

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

Savills (Hong Kong) Limited
 23/F, Two Exchange Square
 Central
 Hong Kong

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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
Total	1,651,102		

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

Development	Parameters
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

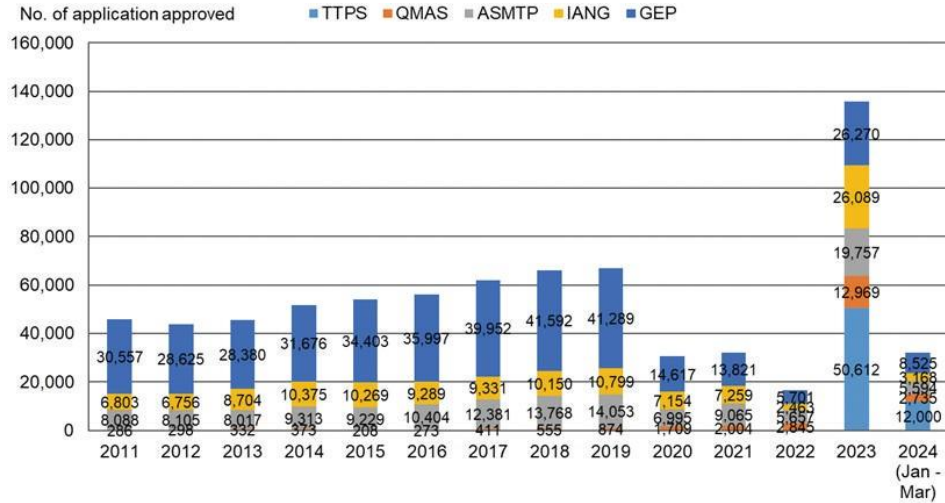
1.2.1 Central district

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 HongKong, 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 (ASMP), 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)



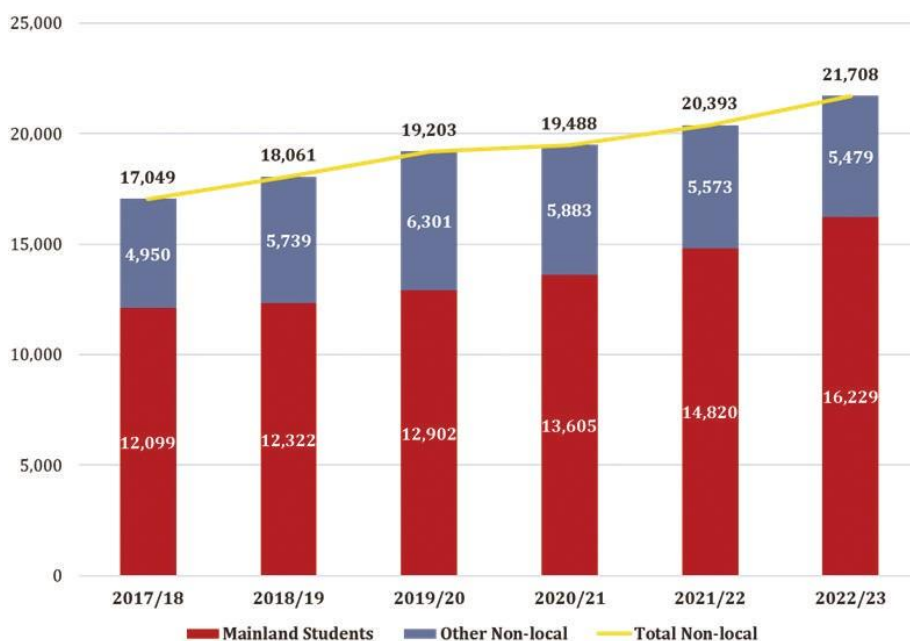
Source: Immigration Department

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

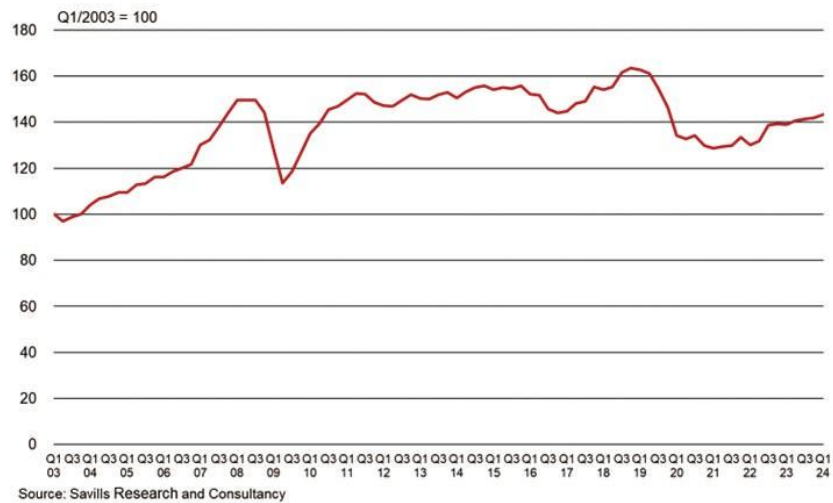


Source: University Grants Committee (UGC)

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

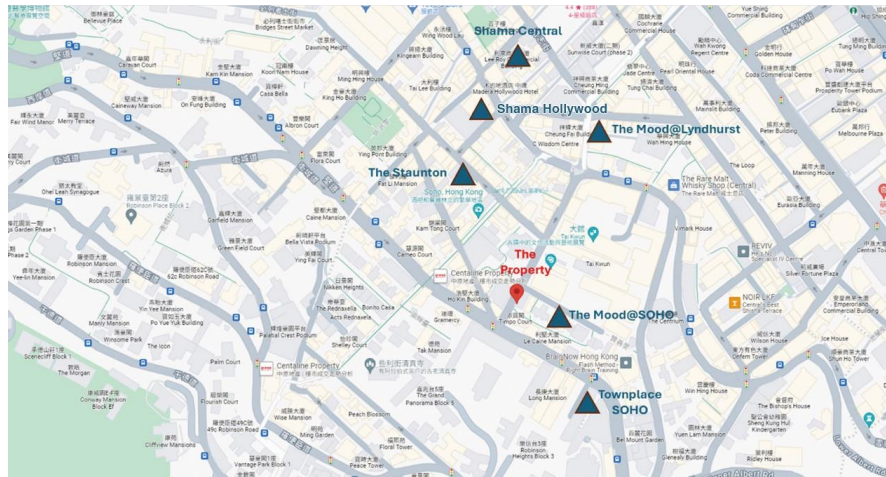
During 2010-2012, serviced apartments in Central maintained an average occupancy rate of over 90%. The average occupancy rate fell below 90% in 2013-2014 in what was a highly competitive serviced apartment market and rose above 90% in 2015. The occupancy rate remained stable from 2016 to 2018 in the 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)

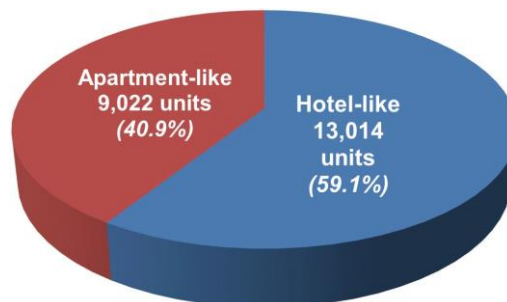
Serviced apartments include two sub-categories, “apartment-like” and “hotel-like”.

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

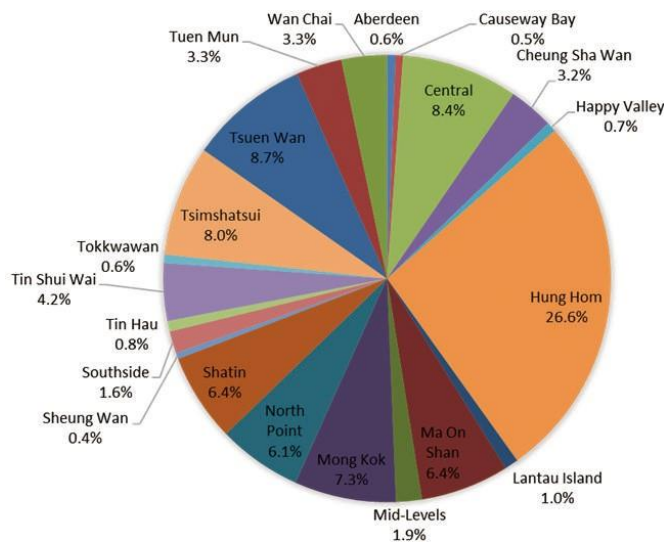


Source: Savills Research & Consultancy

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.

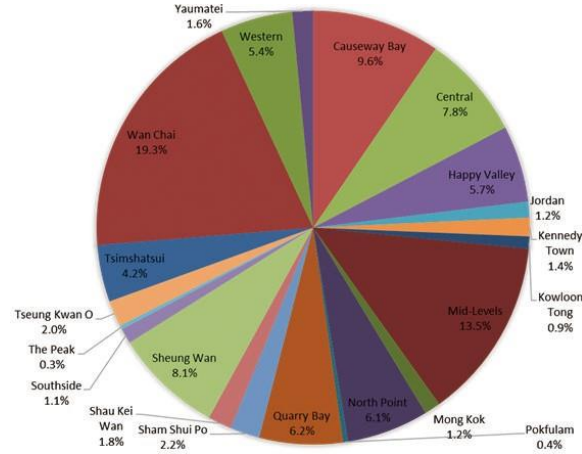
Total Hotel-like Serviced Apartment Stock by District, Mar 2024



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



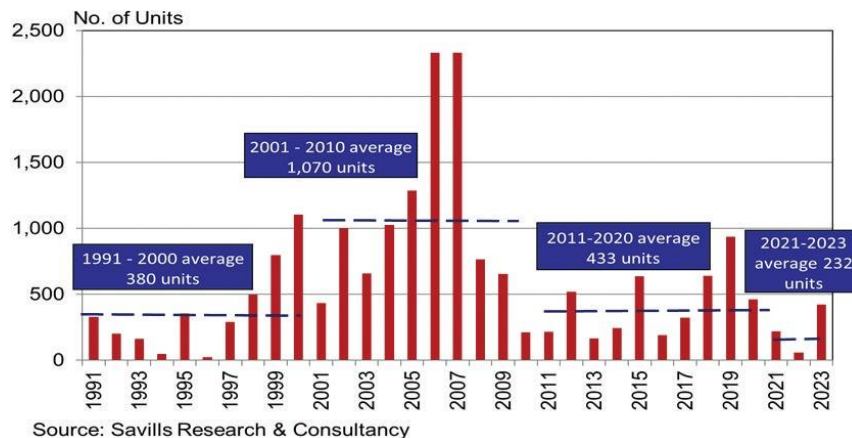
Source: Savills Research & Consultancy

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.

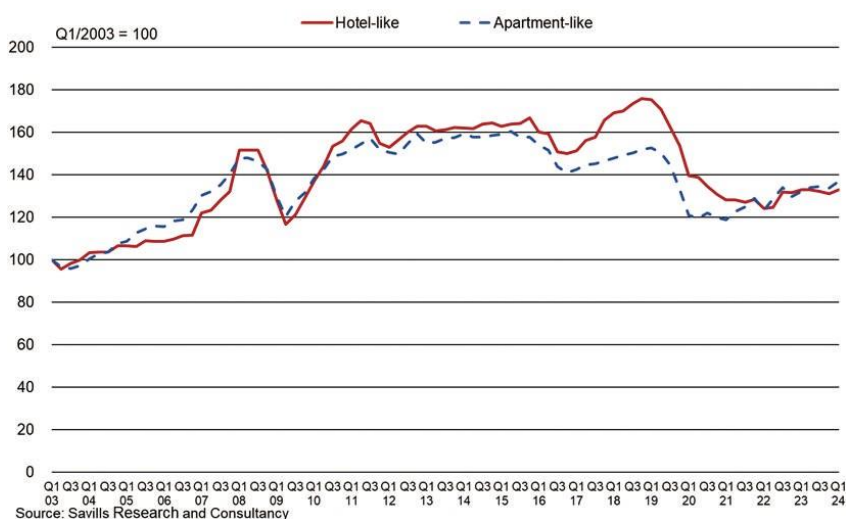
Demand profile

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



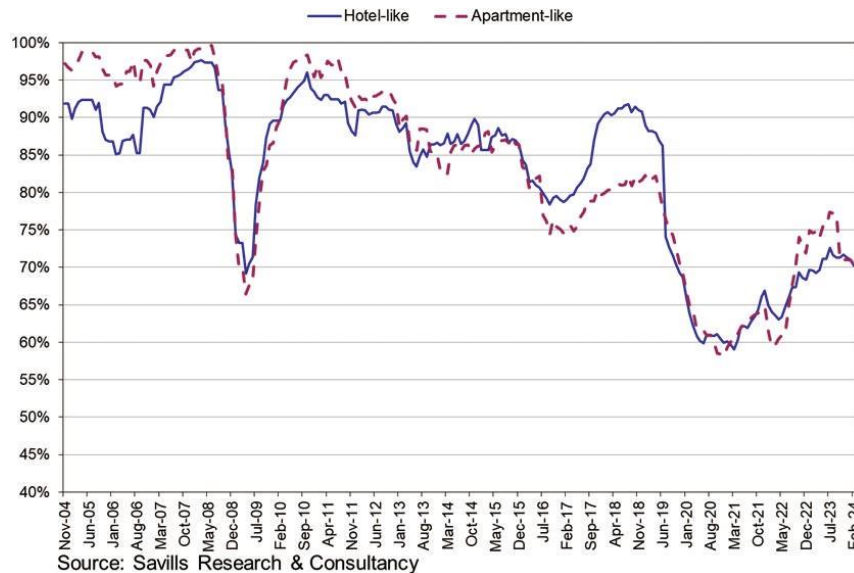
Both hotel-like and apartment-like serviced apartment rents in Hong Kong rose notably from 2003 to 2008 by around 49% after the SARS outbreak, until 2009 when the global financial crisis hit, and overall rents suffered a sharp fall of 13.7%. Rents for both types rebounded by 35% in 2012 from 2009 with 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.

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Yours sincerely,

Savills (Hong Kong) Limited

A handwritten signature in blue ink that reads "Jack" followed by a long, sweeping horizontal stroke.

Jack Tong

Director, Research & Consultancy, Hong Kong