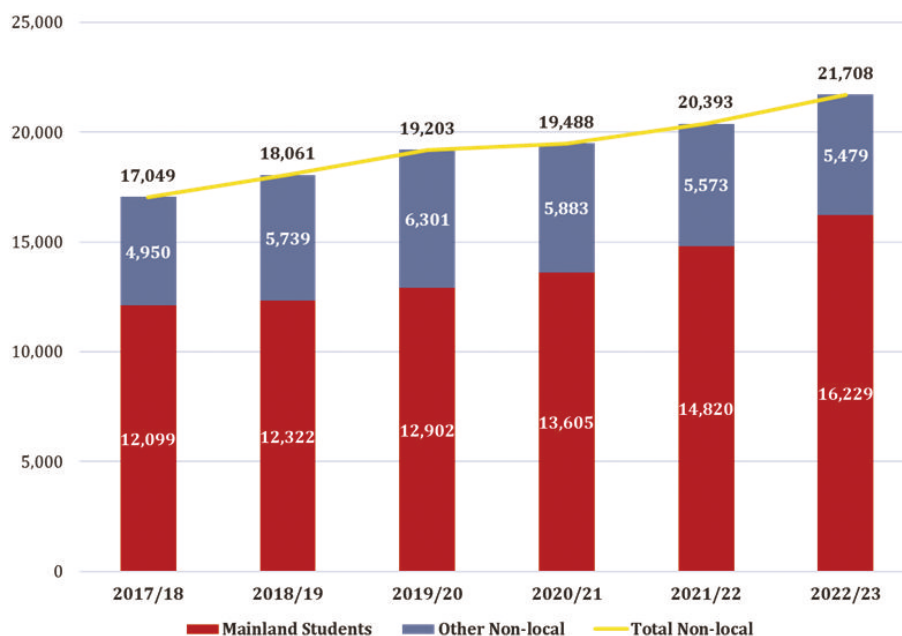
Source: Immigration Department

The reopening of the border in 2023, together with the government’s strong intention to attract talents by introducing the new TTPS as well as loosening the admission requirements of other admission schemes, attained the desired effect with talent numbers surging to 135,697 in 2023, a 7-fold increase. Q1/2024 saw continuous influx of talents with 32,000 admission applications approved over the quarter. For the 160,000 talent applications approved, over 120,000 of them has already arrived and settled in Hong Kong.

Among the five schemes, TTPS proved to be the most popular, in particular among Mainland talents with over 95% of applicants being Mainland Chinese. According to a recent survey, around half of the talents arrived via TTPS has already found a job in Hong Kong, with a median monthly income of HK\$50,000, while 25% of them are having a monthly salary over HK\$100,000. As TTPS has an initial renewal requirement of two years, many of these arrivals are expected to choose more flexible accommodation options such as serviced apartments in their first terms, before settling down on more permanent accommodations after two years. As many of these Mainland talents eventually landed their jobs in the financial or related sectors with a workplace nearby Central or Kowloon Station, Central would be the first choice of accommodations in their initial stays.

*Student accommodations*

## Total Non-local Students Enrollment by 8 UGC-funded Universities



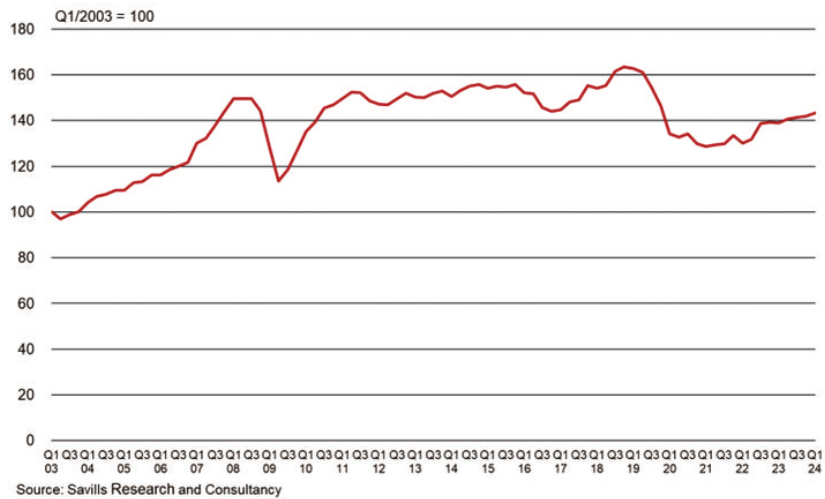
Source: University Grants Committee (UGC)

There has been a steady rising trend of non-local university students in the 8 UGC funded universities over the past five years, with such numbers reaching 21,700 in 2022/23, a CAGR of 5.0%. Mainland university students saw the highest growth at 6.0% CAGR over the same period. We estimated a maximum bed deficit of around 8,200 for all 8 universities, with University of Hong Kong (HKU) alone to face 2,400 bed deficit, reflecting huge potential demand for long-stay options as student accommodations with the vicinity of HKU.



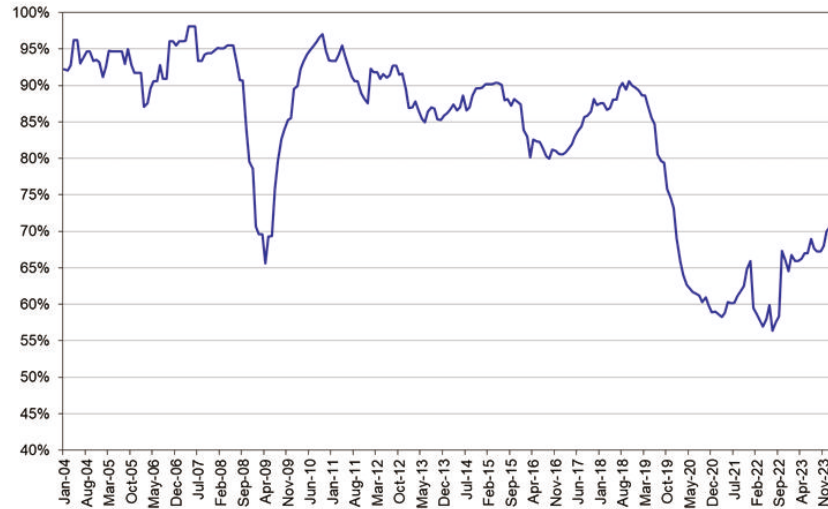
*Rental and Occupancy Performance*

Central and Western District Serviced Apartment Rental Indices, Q1/2003 – Q1/2024



After a blip in 2008/09 due to the global financial crisis, serviced apartment rents in Central rebounded swiftly in 2009/10 by 29% with strong recovery in the financial sector led by an influx of Mainland financial institutions. With steady demand from both financial expats and Mainland executives, Central serviced apartment rents maintained a steady upward trends, improving by another 11% from 2011 to 2018. The subsequent US / China trade conflicts, social unrest and outbreak of pandemic suppressed rental movements, seeing Central rents receding by 21% over the next two years. With quarantine control gradually easing rents stabilized from 2021 onwards, with strong uptick registered towards end of 2022 when strong signs of business recovery was noted due to the imminent curbing of COVID-19. Such rebound continued after full border reopening in 2023, and Central serviced apartment rents registered a 11% rebound in Q1/2024 from it nadir in Q1/2021.

## Central Serviced Apartment Occupancy Rate, Jan 2004 – Mar 2024



Source: Savills Research & Consultancy

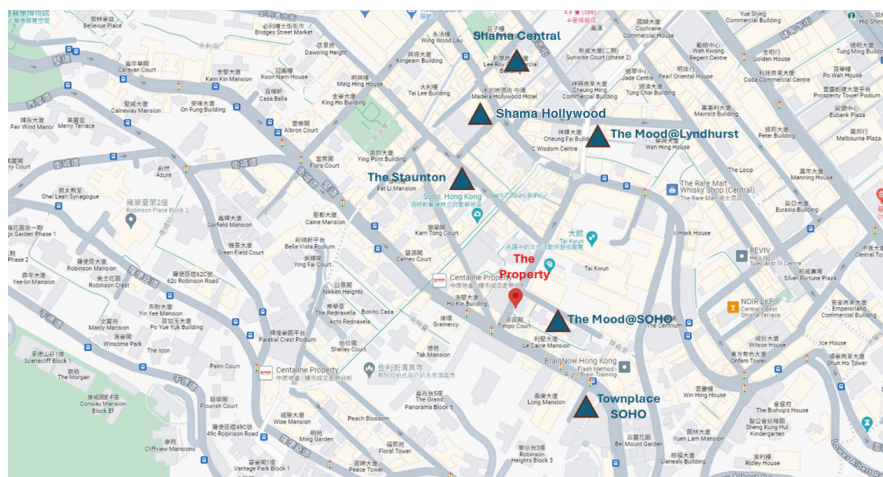
During 2010-2012, serviced apartments in Central maintained an average occupancy rate of over 90%. The average occupancy rate fell below 90% in 2013-2014 in what was a highly competitive serviced apartment market and rose above 90% in 2015. The occupancy rate remained stable from 2016 to 2018 in the range of 85% to 90%. The rate began to drop in 2019 along with rents, from 90% in December 2018 to 73% in December 2019. The rate continued to drop in 2020, reaching 59% at the end of 2020, but rebounded to 65% at the end of 2021 before dropping below 60% in most of 2022 as most landlords were reluctant to reduce rents amidst anticipation of soon-to-end pandemic. After border reopening in early 2023, occupancy jumped to 66% in the first half of 2023, and gradually reached 70% in March 2024.

### 1.3 Competitive landscape

#### 1.3.1 Comparable serviced apartment projects

There are a number of serviced apartment projects in Central, providing a wide range of product offerings to tenants including locations, room sizes, facilities and budget range. Out of these serviced apartments we identify six of them to be close comparables to the Property, providing a total of 463 units near the Property. All six projects are apartment-like serviced apartments completed from 1993 to 2020, and with no new supply nearby over the past three years the competitive landscape is expected to remain relatively stable.

Location Map of Comparable Serviced Apartment Projects and the Property



Source: Google Map, Savills Research & Consultancy

Development Name	Completion		No. of units	Unit Size (sq. ft.)
	Year	Type		
The Mood@Lyndhurst	2015	Apartment-like	31	468-1,060
The Mood@SOHO	1993	Apartment-like	15	548-1,081
Staunton	2017	Apartment-like	57	471-614
Shama Hollywood	2001	Apartment-like	11	580
Shama Central	2011	Apartment-like	56	500-2,000
TOWNPLACE SOHO	2020	Apartment-like	293	354-1,299

Source: Savills Research & Consultancy

1.4 Brief market outlook

COVID-19 is firmly behind us with Hong Kong’s border reopened for more than a year. Despite initial high hope of an imminent economic recovery, the pace of economic growth has been hindered by high interest rates environment, fluctuating stock market performance as well as geopolitical tensions. All these contributed to a slower-than-expected return of expats, who used to be the major clientele for serviced apartments. The government has put up a number of initiatives to strive to reinvigorate Hong Kong’s economy by organizing a number of mega events, further completion of tourist-oriented facilities as well as putting forward various policies to attract talents.

### ***1.4.1 Future Development of Serviced apartment***

Looking ahead, serviced apartment rents are expected to rebound gradually with continuous influx of talents via different admission schemes, as well as further increase in non-local university students with the gradually loosening of their proportion from 20% to 40% over the next few years. Along with the falling unemployment rate in the finance, insurance, real estate, professional and business services (FIREBS) sector, demand for serviced apartments, particularly in areas near core business districts will remain strong. The demand for serviced apartments driven by young Mainlanders is likely to rise in future years as Mainland professionals immigrate to Hong Kong and Mainland graduates take work in the local finance and legal sectors among others. Mainland students studying in HKU may also opt to reside in serviced apartments nearby, which is close to where they study. Their budgets are typically around HK\$20,000 to HK\$30,000 per month.

Hotels previously had been adjusting their business strategies to accommodate more long-stay expatriates and temporary demand from locals facing the problem of lack of tourists over the past few years. With the reopening of the border, we expect hotels to shift their business focuses to short-stay tourists, with serviced apartments likely to absorb the displaced long-stay hotel demand.

Government initiatives to encourage more high spending tourists:

#### *Tourism is Everywhere in Hong Kong*

The government has put forward more tourism-related initiatives to try to lure high-spending tourists to Hong Kong: Tourism is Everywhere. Under this new initiative, Hong Kong Tourism Board (HKTb) is going to launch 100+ Mega Events for 2H 2024 to captivate travelers with its rich cultural heritage, as well as further sports related activities, including but not limited to Performing Arts Expo, 2024 Women's Lacrosse U20 World Championship, etc. These events are expected to attract an additional 1.7 million high-calibre tourists, boosting HK\$7.2 billion consumer spending and creating HK\$4.3 billion additional economic value.

More tourist and MICE visitors related facilities are also in the pipeline:

#### *Lyric Theatre Complex at West Kowloon Cultural District*

This will be the fourth major art and cultural facilities in West Kowloon Cultural District after the completion of M+, Xiqu Centre and Hong Kong Palace Museum. Scheduled for completion in 2025, the complex would house a 1,450-seat lyric theatre, a 600-seat medium theatre and a 270-seat studio theatre, which would be held to some of the best dancing and theatrical performances, serving to attract more high calibre cultural tourists.

*Potential expansion of Hong Kong Convention and Exhibition Centre (HKCEC)*

With the relocation of most government departments within 2024, the three government buildings in Wanchai North was rezoned for composite development, which comprises 1 million sq ft of convention / exhibition space and office space apiece, as well as a 500-room hotel. The site could be tendered as early as 2027 and could be completed by 2034, serving as a natural expansion of the existing HKCEC, which could in turn attract more high spending M.I.C.E. (Meeting, Incentive Travel, Conference and Exhibition) visitors.

**1.4.2 Locational Advantages of Central**

Renting apartments in Central has always been popular among young professionals and expatriates given its proximity to Sheung Wan, Central and Admiralty, where most Grade A office buildings are located and where further large scale commercial projects are to be completed over the next few years.

*Locational advantages of the Property*

The Property is located at the junction of Old Bailey Street and Chancery Lane, which is next to the famous new tourist spot Tai Kwun, and the vibrant wine-and-dine area of SOHO. Its close proximity to Central via the Central to Mid-Levels escalator means it is an attractive location for the ones who work in the CBD, and at the same time enjoy energetic lifestyle.

New economy industries, such as crypto, quantitative finance, A.I., etc, are developing rapidly in Hong Kong, with most of these companies filled with young and energetic employees. The chic and vibrant environment where the subject is located is most suitable of their lifestyles, and therefore should be most appealing to them.

With anticipated shortfall of university beds at HKU and few suitable student housing products nearby, the Property may also be able to attract some student housing demand over the next few years.

## Appendix 1

### GENERAL OVERVIEW OF THE SERVICED APARTMENT MARKET

#### Definition

A serviced apartment is a type of furnished apartment which offers services and flexible lease terms. A serviced apartment typically has the following characteristics:

1. Furnished;
2. Available for either short-term or long-term stays;
3. Provides amenities and a range of services including housekeeping;
4. Rents are inclusive of most taxes, utilities, management fees and government rents and rates;
5. Lease terms are typically short (3-6 months)

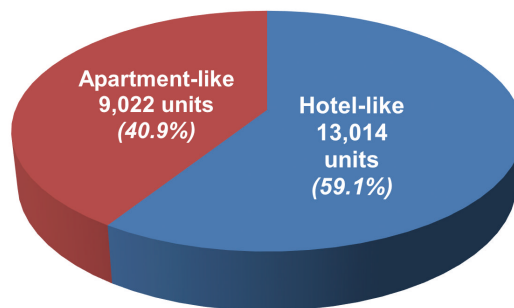
Serviced apartments include two sub-categories, “apartment-like” and “hotel-like”.

An apartment-like serviced apartment resembles a conventional residential unit which is furnished and offered with a range of services. It is sometimes a marketing tool for the leasing of residential developments. They are typically classified as residential buildings when they receive their occupation permit.

A hotel-like serviced apartment is a furnished unit under central management and offered with hotel-like services with a 24-hour reception and communal facilities. This would include long-stay rooms in a hotel. They are categorized as hotel buildings when they receive their occupation permit.

#### Stock distribution

*Total Serviced Apartment Stock by Type, Mar 2024*

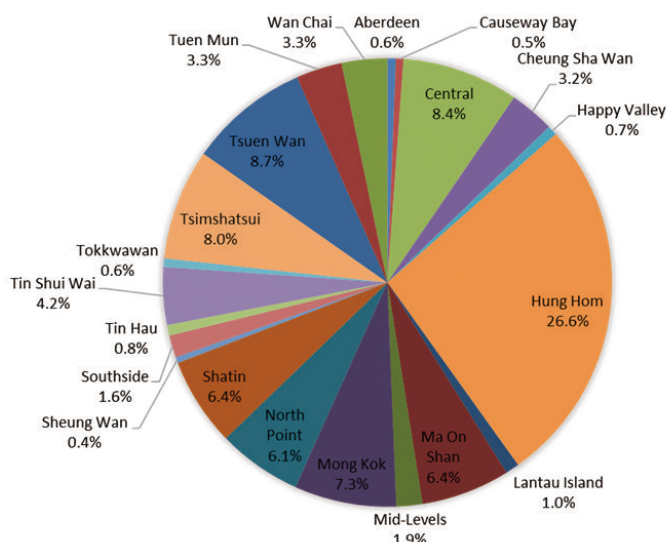


Source: Savills Research & Consultancy

Hotel-like units make up a larger share (59.1%) of the serviced apartment market, with most units found in Kowloon, Hung Hom and Tsim Sha Tsui in particular. Harbourview Horizon (1,980 units) and Harbourfront Horizon (1,422 units) in Hung Hom are the largest hotel-like apartments in terms of number of units.

Apartment-like units still account for a sizeable market share (40.9%), where most of the units are on Hong Kong Island, especially Wanchai and Causeway Bay. Kornhill Apartments (450 units) in Taikoo Shing and Townplace Soho (292 units) in Mid-Levels are the largest apartment-like serviced apartment.

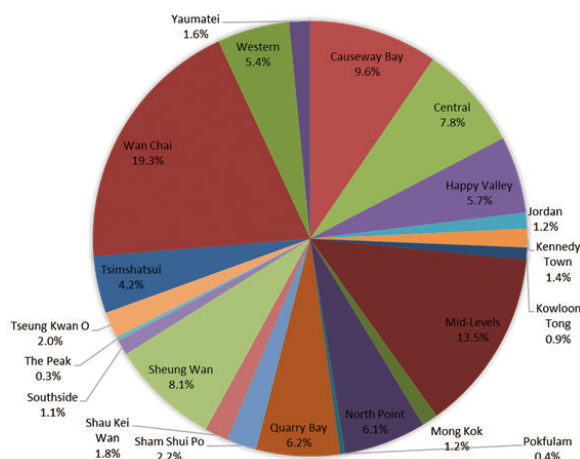
*Total Hotel-like Serviced Apartment Stock by District, Mar 2024*



Source: Savills Research & Consultancy

Hung Hom (3,467 units, 26.6%) has the largest number of hotel-like serviced apartments with the two mega projects, while Tsuen Wan came in second (1,129 units, 8.7%) with two hotels primarily providing long-stay packages. On Hong Kong Island, Central (1,093 units, 8.4%) has the largest number of such units as the major business district of the city.

Total Apartment-like Serviced Apartment Stock by District, Mar 2024

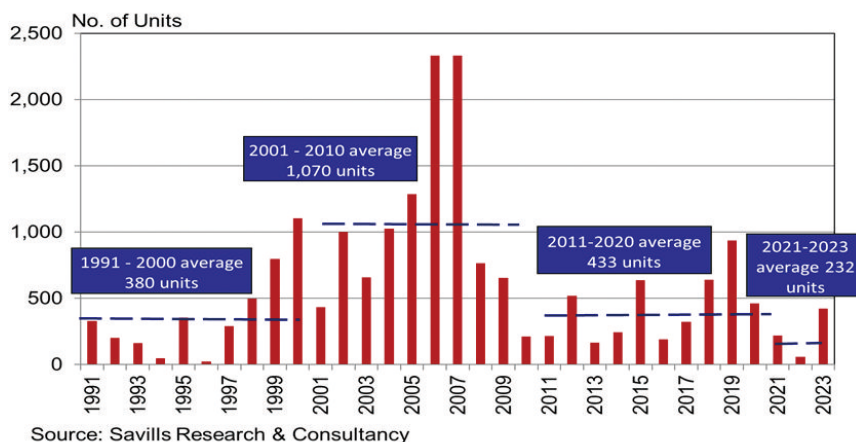


Source: Savills Research & Consultancy

Wan Chai (1,745 units, 19.3%) has the largest number of apartment-like serviced apartments, with the area featuring office towers and the HKCEC. Mid-Levels (1,222 units, 13.5%) came in second with its close proximity to the offices clustered in Central and Western district. Causeway Bay (863 units, 9.6%) came in third in terms of number of units with its vibrant business, retail and entertainment ambience.

Based on the above findings, the supply of serviced apartment in Central and Mid-Levels represents 10% and 21% of hotel-like and apartment-like serviced apartments respectively, of which is the second highest and highest concentration of serviced apartments in their respective categories. The concentration of serviced apartments of varying scales and types in the Central / Mid-Levels area create a critical mass and give high-calibre potential tenants a wide range of choices of accommodations.



**Historical supply***Serviced Apartment Supply, 1992 – 2023*

In the 1990s, average new serviced apartment supply stood at around 400 units per year. The supply increased moderately in 2002 to 1,371 units but dropped significantly in 2003 due to SARS. The demand for serviced apartments was driven by the increasing number of tourists and expatriate workers after the outbreak, which led to supply hitting an historical high in 2006 and 2007 with 2,385 and 2,571 units completed respectively. Supply began to slide from 2008 and has remained low ever since, with booming residential and hotel sectors luring developers to look more into these two sectors. Average supply levels slipped to 433 units per annum over the 2011 to 2020 period as a result. While the pandemic from 2020 to 2022 delayed most new constructions, 2023 still saw an increase in supply with the completion of TOWNPLACE WEST KOWLOON, and the 422-room hybrid product in Cheung Sha Wan was well-received by the market with its multiple communal facility offerings, flexible lease terms and service levels attracting a wide range of tenants.

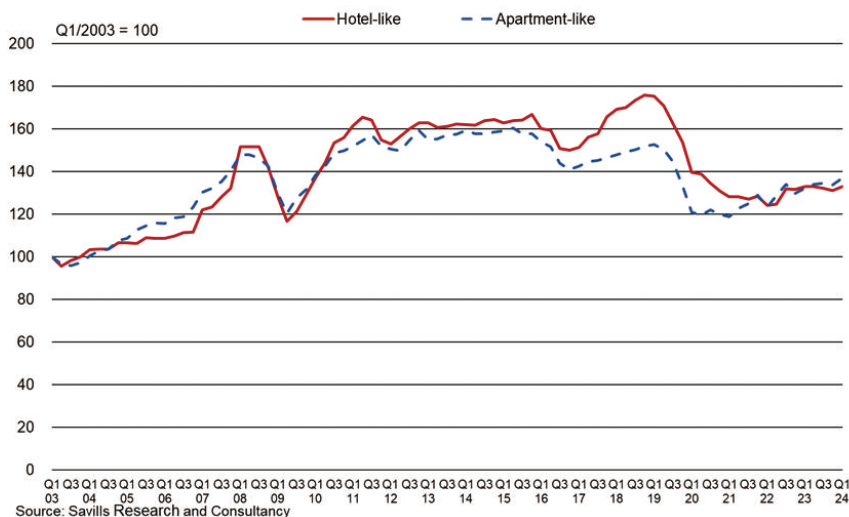
**Demand profile**

Demand for serviced apartments is normally on a relatively short to medium term basis. Although there is occasional non-business demand from locals residing in serviced apartments during home renovation, demand is predominately business related and most residents come from overseas needing short term accommodation, of which some are employed on a project basis while others may stay for a longer period.

## Rental and occupancy trends

- **Rental trends**

*Serviced Apartment Rental Index, Q1/2003 – Q1/2024*



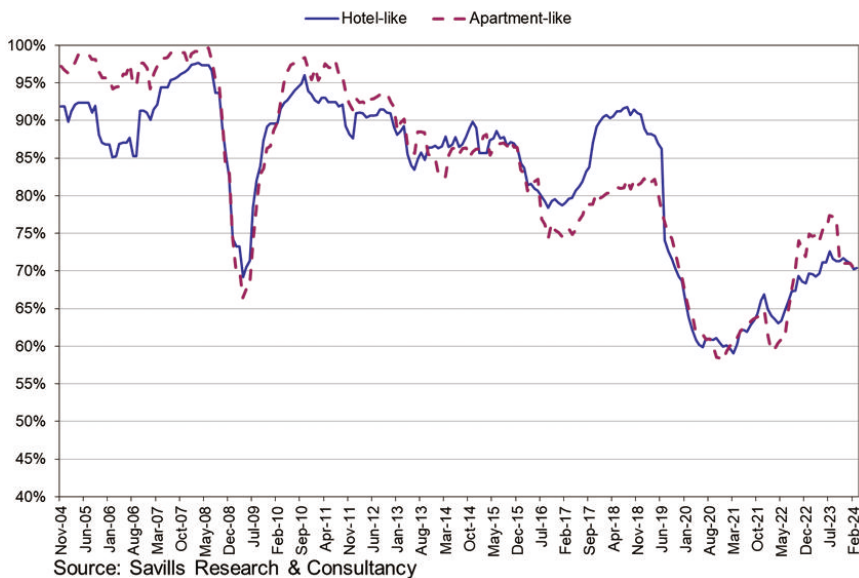
Both hotel-like and apartment-like serviced apartment rents in Hong Kong rose notably from 2003 to 2008 by around 49% after the SARS outbreak, until 2009 when the global financial crisis hit, and overall rents suffered a sharp fall of 13.7%. Rents for both types rebounded by 35% in 2012 from 2009 with the number of visitors reaching an all-time high of 48 million according to the Hong Kong Tourism Board. Rents remained at high levels from 2012 to 2016 thanks to the increase in visitor arrivals and expatriates coming to Hong Kong, particularly Mainland professionals and executives. The momentum continued as rents reached a peak in early 2019 with the opening of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macau Bridge in late 2018.

Rents started to fall during the social unrest of mid-2019 and the COVID-19 outbreak in early 2020, which both resulted in sharp falls in visitor arrivals and disrupted the arrival of expatriates. Rents declined by 24.3% over the course of three years (from 2019 to 2021) returning to 2009 levels. Hotel-like serviced apartments performed better particularly during the pandemic since many long-term hotel tenants had to move out from where they were staying and move into hotel-like serviced apartments to make room for community isolation facilities.

Serviced apartment rents rebounded from Q2/2022 onwards with easing quarantine requirements encouraging some expat return, and in particular there were more Mainland graduates being taken up by international law firms and banks in Hong Kong on a temporary basis, boosting their needs for short-term accommodations. The full border reopening from 2023 onwards, together with the influx of talents from various admission schemes, helped filled up serviced apartments (mainly on the low to mid budgets), and thus gave rooms for serviced apartment landlords to raise rents.

- **Occupancy trends**

*Serviced Apartment Occupancy Rates, Jan 2004 – Mar 2024*



The occupancy rates of both hotel-like and apartment-like serviced apartments have generally remained at high levels of 90% and 95% respectively. Overall occupancy rates fell sharply to 70% in 2009 during the global financial crisis and rebounded strongly thereafter back to 90%. With an adequate supply of serviced apartments, occupancy rates fell gradually from 2011 to 2016. Hotel-like apartments outperformed apartment-like units with their occupancy rate remaining at 90% levels in 2018 thanks to buoyant tourist arrivals, especially Mainland visitors. However, due to the social unrest and COVID, occupancy rates for both types plunged substantially from 91.8% in Q3/2018 to 63.1% in Q3/2021 with a reliance on domestic demand. Occupancy rates rose slightly in late 2021 but faced a further decline during the fifth wave in early 2022.

With pandemic situation gradually easing serviced apartment occupancy improved from June 2022 onwards, with occupancy rate bouncing back to 70% levels towards end 2022. The full border reopening from 2023 with incoming talents saw occupancy at some months surging pass the 75% mark, but continuous rate hikes and uncertain economic environment led to weaknesses in both financial and professional sectors, with occupancy hovering around 70% as a result.

**Limitations on the report**

This report contains forward-looking statements which state Savills (Hong Kong) Limited's (the Consultant) beliefs, expectations, forecasts or predictions for the future. The Consultant stresses that all such forecasts and statements, other than statements of historical fact, outlined in this report should be regarded as an indicative assessment of possibilities rather than absolute certainties. The process of making forecasts involves assumptions about a considerable number of variables which are very sensitive to changing conditions. Variations of anyone may significantly affect outcomes and the Consultant draws your attention to this.

The Consultant therefore can give no assurance that the forecasts outlined in this report will be achieved or that such forecasts and forward-looking statements will prove to have been correct and you are cautioned not to place undue reliance on such statements. The Consultant undertakes no obligation to publicly update or revise any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise, except as required by law, and all forward-looking statements contained in this summary report are qualified by reference to this cautionary statement.

The report is prepared by the Consultant for information only. While reasonable care has been exercised in preparing the report, it is subject to change and these particulars do not constitute, nor constitute part of, an offer or contract. Interested parties should not rely on the statements or representations of fact but must satisfy themselves by inspection or otherwise as to the accuracy. No representation, warranty or covenant, express or implied, is given and no undertaking as to accuracy, reasonableness or completeness of the information contained in this report. In producing this report, the Consultant has relied upon external third-party information and on statistical models to generate the forward-looking statements. It should be noted, and it is expressly stated, that there is no independent verification of any of the external third-party documents or information referred to herein. This report is limited to the matters stated in it and no opinion is implied or may be inferred beyond the matters expressly stated herein.

Yours sincerely,

**Savills (Hong Kong) Limited**

**Jack Tong**

*Director, Research & Consultancy, Hong Kong*

**FINANCIAL INFORMATION OF THE GROUP**

The financial information of the Group for the three years ended 31 March 2022, 31 March 2023 and 31 March 2024 are disclosed in the following documents which have been published on the website of the Stock Exchange at <https://www.hkexnews.hk>, and the website of the Company at <https://www.Emp296.com>:

Annual report of the Company for the year ended 31 March 2022:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0713/2022071300386.pdf>

Annual report of the Company for the year ended 31 March 2023:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0720/2023072000592.pdf>

Annual results announcement of the Company for the year ended 31 March 2024:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0624/2024062400717.pdf>

**A. INDEBTEDNESS**

At the close of business on 15 May 2024 (being the latest practicable date for ascertaining information regarding this indebtedness statement), the Group had an aggregate outstanding indebtedness amounting to approximately HK\$699.4 million, which consists of:

**Other borrowings**

The Group had amounts due to non-controlling interests of subsidiaries of approximately HK\$39.5 million which are unsecured, unguaranteed, interest-free and to be repaid from surplus fund of the subsidiaries, representing cash available in these subsidiaries after paying all operating expenses and payables, including but not limited to bank loans and third party loans which are due for repayment together with accrued interest.

**Lease liabilities**

The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates. At the close of business on 15 May 2024, the Group had total lease liabilities of approximately HK\$26.8 million.

**Pledge of assets**

- (i) Certain assets of the Group with total carrying values of approximately HK\$602.0 million were pledged to a bank to secure for a banking facility of approximately HK\$419.7 million granted by the bank to the Group and the banking facility was not utilised at the close of business on 15 May 2024.
- (ii) The Group pledged a bank deposit of approximately HK\$30.8 million to a bank for obtaining a bank facility granted to a wholly-owned subsidiary of the Company. The bank facility entails a bank guarantee amounting up to MOP30.9 million (equivalent to HK\$30.0 million) for the period up to 31 December 2026, which is made in favour of SJM Resorts, S.A. (“SJM”) for the Group’s fulfilment of all its obligations of provision of services in the casino by the Group to SJM, as stipulated under a service agreement entered into between the wholly-owned subsidiary of the Company and SJM on 30 December 2022 (as supplemented by an addendum dated 26 April 2023).
- (iii) The Group also pledged a bank deposit of approximately HK\$0.3 million to a bank to secure for the use of ferry ticket equipment provided by a third party to the Group.

**Disclaimer**

Save for the aforesaid and apart from intra-group liabilities, at the close of business on 15 May 2024, the Group did not have any debt securities issued and outstanding, or any other borrowings or indebtedness including bank overdrafts and liabilities under acceptances (other than normal trade payables) or acceptance credits or hire purchases commitments, or any other borrowings subject to mortgages or charges, or any other material contingent liabilities or guarantees.

**B. WORKING CAPITAL**

After taking into account the present internal financial resources available to the Enlarged Group, including cash and bank balances, the available banking facility as well as the financial effect of the Transaction, the Directors are of the opinion that the working capital available to the Enlarged Group is sufficient for the Enlarged Group’s requirement for at least 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

**C. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any circumstances or events that may give rise to a material adverse change in the financial or trading position of the Group since 31 March 2024, being the date to which the latest audited consolidated financial statements of the Group were made up.

**D. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP**

Following the revival of tourism and entertainment demand, the visitors arrival to Hong Kong and Macau have been increasing recently, which demonstrate a favourable market momentum and foster the Group's confidence for the future market development.

Looking ahead, various international activities and mega events will be rolled out to enhance Hong Kong's offerings and attractiveness, solidifying Hong Kong's position as an international tourist destination. There is now comprehensive infrastructure that enables more convenient and efficient transportation options for Mainland Chinese tourists, making it easier for them to visit Hong Kong and experience its unique culture and hot spots. Particularly in light of the expanding middle class, the Group believes that outbound tourism from Mainland China will continue growing.

In respect of future development of serviced apartments in Hong Kong, the Group 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.

For further insight in relation to the market development of the hospitality sector in Hong Kong, please refer to the Market Consultant's Report set out in Appendix II of this circular.

*The following is the text of a report set out on pages IV-1 to IV-23, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*



**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF  
STAR OMEN LIMITED AND ITS SUBSIDIARIES  
TO THE DIRECTORS OF EMPEROR ENTERTAINMENT HOTEL LIMITED**

**Introduction**

We report on the historical financial information of Star Omen Limited (“**Star Omen**”) and its subsidiaries (collectively referred to as “**Star Omen Group**”) set out on pages IV-3 to IV-23, which comprises the combined statements of financial position of Star Omen Group as at 31 March 2022, 2023 and 2024 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of Star Omen Group for each of the three years ended 31 March 2024 (the “**Relevant Periods**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages IV-3 to IV-23 forms an integral part of this report, which has been prepared for inclusion in the circular of Emperor Entertainment Hotel Limited (the “**Company**”) dated 3 July 2024 (the “**Circular**”) in connection with the proposed acquisition of entire issued share capital of Star Omen and all loan, interest (if any) and all other sums owing by the Star Omen to Emperor Property Development Limited as at completion.

**Director's responsibility for the Historical Financial Information**

The director of Star Omen is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the director of Star Omen determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The director of the Company is responsible for the contents of this Circular in which the Historical Financial Information of Star Omen Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.



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**APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP**

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of Star Omen, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Star Omen Group's financial position as at 31 March 2022, 2023 and 2024 and of Star Omen Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance****Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IV-3 have been made.

**Dividends**

We refer to note 10 to the Historical Financial Information which states that no dividends was declared or paid by the group entities comprising Star Omen Group in respect of the Relevant Periods.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

3 July 2024

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## APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

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### HISTORICAL FINANCIAL INFORMATION OF STAR OMEN GROUP

#### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the financial statements of Star Omen's indirect wholly-owned subsidiary, Century Chain Limited ("**Century Chain**") for the Relevant Periods ("**Underlying Financial Statements**"). The financial statements of Century Chain have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards of Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("**HK\$**") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

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**APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP**

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**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	NOTE	Year ended 31 March		
		2022 HK\$'000	2023 HK\$'000	2024 HK\$'000
Interest income		—*	—*	35
Write-down recognised of property under development for sale		(34,972)	(96,758)	(12,882)
Administrative expenses		<u>(11)</u>	<u>(16)</u>	<u>(18)</u>
Loss and total comprehensive expense for the year	8	<u><u>(34,983)</u></u>	<u><u>(96,774)</u></u>	<u><u>(12,865)</u></u>

\* Less than HK\$1,000

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**APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP**

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**COMBINED STATEMENTS OF FINANCIAL POSITION**

		<b>At 31 March</b>		
		<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current assets</b>				
Property under development for sale	12	562,000	550,000	705,000
Prepayments and deposits		38	38	611
Bank balances		<u>40</u>	<u>140</u>	<u>395</u>
		<u>562,078</u>	<u>550,178</u>	<u>706,006</u>
<b>Current liabilities</b>				
Deposit received and accruals	13	(86)	(148)	(45,842)
Amounts due to a fellow subsidiary	14	(497,968)	(582,780)	(637,779)
Secured bank borrowings				
– due within one year	15	<u>–</u>	<u>(197,600)</u>	<u>–</u>
		<u>(498,054)</u>	<u>(780,528)</u>	<u>(683,621)</u>
<b>NET CURRENT ASSETS</b>				
<b>(LIABILITIES)</b>		<u>64,024</u>	<u>(230,350)</u>	<u>22,385</u>
<b>Non-current liabilities</b>				
Secured bank borrowings				
– due after one year	15	<u>(197,600)</u>	<u>–</u>	<u>(265,600)</u>
<b>NET LIABILITIES</b>		<u>(133,576)</u>	<u>(230,350)</u>	<u>(243,215)</u>
<b>Capital and reserve</b>				
Share capital	16	–*	–*	–*
Accumulated losses		<u>(133,576)</u>	<u>(230,350)</u>	<u>(243,215)</u>
<b>TOTAL EQUITY</b>		<u>(133,576)</u>	<u>(230,350)</u>	<u>(243,215)</u>

\* Less than HK\$1,000

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**APPENDIX IV      ACCOUNTANTS' REPORT OF THE TARGET GROUP**

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**COMBINED STATEMENTS OF CHANGES IN EQUITY**

	<b>Share capital</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2021	–*	(98,593)	(98,593)
Loss and total comprehensive expense for the year	<u>–</u>	<u>(34,983)</u>	<u>(34,983)</u>
At 31 March 2022	–*	(133,576)	(133,576)
Loss and total comprehensive expense for the year	<u>–</u>	<u>(96,774)</u>	<u>(96,774)</u>
At 31 March 2023	–*	(230,350)	(230,350)
Loss and total comprehensive expense for the year	<u>–</u>	<u>(12,865)</u>	<u>(12,865)</u>
At 31 March 2024	<u>–*</u>	<u>(243,215)</u>	<u>(243,215)</u>

\* *Less than HK\$1,000*

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**APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP**

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**COMBINED STATEMENTS OF CASH FLOWS**

	<b>Year ended 31 March</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Operating activities</b>			
Loss for the year	(34,983)	(96,774)	(12,865)
Adjustments for:			
Interest income	_*	_*	(35)
Write-down recognised of property under development for sale	<u>34,972</u>	<u>96,758</u>	<u>12,882</u>
Operating cash flows before movements in working capital	(11)	(16)	(18)
Increase in property under development for sale	(16,116)	(53,223)	(111,846)
Increase in prepayments and deposits	–	–	(573)
Increase in deposit received and accruals	<u>_*</u>	<u>–</u>	<u>45,240</u>
Net cash used in operating activities	<u>(16,127)</u>	<u>(53,239)</u>	<u>(67,197)</u>
<b>Cash from an investing activity</b>			
Interest received	<u>_*</u>	<u>_*</u>	<u>35</u>
<b>Financing activities</b>			
New bank borrowings raised	–	–	68,000
Interest paid	(2,909)	(6,776)	(14,068)
Advances from a fellow subsidiary	<u>19,019</u>	<u>60,115</u>	<u>13,485</u>
Net cash from financing activities	<u>16,110</u>	<u>53,339</u>	<u>67,417</u>
Net (decrease) increase in cash and cash equivalents	(17)	100	255
Cash and cash equivalents at the beginning of the year	<u>57</u>	<u>40</u>	<u>140</u>
Cash and cash equivalents at the end of the year, representing bank balances	<u><u>40</u></u>	<u><u>140</u></u>	<u><u>395</u></u>

\* *Less than HK\$1,000*

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF STAR OMEN****1. GENERAL INFORMATION**

Star Omen is a limited company incorporated in the British Virgin Islands (“**BVI**”). Star Omen’s immediate holding company is Emperor Property Development Limited (“**EPDL**”), a limited liability company incorporated in the BVI. The intermediate holding company of Star Omen is Emperor International Holdings Limited (“**Emperor International**”), an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The ultimate holding company of Star Omen is Albert Yeung Holdings Limited, a limited liability company incorporated in the BVI which is in turn held by First Trust Services AG, being trustee of The Albert Yeung Discretionary Trust, the settlor and founder of which is Dr. Yeung Sau Shing, Albert. The address of the registered office of Star Omen is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI and the correspondence address of Star Omen is 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.

The Historical Financial Information are presented in Hong Kong dollars, which is the functional currency of Star Omen.

Star Omen is an investment holding company. The principal activities of its principal subsidiaries are set out in note 24.

**Going Concern Assumption**

The sole director of Star Omen has given careful consideration to the going concern of Star Omen Group in light of the fact that as of 31 March 2024, Star Omen Group’s net liabilities is HK\$243,215,000.

The intermediate holding company, Emperor International agreed to provide unconditional financial support to Star Omen Group for a period of 12 months after the date of this report. In addition, the Company agreed, on the condition that the Company’s proposed acquisition of the entire issued share capital in Star Omen (the “**Proposed Acquisition**”) became successful, to provide sufficient funds to Star Omen Group so that Star Omen Group will be able to meet all current obligations as they fall due in the coming 12 months after the date of this report.

Taking into account the above factors, the sole director of Star Omen is of the opinion that, together with the internal financial resources of Star Omen Group, Star Omen Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of this report. Hence, the Historical Financial Information has been prepared on a going concern basis.

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## APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

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### 2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA and the conventions applicable for group reorganisation.

Century Chain is a private limited company incorporated in Hong Kong. Before the group reorganisation, the immediate holding company of Century Chain was EPDL. The intermediate holding company is Emperor International. Century Chain is engaged in the business of property development.

In preparing for the Proposed Acquisition, the companies comprising Star Omen Group underwent a group reorganisation as described below (“**Group Reorganisation**”).

- (i) On 30 January 2024, Star Omen was incorporated in the BVI with limited liability. On 3 May 2024, Star Omen allotted and issued 1 share, credited as fully paid at a par value of 1 United States dollar (“**US\$**”) to EPDL. Upon completion of this step, Star Omen became a direct wholly-owned subsidiary of EPDL.
- (ii) On 19 April 2024, Star Stage Limited (“**Star Stage**”) was incorporated in the BVI with limited liability. On 3 May 2024, Star Stage allotted and issued 1 share, credited as fully paid at a par value of US\$1 to Star Omen. Upon completion of this step, Star Stage became a direct wholly-owned subsidiary of Star Omen.
- (iii) On 19 April 2024, Harbour Honour Limited (“**Harbour Honour**”) was incorporated in the BVI with limited liability. On 3 May 2024, Harbour Honour allotted and issued 1 share, credited as fully paid at a par value of US\$1 to Star Omen. Upon completion of this step, Harbour Honour became a direct wholly-owned subsidiary of Star Omen.
- (iv) On 10 May 2024, Century Chain allotted and issued 9,999 shares, representing 99.99% of its issued share capital to Harbour Honour at a consideration of HK\$9,999.
- (v) On 22 May 2024, EPDL transferred 1 share of Century Chain, representing 0.01% of its issued share capital, to Star Stage at a consideration of HK\$1.
- (vi) Star Omen is holding 100% equity interest of Harbour Honour and Star Stage. As a result, Century Chain is an indirect wholly-owned subsidiary of Star Omen.

Upon the completion of the Group Reorganisation, Star Omen became the holding company of the companies now comprising Star Omen Group on 22 May 2024. The Group Reorganisation is merely a reorganisation which involves interspersing of Star Omen between Emperor International and Century Chain. Star Omen Group comprising Star Omen and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity, accordingly the Historical Financial Information has been prepared as if Star Omen had always been the holding company of Star Omen Group. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of



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## APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

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cash flows of Star Omen Group for the Relevant Periods include the results, changes in equity and cash flows of the companies now comprising Star Omen Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, where there is a shorter period. The combined statements of financial position of Star Omen Group as at 31 March 2022, 2023 and 2024 have been prepared to present the assets and liabilities of the companies now comprising Star Omen Group, which net assets are combined using the existing carrying values, as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

No statutory financial statements of Star Omen have been prepared since its date of incorporation as it is incorporated in a jurisdiction where there are no statutory audit requirements.

### 3. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Star Omen Group has consistently applied the accounting policies which conform with HKFRSs, which are effective for annual years beginning on 1 April 2023 throughout the Relevant Periods.

#### Revised HKFRSs in issue but not yet effective

At the date of this report, the following amendments to HKFRSs have been issued which are not yet effective.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025

The sole director of Star Omen anticipates that the application of amendments to HKFRSs will have no material impact on the combined financial statements of Star Omen Group in the foreseeable future.

**4. MATERIAL ACCOUNTING POLICY INFORMATION****Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. For property under development for sale, Star Omen Group ceases to capitalise borrowing costs as soon as the property are ready for its intended sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Property under development for sale**

Property under development for sale in the ordinary course of business is classified as current assets and are carried at the lower of cost and net realisable value. Cost relating to the development of the property includes land cost, construction cost and other direct development expenditure. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the property less estimated cost to completion and costs necessary to make the sales.

Property under development for sale is transferred to property held for sale upon completion.

**Taxation**

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss for the year because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Star Omen Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all

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## APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

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deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Star Omen Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

### **Financial instruments**

Financial assets and financial liabilities are recognised when Star Omen Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**Financial assets*****Classification and subsequent measurement of financial assets***

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

***Amortised cost and interest income***

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instruments improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

**Financial liabilities and equity*****Classification as debt or equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liability. Equity instruments issued by Star Omen Group are recognised at the proceeds received, net of direct issue costs.

***Financial liabilities at amortised cost***

Financial liabilities (including amounts due to a fellow subsidiary and secured bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

***Derecognition of financial liability***

Star Omen Group derecognises a financial liability when, and only when, Star Omen Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of Star Omen Group's accounting policies, which are described in note 4, the sole director of Star Omen Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Estimated net realisable value on property under development for sale**

In determining whether write-down should be made to Star Omen Group's property under development for sale of HK\$562,000,000, HK\$550,000,000 and HK\$705,000,000 as at 31 March 2022, 2023 and 2024 respectively, the management of Star Omen Group takes into consideration the prevailing market environment and the estimated market value (i.e. the estimated selling price less estimated costs of selling expenses), and also taking into consideration the estimated cost to completion property under development for sale. Write-down is made if the estimated market value less estimate cost to completion of property is less than the carrying amount. If the actual net realisable value on property under development for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material write-down may result. During the years ended 31 March 2022, 2023 and 2024, write-downs of HK\$34,972,000, HK\$96,758,000 and HK\$12,882,000, respectively, are recognised for property under development for sale.

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**6. SEGMENT INFORMATION**

Star Omen Group determines its operating segments based on the reports reviewed by the directors of Century Chain, being the chief operating decision maker (the “CODM”), that are used to make strategic decisions. No other discrete financial information is provided other than Star Omen Group’s results and financial position. No segment information and entity-wide disclosures are presented as there is no revenue generated and no non-current asset during the Relevant Periods.

**7. FINANCE COSTS**

	<b>Year ended 31 March</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on:			
– Bank borrowings	2,897	6,838	14,522
– Amounts due to a fellow subsidiary	<u>37,959</u>	<u>24,697</u>	<u>41,514</u>
	40,856	31,535	56,036
Less: Capitalised in property under development for sale	<u>(40,856)</u>	<u>(31,535)</u>	<u>(56,036)</u>
	<u>–</u>	<u>–</u>	<u>–</u>

**8. LOSS FOR THE YEAR**

	<b>Year ended 31 March</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year has been arrived at after charging:			
Director’s remuneration ( <i>Note</i> )	–	–	–
Auditor’s remuneration	<u>10</u>	<u>10</u>	<u>11</u>

*Note:* The sole director of Star Omen was appointed on 3 May 2024. No emoluments were recognised or paid by Star Omen Group to the sole director of Star Omen as compensation for loss of office and inducement to join for the Relevant Periods. Remuneration of top five highest paid employees is not presented as there is no staff cost in the Relevant Periods.

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**9. TAXATION**

No provision for Hong Kong Profits Tax is made in the Historical Financial Information for the years ended 31 March 2022, 2023 and 2024 as there are no estimated assessable profits during the Relevant Periods.

The taxation for the year can be reconciled to the loss for the year per combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
Loss for the year	<u>(34,983)</u>	<u>(96,774)</u>	<u>(12,865)</u>
Taxation credit at Hong Kong			
Profits Tax rate of 16.5%	5,772	15,968	2,123
Tax effect of expenses not deductible for tax purpose	(5,770)	(15,965)	(2,126)
Tax effect of income not taxable for tax purpose	–	–	6
Tax effect of tax losses not recognised	<u>(2)</u>	<u>(3)</u>	<u>(3)</u>
Taxation for the year	<u>–</u>	<u>–</u>	<u>–</u>

As at 31 March 2022, 2023 and 2024, Star Omen Group had unused tax losses of approximately HK\$21,000, HK\$37,000 and HK\$55,000 respectively available for offset against future profits. No deferred tax asset has been recognised in respect of such loss due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

**10. DIVIDENDS**

No dividend has been declared or paid by the companies now comprising Star Omen Group in respect of the Relevant Periods.

**11. LOSS PER SHARE**

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

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### **12. PROPERTY UNDER DEVELOPMENT FOR SALE**

The amount is classified as current asset as it represents project of property under development for sale in Hong Kong.

During the years ended 31 March 2022, 2023 and 2024, the interest capitalised in property under development for sale amounted to HK\$40,856,000, HK\$31,535,000 and HK\$56,036,000 respectively.

During the Relevant Periods, the management of Star Omen Group reviewed the net realisable value of the property under development for sale with reference to the current market environment, the cost to construction and recognised write-down of property under development for sales amounting to HK\$34,972,000, HK\$96,758,000 and HK\$12,882,000 for the years ended 31 March 2022, 2023 and 2024 respectively.

### **13. DEPOSIT RECEIVED AND ACCRUALS**

As at 31 March 2024, deposit received and accruals comprise of construction payables of HK\$45,245,000.

### **14. AMOUNTS DUE TO A FELLOW SUBSIDIARY**

As at 31 March 2022, the amounts are unsecured, repayable on demand and carry interest at 3.32% over Hong Kong Prime Rate per annum.

As at 31 March 2023 and 2024, the amounts are unsecured, repayable on demand and carry interest at 3.52% and 2.83% over Hong Kong Interbank Offered Rate (“**HIBOR**”) per annum.



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**15. SECURED BANK BORROWINGS**

The bank borrowings carry interest at 1.35%, 1.35% and 1.72% over HIBOR per annum as at 31 March 2022, 2023 and 2024 respectively.

As at 31 March 2022, 2023 and 2024, the bank borrowings are secured by Star Omen Group's property under development for sale together with corporate guarantees from Emperor International. The bank borrowings are repayable as follows:

	<b>At 31 March</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	–	197,600	–
With a period of more than two years but not more than five years	<u>197,600</u>	<u>–</u>	<u>265,600</u>
	197,600	197,600	265,600
Less: Amounts due within one year shown under current liabilities	<u>–</u>	<u>(197,600)</u>	<u>–</u>
Amounts due after one year shown under non-current liabilities	<u><u>197,600</u></u>	<u><u>–</u></u>	<u><u>265,600</u></u>

Subsequent to 31 March 2024, a fellow subsidiary of Star Omen Group partially repaid the bank borrowings outstanding as at 31 March 2024 amounting to HK\$150,000,000. The amount of the repayment was credited to amounts to a fellow subsidiary.

**16. SHARE CAPITAL**

The share capital as at 1 April 2021 and 31 March 2022, 2023 and 2024 represents the share capital of Century Chain, which was less than HK\$1,000.

Star Omen, Star Stage and Harbour Honour are incorporated on 30 January 2024, 19 April 2024 and 19 April 2024 respectively in which the share capital of these companies has not been issued and paid up to as at 31 March 2024.

**17. COMMITMENT**

	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided in the Historical Financial Information, net of deposits paid, in respect or property under development for sale	<u>158,306</u>	<u>105,378</u>	<u>–</u>

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**18. MAJOR NON-CASH TRANSACTION**

During the years ended 31 March 2022, 2023 and 2024, interest expenses of HK\$37,959,000, HK\$24,697,000 and HK\$41,514,000 are settled through current accounts with a fellow subsidiary.

**19. CAPITAL RISK MANAGEMENT**

Star Omen Group manages its capital to ensure that entities in Star Omen Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Star Omen Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of Star Omen Group consists of the amounts due to a fellow subsidiary and secured bank borrowings as disclosed in notes 14 and 15, respectively, net of cash and cash equivalents, and equity attributable to owners of Star Omen, comprising issued share capital and accumulated losses.

The management of Star Omen Group reviews the capital structure on a regular basis. As part of this review, the management of Star Omen Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of Star Omen Group, Star Omen Group will balance its overall capital structure through issue of new debt or the redemption of existing debt.

**20. FINANCIAL INSTRUMENTS****(a) Categories of financial instruments**

	<b>At 31 March</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financial asset</b>			
Amortised cost:			
Bank balances	<u>40</u>	<u>140</u>	<u>395</u>
<b>Financial liabilities</b>			
Amortised cost:			
Amounts due to a fellow subsidiary	<u>497,968</u>	<u>582,780</u>	<u>637,779</u>
Secured bank borrowings	<u>197,600</u>	<u>197,600</u>	<u>265,600</u>
	<u>695,568</u>	<u>780,380</u>	<u>903,379</u>

**(b) Financial risk management objectives and policies**

Star Omen Group's financial instruments include bank balances, amounts due to a fellow subsidiary and secured bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of Star Omen Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Market risk******Cash flow interest rate risk***

Star Omen Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, amount due to a fellow subsidiary and secured bank borrowings. Star Omen Group currently does not have policy on cash flow hedges of interest rate risk. However, the management of Star Omen Group monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Star Omen Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for the above mentioned financial asset and financial liabilities at the end of the reporting period and management's assessment of the reasonably possible change taking place at the beginning of each year and held constant throughout the respective year.

Since all the finance costs relating to the amounts due to a fellow subsidiary and secured bank borrowings had been capitalised in property under development for sale, Star Omen Group had no exposure to interest rates to its loss for the Relevant Periods. Therefore, no sensitivity analysis to cash flow interest rate risk is presented.

***Credit risk management and impairment assessment***

The carrying amount of the financial asset represents Star Omen Group's maximum exposure to credit risk which will cause a financial loss to Star Omen Group due to failure to discharge an obligation by the counterparties.

***Bank balances***

The credit risk on bank balances is limited because the majority of the counterparty is a bank with high credit-ratings assigned by international credit-rating agencies. Star Omen Group has no other significant concentration of credit risk.

## APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

### *Liquidity risk*

In the management of the liquidity risk, Star Omen Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of Star Omen Group to finance Star Omen Group's operations and mitigate the effects of fluctuations in cash flows.

Star Omen Group relies on financial support from its intermediate holding company, Emperor International which has agreed to provide adequate funds to Star Omen Group to meet in full its financial obligations as they fall due in the foreseeable future.

Star Omen Group also relies on secured bank borrowings as a significant source of liquidity. The management of Star Omen Group monitors the utilisation of the secured bank borrowings.

The following table details Star Omen Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which Star Omen Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment date.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is based on interest rate curve at the end of the reporting period.

### *Liquidity risk tables*

	Weighted average effective interest rate %	Less than 1 year or repayable on demand HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
At 31 March 2022					
Amounts due to a fellow subsidiary	8.45	497,968	-	497,968	497,968
Secured bank borrowings	1.66	<u>3,280</u>	<u>200,880</u>	<u>204,160</u>	<u>197,600</u>
		<u>501,248</u>	<u>200,880</u>	<u>702,128</u>	<u>695,568</u>
At 31 March 2023					
Amounts due to a fellow subsidiary	6.66	582,780	-	582,780	582,780
Secured bank borrowings	4.54	<u>206,571</u>	<u>-</u>	<u>206,571</u>	<u>197,600</u>
		<u>789,351</u>	<u>-</u>	<u>789,351</u>	<u>780,380</u>
At 31 March 2024					
Amounts due to a fellow subsidiary	7.63	637,779	-	637,779	637,779
Secured bank borrowings	6.32	<u>16,786</u>	<u>282,386</u>	<u>299,172</u>	<u>265,600</u>
		<u>654,565</u>	<u>282,386</u>	<u>936,951</u>	<u>903,379</u>

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**APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP**


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***Interest rate benchmark reform***

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative nearly risk-free rates. For the variable rate bank borrowings that are linked to HIBOR as set out in note 15, Star Omen Group had confirmed with the relevant counterparty that HIBOR will continue to be used up to maturity. The management of Star Omen Group anticipates that the interest rate benchmark reform will have no material impact on the Star Omen Group's risk exposure.

**(c) Fair value measurements**

The management of Star Omen Group considers that the carrying amounts of financial asset and financial liabilities recorded at amortised cost at the respective end of reporting periods approximate their fair values.

**21. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The table below details changes in Star Omen Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in Star Omen Group's combined statements of cash flows from financing activities.

	<b>Interest payable</b> <i>HK\$'000</i>	<b>Secured bank borrowings</b> <i>HK\$'000</i> <i>(note 15)</i>	<b>Amounts due to a fellow subsidiary</b> <i>HK\$'000</i> <i>(note 14)</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2021	48	197,600	440,990	638,638
Financing net cash flows	(2,909)	–	19,019	16,110
Interests expenses	<u>2,897</u>	<u>–</u>	<u>37,959</u>	<u>40,856</u>
At 31 March 2022	36	197,600	497,968	695,604
Financing net cash flows	(6,776)	–	60,115	53,339
Interest expenses	<u>6,838</u>	<u>–</u>	<u>24,697</u>	<u>31,535</u>
At 31 March 2023	98	197,600	582,780	780,478
Financing net cash flows	(14,068)	68,000	13,485	67,417
Interests expenses	<u>14,522</u>	<u>–</u>	<u>41,514</u>	<u>56,036</u>
At 31 March 2024	<u><u>552</u></u>	<u><u>265,600</u></u>	<u><u>637,779</u></u>	<u><u>903,931</u></u>

## APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

### 22. RELATED PARTY TRANSACTION

Other than those disclosed elsewhere in the Historical Financial Information, Star Omen Group also had the following transaction and balances with a related party:

	At 31 March		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
Corporate guarantees given to a bank by an intermediate holding company	338,480	338,480	338,480

### 23. FINANCIAL INFORMATION OF STAR OMEN

Star Omen was incorporated on 30 January 2024 but there is no paid-in capital up to 31 March 2024. Hence, no financial information is available during the Relevant Periods.

### 24. PARTICULARS OF SUBSIDIARIES

As at the date of this report, Star Omen has direct and indirect shareholding/equity interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and fully paid-up share capital	Equity interest attributable to Star Omen				Principal activities
			At 31 March			At date of this report	
			2022	2023	2024		
			%	%	%	%	
Century Chain	Hong Kong	31 March 2022: HK\$1 31 March 2023: HK\$1 31 March 2024: HK\$1 Date of this report: HK\$10,000	N/A	N/A	N/A	100	Property investment
Harbour Honour	BVI	US\$1	N/A	N/A	N/A	100	Investment holding
Star Stage	BVI	US\$1	N/A	N/A	N/A	100	Investment holding

All subsidiaries of Star Omen have adopted 31 March as their financial year end date. Except for Century Chain which statutory financial statements for the years ended 31 March 2022, 2023 and 2024 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us, no audited financial statements of all other subsidiaries of Star Omen have been prepared for the years ended 31 March 2022, 2023 and 2024 as they are incorporated in a jurisdiction where there are no statutory audit requirements.

None of the subsidiaries of Star Omen issued any debt securities as at 31 March 2022, 2023 and 2024.

### 25. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Star Omen Group, Star Omen or any its subsidiaries have been prepared in respect of any period subsequent to 31 March 2024.

*The information set out in this appendix does not form part of the Accountants' Report of the Target Group for each of the three years ended 31 March 2024 received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company as set out in Appendix IV to the circular and is included herein for information only.*

*The unaudited pro forma financial information set out below should be read in conjunction with "Appendix III – Financial Information of the Group" and "Appendix IV – Accountants' Report of the Target Group" in this circular.*

#### **A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

The following is an unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Group enlarged by acquisition of the Target Group (together the "**Enlarged Group**") (the "**Unaudited Pro Forma Financial Information**"), which have been prepared by the Directors in accordance with the paragraph 4.2 of the Listing Rules and is solely for the purpose to illustrate the effect of the acquisition of the Sale Share and the Sale Loan (the "**Transaction**") on the Enlarged Group's financial position as at 31 March 2024 as if the Transaction had been completed on 31 March 2024, and on the Enlarged Group's statement of profit or loss and other comprehensive income and statement of cash flows for the year ended 31 March 2024 as if the Transaction had been completed on 1 April 2023.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2024 which has been extracted from the annual results announcement of the Group for the year ended 31 March 2024 published on 24 June 2024, and the audited combined statement of financial position of the Target Group as at 31 March 2024 which have been extracted from the Accountants' Report of the Target Group set out in Appendix IV to this circular, after making certain pro forma adjustments relating to the Transaction that are (i) directly attributable to the Transaction; and (ii) factually supportable, as further described in the accompanying notes.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group have been prepared based on the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2024 which have been extracted from the annual results announcement of the Group for the year ended 31 March 2024 published on 24 June 2024, and the audited combined statement of profit or loss and other comprehensive income and the audited combined statement of cash flows of the Target Group for the year ended 31 March 2024 which have been extracted from the Accountants' Report of the Target Group set out in Appendix IV to this circular, after making certain pro forma adjustments relating to the Transaction that are (i) directly attributable to the Transaction; and (ii) factually supportable, as further described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information and is provided for illustrative purposes only. As a result of the hypothetical nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position, financial results and cash flows of the Enlarged Group that would be attained had the Transaction been completed on 31 March 2024 and 1 April 2023, respectively. Furthermore, the Unaudited Pro forma Financial Information does not purport to predict the Enlarged Group's future financial position, financial results and cash flows after the completion of the Transaction.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix III to this circular, and the Accountant's Report of the Target Group as set out in Appendix IV to this circular, and other financial information included elsewhere in this circular.



Unaudited pro forma consolidated statement of financial position of the Enlarged Group as  
at 31 March 2024

	The Group as at 31 March 2024	The Target Group as at 31 March 2024	Pro forma adjustments			The Enlarged Group	
	(Audited) HK\$'000 (note 1)	(Audited) HK\$'000 (note 2)	(Unaudited) HK\$'000 (note 3)	(Unaudited) HK\$'000 (note 4)	(Unaudited) HK\$'000 (note 5)	(Unaudited) HK\$'000 (note 6)	
<b>Non-current assets</b>							
Investment properties	1,485,900	–	700,000	1,390	3,610	–	2,190,900
Property, plant and equipment	2,253,841	–	–	–	–	–	2,253,841
Right-of-use assets	384,898	–	–	–	–	–	384,898
Pledged bank deposit	30,811	–	–	–	–	–	30,811
Deposits paid for acquisition of property, plant and equipment	1,563	–	–	–	–	–	1,563
	<u>4,157,013</u>	<u>–</u>	<u>700,000</u>	<u>1,390</u>	<u>3,610</u>	<u>–</u>	<u>4,862,013</u>
<b>Current assets</b>							
Inventories	12,256	–	–	–	–	–	12,256
Property under development for sale	–	705,000	(705,000)	–	–	–	–
Trade and other receivables	78,114	611	–	–	–	–	78,725
Pledged bank deposits	311	–	–	–	–	–	311
Short-term bank deposits	14,900	–	–	–	–	–	14,900
Bank balances and cash	599,790	395	(500,000)	(1,390)	–	–	98,795
	<u>705,371</u>	<u>706,006</u>	<u>(1,205,000)</u>	<u>(1,390)</u>	<u>–</u>	<u>–</u>	<u>204,987</u>
<b>Current liabilities</b>							
Trade and other payables	102,518	45,842	–	–	–	–	148,360
Amounts due to fellow subsidiaries	6,367	637,779	(637,779)	–	–	–	6,367
Amounts due to non-controlling interests of subsidiaries	39,523	–	–	–	–	–	39,523
Taxation payable	51,733	–	–	–	–	–	51,733
Consideration payable to a fellow subsidiary – due within one year	–	–	88,665	–	–	–	88,665
Lease liabilities – due within one year	611	–	–	–	–	–	611
	<u>200,752</u>	<u>683,621</u>	<u>(549,114)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>335,259</u>
<b>Net current assets (liabilities)</b>	<u>504,619</u>	<u>22,385</u>	<u>(655,886)</u>	<u>(1,390)</u>	<u>–</u>	<u>–</u>	<u>(130,272)</u>
<b>Total assets less current liabilities</b>	<u>4,661,632</u>	<u>22,385</u>	<u>44,114</u>	<u>–</u>	<u>3,610</u>	<u>–</u>	<u>4,731,741</u>
<b>Non-current liabilities</b>							
Secured bank borrowings – due after one year	–	265,600	(265,600)	–	–	–	–
Consideration payable to a fellow subsidiary – due after one year	–	–	66,499	–	–	–	66,499
Lease liabilities – due after one year	26,278	–	–	–	–	–	26,278
Deferred taxation	63,200	–	–	–	–	–	63,200
	<u>89,478</u>	<u>265,600</u>	<u>(199,101)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>155,977</u>
<b>Net assets (liabilities)</b>	<u>4,572,154</u>	<u>(243,215)</u>	<u>243,215</u>	<u>–</u>	<u>3,610</u>	<u>–</u>	<u>4,575,764</u>
<b>Capital and reserves</b>							
Share capital	119	–	–	–	–	–	119
Reserves	3,752,578	(243,215)	243,215	–	3,610	(722)	3,755,466
<b>Equity attributable to owners of the Company</b>	<u>3,752,697</u>	<u>(243,215)</u>	<u>243,215</u>	<u>–</u>	<u>3,610</u>	<u>(722)</u>	<u>3,755,585</u>
<b>Non-controlling interests</b>	<u>819,457</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>722</u>	<u>820,179</u>
	<u>4,572,154</u>	<u>(243,215)</u>	<u>243,215</u>	<u>–</u>	<u>3,610</u>	<u>–</u>	<u>4,575,764</u>

**Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 March 2024**

	The Group for	The Target	Pro forma adjustments		The Enlarged
	for the year ended 31 March 2024 (Audited) HK\$'000 (note 1)	Group for the year ended 31 March 2024 (Audited) HK\$'000 (note 2)	(Unaudited) HK\$'000 (note 7)	(Unaudited) HK\$'000 (note 8)	Group (Unaudited) HK\$'000
Revenue					
Contracts with customers	740,737	–	–	–	740,737
Leases	48,525	–	–	–	48,525
	789,262	–	–	–	789,262
Cost of sales	(36,429)	–	–	–	(36,429)
Cost of hotel and gaming operations	(432,154)	–	–	–	(432,154)
Direct operating expenses in respect of investment properties	(12,830)	–	–	–	(12,830)
Gross profit	307,849	–	–	–	307,849
Other income	20,741	35	(13,639)	–	7,137
Other gains and losses	(78)	–	–	–	(78)
Write-down recognised of property under development for sale	–	(12,882)	12,882	–	–
Fair value changes of investment properties	(20,300)	–	3,610	–	(16,690)
Selling and marketing expenses	(146,369)	–	–	–	(146,369)
Administrative expenses	(125,360)	(18)	–	–	(125,378)
Finance costs	(1,073)	–	–	–	(1,073)
Profit (loss) before taxation	35,410	(12,865)	2,853	–	25,398
Taxation credit	27,421	–	–	–	27,421
<b>Profit (loss) and total comprehensive income (expense) for the year</b>	<b>62,831</b>	<b>(12,865)</b>	<b>2,853</b>	<b>–</b>	<b>52,819</b>
<b>Profit (loss) for the year attributable to:</b>					
Owners of the Company	60,885	(12,865)	2,853	2,002	52,875
Non-controlling interests	1,946	–	–	(2,002)	(56)
	62,831	(12,865)	2,853	–	52,819
<b>Total comprehensive income (expense) for the year attributable to:</b>					
Owners of the Company	60,885	(12,865)	2,853	2,002	52,875
Non-controlling interests	1,946	–	–	(2,002)	(56)
	62,831	(12,865)	2,853	–	52,819

Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the  
year ended 31 March 2024

	The Group	The Target	Pro forma adjustments			The
	for the year ended 31 March 2024 (Audited) HK\$'000 (note 1)	Group for the year ended 31 March 2024 (Audited) HK\$'000 (note 2)	(Unaudited) HK\$'000 (note 7)	(Unaudited) HK\$'000 (note 7)	(Unaudited) HK\$'000 (note 7)	Enlarged Group (Unaudited) HK\$'000
<b>Cash flows from operating activities</b>						
Profit (loss) before taxation	35,410	(12,865)	2,853	-	-	25,398
Adjustments for:						
Interest income	(19,311)	(35)	13,639	-	-	(5,707)
Interest expenses	948	-	-	-	-	948
Fair value changes of investment properties	20,300	-	(3,610)	-	-	16,690
Write-down recognised of property under development for sale	-	12,882	(12,882)	-	-	-
Depreciation of property, plant and equipment	120,457	-	-	-	-	120,457
Depreciation of right-of-use assets	17,024	-	-	-	-	17,024
Loss on disposal of property, plant and equipment	54	-	-	-	-	54
Operating cash flows before movements in working capital	174,882	(18)	-	-	-	174,864
Increase in inventories	(944)	-	-	-	-	(944)
Increase in properties under development for sale	-	(111,846)	-	-	-	(111,846)
Increase in trade and other receivables	(24,706)	(573)	-	-	-	(25,279)
Increase in trade and other payables	14,803	45,240	-	-	-	60,043
Decrease in amounts due to fellow subsidiaries	(15,522)	-	-	-	-	(15,522)
Cash generated from (used in) operations	148,513	(67,197)	-	-	-	81,316
Income tax paid	(636)	-	-	-	-	(636)
<b>Net cash from (used in) operating activities</b>	<b>147,877</b>	<b>(67,197)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,680</b>
<b>Cash flows from investing activities</b>						
Withdrawal of short-term bank deposits	244,234	-	-	-	-	244,234
Withdrawal of a pledged bank deposit	66,555	-	-	-	-	66,555
Interest received	18,048	35	(13,639)	-	-	4,444
Proceeds from disposal of property, plant and equipment	76	-	-	-	-	76
Acquisition of investment properties	-	-	(501,390)	(85,727)	-	(587,117)
Placement of short-term bank deposits	(202,345)	-	-	-	-	(202,345)
Placement of pledged bank deposits	(31,490)	-	-	-	-	(31,490)
Acquisition of property, plant and equipment	(20,994)	-	-	-	-	(20,994)
Deposits paid for acquisition of property, plant and equipment	(1,196)	-	-	-	-	(1,196)
<b>Net cash from (used in) investing activities</b>	<b>72,888</b>	<b>35</b>	<b>(515,029)</b>	<b>(85,727)</b>	<b>-</b>	<b>(527,833)</b>

	The Target		Pro forma adjustments			The
	The Group	Group for				Enlarged
	for the	the year				Group
	year ended	ended	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
31 March	31 March	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
2024	2024	(note 7)	(note 7)	(note 7)		
(Audited)	(Audited)					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(note 1)	(note 2)	(note 7)	(note 7)	(note 7)		
<b>Cash flows from financing activities</b>						
New bank borrowings raised	–	68,000	–	–	–	68,000
Interest paid	(948)	(14,068)	–	–	14,068	(948)
Advances from a fellow subsidiary	–	13,485	–	–	–	13,485
Repayments of lease liabilities	(357)	–	–	–	–	(357)
<b>Net cash (used in) from financing activities</b>	<b>(1,305)</b>	<b>67,417</b>	<b>–</b>	<b>–</b>	<b>14,068</b>	<b>80,180</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>219,460</b>	<b>255</b>	<b>(515,029)</b>	<b>(85,727)</b>	<b>14,068</b>	<b>(366,973)</b>
<b>Cash and cash equivalent at the beginning of the reporting period</b>	<b>380,330</b>	<b>140</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>380,470</b>
<b>Cash and cash equivalent at the end of the reporting period</b>	<b>599,790</b>	<b>395</b>	<b>(515,029)</b>	<b>(85,727)</b>	<b>14,068</b>	<b>13,497</b>

**Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group**

1. The audited consolidated statement of financial position of the Group as at 31 March 2024, and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year then ended are extracted from the annual results announcement of the Group dated 24 June 2024.
2. The audited combined statement of financial position of the Target Group as at 31 March 2024, and the audited combined statement of profit or loss and other comprehensive income and the audited combined statement of cash flows of the Target Group for the year then ended are extracted from the Accountants' Report of the Target Group as set out in Appendix IV to this circular.
3. The management of the Company intends to hold the Property for earning rental income. As a result, the Property is reclassified as investment property of the Enlarged Group as at 31 March 2024 assuming that the Transaction had been completed on 31 March 2024.

The acquisition of the Target Group is not considered as a business combination under Hong Kong Financial Reporting Standard 3 (revised) Business Combinations (“**HKFRS 3**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Instead, it shall be accounted for as asset acquisition through acquisition of an entity. In accordance with HKFRS 3, the consideration shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the completion of the acquisition and such a transaction does not give rise to goodwill.

Pursuant to the SP Agreement, 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” HK\$700,000,000, being the agreed value of the Property;

“B” HK\$1,006,000, being the carrying value/book value of the tangible assets of the Target Group (but excluding the Property and the fittings and equipment, if any) at the Completion Date assuming that the Transaction had been completed on 31 March 2024; and

“C” HK\$45,842,000, being the amount of all liabilities of the Target Group, including actual or contingent, accrued and deferred liabilities but excluding the Sale Loan at the Completion Date, assuming that the Transaction had been completed on 31 March 2024.

As a result, the Consideration was HK\$655,164,000, assuming that the Transaction had been completed on 31 March 2024.

Pursuant to the SP Agreement, the Consideration (subject to adjustments) shall be settled as follows:

- (a) An initial deposit of HK\$150,000,000 shall be paid by the Purchaser to the Vendor within 10 Business Days after signing of the SP Agreement;
- (b) A sum of HK\$350,000,000, being part of the Consideration, (the “**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 of the Consideration (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, of which the initial deposit of HK\$150,000,000 and the Second Payment of HK\$350,000,000 (collectively referred to as the “**Partial Consideration**”) are assumed to be settled by the Purchaser through utilisation of bank balances and cash as at 31 March 2024 and the Balance of HK\$155,164,000 (representing the amount of the Consideration of HK\$655,164,000 after the settlement of the Partial Consideration of HK\$500,000,000) assuming to be settled since 30 June 2024 by seven equal quarterly installments represents as consideration payable to the Vendor as at 31 March 2024. As such, the Balance would become a consideration payable to a fellow subsidiary of the Enlarged Group at Completion, of which HK\$88,665,000 is classified as current and HK\$66,499,000 is classified as non-current, which is non-interest bearing.

- 3.1 *As the management of the Company intends to hold the Property for earning rental income, the property under development is reclassified as investment property of the Enlarged Group as at 31 March 2024 assuming the Transaction had been completed on 31 March 2024. The adjustment of HK\$5,000,000 being the difference of the carrying amount of the Property amounting to HK\$705,000,000 (based on the Accountant’s Report) and the agreed value of the Property of HK\$700,000,000 represents the fair value of the Consideration transferred for the Transaction of HK\$655,164,000, net off the carrying amounts of other identifiable assets of HK\$1,006,000 and other identifiable liabilities of HK\$45,842,000.*
- 3.2 *Pursuant to the SP Agreement, the Vendor and the Purchaser agreed that the Property was sold free from encumbrances. Hence, it is assumed that the bank borrowings of the Target Group are settled before Completion as it is mortgage loan and settlement is a pre-condition.*
- 3.3 *Pursuant to the SP Agreement, the Vendor also agreed to sell and assign the Sale Loan to the Group as part of the Transaction.*

4. The adjustment represents the estimated acquisition-related costs of HK\$1,390,000 (the “**Transaction Costs**”) assumed to be paid, including audit, financial advisory, valuation and other professional services relating to the Transaction, which would be settled by bank balances and cash of the Enlarged Group and are recognised as a cost of acquisition of the Property. This adjustment is not expected to have a continuing effect on the Enlarged Group.
5. The adjustment represents the fair value change of HK\$3,610,000 immediately subsequent to the completion of the Transaction to measure the investment property of the Target Group at fair value as at 31 March 2024 of HK\$705,000,000 as determined by Vincorn Consulting and Appraisal Limited, an independent firm of qualified professional property valuers, which is the difference with the acquisition cost of the Property at HK\$701,390,000.
6. The adjustment represents share of the fair value change by non-controlling interests of the Enlarged Group, which is amounted to HK\$722,000.
7. Same as note 3 mentioned above, the following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, assuming the Transaction had been completed on 1 April 2023, the Directors have carried out an illustrative consideration allocation exercise in accordance with the requirements of HKFRS 3 (Revised).

	<i>HK\$'000</i>
Consideration at 1 April 2023 <i>(note 7.1)</i>	<u>700,030</u>
Consideration settlement by:	
Bank balances and cash <i>(note 7.2)</i>	500,000
Consideration payable to a fellow subsidiary <i>(note 7.2)</i>	<u>200,030</u>
	<u>700,030</u>
Carrying amount of investment property at 1 April 2023 <i>(note 7.1)</i>	700,000
Add: Transaction Costs incurred in relation to the acquisition of the Property <i>(note 4)</i>	1,390
Fair value of investment property with reference to its property valuation at 31 March 2024	<u>(705,000)</u>
Fair value change of investment property for the year ended 31 March 2024	<u>(3,610)</u>

- 7.1 *The Consideration as at 1 April 2023 amounting to HK\$700,030,000 represents the agreed value of the Property of HK\$700,000,000, plus the carrying amounts of other identifiable assets of HK\$178,000 as at 1 April 2023 and minus the other identifiable liabilities of HK\$148,000 as at 1 April 2023.*
- 7.2 *For the purpose of the Unaudited Pro forma Financial Information of the Enlarged Group, the Partial Consideration of HK\$500,000,000 are assumed to be settled by the Purchaser to the Vendor in cash on 1 April 2023. The Balance of HK\$200,030,000 (representing the amount of the Consideration of HK\$700,030,000 after the settlement of the Partial Consideration of HK\$500,000,000) to be payable to the Vendor after the Completion Date by seven equal quarterly installments would become a consideration payable to a fellow subsidiary of the Enlarged Group at Completion. Three quarterly installments amounting to HK\$85,727,000 of the Balance are assumed to be settled by cash during the year ended 31 March 2024.*
- The estimated direct reduction in interest income of HK\$13,639,000 is based on the assumptions that the Transaction had taken place on 1 April 2023 and there is a reduction in the Group's bank balances for the settlement of the Partial Consideration and the three quarterly installments.*
- 7.3 *HK\$700,000,000, being the agreed value of the Property represents the fair value of the Consideration transferred for the Transaction of HK\$700,030,000, net off the carrying amounts of other identifiable assets of HK\$178,000 as at 1 April 2023 and other identifiable liabilities of HK\$148,000 as at 1 April 2023.*
- 7.4 *The adjustment represents the reversal of write-down recognised of property under development for sale of HK\$12,882,000 in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 March 2024 assuming the Transaction had been completed on 1 April 2023 and the property under development for sale was classified as investment property of the Enlarged Group as at 1 April 2023.*
- 7.5 *The adjustment represents the reversal of interest paid of HK\$14,068,000, in the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 March 2024 assuming the Transaction had been completed on 1 April 2023 and the bank borrowings of the Target Group had been repaid as at 1 April 2023.*



- 8 The adjustment represents the share of loss of the Target Group for the year ended 31 March 2024 and the share of profit or loss effects on the pro forma adjustments based on the assumption that the Transaction had taken place on 1 April 2023 as stated in the above note 7 by the non-controlling interests of the Enlarged Group and the calculation is shown as follows:

	<i>HK\$'000</i>
Loss for the year ended 31 March 2024 of the Target Group based on the Accountant's Report to this circular	(12,865)
Adjust by: Direct reduction in interest income <i>(note 7.2)</i>	(13,639)
Reversal of write-down recognised of property under development for sale <i>(note 7.4)</i>	12,882
Fair value change of investment property <i>(note 7)</i>	<u>3,610</u>
Adjusted loss for the year	<u><u>(10,012)</u></u>
Share of adjusted loss for the year by the non-controlling interests of the Enlarged Group	<u><u>(2,002)</u></u>

- 9 Apart from the above, no other adjustment has been made to reflect any trading results or other transactions entered into by the Group or the Target Group subsequent to 31 March 2024 as if the Transaction had taken place on 31 March 2024 and 1 April 2023, respectively.

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information of the Enlarged Group as set out in Section A of Appendix V prepared for the purpose of incorporation in this circular.*

The logo for Deloitte, consisting of the word "Deloitte" in a bold, black, sans-serif font, followed by a green dot.The Chinese characters "德勤" (De Qin), representing Deloitte, in a bold, black, sans-serif font.

## REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

### To the Directors of Emperor Entertainment Hotel Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Emperor Entertainment Hotel Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 31 March 2024, the unaudited pro forma statement of profit or loss and other comprehensive income for the year ended 31 March 2024, the unaudited pro forma statement of cash flows for the year ended 31 March 2024 and related notes as set out on pages V-1 to V-11 of Appendix V to the circular issued by the Company dated 3 July 2024 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages V-1 to V-11 of Appendix V to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of entire issued share capital of Star Omen Limited (“**Star Omen**”) and its subsidiaries (collectively referred to as “**Star Omen Group**”), constituting a very substantial acquisition and connected transaction (the “**Acquisition**”) on the Group's financial position as at 31 March 2024 and the Group's financial performance and cash flows for the year ended 31 March 2024 as if the Acquisition had taken place at 31 March 2024 and 1 April 2023 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2024, on which the annual results announcement has been issued.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2024 or 1 April 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
3 July 2024

*The following management discussion and analysis should be read in conjunction with the accountants' report of the Target Group for the three years ended 31 March 2022, 31 March 2023 and 31 March 2024 as set out in Appendix IV to this circular.*

## **BUSINESS REVIEW**

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.

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 March 2022, 31 March 2023 and 31 March 2024 (collectively, the “**Reporting Periods**”). All references to “FY2022”, “FY2023” and “FY2024” mean the financial years ended 31 March 2022, 31 March 2023 and 31 March 2024, respectively. The following financial information is based on the Accountants' Report of the Target Group as set out in Appendix IV to this circular.

## **FINANCIAL REVIEW**

### **Revenue**

As the Property was under-construction in FY2022, FY2023 and FY2024, there was no revenue recognised during the Reporting Periods.

### **Other Losses**

The Target Group recorded other losses of approximately HK\$35.0 million, HK\$96.8 million, and HK\$12.9 million respectively in FY2022, FY2023, and FY2024. The other losses during the Reporting Periods were resulted from the diminution in value of the Property.

### **Administrative Expenses**

The Target Group recorded administrative expenses of approximately HK\$11,000, HK\$16,000, and HK\$18,000 respectively in FY2022, FY2023 and FY2024. The administrative expenses during the Reporting Periods remained steady and minimal.

**Loss for the Year**

The Target Group recorded loss for the year of approximately HK\$35.0 million, HK\$96.8 million and HK\$12.9 million in FY2022, FY2023 and FY2024 respectively. The fluctuation of the loss for the year of the Target Group during the Reporting Periods was primarily due to the other losses. Please refer to the section headed “Other Losses” in this appendix.

**Liquidity, Financial Resources and Capital Structure**

During the Reporting Periods, the Target Group mainly financed its operation by (i) secured bank borrowings of approximately HK\$197.6 million, HK\$197.6 million and HK\$265.6 million, with an interest at 1.35%, 1.35% and 1.72% over Hong Kong Interbank Offered Rate (“**HIBOR**”) per annum as at 31 March 2022, 2023 and 2024 respectively, which was secured by the Property and corporate guarantees from its intermediate holding company; and (ii) amounts due to a fellow subsidiary of approximately HK\$498.0 million, HK\$582.8 million and HK\$637.8 million as at 31 March 2022, 2023 and 2024 respectively. The amounts due to a fellow subsidiary were unsecured, repayable on demand and carry interest at 3.32% over Hong Kong Prime Rate per annum as at 31 March 2022 and 3.52% and 2.83% over HIBOR per annum as at 31 March 2023 and 2024 respectively. The Target Group’s external borrowings and cash and cash equivalents were denominated in HK\$.

During the Reporting Periods, the Target Group did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 March 2022, 2023 and 2024, the Target Group recorded net current assets of approximately HK\$64.0 million, net current liabilities of approximately HK\$230.4 million and net current assets of approximately HK\$22.4 million respectively. The net current liabilities as at 31 March 2023 were mainly attributable to the secured bank borrowings of HK\$197.6 million which was repayable within one year as at 31 March 2023, and hence reclassified as current liabilities accordingly. As at 31 March 2022, 2023 and 2024, the Target Group’s gearing ratios (represented by a percentage of total liabilities over total assets) were approximately 123.8%, 141.9% and 134.4% respectively.

**Employee and Remuneration Policies**

As at 31 March 2022, 2023 and 2024, the Target Group had no employee in Hong Kong.

**Future Plans for Material Investments or Capital Assets**

As at the Latest Practicable Date, the Target Group may incur capital expenditure for furnishings following the commencement of business operations.

**Capital Commitments**

The Target Group had capital commitments of HK\$158.3 million and HK\$105.4 million as at 31 March 2022 and 2023 respectively while as at 31 March 2024, the Target Group had no capital commitments.

**Charges on Assets**

As at 31 March 2022, 2023 and 2024, the bank borrowings are secured by the Property and corporate guarantees from its intermediate holding company.

**Contingent Liabilities**

The Target Group had no material contingent liabilities as at 31 March 2022, 2023 and 2024.

**Foreign Exchange Exposure**

For the Reporting Periods, the Target Group was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in Hong Kong dollar.

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP**

Set out below is the management discussion and analysis of the Group for the three years ended 31 March 2022, 31 March 2023 and 31 March 2024, details of which are set out in the annual reports of the Company for the years ended 31 March 2022 (“**2022 Annual Report**”) and 31 March 2023 (“**2023 Annual Report**”) and the annual results announcement for the year ended 31 March 2024 (“**2024 Annual Results Announcement**”) respectively. Unless otherwise defined in this circular or the context otherwise requires, capitalised terms used in this Appendix VII shall have the same meanings as those ascribed in the abovementioned annual reports and annual results announcement of the Company, as the case may be.

The Group currently engages in provision of hospitality and entertainment services, which covers a total of six hotels and serviced apartments in Hong Kong and Macau, as follows:

- The Emperor Hotel and three blocks of The Unit Serviced Apartments in Hong Kong – namely The Unit Morrison Hill, The Unit Happy Valley and The Unit Davis; and
- Grand Emperor Hotel (with gaming facilities) and Inn Hotel in Macau.

**About The Emperor Hotel**

The Emperor Hotel, a 29-storey hotel in Wan Chai, is the Group’s signature project in Hong Kong. It offers 299 guest rooms together with leisure, dining and parking facilities, with a gross floor area of approximately 115,700 square feet. The Emperor Hotel creates a comfortable experience, catering to the lifestyles of both leisure and business travellers. Golden Valley, a Cantonese & Sichuan cuisine within the hotel, had been rated as a Michelin 1-star restaurant.

**About The Unit Morrison Hill**

Situated at the vibrant junction of Wan Chai and Causeway Bay, The Unit Morrison Hill provides 18 stylish serviced apartments for expats, MICE visitors, business travellers and overseas professionals, on short-and long-term leases. With state-of-the-art facilities and professional customer services, The Unit Morrison Hill redefines the contemporary way of life.

**About The Unit Happy Valley**

The Unit Happy Valley, a 21-storey, 68-unit block located in Happy Valley, is a highly sought-after residence given its ease of access to the central business district. The area is vibrant, conveniently located near Hong Kong’s commercial districts, and affords easy access to the shopping districts in Causeway Bay, Hong Kong Jockey Club and Hong Kong Stadium for international sports events, and Hong Kong Sanatorium & Hospital for medical check-ups, helping to ensure solid short-term leasing demand.



**About The Unit Davis**

The Unit Davis is a 22-storey serviced apartments building on Davis Street, within the Kennedy Town and Mount Davis area of Hong Kong Island, with a total of 57 units. Spurred by the opening of Kennedy Town station – which provides a convenient link to Hong Kong’s central business district as well as dining and entertainment areas such as Sai Ying Pun, Lan Kwai Fong and Soho, the area has become a vibrant neighbourhood with new residential and commercial offerings.

**About Grand Emperor Hotel**

Located on the Macau Peninsula, Grand Emperor Hotel is a 26-storey hotel with a gross floor area of approximately 655,000 square feet and 311 guest rooms. It offers a wide range of amenities including fitness centre, sauna and spa facilities, as well as 5 restaurants and bars boasting fine cuisines from all around the world. In addition, it offers gaming tables in the mass market hall and slot machines. With strong commitment to providing guests with unparalleled hospitality experience, the Group delivers consistently top-quality services that translate into high levels of customer satisfaction and loyalty.

**About Inn Hotel**

Located at the heart of Macau’s Taipa Island, Inn Hotel is a 17-storey hotel with a gross floor area of approximately 209,000 square feet and 285 guest rooms. Through extending business coverage from the Macau Peninsula to Taipa, it enables the Group to fully capture the potential of Macau’s hospitality market.

**FOR THE YEAR ENDED 31 MARCH 2022****MARKET REVIEW**

For the year ended 31 March 2022 (the “**2022 Year**”), the entry restrictions and quarantine measures were still enforced within the Greater Bay Area due to the fluctuating Covid-19 pandemic situation, resulting in the operating environments of the tourism and hospitality sectors generally remaining challenging. With life gradually returning to normal while there are still limitations on outbound travel, domestic consumption and entertainment demand have gradually regained momentum, and there has ever been some revival in visitor arrivals to Hong Kong and Macau. Nevertheless, in the second half of the 2022 Year, various policies announced by the Chinese government plus credit crises facing the mainland China property industry have adversely impacted China’s economy; meanwhile, the Omicron variant of Covid-19 has driven the numbers of cases to new highs in Hong Kong, hindering the market recovery.

**FINANCIAL AND OTHER INFORMATION****Capital Structure, Liquidity and Financial Resources**

During the 2022 Year, the Group utilised approximately HK\$2,048.8 million for the acquisition of The Emperor Hotel, The Unit Morrison Hill and The Unit Happy Valley in Hong Kong, hence its aggregate of bank balances and cash, short-term bank deposits and pledged bank deposits decreased to HK\$1,049.9 million (2021: HK\$3,340.1 million) as at 31 March 2022, which was mainly denominated in Hong Kong dollar (2021: Hong Kong dollar and Renminbi). The Group continued to maintain a strong financial position and funded its operations and capital expenditure by cash generated from its operations and deposits reserved at the banks. During the 2022 Year, the Group was not exposed to significant foreign exchange rates as most of the Group's assets, liabilities and transactions were transacted at and denominated in the functional currency of its foreign operations.

The Group's current assets and current liabilities as at 31 March 2022 were HK\$1,129.9 million (2021: HK\$3,458.1 million) and HK\$309.2 million (2021: HK\$357.3 million), respectively. As at 31 March 2022, the advances from non-controlling interests of subsidiaries of the Company totalled HK\$39.5 million (2021: the advances from non-controlling interests of a subsidiary of HK\$39.0 million), which were denominated in Hong Kong dollar, unsecured and interest-free, among which HK\$39.0 million was repayable at the discretion of non-controlling interests and availability of surplus fund of a subsidiary, and the remaining HK\$0.5 million was repayable by another subsidiary after payment of all operating expenses and payables including but not limited to bank loans and third party loans which were due for repayment together with the accrued interest. The Group was in a net cash position as at 31 March 2022 and hence its gearing ratio (calculated as net debt divided by total equity) was zero (2021: zero). The Company has always been pursuing a prudent cash and financial management policy and actively manages its liquidity position. The Group generally finances its operations with internally generated resources and borrowings provided by banks, if necessary. In order to achieve better cost control and minimize the cost of funds, the Group's treasury activities and cash and cash equivalents are generally deposited with certain financial institutions such as banks denominated mostly in Hong Kong dollar.

During the 2022 Year, the Company had repurchased 12,270,000 shares (the “**2022 Repurchased Shares**”) of its own shares from the market using internal resources, at an aggregate consideration of HK\$14.6 million, and an average price of HK\$1.187 per share. The 2022 Repurchased Shares were cancelled during the 2022 Year, and hence the total number of issued shares of the Company right after its cancellation was reduced by about 1.0% to 1,197,305,983 (2021: 1,209,575,983) shares and its issued share capital was HK\$120,000 (2021: HK\$121,000) as at 31 March 2022. Having considered the Group's strong cash reserves, the Directors believe the share repurchases would enhance value to the Shareholders and benefit the Company and its Shareholders as a whole.

### **Pledge of Assets**

As at 31 March 2022, assets with carrying values of approximately HK\$1.7 billion (2021: HK\$2.0 billion) were pledged to two banks as security for banking facilities of a total of HK\$520.0 million (2021: HK\$520.0 million). The facilities remained undrawn and available as at 31 March 2022 and 2021. In addition, the Group has a bank deposit of HK\$64.1 million (2021: HK\$63.0 million) pledged as security deposit for obtaining a bank guarantee in the amount of approximately MOP64.5 million (equivalent to HK\$62.6 million) in favour of SJM for the Group's fulfilment of all its obligations, as stipulated under the service agreement and the addendum (collectively referred to as the "**Service Agreements**") between the Group and SJM, and another bank deposit of HK\$0.4 million (2021: HK\$0.4 million) pledged as security deposit for the use of ferry ticket equipment provided by a third party.

### **Acquisition of Subsidiaries**

On 28 May 2021, an indirect non-wholly owned subsidiary of the Company completed the acquisition of the entire equity interest of Poly Keen and the loan due by Poly Keen to a direct wholly-owned subsidiary of Emperor International, being the parent company of the Company, at a cash consideration of HK\$2,048.8 million, details of which were set out in the joint announcement of the Company and Emperor International dated 16 March 2021 and the Company's circular dated 30 April 2021. Poly Keen and its subsidiaries are principally engaged in the hospitality business and property investment in Hong Kong. Upon completion of the acquisition, the Group widened the sources of income by expanding its hospitality business coverage beyond Macau, to also include Hong Kong.

### **Contingent Liabilities**

As at 31 March 2022, the Group and the Company did not have any significant contingent liabilities.

## **BUSINESS REVIEW**

### **Hotels and Serviced Apartments Revenue**

With the expansion of portfolio of hotels and serviced apartments, the Group's revenue base of hotels and serviced apartments was widened, and hence its revenue increased by 67.3% to HK\$155.3 million (2021: HK\$92.8 million) during the 2022 Year. Total room revenue was HK\$53.3 million (2021: HK\$29.5 million). Total food and beverage revenue was HK\$77.4 million (2021: HK\$48.6 million), while the rental income and other revenue totalled HK\$24.6 million (2021: HK\$14.7 million).

### **Gaming Revenue**

Due to the gradual improvement of entertainment and consumption sentiment, the Group's gaming revenue increased by 24.6% to HK\$260.6 million (2021: HK\$209.1 million).

## **OUTLOOK**

Despite a moderate revival of the hospitality sector during the 2022 Year, there was a setback with the emergence of Omicron cases in Hong Kong and Macau in early 2022, and hence intermittent resumption of stringent measures. This inevitably led to delays in reopening of borders between mainland China, Hong Kong and Macau, which in turn impeded full market recovery.

In early 2022, governments across the world have started to ease travel restrictions and opened to travel, serving as a catalyst for the global tourism industry. Hong Kong's strategic location and business environment, coupled with its gastronomy and shopping experience, make the city unique in terms of business and leisure. Macau will also continue striving to expand the spectrum of visitor sources and spur a tourism revival, in order to become a world centre of tourism and leisure. Hong Kong and Macau complement each other in terms of experiences, and the well-established transportation network between the two cities, which make them a popular multi-destination travel itinerary for travellers, plus vaccination coverage is increasing and new medicines for Covid-19 are being developed. Hence, despite the continued uncertainties in the near term, the Group remains optimistic about the sector's long-term growth prospects, and is set to reap the benefits when the sector fully rebounds.

## **EMPLOYEES AND REMUNERATION POLICY**

The Group's number of employees as at 31 March 2022 was 876 (2021: 770). Total staff costs including Directors' remuneration and the other staff costs for the 2022 Year were HK\$343.6 million (2021: HK\$313.2 million). Each employee's remuneration was determined in accordance with individual's responsibilities, competence and skills, experience and performance, as well as market pay levels. Staff benefits include medical and life insurance, retirement benefits and other competitive fringe benefits.

To provide incentive or reward to the staff, the Company has adopted a share option scheme, particulars of which will be set out in the section headed "Share Options Scheme" on pages 141 and 142 of 2022 Annual Report.

## **FOR THE YEAR ENDED 31 MARCH 2023**

### **MARKET REVIEW**

For the year ended 31 March 2023 (the "**2023 Year**"), benefiting from the reopening of borders between Macau, Hong Kong and mainland China, and lifting of the inbound quarantine measures for all travellers in early 2023, the numbers of visitor arrivals to Hong Kong and Macau increased substantially surging by over 300 times and more than doubling, respectively, from the first quarter of 2022 to the first quarter of 2023. Both personal travel and business travel have resumed, and there has been a notable rebound in consumption and entertainment sentiments. All these factors demonstrated the return of hospitality and gaming demand in the regions during the 2023 Year.

**FINANCIAL AND OTHER INFORMATION****Capital Structure, Liquidity and Financial Resources**

During the 2023 Year, the Group utilised approximately HK\$490.0 million for the acquisition of The Unit Davis, hence its aggregate of bank balances and cash, short-term bank deposits and pledged bank deposits decreased to HK\$503.3 million (2022: HK\$1,049.9 million) as at 31 March 2023, which was mainly denominated in Hong Kong dollar. The Group continued to maintain a healthy financial position and funded its operations and capital expenditure by cash generated from its operations and deposits reserved at the banks. During the 2023 Year, the Group was not exposed to significant foreign exchange rates as most of the Group's assets, liabilities and transactions were transacted at and denominated in the functional currency of its foreign operations.

The Group's current assets and current liabilities as at 31 March 2023 were HK\$566.8 million (2022: HK\$1,129.9 million) and HK\$253.2 million (2022: HK\$309.2 million), respectively. As at 31 March 2023, the advances from non-controlling interests of subsidiaries of the Company totalled HK\$39.5 million (2022: HK\$39.5 million), which were denominated in Hong Kong dollar, unsecured and interest-free, among which HK\$39.0 million was repayable at the discretion of non-controlling interests and availability of surplus fund of a subsidiary, and the remaining HK\$0.5 million was repayable by another subsidiary after payment of all operating expenses and payables including but not limited to bank loans and third party loans which were due for repayment together with the accrued interest. The Group was in a net cash position as at 31 March 2023 and hence its gearing ratio (calculated as net debt divided by total equity) was zero (2022: zero). The Company has always been pursuing a prudent cash and financial management policy and actively manages its liquidity position. The Group generally finances its operations with internally generated resources and borrowings provided by banks, if necessary. In order to achieve better cost control and minimize the cost of funds, the Group's treasury activities and cash and cash equivalents are generally deposited with certain financial institutions such as banks denominated mostly in Hong Kong dollar.

During the 2023 Year, the Company had repurchased 8,815,000 shares (the “**2023 Repurchased Shares**”) of its own shares from the market using internal resources, at an aggregate consideration of HK\$4.4 million, and an average price of HK\$0.498 per share. The 2023 Repurchased Shares had been cancelled during the 2023 Year, and hence the total number of issued shares of the Company right after its cancellation was reduced by about 0.7% to 1,188,490,983 (2022: 1,197,305,983) shares and its issued share capital was HK\$119,000 (2022: HK\$120,000) as at 31 March 2023. Having considered the Group's strong cash reserves, the Directors believe the share repurchases would enhance value to the Shareholders and benefit the Company and its Shareholders as a whole.

**Pledge of Assets**

As at 31 March 2023, assets with carrying values of approximately HK\$613.2 million (2022: HK\$1.7 billion) were pledged to a bank (2022: two banks) as security for a banking facility of HK\$408.7 million (2022: a total of HK\$520.0 million). The facilities remained undrawn and available as at 31 March 2023 and 31 March 2022. In addition, the Group has a bank deposit of HK\$65.9 million (2022: HK\$64.1 million) pledged as security deposit for obtaining a bank guarantee in the amount of approximately MOP64.5 million (equivalent to HK\$62.6 million) in favour of SJM for the Group's fulfilment of all its obligations, as stipulated under the Service Agreements between the Group and SJM. As at 31 March 2023, another bank deposit of HK\$0.3 million (2022: HK\$0.4 million) was pledged as security deposit for the use of ferry ticket equipment provided by a third party.

**Acquisition of Asset**

On 27 September 2022, the Group completed the acquisition of the property interests of The Unit Davis via the acquisition of the entire interest of Ever Explore Holdings Limited and its subsidiaries from a direct wholly-owned subsidiary of Emperor International at a consideration of HK\$490.0 million (“**The Unit Davis Acquisition**”). Details of The Unit Davis Acquisition were set out in the joint announcement of the Company and Emperor International dated 15 July 2022 and the Company's circular dated 25 August 2022. After completion of The Unit Davis Acquisition, the Group widened its revenue base and expanded its market presence by enriching its assets portfolio. The Unit Davis has commenced operation in August 2022; the occupancy rate was over 95.0% during the 2023 Year.

**Contingent Liabilities**

As at 31 March 2023, the Group and the Company did not have any significant contingent liabilities.

**BUSINESS REVIEW****Hotels and Serviced Apartments Revenue**

With the expansion of its serviced apartments portfolio and the strong recovery of the hospitality sector, the revenue from the hotels and serviced apartments increased by 31.0% to HK\$203.4 million (2022: HK\$155.3 million) during the 2023 Year, accounting for 69.9% (2022: 37.3%) of the Group's total revenue, which included room revenue of HK\$85.2 million (2022: HK\$53.3 million), food and beverage revenue of HK\$74.0 million (2022: HK\$77.4 million), and rental income and other revenue of HK\$44.2 million (2022: HK\$24.6 million).

**Gaming Revenue**

Since the gaming operation was run by SJM during a certain period of the 2023 Year, the gaming revenue decreased to HK\$87.7 million (2022: HK\$260.6 million), accounting for 30.1% (2022: 62.7%) of the Group's total revenue.

## **OUTLOOK**

Hong Kong remains a key gateway for access to China's capital market and continues playing an important role within the Greater Bay Area, while Macau is regarded as an entertainment hub with a substantial number of world renowned integrated resorts. Both regions are well positioned to welcome mainland Chinese and international visitors. The Group believes the future economic growth of both regions will benefit the tourist and hospitality industries, enabling them to deliver long-term positive returns.

To thrive in a highly competitive market in both regions, the Group will continue strengthening its market presence by enhancing the guest experience, implementing better customer segmentation, and capitalising on its brand awareness arising from its long establishment and popularity in Chinese-speaking communities, while leveraging the synergies resulting from being part of Emperor Group. The management will closely monitor market developments, and seek to react in advance to any foreseeable changes in the industry.

## **EMPLOYEES AND REMUNERATION POLICY**

The Group's number of employees as at 31 March 2023 was 517 (2022: 876). Total staff costs including Directors' remuneration and the other staff costs (which included severance payments) for the 2023 Year were approximately HK\$257.4 million (2022: HK\$343.6 million). Each employee's remuneration was determined in accordance with individual's responsibilities, competence and skills, experience and performance, as well as market pay levels. Staff benefits include medical and life insurance, retirement benefits and other competitive fringe benefits.

To provide incentive or reward to the staff, the Company has adopted a share option scheme, particulars of which is set out in the section headed "Share Options Scheme" on pages 145 and 146 of 2023 Annual Report.

## **FOR THE YEAR ENDED 31 MARCH 2024**

### **MARKET REVIEW**

For the year ended 31 March 2024, (the "**2024 Year**"), the industry revival in the post-pandemic era had a positive influence on the Group, with business and leisure travellers resuming international travel and driving up demand for hospitality services. The Hong Kong government has made tremendous efforts to attract tourists, and has launched a series of effective campaigns and measures including "Hello Hong Kong", "Happy Hong Kong" and "Night Vibes Hong Kong" as well as many mega events. The Hong Kong Tourism Board indicated that over 40.8 million tourists visited Hong Kong during the 2024 Year, which gradually recovered to pre-pandemic levels. The Mainland Chinese tourist segment has recovered rapidly, partly through the advent of additional cross-boundary infrastructure such as the high-speed rail and the Hong Kong-Zhuhai-Macau Bridge.

Following the revival of tourism and entertainment demand, and increased visitor arrivals to Macau, growth in gross gaming revenue in Macau continued regaining momentum. During the 2024 Year, visitor arrivals to Macau surged by 266.4% to 32.1 million, and Macau gross gaming revenue surged to HK\$206.4 billion, up by 245.6% compared to the previous period.

## **FINANCIAL AND OTHER INFORMATION**

### **Capital Structure, Liquidity and Financial Resources**

The Group continued to maintain a strong financial position with aggregate of bank balances and cash, short-term bank deposits and pledged bank deposits of HK\$645.8 million (2023: HK\$503.3 million) as at 31 March 2024, which were mainly denominated in Hong Kong dollar. The Group funded its operations and capital expenditure by cash generated from its operations and deposits reserved at the banks. During the 2024 Year, the Group was not exposed to significant foreign exchange rates as most of the Group's assets, liabilities and transactions were transacted at and denominated in the functional currency of its foreign operations.

The Group's current assets and current liabilities as at 31 March 2024 were HK\$705.4 million (2023: HK\$566.8 million) and HK\$200.8 million (2023: HK\$253.2 million), respectively. As at 31 March 2024, the advances from non-controlling interests of subsidiaries of the Company totalled HK\$39.5 million (2023: HK\$39.5 million), which were denominated in Hong Kong dollar, unsecured and interest-free, among which HK\$39.0 million was repayable at the discretion of non-controlling interests and availability of surplus fund of a subsidiary, and the remaining HK\$0.5 million was repayable by another subsidiary after payment of all operating expenses and payables including but not limited to bank loans and third party loans which are due for repayment together with the accrued interest. The Group was in a net cash position as at 31 March 2024 and hence its gearing ratio (calculated as net debt divided by total equity) was zero (2023: zero). The Company has always been pursuing a prudent cash and financial management policy and actively manages its liquidity position. The Group generally finances its operations with internally generated resources and borrowings provided by banks, if necessary. In order to achieve better cost control and minimize the cost of funds, the Group's treasury activities and cash and cash equivalents are generally deposited with certain financial institutions such as banks denominated mostly in Hong Kong dollar.

During the 2024 Year, the Company did not repurchased any shares.

### **Pledge of Assets**

As at 31 March 2024, assets with carrying values of approximately HK\$600.1 million (2023: HK\$613.2 million) were pledged to a bank as security for a banking facility of HK\$419.7 million (2023: HK\$408.7 million). The facility remained undrawn and available as at 31 March 2024 and 31 March 2023. In addition, the Group has a bank deposit of HK\$30.8 million (2023: HK\$65.9 million) pledged as security deposit for obtaining a bank guarantee in the amount of approximately MOP30.9 million (equivalent to HK\$30.0 million) (2023: MOP64.5 million (equivalent to HK\$62.6 million)) in favour of SJM for the Group's fulfilment of all its



obligations, as stipulated under the Service Agreements between the Group and SJM. As at 31 March 2024, another bank deposit of HK\$0.3 million (2023: HK\$0.3 million) was pledged as security deposit for the use of ferry ticket equipment provided by a third party.

### **Contingent Liabilities**

As at 31 March 2024, the Group and the Company did not have any significant contingent liabilities.

## **BUSINESS REVIEW**

### **Hotels and Serviced Apartments Revenue**

With the revival of hospitality demand and the Group's expanded portfolio of serviced apartments, revenue from hotels and serviced apartments increased by 62.3% to HK\$330.1 million (2023: HK\$203.4 million) during the 2024 Year, accounting for 41.8% (2023: 69.9%) of the Group's total revenue. This revenue comprised room revenue of HK\$166.2 million (2023: HK\$85.2 million), food and beverage revenue of HK\$114.5 million (2023: HK\$74.0 million), and rental income and other revenue of HK\$49.4 million (2023: HK\$44.2 million).

### **Gaming Revenue**

Due to the rebound in consumption sentiment and entertainment demand during the 2024 Year, the Group's gaming revenue surged over 423.6% to HK\$459.2 million (2023: HK\$87.7 million), accounting for 58.2% (2023: 30.1%) of the Group's total revenue.

## **OUTLOOK**

Supported by the Hong Kong government's initiatives and promotional efforts, various international activities and mega events will be rolled out to enhance Hong Kong's offerings and attractiveness, solidifying Hong Kong's position as an international tourist destination. There is now comprehensive infrastructure that enables more convenient and efficient transportation options for Mainland Chinese tourists, making it easier for them to visit Hong Kong and experience its unique culture and hot spots. Particularly in light of the expanding middle class, the Group believes that outbound tourism from Mainland China will continue growing.

Macau is the world's largest gaming market and a leading leisure and entertainment hub in Asia. It is not just popular with Mainland Chinese tourists, but also tourists from Hong Kong and Taiwan, as well as other countries in Asia. With the enhanced transportation infrastructure connecting to nearby cities and Macau's diversified leisure offerings and distinctive attractions, the Group is optimistic about the sustainable long-term growth of the Macau market.

The Group will continue strengthening its market presence by enhancing the guest experience, implementing better customer segmentation and capitalising on its brand reputation, which is spearheaded by its experienced management team with a proven track record in hospitality services.

**EMPLOYEES AND REMUNERATION POLICY**

The Group's number of employees as at 31 March 2024 was 630 (2023: 517). Total staff costs including Directors' remuneration and the other staff costs (which included severance payments) for the 2024 Year were approximately HK\$296.2 million (2023: HK\$257.4 million). Each employee's remuneration was determined in accordance with individual's responsibilities, competence and skills, experience and performance, as well as market pay levels. Staff benefits include medical and life insurance, retirement benefits and other competitive fringe benefits.

To provide incentive or reward to the staff, the Company has adopted a share option scheme, particulars of which is set out in the circular of the Company dated 23 August 2023. During the 2024 Year, no option has been granted under the share option scheme.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the following Directors and chief executives of the Company were interested, or were deemed or taken to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (“**Model Code**”), to be notified to the Company and the Stock Exchange:

### (a) Long position interests in the Company

#### *Ordinary Shares*

Name of Director	Capacity/ Nature of interests	Number of issued Shares interested	Approximate % of issued voting Shares
Ms. Luk Siu Man, Semon (“ <b>Ms. Semon Luk</b> ”)	Interest of spouse	851,353,645 <i>(Note)</i>	71.63

*Note:* These Shares were held by Emperor Entertainment Hotel Holdings Limited, an indirect wholly-owned subsidiary of Emperor International. Emperor International is a company with its shares listed in Hong Kong and as at the Latest Practicable Date, approximately 74.71% of its issued shares was held by Emperor International Group Holdings Limited (“**Emperor International Group Holdings**”). The entire issued share of Emperor International Group Holdings was wholly-owned by AY Holdings which was held by First Trust Services AG (“**First Trust Services**”), being the trustee of a private discretionary trust founded by Dr. Yeung who was deemed to have interests in the said Shares. By virtue of being the spouse of Dr. Yeung, Ms. Semon Luk also had deemed interests in the same Shares.

## (b) Long position interests in ordinary shares of associated corporations of the Company

Name of Directors	Name of associated corporations	Capacity/ Nature of interests	Number of issued shares interested	Approximate % of issued voting shares
Ms. Semon Luk	Emperor International	Interest of spouse	2,747,611,223 <i>(Note)</i>	74.71
	Emperor Watch & Jewellery Limited ("Emperor W&J")	- Ditto -	4,298,630,000 <i>(Note)</i>	63.41
	Emperor Culture Group Limited ("Emperor Culture")	- Ditto -	2,371,313,094 <i>(Note)</i>	73.80
	Ulferts International Limited ("Ulferts")	- Ditto -	600,000,000 <i>(Note)</i>	75.00
	New Media Lab Limited ("New Media Lab")	- Ditto -	315,000,000	52.50
Ms. Fan Man Seung, Vanessa	Emperor International	Beneficial owner	10,500,000	0.29

*Note:* Emperor International, Emperor W&J, Emperor Culture, Ulferts and New Media Lab are companies with their shares listed on the Stock Exchange. These shares were ultimately owned by the respective private discretionary trusts which were also founded by Dr. Yeung. By virtue of being the spouse of Dr. Yeung, Ms. Semon Luk had deemed interests in the same shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors was a director or an employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to any Directors or chief executives of the Company, the following persons or corporations (other than a Director or a chief executive of the Company) who had, or were deemed or taken to have an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any option in respect of such securities:

Name	Capacity/ Nature of interests	Number of Shares interested	Approximate % of issued voting Shares
Emperor International	Interest in a controlled corporation	851,353,645 (L)	71.63
AY Holdings	Interest in a controlled corporation	851,353,645 (L)	71.63
First Trust Services	Trustee of a private discretionary trust	851,353,645 (L)	71.63
Dr. Yeung	Founder of a private discretionary trust	851,353,645 (L)	71.63

(L) = Long Position

*Note:* These Shares were the same Shares of which Ms. Semon Luk had deemed interests as those set out under Section 2(a) of "DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES" above.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executives of the Company, no other person or corporation (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any option in respect of such securities.

### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Enlarged Group which is not determinable within one year without payment of compensation other than statutory compensation.

## 5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective close associates had any interest in business which is considered to compete or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

## 6. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, save for the SP Agreement and the agreement listed below, there was no other contract or arrangement subsisting in which any Directors (excluding Ms. Semon Luk who has deemed interest) was materially interested and which was significant in relation to the business of the Enlarged Group since 31 March 2024 (being the date to which the latest published audited financial statements of the Company were made up).

- The master leasing agreement dated 23 March 2023 entered into between the Company and Emperor W&J in relation to the tenancy transactions thereunder.

## 7. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been, since 31 March 2024 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

## 8. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance were pending or threatened against any member of the Enlarged Group.

## 9. MATERIAL CONTRACTS

- (i) On 15 July 2022, Emperor Property Development, a direct wholly-owned subsidiary of Emperor International, entered into a sale and purchase agreement with Poly Keen, an indirect non-wholly owned subsidiary of the Company, pursuant to which Emperor Property Development agreed to sell and Poly Keen agreed to purchase (a) the entire equity interest of Ever Explore Holdings Limited, which was the then indirect wholly-owned subsidiary of Emperor International, and (b) the entire amount of the loan due and payable by Ever Explore Holdings Limited to Emperor Property Development as at the completion subject to the terms and conditions set out in the said agreement (“**2022 Transaction**”). Details of the 2022 Transaction are disclosed in the Company’s circular dated 25 August 2022 and the 2022 Transaction was completed on 27 September 2022 and the consideration was approximately HK\$483.4 million; and

- (ii) the SP Agreement.

Save as disclosed above, there are no material contracts (not being contracts in respect of transactions in the ordinary course of business) which have been entered into by any member of the Enlarged Group within the two years immediately preceding the date of this circular.

#### **10. EXPERT AND CONSENT**

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Deloitte Touche Tohmatsu (“ <b>Deloitte</b> ”)	Certified Public Accountants, Registered Public Interest Entity Auditor
Octal	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Savills (Hong Kong) Limited	Market Consultant
Vincorn Consulting and Appraisal Limited	Independent qualified valuer

As at the Latest Practicable Date, the above experts have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion herein of their respective letters and reports (as the case may be) and references to their names, in the form and context in which they respectively appear. As at the Latest Practicable Date, each of the above experts:

- (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; or
- (b) did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 March 2024), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

**11. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.Emp296.com>) in accordance with the Listing Rules from the date of the circular and up to and including the date of the SGM:

- (a) the SP Agreement;
- (b) the letter from the Independent Board Committee as set out from pages 14 to 15 in this circular;
- (c) the letter from Octal, the Independent Financial Adviser, as set out from pages 16 to 32 in this circular;
- (d) the property valuation report as set out in Appendix I to this circular;
- (e) the market consultant's report as set out in Appendix II to this circular;
- (f) the accountants' report on the Target Group prepared by Deloitte, the text of which is set out in Appendix IV to this circular;
- (g) the report on the unaudited pro forma financial information of the Enlarged Group illustrating the effect of the Transaction, the text of which is set out in Appendix V to this circular; and
- (h) the written consents referred to in the paragraph headed "Expert and Consent" in this Appendix.

**12. MISCELLANEOUS**

- (a) The company secretary of the Company is Ms. Fung Pui Ling, who is a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She has over 25 years' experience in corporate governance field.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited.
- (c) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (d) The head office and principal place of business of the Company is 28th Floor, Emperor Group Centre 288 Hennessy Road, Wanchai, Hong Kong.
- (e) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text.



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## NOTICE OF SPECIAL GENERAL MEETING

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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)**

## NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting of Emperor Entertainment Hotel Limited (“**Company**”) will be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Thursday, 18 July 2024 at 10:30 a.m., for the purpose of considering and, if think fit, passing with or without modification the following resolution as an ordinary resolution of the Company:

### ORDINARY RESOLUTION

**“THAT**

- (a) the sale and purchase agreement dated 24 May 2024 between (1) Emperor Property Development Limited (a subsidiary of Emperor International Holdings Limited) as vendor and (2) Poly Keen International Limited (a subsidiary of the Company) as purchaser, for the sale and purchase of (a) the entire equity interest of Star Omen Limited and (b) all loan, interest and all other sums owing by Star Omen Limited to Emperor Property Development Limited (“**Sale and Purchase Agreement**”) as at the completion of the aforesaid agreement (a copy of which is tabled before the meeting marked “A” and signed by the Chairperson of the meeting for the purpose of identification), and the transaction contemplated thereunder be and are hereby ratified, confirmed and approved; and
- (b) any one or more directors of the Company (other than Ms. Luk Siu Man, Semon) be and is/are hereby authorised to do all such acts and things which the directors(s) may consider necessary, desirable or expedient to implement the transaction contemplated under the Sale and Purchase Agreement (with any amendments to the terms of such agreement which are not inconsistent with the purpose thereof as may be approved by such director(s) of the Company).”

By order of the Board  
**Emperor Entertainment Hotel Limited**  
**Fung Pui Ling**  
*Company Secretary*

Hong Kong, 3 July 2024

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## NOTICE OF SPECIAL GENERAL MEETING

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*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*  
28th Floor  
Emperor Group Centre  
288 Hennessy Road  
Wanchai  
Hong Kong

*Notes:*

- (i) **No refreshments or drinks will be served and no corporate gifts will be distributed.**
- (ii) Unless indicated otherwise. Capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 3 July 2024.
- (iii) Pursuant to Rule 13.39(4) of the Listing Rules, the Resolution set out in this notice will be decided by poll at the SGM. Where the Chairperson in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted, such resolution will be decided by show of hands.
- (iv) A Shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies (if he/she is a holder of more than one share) to attend and vote in his/her stead. A proxy need not be a Shareholder. The Company strongly encourages Shareholders to appoint the Chairperson of the SGM as their proxy to exercise their rights to vote at the SGM.
- (v) In order to be valid, the form of proxy must be in writing under the hand of the appointor or his/her attorney duly authorized in writing, or if the appointor is a corporation, either under its common seal, or under the hand of an officer or attorney duly authorized on that behalf, and must be deposited at the Company's Hong Kong branch share registrar, Tricor Secretaries Limited ("**Branch Share Registrar**"), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney, not less than 48 hours before the time for holding the SGM or any adjournment thereof.
- (vi) Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such share as if he/she were solely entitled thereto, but the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s), and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the relevant joint holding.
- (vii) In order to qualify for the right to attend and vote at the SGM, all relevant share certificates and properly completed transfer forms must be lodged for registration with the Branch Share Registrar at the above address before 4:30 p.m. on Friday, 12 July 2024.
- (viii) If Typhoon Signal No. 8 or above, or a "black" rainstorm warning signal or "extreme conditions" announced by the Hong Kong Government is in effect any time between 8:30 a.m. and 10:30 a.m. on the date of the SGM, the SGM will be postponed. The Company will post an announcement on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.Emp296.com>) to notify Shareholders of the date, time and place of the rescheduled meeting.
- (ix) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.