
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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



A letter from the Board is set out from pages 8 to 29 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 30 and 31 of this circular. A letter from Pelican, 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 32 to 58 of this circular.

A notice convening the SGM to be held at 2nd Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Monday, 24 May 2021 at 11:45 a.m. is set out from pages SGM-1 to SGM-3 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time of the SGM (by Saturday, 22 May 2021, before 11:45 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.

PRECAUTIONARY MEASURES FOR THE SGM

To safeguard the health and safety of Shareholders and to prevent the spreading of the coronavirus disease 2019 ("COVID-19"), the following precautionary measures will be implemented at the SGM:

- (1) **Compulsory temperature screening/checks;**
- (2) **Compulsory health declaration;**
- (3) **Compulsory wearing of surgical face mask – no mask will be provided at the SGM venue;**
- (4) **No refreshment or drinks will be served and no corporate gift will be distributed; and**
- (5) **A designated seat will be assigned at the SGM venue.**

Attendees who do not follow the precautionary measures referred to in (1) to (3) above may be denied entry to the SGM venue, at the absolute discretion of the Company and to the extent permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the Chairperson of the SGM as their proxy and to return their forms of proxy by the time specified therein, instead of attending the SGM in person.

Subject to the development of COVID-19, the Company may implement further procedures and precautionary measures at short notice and may issue further announcement as appropriate. Shareholders should check the Company's website for updates on the latest arrangement of the SGM.

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PRECAUTIONARY MEASURES FOR THE SGM

In light of the situation of COVID-19, the Company would like to advise the Shareholders on the following precautionary measures for the SGM:–

(A) BEFORE THE SGM

- (1) **Voting by proxy in advance of the SGM:** The Company does not in any way wish to diminish the opportunity available to Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect Shareholders from possible exposure to the COVID-19. For the health and safety of Shareholders, **the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the Chairperson of the SGM as their proxy instead of attending the SGM in person.** Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjournment thereof should they subsequently so wish.

The deadline to submit completed forms of proxy is Saturday, 22 May 2021 at 11:45 a.m. Completed forms of proxy must be returned to the Hong Kong Branch Share Registrar of the Company, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The form of proxy can be downloaded from the websites of the Company (<https://www.emp296.com>) or the Stock Exchange (<https://www.hkexnews.hk>).

- (2) **Appointment of proxy by non-registered Shareholders:** Non-registered Shareholders whose Shares are held through banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited should consult directly with their banks or brokers or custodians (as the case may be) to assist them in the appointment of proxy.
- (3) **Limiting attendance in person at the SGM venue:** The Company will limit attendance in person at the SGM venue subject to strict compliance of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation at any one time in the SGM venue. The Board reserves the right to change this maximum attendance number at any time depending on the public health situation at the time of the SGM and the guidance of the HKSAR Government.

Shareholders who wish to attend the SGM in person or by proxy (whether or not the relevant forms of proxy have been completed and submitted) must register their intention and provide the following details by email to cossec@emperorgroup.com or alternatively in person at the Company's principal place of business in Hong Kong at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong from Tuesday, 18 May 2021 to Thursday, 20 May 2021 during business hours from 9:00 a.m. to 6:00 p.m.:

1. full name (as shown on Hong Kong Identity Card or passport);
2. contact phone number; and
3. email address.

PRECAUTIONARY MEASURES FOR THE SGM

The application for the admission of the SGM venue in person will be allocated on a first-come-first-served basis. Duplicated registrations will be disregarded. Registered Shareholders will be notified by email and by phone (if reachable) on Friday, 21 May 2021 if such right of admission will be allocated. No notification will be sent to those Shareholders who are not successful to obtain the right of admission to the SGM venue in person.

- (4) **Questions at or prior to the SGM:** The SGM proceedings will be conducted with a view to focusing on the proposed resolutions as set out in the Notice of SGM. Shareholders are advised to contact the Company by email at ir296@emperorgroup.com if they have any question about the relevant resolutions or about the Company, or any matter for communication with the Board, as early as possible before the SGM date. The Company will endeavour to reply as soon as practicable.

(B) AT THE SGM

- (1) Compulsory temperature screening/checks will be carried out on every attendee before entry to the SGM venue. Any person with a body temperature above the reference range quoted by the Department of Health from time to time, or exhibiting flu-like symptoms or any HKSAR Government prescribed quarantine may be denied entry into the SGM venue and be requested to leave the SGM venue, at the absolute discretion of the Company and to the extent permitted by law.
- (2) Every attendee will be required to submit a completed and signed health declaration form (“**Form**”) prior to being admitted to the SGM venue. Please bring along the completed Form to the SGM venue to ensure smooth registration and certification processing. The Form can be downloaded from the website of the Company (<https://www.emp296.com>).
- (3) Every attendee will be required to wear a surgical face mask throughout the SGM (including queuing for registration). Please note that no masks will be provided at the SGM venue and attendees should wear their own masks.

PRECAUTIONARY MEASURES FOR THE SGM

- (4) Every attendee will be assigned a seat in order to ensure appropriate social distancing and facilitate close contact tracing. Staff at the SGM venue will also assist in crowd control and queue management to ensure appropriate social distancing.
- (5) No refreshments, drinks or corporate gift will be served or distributed to attendees at the SGM venue.
- (6) Physical attendance by the Directors at the SGM venue will also be limited. Directors who will not be attending the SGM in person will participate through electronic means.

In addition, attendees are requested to observe and practise good personal hygiene at all times at the SGM venue. To the extent permitted by law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue so as to ensure the health and safety of the attendees at the SGM.

Due to the constantly evolving COVID-19 situation in Hong Kong, the Company may be required to change the SGM arrangements with short notice. Shareholders should check the website of the Company (<https://www.emp296.com>) for future announcements and updates on the SGM arrangements.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“AY Holdings”	Albert Yeung Holdings Limited, an investment holding company incorporated in BVI and held by a private discretionary trust set up by Dr. Albert Yeung
“Board” or “Directors”	the board of directors of the Company
“Bring-down Valuation”	the valuation report of the Target Group prepared by the independent valuer, valuing 100% equity interest of the Target Group as of the Completion Date
“Business Day(s)”	a day other than a Saturday, Sunday or 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 weekdays) 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 consolidated statement of financial position of the Target Group as at the Completion Date and unaudited consolidated statement of profit or loss and other comprehensive income of the Target Group for the period from 1 April 2020 to the Completion Date, prepared in accordance with accounting principles and practices generally accepted in Hong Kong and in compliance with the Companies Ordinance, with value of the Properties marked to that set out in the Preliminary Assessment Letter, to be delivered to the Purchaser pursuant to the SP Agreement

DEFINITIONS

“Completion Date”	within 5 Business Days following satisfaction (or waived by the Purchaser as appropriate) under the section headed “Conditions Precedent” in the “Letter from the Board” of this circular of all the conditions precedent to Completion pursuant to the SP Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of the Transaction
“Dr. Albert 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)
“Emperor International SGM”	the special general meeting (or any adjournment thereof) of Emperor International to be held for the purpose of approving the SP Agreement and the transaction contemplated thereunder
“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 Shareholders”	the Shareholders who do not have material interest in the transaction contemplated under the SP Agreement
“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 of the Company in respect of the Transaction
“Independent Financial Adviser” or “Pelican”	Pelican Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction

DEFINITIONS

“Latest Practicable Date”	26 April 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“MOP”	Macau Pataca, the lawful currency of Macau
“Preliminary Assessment Letter”	the preliminary valuation of the Target Group prepared by the independent valuer, valuing 100% equity interest of the Target Group as of 31 January 2021
“PRC”	The People’s Republic of China
“Properties”	(i) The Emperor Hotel; (ii) The Unit Serviced Apartments; and (iii) MORI MORI Serviced Apartments
“Property Holding Companies”	companies within the Target Group holding the Properties
“Purchaser” or “Emperor Hotel Investment”	Emperor Hotel Investment Limited, which is a company incorporated in BVI whose principal business is investment holding and is an indirect non-wholly owned subsidiary of the Company
“Sale Loan”	all loan, interest and all other sums owing by the Target Company to the Vendor at Completion
“Sale Share”	1 ordinary share of US\$1.0 in the Target Company, which represents all the issued share and the entire issued share capital of the Target Company
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	special general meeting (or an adjournment thereof) of the Company to be held at 2nd Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Monday, 24 May 2021 at 11:45 a.m. to consider and, if think fit, approve, among other things, the SP Agreement and the transaction contemplated thereunder

DEFINITIONS

“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 16 March 2021 entered into between the Vendor and the Purchaser in relation to the Transaction
“Special Dividend”	the cash dividend of HK5.0 cents per Share payable to all Shareholders subject to the approval by the Board and Completion
“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” or “Poly Keen”	Poly Keen International Limited, which is a company incorporated in BVI and an indirect wholly-owned subsidiary of Emperor International
“Target Group”	the Target Company and its subsidiaries, including but not limited to the Property Holding Companies and operator companies
“Transaction”	the acquisition of the Sale Share and the Sale Loan by the Purchaser from the Vendor under the SP Agreement
“Vendor” or “Emperor Hotel Group”	Emperor Hotel Group Limited, which is a company incorporated in BVI whose principal business is investment holding and is a direct wholly-owned subsidiary of Emperor International
“Verification Account”	verification of the Completion Account prepared in accordance with accounting principles and practices generally accepted in Hong Kong and in compliance with the Companies Ordinance, with value of the Properties marked to that set out in the Bring-down Valuation, to be prepared subject to conditions set out in the SP Agreement
“%”	per cent

LETTER FROM THE BOARD



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:

Mr. Yu King Tin

Ms. Kwan Shin Luen, Susanna

Ms. Lai Ka Fung, May

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head office and Place of Principal

Business in Hong Kong:

28th Floor

Emperor Group Centre

288 Hennessy Road

Wanchai

Hong Kong

30 April 2021

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION ACQUISITION OF ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

* *for identification purpose only*

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the announcement of the Company dated 16 March 2021 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 entire equity interest in the Target Company and the loan due from the Target Company to the Vendor at a consideration of approximately HK\$2,083 million (subject to adjustments), which was determined after arm's length negotiation between the Vendor and the Purchaser with reference to the business valuation of the Target Group as stated in the Preliminary Assessment Letter (having taken into account of the valuation of the Properties and the then financial position of the Target Group).

The purpose of this circular is to provide you with, amongst others, (i) further details of the Transaction; (ii) the financial information of the Target Group; (iii) a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Transaction; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation report of the Target Group; (vi) the financial information of the Group; (vii) other information as required under the Listing Rules; and (viii) 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 16 MARCH 2021

The Vendor: Emperor Hotel Group

The Purchaser: Emperor Hotel Investment

Assets to be acquired

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.

Consideration and payment terms

Subject to the adjustments as disclosed under the section headed "Consideration adjustment", the Consideration payable by the Purchaser to the Vendor shall be approximately HK\$2,083 million which shall be payable in the following manner:

- (a) 90% of the Consideration shall be paid on the Completion Date; and
- (b) the balance of the Consideration, subject to adjustments stated below and pursuant to the SP Agreement, shall be paid within 60 Business Days following the Completion Date (or such other date as mutually agreed by the Vendor and the Purchaser).

LETTER FROM THE BOARD

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. As at 28 February 2021, the Group has short-term bank deposits and bank balances and cash in an aggregate of approximately HK\$3,287 million and intends to settle the Consideration by its internal cash resources. The management of the Company will closely monitor the cash position of the Group and determine the funding arrangement to settle the Consideration before Completion. In case there is shortage of available cash of the Group at the Completion Date, the Group may either early uplift the existing short-term bank deposits or utilise its existing revolving banking facilities granted by banks as bridging arrangement to satisfy the Consideration payable. Set out below are the key terms of these banking facilities:

Total amount of bank facilities	: HK\$520,000,000
Interest rate	: Hong Kong Interbank Offered Rate + 1.75%
Securities	: Certain assets of the Group with carrying values of approximately HK\$2.1 billion as at 30 September 2020, which mainly comprise the hotel properties of the Group

As at the Latest Practicable Date, the banking facilities of the Group were not utilised.

The Consideration is determined after arm's length negotiation between the Vendor and the Purchaser with reference to the business valuation of the Target Group of approximately HK\$2,083 million as stated in the Preliminary Assessment Letter (having taken into account of the aggregated valuation of the Properties of HK\$2,015 million and the then financial position of the Target Group) as at 31 January 2021 and subject to adjustments arising from Bring-down Valuation. As at the Latest Practicable Date, the amount of Sale Loan was approximately HK\$1,344 million.

In order to assess the fairness and reasonableness of the Consideration, the Company and Emperor International jointly engaged Flagship Appraisals and Consulting Limited (the “**Business Valuer**”) and Savills Valuation and Professional Services Limited (the “**Property Valuer**”) (collectively, the “**Valuers**”) to perform the business valuation of the Target Group (the “**Business Valuation**”) and the valuation of the Properties (the “**Property Valuation**”) respectively. The Valuers have confirmed to the Company and Emperor International of their independence.

The Directors have assessed the respective qualification, experience and the track record of the Valuers and are of the view that Mr. Ferry S.F. Choy, the Managing Director of the Business Valuer and the signor of the Business Valuation Report who has over 10 years of experience in the valuation profession and has been engaged as the valuer for a wide range of companies listed on the Stock Exchange, and Mr. Freddie Ling (Senior Director of the Property Valuer) and Mr. Eddie So (Director of the Property Valuer), the signors of the property valuation report (“**Property Valuation Report**”) who have over 35 years and 26 years of experience in the valuation of properties in Hong Kong respectively and have conducted valuation for similar properties in Hong Kong, are qualified, experienced and competent in performing the Business Valuation and the Property Valuation respectively.

LETTER FROM THE BOARD

As stated in the Property Valuation Report issued by the Property Valuer in relation to the Property Valuation as set out in Appendix I(B) to this circular, the valuation is performed under market method known as sales comparison approach and the key assumptions made mainly covers that (i) no allowance for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation may be incurred in effecting a sale; (ii) the Properties have good legal titles and are freely transferable in the market; (iii) the interiors of the Properties are finished and maintained in reasonable conditions commensurate with their ages and uses, and the Properties are in their original/approved layouts without any unauthorised structures, extensions, and alterations; and (iv) there were no plans for substantial construction, renovation, improvement, development or change of uses of the Properties. The Directors understood that the above valuation methodology and the key assumptions are commonly adopted in valuation of properties in the market and considered as appropriate and necessary.

Set out below are the details of recent sales of the comparable properties the Property Valuer had made reference to:

The Emperor Hotel

The Property Valuer has adopted 3 recent sales of hotel properties in Hong Kong as comparables.

Date	Hotel Name and Address	Consideration (HK\$ Million)	Gross Floor Area (sq. ft.)	Unit Rate (per sq. ft.)
Aug-2020	Le Petit Rosedale Hotel Hong Kong, 7 Moreton Terrace, Causeway Bay	460.00	31,157	HK\$14,764
Jul-2020	Queen's Hotel, 199 Queen's Road West, Sai Ying Pun	310.00	26,777	HK\$11,577
May-2020	H1 Hotel, 423 and 425 Reclamation Street, Mong Kok	260.00	17,497	HK\$14,860
			Average	HK\$13,734
			Average adjusted unit rate	HK\$13,000

LETTER FROM THE BOARD

MORI MORI Serviced Apartments

The Property Valuer has selected and adopted the 5 recent sales of similar commercial properties and 8 recent sales of residential properties in the vicinity of MORI MORI Serviced Apartments as comparables.

Commercial Comparables

Date	Comparable	Consideration (HK\$ Million)	Saleable Area (sq. ft.)	Unit Rate (per sq. ft.)
Jan-2021	Shop A and Shop B on Ground Floor, Man Shek Building, 404-406 Jaffe Road	38.0	1,129	HK\$33,658
Aug-2020	Shops 6 and 7 on Ground Floor, Dandenong Mansion, 379-389 Jaffe Road	29.0	880	HK\$32,955
Jul-2020	Shop E on Ground Floor, Lucky Plaza, 315-321 Lockhart Road	17.5	348	HK\$50,287
Mar-2020	Shop A on Ground Floor, Fuji Building, 381-383 Lockhart Road	30.0	647	HK\$46,368
Jul-2019	Ground Floor, 17 Morrison Hill Road	19.0	533	HK\$35,647
			Average	HK\$39,783
			Average adjusted unit rate	HK\$36,000

LETTER FROM THE BOARD

Residential Comparables

Date	Comparable	Consideration (HK\$ Million)	Saleable Area (sq. ft.)	Unit Rate (per sq. ft.)
Jan-2021	13/F, Galway Court, 9 Cross Street	5.80	311	HK\$18,650
Dec-2020	Flat A, 20/F, Sam Yuen Mansion, 204-210 Lockhart Road	6.00	389	HK\$15,424
Dec-2020	Flat A, 20/F, Mei Fai Mansion, 110-116 Jaffe Road	6.68	427	HK\$15,644
Dec-2020	Flat A, 15/F, Tai Wo Mansion, 2-8 Tai Wo Street	5.90	388	HK\$15,206
Oct-2020	Flat A, 5/F, Eastman Court, 229-233 Hennessy Road	4.60	309	HK\$14,887
Oct-2020	Flat B, 7/F, Eastman Court, 229-233 Hennessy Road	5.12	309	HK\$16,570
Sep-2020	Flat B, 11/F, Eastman Court, 229-233 Hennessy Road	5.00	309	HK\$16,181
Aug-2020	Flat A, 7/F, Eastman Court, 229-233 Hennessy Road	5.15	309	HK\$16,667
			Average	HK\$16,154
			Average adjusted unit rate	HK\$16,900

The Unit Serviced Apartments

The Property Valuer has selected and adopted the 2 recent sales of similar commercial properties and 11 recent sales of residential properties in the vicinity of The Unit Serviced Apartments as comparables.

LETTER FROM THE BOARD

Commercial Comparables

Date	Comparable	Consideration (HK\$ Million)	Saleable Area (sq. ft.)	Unit Rate (per sq. ft.)
Dec-2020	Unit 2 on Ground Floor, Green Valley Mansion, 51 Wong Nai Chung Road	39.0	883	HK\$44,168
Aug-2018	Shop A on Ground Floor, Broadview Mansion, 75B Wong Nai Chung Road	15.0	320	HK\$46,875
			Average	HK\$45,522
			Average adjusted unit rate	HK\$41,800

Residential Comparables

Date	Comparable	Consideration (HK\$ Million)	Saleable Area (sq. ft.)	Unit Rate (per sq. ft.)
Jan-2021	Flat A, 12/F, Fortuna Court, 1 Wong Nai Chung Road	10.000	468	HK\$21,357
Jan-2021	Flat E, 3/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	11.543	398	HK\$29,003
Jan-2021	Flat F, 8/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	13.238	428	HK\$30,930
Dec-2020	Flat B, 8/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	13.345	402	HK\$33,197
Dec-2020	Flat A, 8/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	13.293	411	HK\$32,343

LETTER FROM THE BOARD

Date	Comparable	Consideration <i>(HK\$ Million)</i>	Saleable Area <i>(sq. ft.)</i>	Unit Rate <i>(per sq. ft.)</i>
Nov-2020	Flat F, 10/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	13.584	428	HK\$31,738
Nov-2020	Flat F, 5/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	12.060	428	HK\$28,178
Nov-2020	Flat A, 19/F, Le Village, 49 Village Road	8.000	379	HK\$21,108
Nov-2020	Flat B, 17/F, Le Village, 49 Village Road	7.050	294	HK\$23,980
Jul-2020	Flat B, 28/F, The Gracedale, 23 Yuk Sau Street	9.060	392	HK\$23,112
Jun-2020	Flat A, 6/F, Fortuna Court, 1 Wong Nai Chung Road	11.500	468	HK\$24,573
			Average	HK\$27,229
			Average adjusted unit rate	HK\$27,100

The Directors have reviewed the selection criteria and the comparable properties which the Property Valuer had made reference to and understood that the data and information about the comparable properties are mostly obtained from various property data websites. The comparable properties were selected as they shared similar locality, size, age, condition and trading potential (for commercial comparables only) to the Properties. The Directors noted that the sales of the comparable properties are mostly recent and are located in the same district and of similar type with the Properties and, given the lack of commercial property transactions in the vicinity of The Unit Serviced Apartments, the sale in 2018 has been selected as one of the comparable properties. In light of the above, the Directors considered selection criteria are appropriate. The Directors also understood that, after selection of the comparable properties, the Property Valuer has considered the different attributes between the Properties and the comparable properties in terms of transaction time, location, view, and other relevant factors, and then carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of the market value of the Properties. Given that Hong Kong's property market is active and mature and, to the best of the Property Valuer's knowledge, the comparable properties represent an exhaustive list, the Directors considered the comparable properties are representative, fair and objective comparisons.

LETTER FROM THE BOARD

As stated in the Business Valuation Report issued by the Business Valuer in relation to the Business Valuation as set out in Appendix I(A) to this circular, the Business Valuer has considered three generally accepted valuation approaches, namely income approach, market approach and cost approach.

The Directors concurred with the Business Valuer that the income approach requires a reliable projection for the hospitality business, which was considered as difficult to come up with under the current situation as the prospect of hospitality business is uncertain due to its correlation between the development of COVID-19 pandemic and the recovery of the Hong Kong's tourism after COVID-19. At current stage, it remains difficult to assess the future development and a high level of uncertainty would be involved inevitably in forming a projection for the hospitality business. Thus, the Directors agreed with the Business Valuer that income approach is not preferable.

As the market value of the Properties had been valued by the Property Valuer independently using market approach, the Directors concurred with the Business Valuer that it would be redundant to adopt market approach again and was appropriate to adopt adjusted net asset value method under the cost approach to reflect the values of the underlying assets of the Target Group. The Directors considered the valuation methodology is fair and reasonable.

The key assumptions of the Business Valuation mainly covered (i) no material change to existing political, legal, fiscal, foreign trade, economic conditions, taxation laws, policies, industrial trend and market condition, (ii) the retention of the management, key personnel and technical staff to maintain the Target Group's ongoing operations; and (iii) all relevant legal approvals, business certificates, or licenses for the normal course of operation are formally obtained, remain in good standing, and can be procured with no additional costs or fees.

The Directors have also reviewed the assumptions made in valuation of the underlying assets of the Target Group. For the current asset and current liabilities as these are short-term in nature, it is considered appropriate to assume the book values of the current assets and current liabilities reflect their market value. For debt-like instruments, the Directors understood that these, including the Sale Loan, should not be deducted from the total assets of the Target Group, and the capital structure of a business has not been taken into account when measuring the business enterprise value given the business enterprise value does not take the capital structure of a business into account. Therefore, it is appropriate not to deduct bank loans, the amounts due to fellow subsidiaries, and the amount due to non-controlling interests of a subsidiary from the total asset of the Target Group. The Directors have not identified any major factors which caused us to doubt the fairness and reasonableness of the assumptions adopted for the Business Valuation.

LETTER FROM THE BOARD

In relation to the valuation adjustment in the Business Valuation, the Business Valuer considered, and the Directors agreed, that the adjustment for the controlling shareholder's privileges is not necessary as the Target Company is a wholly-owned subsidiary of the Vendor. In regarding the discount for lack of marketability, it is considered not applicable to the valuation as the major assets involved are the Properties and their market values have been evaluated by the Property Valuer and all other asset and liabilities were developed based on the market value, which implied the marketability of the individual assets and liabilities should have been reflected.

In light of the above, the Directors believed that the Business Valuation (which has taken into account of the Property Valuation and the market value of the assets and liabilities of the Target Group) is an appropriate reference for determining the Consideration. Given that the Consideration is equivalent to the valuation of the market value of the business enterprise value of the Target Group of approximately HK\$2,083 million as at 31 January 2021 as stated in the Business Valuation Report, subject to adjustments arising from the Bring-down Valuation, the Board is of the view that the Consideration is fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

Consideration adjustment

Pursuant to the SP Agreement, within 60 Business Days following Completion (or such other date as mutually agreed by the Purchaser and the Vendor), the Vendor and the Purchaser shall verify all the relevant matters in the Completion Account and settle the Verification Account jointly with reference to the valuation stated in the Bring-down Valuation. The Consideration shall be adjusted according to the Bring-down Valuation (having taken into account the Verification Account).

If the valuation stated in the Bring-down Valuation shall be less than the valuation as stated in the Preliminary Assessment Letter, the Consideration shall be adjusted downwards on a dollar-for-dollar basis. Such adjusted downwards amount shall be payable by the Vendor to the Purchaser.

If the valuation stated in the Bring-down Valuation shall be more than the valuation as stated in the Preliminary Assessment Letter, the Consideration shall be adjusted upwards on a dollar-for-dollar basis. Such adjusted upwards amount shall be payable by the Purchaser to the Vendor.

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;

LETTER FROM THE BOARD

- (b) the Vendor having proved the Property Holding Companies' respective good title to the Properties in accordance with Section 13 of the Conveyancing and Property Ordinance and delivered to the Purchaser title deeds and documents in accordance with Section 13A of the Conveyancing and Property Ordinance; and
- (c) the obtaining of all required approvals at the Emperor International SGM and 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) in accordance with the SP Agreement within 9 months from the date of the SP Agreement, the Purchaser shall be entitled to terminate the SP Agreement by notice in writing to the Vendor whereupon, subject to the terms of the SP Agreement, the Vendor shall return to the Purchaser all money paid by the Purchaser to the Vendor under the SP Agreement (if any) forthwith without costs, compensation and interest and neither the Vendor nor the Purchaser shall have any claim against the other thereon save and except for any antecedent breach.

As at the Latest Practicable Date, 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 at such time as may be agreed by the Vendor and the Purchaser in writing) pursuant to the SP Agreement. Completion is expected to take place on or before 31 August 2021.

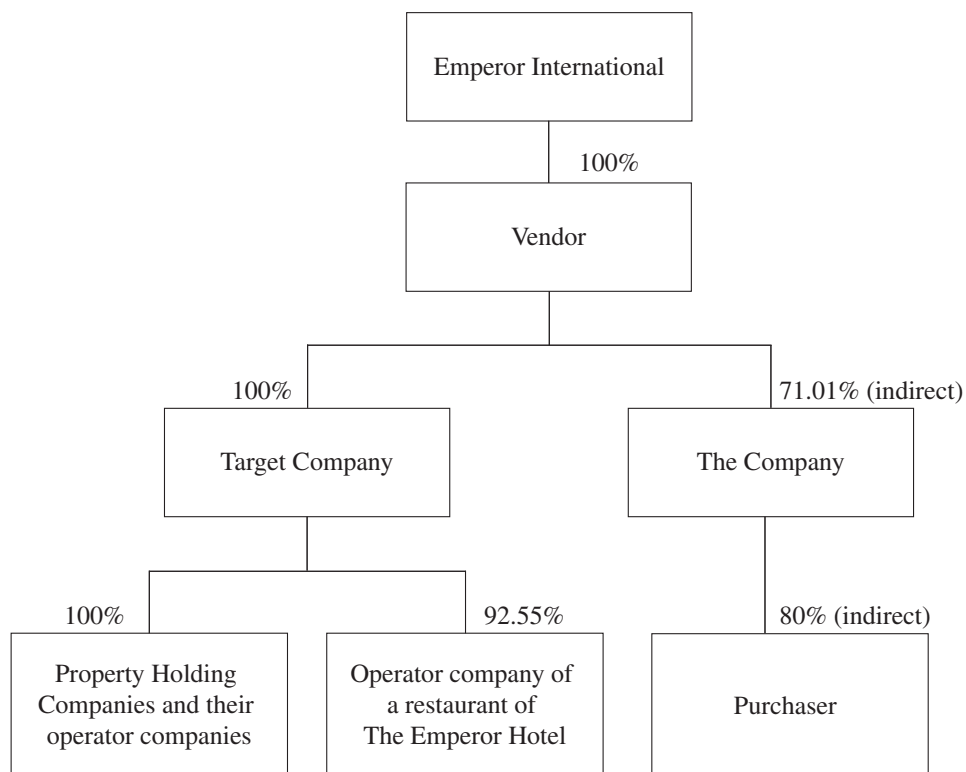
Immediately after Completion, the Company will indirectly hold 80% equity interest in the Target Company and thus, the Target Company will become a non-wholly owned subsidiary of the Company; on the other hand, the Target Company will become a non-wholly owned subsidiary of Emperor International (through its shareholdings in the Company).

After Completion, Emperor International will focus on property investment and property development with the Company as its subsidiary continuing to operate hotel and hotel related business.

LETTER FROM THE BOARD

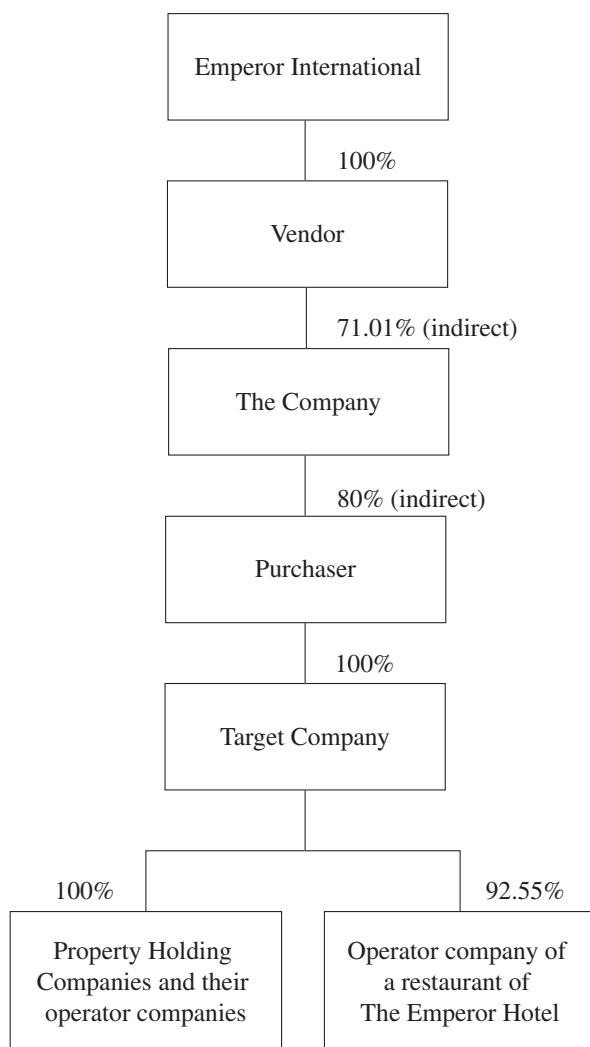
Set out below is the shareholding structure of the Target Company:

Prior to Completion



LETTER FROM THE BOARD

Immediately upon Completion



INFORMATION OF EMPROR INTERNATIONAL AND THE VENDOR

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

LETTER FROM THE BOARD

INFORMATION OF THE COMPANY AND THE PURCHASER

The Company is an investment holding company and its subsidiaries are principally engaged in provision of entertainment and hospitality services in Macau. The Purchaser is a company incorporated in BVI and an indirect non-wholly owned subsidiary of the Company with principal business of investment holding.

INFORMATION OF THE TARGET GROUP AND THE PROPERTIES

Information of the Target Group

The Target Company is a company incorporated in BVI on 12 May 2006 and an indirect wholly-owned subsidiary of Emperor International. The principal business of the Target Company is investment holding of companies engaged in hospitality business and property investment in Hong Kong.

Prior to entering into the SP Agreement, Emperor International has restructured the equity interest of the Property Holding Companies and their operator companies by transferring them from the relevant holding companies (all being wholly-owned subsidiaries of Emperor International) to the Target Company so that all members of the Target Group are grouped under one company being the Target Company.

Assuming the Target Group had been formed since 1 April 2018, the audited consolidated financial information of the Target Group for the two years ended 31 March 2019 and 2020 were as follows:

	For the year ended 31 March 2020 (Audited) HK\$'000	For the year ended 31 March 2019 (Audited) HK\$'000
Revenue	101,921	153,818
Adjusted EBITDA ¹	1,829	13,108
Net profit/(loss) before taxation	520,855	(49,190)
Net profit/(loss) after taxation	531,095	(49,280)

1. For illustrative purpose, adjusted EBITDA represents the earnings before interest, taxation, depreciation and amortisation, adjusted by one-off gain on disposal of property, plant and equipment and fair value changes of investment properties for showing the performance of the Target Group at operating level.

LETTER FROM THE BOARD

The aggregated valuation of the Properties as at 31 March 2019 and 2020 were approximately HK\$2,701 million and HK\$2,147 million respectively. The audited consolidated total asset value and net liabilities of the Target Group as at 31 January 2021 were approximately HK\$2,091 million and HK\$195 million respectively. As at 31 January 2021, the aggregated valuation of the Properties as set out in the Preliminary Assessment Letter was HK\$2,015 million.

Information of the Properties

The Properties are as follows:

- (1) The Emperor Hotel – It is a 29-storey hotel with a gross floor area of 115,728 square feet. Located in Wan Chai, Hong Kong, it is a signature hotel project under “Emperor” brand in Hong Kong and offers 299 guest rooms together with leisure, dining and parking facilities. Golden Valley, a Cantonese and Sichuan cuisine inside this hotel, was awarded the Michelin 1-star restaurant recognition previously.
- (2) The Unit Serviced Apartments – It is a 21-storey composite building with G/F to 1/F devoted to retail use whilst upper floors accommodate 68 serviced apartments in Happy Valley, Hong Kong. It is a highly sought-after residence given its ease of access to the central business district, helping to ensure solid short-term leasing demand especially from the MICE visitors. Its occupancy rates for the year ended 31 March 2020 and 31 March 2019 were 97.6% and 97.5% respectively. The occupancy rate between April and December 2020 was nearly 90.0%.
- (3) MORI MORI Serviced Apartments – It is a 12-storey composite building with G/F to 2/F devoted to retail/office uses whilst upper floors accommodate 18 stylish serviced apartments with state-of the-art facilities and professional customer services. Situated at the vibrant junction of Wan Chai and Causeway Bay in Hong Kong, it is ideal for expats, MICE visitors, business travellers and overseas professionals, on both short-and-long term leases. Its occupancy rates for the year ended 31 March 2020 and 31 March 2019 were 91.5% and 95.0% respectively. The occupancy rate between April and December 2020 was above 95.0%.

LETTER FROM THE BOARD

Tenancy arrangements in relation to the Properties

Set out below is a summary of the major terms of the tenancy agreements in relation to the Properties:

Whole 25th Floor, The Emperor Hotel, 373 Queen's Road East, Wan Chai, Hong Kong

Term: 1 April 2019 to 31 March 2023

Rent: HK\$160,000 per month
(being reduced to HK\$64,000 for the period from 1 December 2020 to 28 February 2021)

Usage: As restaurant

Ground Floor together with the open yard abutting and adjacent thereto, MORI MORI Serviced Apartments, 46 Morrison Hill Road, Wan Chai, Hong Kong

Term: 2 years commencing from 1 March 2019
(and subsequent tenancy for a term of 2 years commencing from 1 March 2021)

Rent: HK\$106,920 per month for the period from 1 March 2019 to 28 February 2021
HK\$80,190 per month for the period from 1 March 2021 to 28 February 2023

Usage: As retail shop

Ground Floor together with the open yard abutting and adjacent thereto, MORI MORI Serviced Apartments, 48 Morrison Hill Road, Wan Chai, Hong Kong

Term: 2 years commencing from 7 May 2019

Rent: HK\$82,000 per month for the period from 7 May 2019 to 6 May 2020
HK\$85,000 per month for the period from 7 May 2020 to 6 May 2021

Usage: As retail shop

LETTER FROM THE BOARD

Shop on Ground Floor, The Unit Serviced Apartments, Nos. 17-19 Yik Yam Street, Happy Valley, Hong Kong

Term: 3 years commencing from 15 November 2018

Rent: HK\$40,000 per month or 15% of monthly gross receipts (whichever is higher)

Usage: As retail shop

Shop on First Floor, The Unit Serviced Apartments, Nos. 17-19 Yik Yam Street, Happy Valley, Hong Kong

Term: 3 years commencing from 1 June 2019

Rent: HK\$35,000 per month

Usage: As retail shop

As at the Latest Practicable Date, the Purchaser has no intention to change the use of the above Properties under tenancies upon the expiry of the tenancy agreements.

Original acquisition costs of the Properties

Based on the information provided by the Vendor, the original acquisition costs of the Properties through construction and acquisition paid by the Property Holding Companies were approximately HK\$2,027 million.

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:

LETTER FROM THE BOARD

Earnings

As extracted from the annual report of the Company for the year ended 31 March 2020, the profit attributable to the Shareholders was approximately HK\$264 million. As set out in Appendix V to this circular, assuming Completion had taken place on 1 April 2019, the unaudited pro forma profit attributable to the Shareholders of the Enlarged Group for the year ended 31 March 2020 would increase to approximately HK\$664 million.

Net assets

As extracted from the interim report of the Company for the six months ended 30 September 2020, the unaudited consolidated total assets and total liabilities of the Group were approximately HK\$6,030 million and HK\$556 million respectively. The unaudited consolidated net asset value attributable to the Shareholders as at 30 September 2020 was approximately HK\$4,496 million. As set out in Appendix V to this circular, assuming Completion had taken place on 30 September 2020, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group would increase to approximately HK\$6,043 million and HK\$571 million respectively. The unaudited pro forma consolidated net asset value attributable to the Shareholders of the Enlarged Group would decrease to approximately HK\$4,495 million.

REASONS AND BENEFITS FOR THE TRANSACTION

The Group has been engaging in the provision of hospitality services with entertainment facilities in Macau for decades. It has been searching for suitable opportunities from time to time with an aim of expansion of its hospitality business. Upon Completion, the Company will remain its core focus on gaming hotel, with a widened income source by expanding its hospitality business coverage beyond Macau while Emperor International will focus on property investments and property development. The Transaction can achieve better delineation of assets, resources (both tangible and intangible) and business activities among Emperor International and the Company, and streamline the decision-making process of respective management teams. It will also enable potential investors, existing shareholders of Emperor International and the Shareholders to better assess the investment values by clearly distinguishing the business focus between Emperor International and the Company.

The Target Group operates hospitality business and property investments in Hong Kong. Its revenue is mainly generated from (i) hotel room income from hotel operation; (ii) food and beverage sales from hotel operation; and (iii) rental income from serviced apartments and retail spaces. Upon Completion, the Company intends to hold the Target Group's existing hospitality business and this will enable the Company to master an integrated marketing strategy for the entire hospitality business of the Group, and provide a unique service to travelers traveling between Hong Kong and Macau by implementing joint promotional schemes. As at the Latest Practicable Date, the Company has no development plan and further commitment in the Target Group.

LETTER FROM THE BOARD

The management of the Company has assessed the financial position and cashflow requirements of the Group regularly to ensure that it maintains the greatest flexibility to optimise the application of its financial resources for the best interest of the Company and the Shareholders. The management of the Company considers the Transaction a good opportunity to utilise its financial resources by acquiring several hotel and hotel related properties at softening valuation when the tourism and hospitality sectors have been experiencing unprecedented challenges since the outbreak of COVID-19 pandemic. The aggregated valuation of the Properties as at 31 March 2019, 31 March 2020 and 31 January 2021 were approximately HK\$2,701 million, HK\$2,147 million, and HK\$2,015 million respectively. The management of the Company also considers that, assuming Completion has taken place, given that the Group has a low indebtedness level and high net current asset value, the Group will still retain sufficient financial resources and thus it is appropriate to distribute the Special Dividend by the Company in recognition of the Shareholders' support.

The Company takes a positive stance towards the hospitality services particularly in Hong Kong and Macau, as these two cities are regarded as tourist hubs integrating shopping, fine dining, entertainment and leisure facilities, and targeting mass tourists as well as big spenders of mainland Chinese in the long-run, and believes the hospitality sector will recover swiftly as soon as the COVID-19 pandemic is well contained and the corresponding travel restrictions are lifted. The demand for serviced apartments will resurge accordingly as the business travels will be resumed, given that Hong Kong remains the key gateway for access to China's capital market and continues to play an important role within the Greater Bay Area.

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. The Directors do not anticipate any disadvantages of the Transaction to the Group. As at the Latest Practicable Date, the Company has no plan or intention and has not entered into any agreement, arrangement, understanding or negotiation (whether formal or informal; express or implied) to acquire any new businesses or dispose of its existing businesses in the next 12 months.

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 future market development of the tourism and hospitality sectors 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 prepared by Savills (Hong Kong) Limited (the "**Market Consultant**") which contains, including but not limited to, (i) an overview of tourism industry in Hong Kong showing the market statistics of visitation profile and the market insights of the future development; and (ii) specific market data and analysis of the hotel and serviced apartments in Hong Kong as well as in specific district(s) showing the market environment and positioning of the hotel and serviced apartments of the Target Group, conducted by an independent professional on macroscopic business environment is set out in Appendix II to this circular.

LETTER FROM THE BOARD

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.

The Directors have assessed the Market Consultant's qualification, experience and track record. Mr. Simon Smith (MRICS, MHKIS), the senior director and head of research and consultancy of the Market Consultant, has over 25 years' experience of Asian real estate research and consultancy and is based in Hong Kong. Mr. Smith has also performed a wide range of consultancy studies in Hong Kong hotel and serviced apartment market. In light of the above, the Directors are of the view that Savills (Hong Kong) Limited is competent in performing the Market Consultant's Report.

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 exceeds 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 71.01% by Emperor International, Emperor International is a connected person of the Company. Accordingly, the Transaction also 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.

An 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 Pelican, the Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

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) of the Company to approve the Transaction.

Ms. Luk Siu Man, Semon, the Chairperson and a non-executive Director, did abstain from voting on the relevant board resolution(s) of the Company 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 74.71%.

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

LETTER FROM THE BOARD

SGM

A notice convening the SGM to be held at 2nd Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Monday, 24 May 2021 at 11:45 a.m. is set out from pages SGM-1 to SGM-3 of this circular. An ordinary resolution (the “**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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time of the SGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting (as the case may be).

In accordance with Rule 13.39(4) of the Listing Rules, all votes of the Independent Shareholders at the SGM shall be taken by poll.

In order to qualify for the right to attend and vote at the above meeting, 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on Monday, 17 May 2021.

LETTER FROM THE BOARD

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 on pages 30 and 31 of this circular; and (ii) the Letter from the Independent Financial Adviser from pages 32 to 58 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.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from Independent Board Committee to Independent Shareholders in relation to the SP Agreement and the transaction contemplated thereunder for the purpose of incorporation in this circular.



英皇娛樂酒店有限公司*
Emperor Entertainment Hotel Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 296)

30 April 2021

To the Independent Shareholders of Emperor Entertainment Hotel Limited

Dear Sir/Madam,

**VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION
ACQUISITION OF ENTIRE EQUITY INTEREST IN
THE TARGET COMPANY**

We refer to the circular of the Company to the Shareholders dated 30 April 2021 (the “**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, has been appointed by the Board to advise you on the terms of SP Agreement and the transaction contemplated thereunder. Pelican 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 32 to 58 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.

* *for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice given by Pelican, in particular the principal factors, reasons and recommendation as set out in its letter, we consider that, the Target Group (including the Properties) is intended for the enrichment of assets portfolios, which in turns, it 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.

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 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
Emperor Entertainment Hotel Limited

Yu King Tin

Kwan Shin Luen, Susanna
Independent Non-executive Directors

Lai Ka Fung, May

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



PELICAN FINANCIAL LIMITED

21/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong

30 April 2021

To the Independent Board Committee and the Independent Shareholders of Emperor E Hotel

Dear Sirs,

**(1) VERY SUBSTANTIAL ACQUISITION
AND CONNECTED TRANSACTION
AND
(2) PROPOSED SPECIAL DIVIDEND**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the SP Agreement and the Transaction contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 30 April 2021 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the joint announcement of Emperor International and the Company dated 16 March 2021 in respect of the SP Agreement and the Transaction contemplated thereunder, on 16 March 2021 (after trading hours), the Purchaser, an indirect non-wholly owned subsidiary of the Company, entered into the SP Agreement with the Vendor, a direct wholly-owned subsidiary of Emperor International, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interest in the Target Company and a loan due from the Target Company to the Vendor at a consideration of approximately HK\$2,083 million (subject to adjustments). The Consideration was determined after arm’s length negotiation between the Vendor and the Purchaser with reference to the business valuation of the Target Group as stated in the Preliminary Assessment Letter (having taken into account of the valuation of the Properties and the then financial position of the Target Company).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction exceeds 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 71.01% 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 and independent shareholders' approval and reporting requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, Mr. Yu King Tin, Ms. Kwan Shin Luen, Susanna, and Ms. Lai Ka Fung, May, has been established to advise the Independent Shareholders regarding the SP Agreement and the Transaction contemplated thereunder. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Pelican Financial Limited ("**Pelican**") is not connected with the Directors, chief executive or substantial shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interest between Pelican and the Company nor any other parties that could be reasonably be regarded as a hindrance to Pelican's independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the SP Agreement and the Transaction contemplated thereunder. In the last two years, there was no engagement between the Company and Pelican. Apart from normal professional fees payable to us in connection with this appointment of us as the independent financial adviser, no arrangement exists whereby Pelican will receive any fees or benefits from the Company or the Directors, chief executive or substantial shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the SP Agreement and the Transaction contemplated thereunder.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the SP Agreement and the Transaction contemplated thereunder were entered into in the ordinary and usual course of business and on normal commercial terms; (ii) whether the terms of the SP Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the SP Agreement and the Transaction contemplated thereunder at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

We have performed relevant procedures and steps which we deemed necessary in forming our opinions to the Independent Board Committee and the Independent Shareholders. These procedures and steps include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, with the relevant public information, statistics and market data, industry guidelines and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the SP Agreement, the announcement of the Company dated 16 March 2021 in relation to the SP Agreement and the Transaction contemplated thereunder, the annual report of the Company for the financial year ended 31 March 2020 (the “**2020 Annual Report**”), the interim report of the Company for the six months ended 30 September 2020 (the “**2020 Interim Report**”), the business valuation (i.e. the valuation report prepared by an independent business valuer (the “**Business Valuer**”) on the valuation of the market value of the business enterprise value of the Target Group (the “**Business Valuation Report**”) as at 31 January 2021), the valuation report prepared by an independent property valuer (the “**Property Valuer**”, together with the Business Valuer, the “**Valuers**”) on the valuation of the Properties (the “**Property Valuation Report**”) as at 31 January 2021, the Market Consultant’s Report and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group, nor have we conducted any form of an in-depth investigation into the business and affairs or future prospects of the Group, the Vendor, the Target Group or their respective subsidiaries or associates (if applicable). In addition, we have not considered the taxation implication on the Group or the Shareholders as a result of the Transaction.

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PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the SP Agreement and the Transaction contemplated thereunder, we have considered the following principal factors and reasons.

1. Information of the Group

The Company is an investment holding company and the Group is principally engaged in the provision of entertainment and hospitality services in Macau. The principal activities of the Group's operating segments are (i) gaming operation in mass market hall, VIP room and slot machine hall and the provision of gaming-related marketing and public relations services in the casino of Grand Emperor Hotel in Macau (the "**Gaming Operation**"), and (ii) hotel operation in Grand Emperor Hotel and Inn Hotel Macau including property investment income from investment properties in these hotels in Macau (the "**Hotel Operation**").

Set out below is a summary of the audited financial information of the Group for the two years ended 31 March 2019 and 2020, and the six months ended 30 September 2019 and 2020, as extracted from the 2020 Annual Report and 2020 Interim Report, respectively.

	For the six months ended 30 September		For the year ended 31 March	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Revenue</i>				
<u>Gaming Operation</u>	51,094	559,549	926,845	1,136,856
– from Mass Market Hall	37,205	378,273	623,226	664,826
– from VIP Room	6,028	160,263	267,961	429,423
<u>Hotel Operation</u>	41,781	118,382	216,385	244,479
Total revenue	92,875	677,931	1,143,230	1,381,335
Gross (loss)/profit	(108,425)	408,052	614,150	838,191
(Loss)/profit for the period/year	(174,353)	200,200	282,445	438,297

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According to the 2020 Annual Report, the revenue of the Group had decreased by about 17.2%, from approximately HK\$1,381.3 million for the year ended 31 March 2019 to approximately HK\$1,143.2 million for the year ended 31 March 2020, as a result of the decline in the number of visitors and weakening marketing sentiment due to the Sino-US tensions and the outbreak of the COVID-19 pandemic. The Group also recorded a drop in its gross profit by about 26.7%, from approximately HK\$838.2 million for the year ended 31 March 2019 to approximately HK\$614.2 million for the year ended 31 March 2020, which was mainly attributable to the decrease in service income from Gaming Operation in VIP room. As a result of its drop in gross profit and recognition of a fair value loss on investment properties, the Group recorded a decrease of about 35.6% in its profit for the year ended 31 March 2020 compared with that for the previous year.

Meanwhile, according to the 2020 Interim Report, the revenue of the Group decreased by about 86.3%, from approximately HK\$677.9 million for the six months ended 30 September 2019 to approximately HK\$92.9 million for the six months ended 30 September 2020, as a result of the decrease in its total revenue in both Gaming Operation and Hotel Operation due to the visitation slump caused by travel restrictions. The Group recorded a gross loss of approximately HK\$108.4 million for the six months ended 30 September 2020, representing a decrease of about 126.6% compared to that for the corresponding period of the previous year. As a result, the Group recorded a loss for the six months ended 30 September 2020 of approximately HK\$174.4 million, as compared to a profit for the six months ended 30 September 2019 of approximately HK\$200.2 million.

Set out below is a summary of the consolidated assets and liabilities of the Group as at 30 September 2020 as extracted from the 2020 Interim Report:

	As at 30 September 2020 (Unaudited) HK\$'000
Total assets	
– non-current assets	2,421,154
– current assets	3,608,940
Total liabilities	
– non-current liabilities	118,306
– current liabilities	437,494
Net current assets	3,171,446
Net assets	5,474,294
Equity attributable to owners of the Company	4,496,403

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As at 30 September 2020, the non-current assets of the Group mainly comprised of (i) property, plant and equipment of approximately HK\$1,181.4 million; (ii) investment properties of approximately HK\$646.2 million; (iii) right-of-use asset of approximately HK\$469.3 million; (iv) goodwill of approximately HK\$111.0 million; and (v) deposits paid for acquisition of property, plant and equipment of approximately HK\$13.3 million. Meanwhile, the Group's current assets, which amounted to approximately HK\$3,608.9 million as at 30 September 2020, mainly consisted of (i) short-term bank deposits of approximately HK\$2,049.2 million; (ii) bank balances and cash of approximately HK\$1,330.2 million; (iii) trade and other receivables of approximately HK\$151.8 million; (iv) pledged bank deposits of approximately HK\$63.4 million; and (v) inventories of approximately HK\$14.3 million.

As at 30 September 2020, the non-current liabilities of the Group were mainly comprised of (i) deferred taxation of approximately HK\$92.6 million; and (ii) lease liabilities of approximately HK\$25.7 million, while the Group's current liabilities, which amounted to approximately HK\$437.5 million as at 30 September 2020, mainly consisted of (i) taxation payable of approximately HK\$254.3 million; (ii) trade and other payables of approximately HK\$135.7 million; (iii) amounts due to non-controlling interests of a subsidiary of HK\$39.0 million; (iv) amounts due to fellow subsidiaries of approximately HK\$5.9 million; and (v) lease liabilities of approximately HK\$2.6 million.

As at 30 September 2020, the consolidated net current assets and net assets of the Group were approximately HK\$3,171.4 million and HK\$5,474.3 million respectively. The Group's current ratio, which was calculated by dividing its current assets with its current liabilities, was approximately 8.2 as at 30 September 2020 as compared with approximately 8.5 as at 31 March 2020, indicating the Company's ability to meet its short-term obligations remained strong during the period of time.

2. Information of the Purchaser, the Vendor, the Target Group and the Properties

2.1. Information of the Purchaser

The Purchaser, Emperor Hotel Investment, is an indirect non-wholly owned subsidiary of the Company, and its principal business is investment holding.

2.2. Information of the Vendor

The Vendor, Emperor Hotel Group, is a direct wholly-owned subsidiary of Emperor International, and its principal business is investment holding.

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2.3. *Information of the Target Group*

The Target Company is a company incorporated in BVI and an indirect wholly-owned subsidiary of Emperor International. The principal business of the Target Company is investment holding of companies engaged in hospitality business and property investment in Hong Kong.

Prior to entering into the SP Agreement, Emperor International has restructured the equity interest of the Property Holding Companies and their operator companies so that they are now grouped under one company being the Target Company.

Assuming the Target Group had been formed since 1 April 2018, the audited consolidated financial information of the Target Group for the two years ended 31 March 2019 and 2020 is set out below:

	For the year ended 31 March 2020 (Audited) HK\$'000	For the year ended 31 March 2019 (Audited) HK\$'000
Revenue	101,921	153,818
Adjusted EBITDA ¹	1,829	13,108
Net profit/(loss) before taxation	520,855	(49,190)
Net profit/(loss) after taxation	531,095	(49,280)

1. *For illustrative purpose, adjusted EBITDA represents the earnings before interest, taxation, depreciation and amortisation, adjusted by one-off gain on disposal of property, plant and equipment and fair value changes of investment properties for showing the performance of the Target Group at operating level.*

The aggregated valuation of the Properties as at 31 March 2019 and 31 March 2020 were approximately HK\$2,701 million and HK\$2,147 million respectively. The audited consolidated total asset value and net liabilities of the Target Group as at 31 January 2021 were approximately HK\$2,091 million and HK\$195 million respectively. As at 31 January 2021, the aggregated valuation of the Properties as set out in the Property Valuation Report was HK\$2,015 million.

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2.4. Information of the Properties

Set out below is summary of the Properties:

- 1) The Emperor Hotel – It is a 29-storey hotel with a gross floor area of 115,728 square feet. Located in Wan Chai, Hong Kong, it is a signature hotel project under “Emperor” brand in Hong Kong and offers 299 guest rooms together with leisure, dining and parking facilities. Golden Valley, a Cantonese and Sichuan cuisine inside this hotel, was awarded the Michelin 1-star restaurant recognition previously.
- 2) The Unit Serviced Apartments – It is a 21-storey composite building with G/ F to 1/F devoted to retail use whilst upper floors accommodate 68 serviced apartments in Happy Valley, Hong Kong. It is a highly sought-after residence given its ease of access to the central business district, helping to ensure solid short-term leasing demand especially from the MICE visitors. Its occupancy rates for the year ended 31 March 2020 and 31 March 2019 were 97.6% and 97.5% respectively. The occupancy rate between April and December 2020 was nearly 90.0%.
- 3) MORI MORI Serviced Apartments –It is a 12-storey composite building with G/ F to 2/F devoted to retail/office uses whilst upper floors accommodate 18 stylish serviced apartments with state-of the-art facilities and professional customer services. Situated at the vibrant junction of Wan Chai and Causeway Bay in Hong Kong, it is ideal for expats, MICE visitors, business travelers and overseas professionals, on both short-and-long term leases. Its occupancy rates for the year ended 31 March 2020 and 31 March 2019 were 91.5% and 95.0% respectively. The occupancy rate between April and December 2020 was above 95.0%.

Based on the information provided by the Vendor, the original acquisition costs of the Properties through construction and acquisition paid by the Property Holding Companies were approximately HK\$2,027 million.

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3. Reasons for and benefits of the Transaction

3.1. Overall benefits

As set out in the Board Letter, the Group has been engaging in the provision of hospitality services with entertainment facilities in Macau for decades. It has been searching for suitable opportunities from time to time with an aim of expansion of its hospitality business. Upon Completion, all hotels and serviced apartments currently owned by Emperor International will be owned by the Purchaser, Emperor Hotel Investment, an indirect non-wholly owned subsidiary of the Company, and hence the Company would remain its core focus in gaming hotel, with a widened income source as the coverage of its hospitality business would expand beyond Macau, while Emperor International would focus on property investment and property development. It follows that upon Completion, the board of directors of Emperor International would be able to focus on assessing decisions related to its property investment and property development businesses, while the Board would be able to focus on those decisions related to its hospitality business. Accordingly, the Transaction could achieve better delineation of assets, resources (both tangible and intangible) and business activities among Emperor International and the Company, and streamline the decision-making process of respective management teams. Through acquiring the Target Group and hence the Properties, the Company would be able to master an integrated marketing strategy for the entire hospitality business, and provide a unique service to travelers traveling between Hong Kong and Macau by implementing joint promotional schemes. The Transaction would also enable potential investors and existing shareholders to better assess the investment values of Emperor International and the Company by allowing the former to clearly distinguish the business focus between the latter.

The management of the Company has assessed the financial position and cashflow requirements of the Group regularly to ensure that it maintains the greatest flexibility to optimise the application of its financial resources for the best interest of the Company and the Shareholders. The management of the Company considered the Transaction a good opportunity for the Group to utilise its financial resources by acquiring several hotel and hotel related properties at softening valuation when the tourism and hospitality sectors have been experiencing unprecedented challenges since the outbreak of COVID-19 pandemic. As discussed in the above section headed “Information of the Purchaser, the Vendor, the Target Group and the Properties”, the aggregated valuation of the Properties as at 31 March 2019, 31 March 2020, and 31 January 2021, were approximately HK\$2,701 million, HK\$2,147 million, and HK\$2,015 million respectively.

The management of the Company also considered that, assuming Completion has taken place, given that the Group has a low indebtedness level and a high net current asset value, the Group will still retain sufficient financial resources and thus it is appropriate to distribute the Special Dividend by the Company in recognition of the Shareholders’ support. Accordingly, the Company takes a positive stance toward the Transaction and we agree that the Transaction is in the interests of the Company and its Shareholders as a whole.

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3.2. Review of the development of hotel and serviced apartment markets in Hong Kong and Macau

To further assess the reasonableness of the Transaction, we have reviewed the Market Consultant's Report contained in Appendix II to the Circular and noted the Market Consultant is of the view that as the market returns to normal from the COVID-19 pandemic and the suppressed outbound travel demand is released, there is expected to be a bounce back in visitation by Chinese tourists, who have been major source of visitors to Hong Kong and Macau, and hence a robust rebound in the hospitality business in the two cities. In addition, given that Hong Kong has remained the key gateway to China's capital markets and has been integrated with the Greater Bay Area, the Market Consultant is also of the view, and we agree, that the returning business travelers from China will trigger a particularly strong demand for hotel rooms and related facilities and services in Hong Kong.

According to the Market Consultant and from our understanding, Hong Kong and Macau, the two important cities in the Greater Bay Area, had been popular travel destinations among Chinese tourists before the COVID-19 pandemic. In particular, single tours of Hong Kong and Macau had been a multi-destination trip popular among Chinese tourists not only because of the proximity between the two cities, but also because of the fact that attractions in Hong Kong and Macau complement each other in terms of the experiences they offer – Hong Kong is regarded as a world-class travel destination, renowned for its gastronomy, nightlife and shopping, while Macau is regarded as the “Las Vegas of the East”, the only location in China where gambling is legal and hence has many world class casinos.

Another factor benefiting the tourism industry in Hong Kong and Macau is the Culture and Tourism Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, which was jointly promulgated by the Ministry of Culture and Tourism, the Office of the Leading Group for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area and the People's Government of Guangdong Province in January 2021. The development plan aims to develop the Greater Bay Area into an exchange hub for the eastern and western cultures and a world-class tourism destination with Hong Kong and Macau being the top destinations because of their existing tourism and hospitality infrastructure. In this regard, we agree with the Market Consultant that, the development plan will further strengthen the positions of Hong Kong and Macau as an international tourism destination and a global gambling hub, respectively.

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In view that the COVID-19 pandemic has been substantially contained in China so far while many popular travel destinations, such as Japan, Korea, the US and most European countries, are still being challenged by the pandemic, it is expected that once outbound travel restrictions in China are lifted, there will be an influx of Chinese tourists coming to Hong Kong and Macau, the two cities which are supported by the aforementioned development plan and which will likely be included in China's travel bubbles. Under such circumstance and given the fact that the outlook for Hong Kong's hospitality industry is generally positive as its travel infrastructures and tourist spots are being continuously enhanced and expanded, we believe that the Transaction, which would enable the Company to master an integrated marketing strategy for the entire hospitality business in Hong Kong and Macau through its implementation of joint promotional schemes, would allow the Group to reap even more benefits from the tourism markets in Hong Kong and Macau accelerated by the development plan.

Given the competitive positions of Hong Kong and Macau in the tourism industry for Chinese tourists, the expansion of the Group's hotel network from Macau to Hong Kong appears fair and reasonable. We also noted that the Market Consultant has classified The Emperor Hotel, being one of the Properties, as hotels which enjoy price competitive advantages or locational advantages with premium hospitality services over its competitions, and hence the Market Consultant considers that hotels like The Emperor Hotel are relatively resilient regardless of economic cycles.

In terms of the serviced apartment market in Hong Kong, the Market Consultant considers that the market will be one of the beneficiaries of the economic recovery after the COVID-19 pandemic, as occupancy rates and rental levels are expected to gradually return to pre-pandemic levels. From our review of the Market Consultant's Report, we also noted that the Market Consultant has conducted a market analysis on the serviced apartment markets in Wanchai and Happy Valley, being the locations of The Unit Serviced Apartments and MORI MORI Serviced Apartments, and its view on the market outlook is generally positive, given that the opening of the proposed exhibition centre MTR station and the expansion of commercial space in Wanchai, as well as the trend for multinational corporations and corporates to relocate their offices to Wanchai or Causeway Bay which are business districts close to Happy Valley, would like benefit the serviced apartment markets in the two districts.

In light of the Market Consultant's views regarding the hotel and serviced apartment markets in Hong Kong, we are of the view that acquiring the Target Group, which entails acquiring the Properties, is beneficial to the Group as it would allow the Group to capture the business opportunities in the hotel and serviced apartment markets in Hong Kong when control measures of the COVID-19 pandemic are eased or lifted, and when the local or even global economy recovers from the pandemic.

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Having considered that, the Transaction (i) would enable the Group to expand its business coverage beyond Macau and widen the income source; (ii) could achieve better delineation of assets, resources (both tangible and intangible) and business activities among Emperor International and the Company, and streamline the decision-making process of respective management teams; (iii) would enable the Company to master an integrated marketing strategy for the entire hospitality business, and provide a unique service to travelers traveling between Hong Kong and Macau by implementing joint promotional schemes; (iv) is a good opportunity to utilise the Group's financial resources as it would allow the Group to acquire several hotel and hotel related properties at softening valuation; and (v) would allow the Company to capture the business opportunities in the hotel and serviced apartment markets in Hong Kong when the economy recovers from the COVID-19 pandemic and the related control measures are eased or lifted, we concur with the Directors that the Transaction is in the interests of the Company and its Shareholders as a whole.

4. The SP Agreement

Set out below are the principal terms of the SP Agreement.

4.1. 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. The Sale Share represents the entire equity interest in the Target Company and the Sale Loan represents the loan due from the Target Company to the Vendor.

4.2. Consideration

Subject to the adjustments as disclosed in section 4.3 headed "Consideration adjustment", the consideration for the Sale Share and the Sale Loan payable by the Purchaser to the Vendor shall be HK\$2,083 million, which shall be payable in the following manner:

- (a) 90% of the Consideration shall be paid on the Completion Date; and
- (b) the balance of the Consideration, subject to the adjustments stated below and pursuant to the SP Agreement, shall be paid within 60 Business Days following the Completion Date (or such other date as mutually agreed by the Vendor and the Purchaser).

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.

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The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to the business valuation of the Target Group as stated in the Preliminary Assessment Letter (having taken into account the aggregated valuation of the Properties of HK\$2,015 million and the then financial position of the Target Group) as at 31 January 2021 and is subject to adjustments arising from the Bring-down Valuation.

4.3 Consideration adjustment

Pursuant to the SP Agreement, within 60 Business Days following Completion (or such other date as mutually agreed by the Purchaser and the Vendor), the Vendor and the Purchaser shall verify all the relevant matters in the Completion Account and settle the Verification Account jointly with reference to the valuation stated in the Bring-down Valuation. The Consideration shall be adjusted according to the Bring-down Valuation (having taken into account the Verification Account).

If the valuation stated in the Bring-down Valuation shall be less than the valuation as stated in the Preliminary Assessment Letter, the Consideration shall be adjusted downwards on a dollar for dollar basis. Such adjusted downwards amount shall be payable by the Vendor to the Purchaser.

If the valuation stated in the Bring-down Valuation shall be more than the valuation as stated in the Preliminary Assessment Letter, the Consideration shall be adjusted upwards on a dollar for dollar basis. Such adjusted upwards amount shall be payable by the Purchaser to the Vendor.

We have reviewed and assessed the Business Valuation Report in the below section headed "Assessment of the Consideration" of this letter. According to the Business Valuation Report, the market value of the business enterprise value of the Target Group, which measures the Target Group's total value and includes the market capitalization of the Target Group's short-term and long-term debts, was approximately HK\$2,083 million as at 31 January 2021. Given that such appraised value is equivalent to the valuation as stated in the Preliminary Assessment Letter, no further adjustment to the Consideration is needed.

4.4 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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- (b) the Vendor having proved the Property Holding Companies' respective good title to the Properties in accordance with Section 13 of the Conveyancing and Property Ordinance and delivered to the Purchaser title deeds and documents in accordance with Section 13A of the Conveyancing and Property Ordinance; and
- (c) the obtaining of all required approvals at Emperor International SGM and 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) in accordance with the SP Agreement within 9 months from the date of the SP Agreement, the Purchaser shall be entitled to terminate the SP Agreement by notice in writing to the Vendor whereupon, subject to the terms of the SP Agreement, the Vendor shall return to the Purchaser all money paid by the Purchaser to the Vendor under the SP Agreement (if any) forthwith without costs, compensation and interest and neither the Vendor nor the Purchaser shall have any claim against the other thereon save and except for any antecedent breach.

We consider that the terms of the SP Agreement regarding the conditions precedent are fair and reasonable as they protect the interests of the Company as the Purchaser in the Transaction.

As at the Latest Practicable Date, conditions (a) and (b) have already been fulfilled.

5. Assessment of the Consideration

To assess the fairness and reasonableness of the Consideration, we have reviewed and considered the Business Valuation Report which states that the valuation of the market value of the business enterprise value of the Target Group was approximately HK\$2,083 million as at 31 January 2021. According to the Business Valuation Report, the business enterprise value measures the Target Group's total value and includes the market capitalization of the Target Group's short-term and long-term debts.

Given that Emperor International and the Company had jointly engaged the Property Valuer to conduct a valuation of the Properties as at 31 January 2021 because the Properties represented the major assets held by the Target Group as at the same date, we have also reviewed and considered the Property Valuation Report. Based on the Property Valuation Report, the market value of the Properties was HK\$2,015 million as at 31 January 2021.

We are of the view that it is reasonable to reference to the Business Valuation Report instead of the Property Valuation Report when determining the Consideration, given that despite the Properties represented the major assets held by the Target Group, the Target Group also held other assets and liabilities which should be taken into account when determining the business enterprise value, or the Consideration, of the Target Group.

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We have performed the works as required under 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 Business Valuation Report and the Property Valuation Report, which included (i) assessment of the Valuers' experiences in valuing entities similar to the Target Group; (ii) obtaining information on the Valuers' track records on other business, or property, valuations; (iii) inquiry on the Valuers' current and prior relationship with the Group and other parties to the SP Agreement; (iv) review of the terms of the Valuers' engagement, in particular its scope of work, for the assessment of the valuation of the Target Group; and (v) discussion with the Valuers regarding the bases, methodology and assumptions adopted in the Business Valuation Report and the Property Valuation Report.

5.1. Valuers

We understand that Mr. Ferry S.F. Choy ("**Mr. Choy**"), the managing director of the Business Valuer and the signor of the Business Valuation Report, has over 10 years of experience in the valuation profession. Mr. Choy, among others, is a Chartered Financial Analyst (CFA) and an International Certified Valuation Specialist (ICVS) – a professional credential in business valuation issued by the International Association of Certified Valuation Specialists (IACVS). We have also obtained information on the Business Valuer's track records on other business valuations and noted that the Business Valuer had been the valuer for a wide range of companies listed on the Stock Exchange. As such, we are of the view that the Business Valuer and Mr. Choy are qualified, experienced and competent in performing business valuations and providing a reliable opinion in respect of the valuation of the Target Group.

As stated in the Business Valuation Report, for the valuation of the Properties owned by the Target Group, the Property Valuer had been engaged to provide them with the market value of the Properties. Hence, in assessing the fairness and reasonableness of the valuation of the Properties, we have reviewed the Property Valuation Report prepared by the Property Valuer. We understand that Mr. Freddie Ling ("**Mr. Ling**") and Mr. Eddie So ("**Mr. So**"), the senior director and director of the Property Valuer and the signors of the Property Valuation Report, have over 35 years and 26 years of experience in the valuation of properties in Hong Kong, respectively. We have obtained information on the Property Valuer's track records on other property valuations and noted that the Property Valuer had been the valuer for similar properties in Hong Kong. As such, we are of the view that the Property Valuer, Mr. Ling and Mr. So are qualified, experienced and competent in performing property valuations and providing a reliable opinion in respect of the valuation of the Properties.

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We have also enquired with the Valuers as to their independence from the Group and the Vendor and were given to understand that the Valuers are independent third parties of the Group and its connected persons including the Vendor. The Valuers also confirmed to us that they were not aware of any relationship or interest between themselves and the Group or any other parties that would reasonably be considered to affect their independence to act as the independent valuers for Emperor International and the Company. The Valuers confirmed to us that apart from normal professional fees payable to them in connection with their engagement for the valuations, no arrangements exist whereby they will receive any fee or benefit from the Group and its connected persons including the Vendor.

Furthermore, we noted from the engagement letters entered into between the Company and the Valuers that the scope of work was appropriate for the Valuers to form the opinions required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuers.

5.2. Valuation basis

We have reviewed the Business Valuation Report and understand that the Business Valuation Report was prepared based on a going concern premise and was conducted in accordance with the International Valuation Standards (“**IVS**”) on business valuation published by International Valuation Standards Council.

According to IVS, 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*”. Since no unusual matters had come to our attention that led us to believe that the Business Valuation Report was not prepared on a reasonable basis, we believe that the valuation fairly represents the market value of the business enterprise value of the Target Group and forms a fair and reasonable basis for our further assessment on the Consideration.

5.3. Valuation methodologies

We have discussed with the Business Valuer on the methodology adopted in valuing the market value of the business enterprise value of the Target Group as at 31 January 2021 and noted they had considered the three generally accepted valuation approaches, namely the cost approach, the market approach and the income approach.

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As stated in the Business Valuation Report,

1. The cost approach determines the value of a business “*by using one or more methods based on the value of the net asset. Value is established based on the principle of substitution. It means the value of a business ownership interest depends on the cost of reproducing or replacing the net asset after considering depreciation from physical deterioration as well as functional and economic obsolescence, if present and measurable.*”
2. The market approach determines the value of a business “*by using one or more methods that compare the subject to similar business ownership interests that have been sold. Value is established based on the principle of competition. It means if a business is similar to another business and can replace it for the other, then they should be equal in value*”; and
3. The income approach determines the value of a business “*by using one or more methods that convert anticipated benefits into a present value amount. Value is established based on the principle of anticipation. It means the value of a business ownership interest is the sum of the present value of future economic benefit streams.*”

We noted from the discussion with the Business Valuer that, the income approach might be suitable for this valuation. However, the income approach requires a reliable business forecast, which is a requirement very difficult to be fulfilled under the prevailing market conditions. Based on our discussion with the Business Valuer and our review of the Market Consultant’s Report contained in Appendix II to the Circular, we agreed that that the prospect of hotel and serviced apartments businesses would be significantly affected by the development of the COVID-19 pandemic and the recovery of Hong Kong’s tourism after the pandemic is brought under control. While stimulation measures for tourism such as travel bubbles, re-opening of the border between Hong Kong and Shenzhen, the recovery of the aviation industry, etc. would positively affect the hotel and serviced apartments industry and hence the valuation of the Target Group, these factors cannot be easily forecasted, especially when some of them depend on the policy of another country. As such, we agreed with the Business Valuer that it would be difficult to come up with a reliable business forecast for the adaptation of the income approach.

On the other hand, the market approach was an applicable valuation methodology. According to the Business Valuer, the Properties represented the major assets held by the Target Group as at 31 January 2021. As the market value of each of the Properties had been valued by the Property Valuer independently, it was not necessary to apply the market approach on the Target Group’s level again. The adjusted net asset value method under the cost approach, which directly reflects the values of the underlying assets of the Target Group, was therefore adopted in valuing the market value of the business enterprise value of the Target Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Business Valuation Report, under the adjusted net asset value method, the values of the consolidated assets and liabilities of the Target Group were assessed. Given that as at the 31 January 2021, the major assets of the Target Group were the Properties, the application of adjusted net asset value method involves the following procedures:

1. Estimate the values of the Properties;
2. Assess if adjustments were needed for other assets and liabilities of the Target Group; and
3. Determine if valuation adjustment was required for the valuation of the market value of the business enterprise value of the Target Group

Procedure 1 was performed by the Property Valuer while procedures 2 and 3 were performed by the Business Valuer.

Based on our interview with the Property Valuer, we understand that given data on recent sales of comparable properties, i.e., hotel buildings, commercial and residential composite buildings, in Hong Kong property market are mostly publicly available, the Property Valuer considered the adoption of the market method as the most appropriate as it would provide a more objective result. From our discussion with the Property Valuer, we also noted that market approach is universally considered as the most accepted valuation approach for valuing properties, which involves the analysis of recent market evidence of similar properties and the comparison of such market evidence with the subject under valuation. Market approach is also the most widely used property valuation method in mature markets because it is generally considered that the best evidence of value is the price paid for similar properties.

In order to assess the fairness and reasonableness of these comparable properties, we have discussed with the Property Valuer regarding the selection criteria. We understand that data and information about the comparable properties were mostly obtained from various property data websites, and we noted that the Property Valuer selected these comparable properties based on their respective property type, location, qualities such as whether there is view and/or lift(s), the year which the property was built, the date of transaction of the property, etc. The Property Valuer has selected those properties which shared the most similarities with the Properties and we consider such selection criteria as logical as well as fair and reasonable. Since we are not expert in valuation and do not subscribe to any property data websites as does the Property Valuer, we had focused on reviewing whether the selected comparable properties shared similarities with the Properties. From our review, the comparable properties are mostly properties of similar type and are in the same or nearby region as the Properties. More importantly, the sales of these comparable properties are quite recent. Given their similarities and the fact that as confirmed by the Property Valuer, these comparable properties represent an exhaustive list to the best of their knowledge, we consider the selection of these comparable properties used in the valuation of the Properties as fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is list of comparable properties analyzed by the Property Valuer:

a) The 3 comparable properties of The Emperor Hotel

Month of transaction	Hotel Name and Address	Consideration (HK\$ Million)	Gross Floor Area (sq. ft.)	Unit Rate (per sq. ft.)
Aug-2020	Le Petit Rosedale Hotel Hong Kong, 7 Moreton Terrace, Causeway Bay	460.00	31,157	\$14,764
Jul-2020	Queen's Hotel, 199 Queen's Road West, Sai Ying Pun	310.00	26,777	\$11,577
May-2020	H1 Hotel, 423 and 425 Reclamation Street, Mong Kok	260.00	17,497	\$14,860

b) The 2 commercial comparable properties of The Unit Serviced Apartments

Month of transaction	Comparable	Consideration (HK\$ Million)	Saleable Area (sq. ft.)	Unit Rate (per sq. ft.)
Dec-2020	Unit 2 on Ground Floor, Green Valley Mansion, 51 Wong Nai Chung Road	39.0	883	\$44,168
Aug-2018	Shop A on Ground Floor, Broadview Mansion, 75B Wong Nai Chung Road	15.0	320	\$46,875

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

c) The 11 residential comparable properties of The Unit Serviced Apartments

Date	Comparable	Consideration (HK\$ Million)	Saleable Area (sq. ft.)	Unit Rate (per sq. ft.)
Jan-2021	Flat A, 12/F, Fortuna Court, 1 Wong Nai Chung Road	10.000	468	\$21,357
Jan-2021	Flat E, 3/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	11.543	398	\$29,003
Jan-2021	Flat F, 8/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	13.238	428	\$30,930
Dec-2020	Flat B, 8/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	13.345	402	\$33,197
Dec-2020	Flat A, 8/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	13.293	411	\$32,343
Nov-2020	Flat F, 10/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	13.584	428	\$31,738
Nov-2020	Flat F, 5/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	12.060	428	\$28,178
Nov-2020	Flat A, 19/F, Le Village, 49 Village Road	8.000	379	\$21,108
Nov-2020	Flat B, 17/F, Le Village, 49 Village Road	7.050	294	\$23,991
Jul-2020	Flat B, 28/F, The Gracedale, 23 Yuk Sau Street	9.060	392	\$23,123
Jun-2020	Flat A, 6/F, Fortuna Court, 1 Wong Nai Chung Road	11.500	468	\$24,560

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

d) The 5 commercial comparable properties of MORI MORI Serviced Apartments

Date	Comparable	Consideration (HK\$ Million)	Saleable Area (sq. ft.)	Unit Rate (per sq. ft.)
Jan-2021	Shop A and Shop B on Ground Floor, Man Shek Building, 404-406 Jaffe Road	38.0	1,129	\$33,658
Aug-2020	Shops 6 and 7 on Ground Floor, Dandenong Mansion, 379-389 Jaffe Road	29.0	880	\$32,955
Jul-2020	Shop E on Ground Floor, Lucky Plaza, 315-321 Lockhart Road	17.5	348	\$50,287
Mar-2020	Shop A on Ground Floor, Fuji Building, 381-383 Lockhart Road	30.0	647	\$46,368
Jul-2019	Ground Floor, 17 Morrison Hill Road	19.0	533	\$35,647

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

e) The 8 residential comparable properties of MORI MORI Serviced Apartments

Date	Comparable	Consideration (HK\$ Million)	Saleable Area (sq. ft.)	Unit Rate (per sq. ft.)
Jan-2021	13/F, Galway Court, 9 Cross Street	5.80	311	\$18,650
Dec-2020	Flat A, 20/F, Sam Yuen Mansion, 204-210 Lockhart Road	6.00	389	\$15,424
Dec-2020	Flat A, 20/F, Mei Fai Mansion 110-116 Jaffe Road	6.68	427	\$15,644
Dec-2020	Flat A, 15/F, Tai Wo Mansion 2-8 Tai Wo Street	5.90	388	\$15,206
Oct-2020	Flat A, 5/F, Eastman Court, 229-233 Hennessy Road	4.60	309	\$14,887
Oct-2020	Flat B, 7/F, Eastman Court, 229-233 Hennessy Road	5.12	309	\$16,570
Sep-2020	Flat B, 11/F, Eastman Court, 229-233 Hennessy Road	5.00	309	\$16,181
Aug-2020	Flat A, 7/F, Eastman Court, 229-233 Hennessy Road	5.15	309	\$16,667

For details on the above comparable properties, please refer to the section headed “Property Valuation Report” contained in Appendix I(B) to the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

From our review of the information of the above 29 comparable properties, we noted that the selected comparable properties ranged from (i) HK\$11,577 to HK\$14,860 per square feet for comparable hotel premises of The Emperor Hotel; (ii) HK\$44,168 to HK\$46,875 per square feet and HK\$21,108 to HK\$33,197 per square feet for comparable commercial/apartment premises and retail premises of The Unit Serviced Apartments, respectively; and (iii) HK\$32,955 to HK \$50,287 per square feet and HK\$14,887 to HK\$18,650 per square feet for comparable commercial/apartment premises and retail premises of MORI MORI Serviced Apartments, respectively.

The Property Valuer had inspected the exterior of the Properties and where possible, also the interior of the Properties. Although no structural surveys have been made, no serious defects were noted during the inspection. From our interview with the Property Valuer, we also note that when valuing the Properties using the market approach and making reference to the sales information of comparable properties in the market, the Property Valuer had considered the different attributes between the Properties and the comparable properties in terms of their respective transaction time, location, view, and other relevant factors, and had made adjustments accordingly. In this regard, we understand that if a comparable is superior to the Property in term of the attributes such as transaction time, location, building age, size, frontage, layout, and headroom, a downward adjustment would be made to adjust down the unit rate of that comparable, and vice versa. Such valuation adjustments show that the Property Valuer had taken into consideration the differences between the comparable properties and the Properties, and we also consider these adjustments to be logical. Accordingly, we consider the adjustments applied to the comparable properties in deriving the valuation of the Properties as fair and reasonable.

After these valuation adjustments and analysis were considered given the differences in location, size and other characteristics between the comparable premises and the Properties, we understand that the Property Valuer had multiplied the respective analysed unit rate for the Properties with their respective size of area, and reached the aggregate appraised value of the Properties of HK\$2,015 million as at 31 January 2021.

Given that Hong Kong has an active and well-publicised property market and that from our review of the samples, there already exists a sufficient amount of comparable properties available for analysis, we are of the view that these comparable properties provide good and objective benchmarks for valuing the Properties, and that the market approach was appropriate for such valuation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also noted from the Business Valuation Report that, after having obtained the valuation of the Properties of HK\$2,015 million as at 31 January 2021, the Business Valuer had added to such value the amount of the Target Group's other current and non-current assets and liabilities and reached the valuation of the market value of the business enterprise value of the Target Group of approximately HK\$2,083 million. For current assets and current liabilities, the Business Valuer had assumed that the book value of these assets and liabilities reflects their market value as they are short-term in nature, while for the amounts due to fellow subsidiaries and the bank loans, as they had contributed to the business enterprise value of the Target Group, the Business Valuer considered that it was not necessary to deduct them from the total assets of the Target Group in its valuation. We have discussed with the Business Valuer in this regard and noted that by definition, business enterprise value includes contributions from equity holders and debt holders. The Business Valuer further explained that the amounts due to fellow subsidiaries are similar to borrowings obtained from other related parties for the purposes of conducting businesses, and hence they are similar to debts which should be reflected in the valuation of the business enterprise value of the Target Group and should not be deducted.

5.4. Valuation adjustment

As discussed above, after the valuation of the Properties was conducted, the Business Valuer not only had to assess if adjustments were needed for other assets and liabilities of the Target Group, but also had to determine if valuation adjustment was required for the valuation of the market value of the business enterprise value of the Target Group. In this regard, we had referred to the consolidated statement of financial position of the Target Group as at 31 January 2021 which were provided to us by the Company and noted that the value of the Target Group's other assets and liabilities had been properly reflected in the valuation of the market value of its business enterprise value.

In this regard, we noted from the Business Valuation Report that, the Business Valuer considered valuation adjustments, which are usually adopted through applying the discount for lack of marketability ("**DLOM**"), as not applicable to its valuation of the market value of the business enterprise value of the Target Group, given that (i) the primary assets of the Target Group were the Properties and hence acquiring the Target Group is essentially equal to acquiring the Properties, which are relatively easy to be sold in an open market compared to the equity interest of other private companies; (ii) the valuation of the Properties was made reference to the transaction prices of comparable properties, which already reflect the DLOM on the asset's level and hence no further DLOM adjustments would be required on the company's level.

In other words, given that the market values used in estimating the values of the primary assets of the Target Group (i.e., the Properties) had already reflected DLOM, the Business Valuer considered, and we agreed, that it was not necessary to apply additional DLOM on the company's level, given that doing so would lead to the problem of double counting DLOM. Accordingly, we consider that it is fair and reasonable to not apply the DLOM in the valuation of the market value of the business enterprise value of the Target Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.5. Valuation assumptions

According to the Property Valuation Report, the valuation of the Properties was made on the assumption that (i) the interiors of the Properties are finished and maintained in reasonable conditions commensurate with their ages and uses, and the Properties are in their original/approved layouts without any unauthorized structures, extensions, and alterations; and (ii) the Properties are provided with normal and satisfactory building services for their existing uses as at 31 January 2021. In addition, the Property Valuer made no allowance for any charges, mortgages or amounts neither owing on the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, the Property Valuer assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect the value of the Properties. We noted from the Property Valuer that these assumptions are commonly adopted in the valuation of properties. Given that we consider it objective and appropriate to appraise the Properties the same way as other similar properties on an open market, and that nothing material has come to our attention, we are of the view that these valuation assumptions are fair and reasonable.

Regarding the Business Valuation Report, we noted that the Business Valuer has made various assumptions for the valuation of the market value of the business enterprise value of the Target Group. We have discussed with the Business Valuer and reviewed the assumptions made and nothing has come to our attention which would lead us to doubt the fairness and reasonableness of the assumptions adopted in the Business Valuation Report.

Since we are not aware of any material changes regarding the underlying assumptions and factors as at the Latest Practicable Date, we maintain our opinion that the Property Valuation Report and the Business Valuation Report, as well as their underlying bases, methodologies and assumptions, are appropriate and that the Property Valuation Report and the Business Valuation Report are appropriate references for determining the valuation of the market value of the Properties and the market value of the business enterprise value of the Target Group respectively.

5.6. Section conclusion

Given that the Consideration is equivalent to the valuation of the market value of the business enterprise value of the Target Group of approximately HK\$2,083 million as at 31 January 2021 as stated in the Business Valuation Report, we consider that the Consideration is on normal commercial terms, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Financial effects of the Transaction

Immediately after Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and remain to be a subsidiary of Emperor International (through its shareholdings in the Company).

As a result, the consolidated financial results 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 as set out in Appendix V to the Circular, the financial effects of the Transaction on the Enlarged Group's earnings, working capital and net asset value are set out below. 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 Enlarged Group would be upon Completion.

6.1. Earnings

According to the 2020 Annual Report, the profit attributable to Shareholders was approximately HK\$264 million for the year ended 31 March 2020. Assuming Completion had taken place on 1 April 2019, the unaudited pro forma consolidated profit attributable to the Shareholders of the Enlarged Group for the year ended 31 March 2020 would increase to approximately HK\$664 million.

6.2. Working capital

The working capital position of the Group is expected to decrease immediately upon Completion, as the Consideration and the acquisition-related transaction costs will be settled by cash in the total sum of approximately HK\$2,083 million and HK\$1.6 million respectively.

According to the 2020 Interim Report, the Group had short-term deposits and bank balances and cash in aggregate of approximately HK\$3,379 million as at 30 September 2020, meaning that the Group has sufficient cash resources to settle the Consideration. Accordingly, the Transaction is not expected to exert considerable pressure to the working capital of the Enlarged Group upon Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6.3. *Net asset value*

Assuming Completion had taken place on 30 September 2020, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group would increase to approximately HK\$6,043 million and HK\$571 million respectively. Accordingly, the unaudited pro forma consolidated net asset value attributable to the Shareholders of the Enlarged Group would decrease to approximately HK\$4,495 million.

Based on the above analysis, we noted that while the Transaction would have a temporary negative effect on the Enlarged Group's working capital position and net asset value, it would have a positive effect on the Enlarged Group's earnings. In addition, it is expected that the Consideration will not exert considerable pressure on the working capital of the Enlarged Group upon Completion. Having considered the reasons and benefits of the Transaction, the fairness and reasonableness of the Consideration and the future 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 and net asset value are commercially justifiable.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we considered that the entering into of the SP Agreement and the Transaction contemplated thereunder would enrich the Group's assets portfolios and in turn drive its continuous success through tactful expansion of the Group's principal businesses from time to time. Given that the Transaction is of necessity for the Group's strategic expansion in its principal businesses, the entering into of the SP Agreement and the Transaction contemplated thereunder are considered to be in the ordinary and usual course of business of the Group.

We are also of the view that, the SP Agreement and the Transaction contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) approving the SP Agreement and the Transaction contemplated thereunder at the SGM. We also recommend the Independent Shareholders to vote in favour of the resolution(s) relating to the SP Agreement and the Transaction contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing Director

* *Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*



30 April 2021

The Board of Directors
Emperor International Holdings Limited
28/F, Emperor Group Centre
288 Hennessy Road
Wan Chai, Hong Kong

AND

The Board of Directors
Emperor Entertainment Hotel Limited
28/F, Emperor Group Centre
288 Hennessy Road
Wan Chai, Hong Kong

Dear Sirs/Madams,

Re: Business Enterprise Value of Poly Keen International Limited and its Subsidiaries

According to our discussion with Emperor International Holdings Limited (“**Emperor International**”) and Emperor Entertainment Hotel Limited (“**Emperor E Hotel**”, together with Emperor International collectively referred to as the “**Parties**”), we understand that the Parties through their respective subsidiaries entered into a sale and purchase agreement (the “**SP Agreement**”) on 16 March 2021. Pursuant to the SP Agreement, Emperor Hotel Group Limited (the “**Vendor**”), which is a direct wholly-owned subsidiary of Emperor International, conditionally agreed to sell, and Emperor Hotel Investment Limited (the “**Purchaser**”), which is an indirect non-wholly owned subsidiary of Emperor E Hotel, conditionally agreed to purchase the entire equity interest in Poly Keen International Limited (the “**Target Company**”), an indirect wholly-owned subsidiary of Emperor International and the loan due from the Target Company to the Vendor.

The Parties engaged Flagship Appraisals and Consulting Limited (“**Flagship Appraisals**”) to perform an independent valuation for the Business Enterprise Value of the Target Company and its subsidiaries (collectively referred to as the “**Target Group**”) as at 31 January 2021 (the “**Valuation Date**”).

Our analysis and result, which are to be used only in their entirety, are for the use of the Parties for internal reference purposes only and will be formed parts of the Parties' circulars. They are not to be used for any other purposes or by any other party, without our express written consent. No one should rely on our analysis and result as a substitute for their own judgement or due diligence. The following report summarizes the result and findings based on our analysis.

This valuation engagement is conducted in accordance with the International Valuation Standards. The estimate of value that results from this valuation engagement is expressed as a conclusion of value.

Based on our analysis, the Business Enterprise Value of the Target Group, on a controlling non-marketable basis, as at the Valuation Date was as below:

31 January 2021	<i>In HKD'000</i>
Business Enterprise Value	2,082,485

This result is subject to the assumptions, the Limiting Conditions, and the Statement of General Services Conditions described in this report. We have no obligation to update this report or our result for information that comes to our attention after the date of this report.

Yours faithfully,
For and on behalf of
FLAGSHIP APPRAISALS AND CONSULTING LIMITED

Ferry S.F. Choy
MSc. Fin, CFA, ICVS
Managing Director

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1. EXECUTIVE SUMMARY

Governing Standard:	International Valuation Standards
Purpose:	Internal reference
Standard of Value:	Market value
Premise of Value:	Value as a going concern
Level of Value:	Controlling non-marketable interest
Clients:	Emperor International Holdings Limited Emperor Entertainment Hotel Limited
Target:	Business Enterprise Value of Poly Keen International Limited and its subsidiaries
Type of Entity:	Private company
Valuation Date:	31 January 2021
Report Date:	30 April 2021
Methodology:	Cost approach – Adjusted Net Asset Value
Valuation Result (HKD'000):	2,082,485

2. INTRODUCTION

The Purchaser and the Vendor entered into the SP Agreement on 16 March 2021, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the entire equity interest in the Target Company and the loan due from the Target Company to the Vendor.

We are engaged to perform an independent valuation for the Business Enterprise Value of the Target Group as at the Valuation Date. It is our understanding that our analysis and result, which are used only in their entirety, are used by the Parties for internal reference purposes only, and will be formed parts of the Parties' circulars.

Our analysis was conducted for the above purpose and this report should be used for no other purpose or by any other party, without our express written consent. No one should rely on our analysis and result as a substitute for their own judgement or due diligence.

This valuation engagement is conducted in accordance with the International Valuation Standards. The estimate of value that results from this valuation engagement is expressed as a conclusion of value.

The Target Company, through its subsidiaries, hold a hotel and two service apartments (collectively referred to as the “**Properties**”). The valuations of the Properties (the “**Property Valuation**”) are conducted by Savills Valuation and Professional Services Limited (the “**Property Valuer**”). For details of the valuations of the Properties, please refer to the Property Valuation Report as set out in Appendix I(B) to this circular. We have discussed the valuation methodology and basis adopted in the Property Valuation with the Property Valuer. This valuation has been relied on the results of the Property Valuation to form our opinion.

The approaches and methodologies used in our work do not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective.

Our work is performed subject to the assumptions, the Limiting Conditions, and the Statement of General Services Conditions described in this report.

3. SCOPE OF SERVICES

The scope of service includes the valuation of the business enterprise value of the Target Group as at the Valuation Date.

4. BASIS OF VALUE

The basis of value for this valuation is Market Value. According to International Valuation Standard, 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.*”

5. PREMISE OF VALUE

Premise of value means an assumption regarding the most likely set of transactional circumstances that may be applicable to a valuation. In general, there are two types of premises: 1) going concern and 2) liquidation.

- 1) Going concern: a business is expected to continue operation without intention or threat of liquidation; and

- 2) Liquidation: a business is clearly going to cease operation in the near future. It can be further classified into orderly liquidation or forced liquidation.

For this valuation, the premise of value should be going concern. Going concern value is defined as *“the value of a business enterprise that is expected to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained workforce, an operational plant, and the necessary licenses, systems, and procedures in place”*.

6. LEVEL OF VALUE

The control characteristics and marketability characteristics significantly affect the value of an equity interest. The combination of these characteristics commonly refers to the level of value. There are four basic levels of value: 1) controlling marketable interest value, 2) controlling non-marketable interest value, 3) non-controlling marketable interest value, and 4) non-controlling non-marketable interest value.

In this case, the level of value is controlling non-marketable interest value as we are evaluating the business enterprise value of the Target Group which is the value of the whole business.

7. SOURCES OF INFORMATION

Sources of data utilized in our analysis include but are not limited to the following:

- Unaudited consolidated management accounts of the Target Group for the ten months ended 31 January 2021;
- Unaudited consolidated management accounts of the Target Group for the years ended 31 March 2018, 31 March 2019 and 31 March 2020;
- Group chart of the Target Group as at the Valuation Date; and
- The Property Valuation prepared by the Property Valuer.

We have also relied upon publicly available information from sources on capital markets, including industry reports, various databases of publicly traded companies, and news.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information to perform our assessment.

8. COMPANY OVERVIEW

Poly Keen International Limited

The Target Company is a company incorporated in BVI and an indirect wholly-owned subsidiary of Emperor International. The Target Company, through its subsidiaries, engaged in hospitality business and property investment in Hong Kong. Major assets held under the Target Group include the Properties, i.e. The Emperor Hotel, The Unit Serviced Apartments and MORI MORI Serviced Apartments.

The Emperor Hotel

It is a 29-storey hotel with a gross floor area of 115,728 square feet located in Wan Chai, Hong Kong. It offers 299 guest rooms together with leisure, dining and parking facilities. According to Hotels.com, the hotel is regarded as a 4-star hotel.

There are three restaurants in the hotel. Monkey Café and Golden Valley are directly operated by the hotel and The Crown is being operated by another subsidiary of the Target Company.

The Unit Serviced Apartments

It is a 21-storey composite building with G/F to 1/F devoted to retail use whilst upper floors accommodate 68 serviced apartments in Happy Valley, Hong Kong.

MORI MORI Serviced Apartments

It is a 12-storey composite building with G/F to 2/F devoted to retail/office uses whilst upper floors accommodate 18 stylish serviced apartments with state-of the-art facilities and professional customer services.

9. VALUATION METHODOLOGY

There are three common approaches used to estimate the value of an asset, namely the cost approach, market approach, and income approach.

Cost Approach: this is a general way of determining a value indication of a business ownership interest by using one or more methods based on the value of the net asset. Value is established based on the principle of substitution. It means the value of a business ownership interest depends on the cost of reproducing or replacing the asset after considering depreciation from physical deterioration as well as functional and economic obsolescence, if present and measurable.

Market Approach: this is a general way of determining a value indication of a business ownership interest by using one or more methods that compare the subject to similar business ownership interests that have been sold. Value is established based on the principle of competition. It means if a business is similar to another business and can replace it for the other, then they should be equal in value.

Income Approach: this is a general way of determining a value indication of a business ownership interest by using one or more methods that convert anticipated benefits into a present value amount. Value is established based on the principle of anticipation. It means the value of a business ownership interest is the sum of the present value of future economic benefit streams.

9.1. Selection of Methodology

In any valuation, all three approaches should be considered, and the approach or approaches deemed most relevant will then be selected for use in the valuation.

As at the Valuation Date, the global economy had been seriously impacted by an unprecedented pandemic of COVID-19. Various industries including hospitality, traditional retail, food, and beverage had witnessed significant influence, while several industries whose business processes are carried out on the internet are less affected. At the time of this report, the impact of the pandemic remains and Hong Kong's economy has not yet recovered.

As a going concern entity, the value of its hospitality business depends primarily on the future economic benefits generated from the operation. However, as the result from the income approach depends on how reliable a projection is and it would not be easy to come up with a reliable projection for the hospitality business under the current situation, we decide not to apply the income approach as the valuation methodology.

The market approach should also be a good methodology for valuating an operating entity. In this case, majority of the value depends on the Properties. As the Properties have already been valued based on the market approach, the cost approach which based on net asset value on investment holding company level, should be able to reflect the value of the businesses.

Business enterprise value is a measure of a company's total value. Business enterprise value includes the market capitalization of a company, short-term and long-term debt.

$$\begin{aligned} \text{*Business Enterprise Value} &= \text{Total Assets} - \text{Operating Liabilities} \\ &\quad - \text{Non-Controlling Interests} - \text{Amount due to} \\ &\quad \text{non-controlling interest of a subsidiary} \end{aligned}$$

Note:* It is a business enterprise value with cash and cash equivalents without non-controlling interests and amount due to non-controlling interest of a subsidiary. For this valuation, the Business Enterprise Value has included the value of the Sale Loan as the Sale Loan has not been deducted from the total assets.

10. GENERAL ASSUMPTIONS

A number of general assumptions have to be established in order to sufficiently support our result. The general assumptions adopted in this valuation are:

- 1) The Target Group does not possess other assets or liabilities other than those shown on the provided consolidated management accounts as at the Valuation Date;
- 2) There will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in Hong Kong;
- 3) There will be no significant deviation in the industry trend and market condition from the current market expectation;
- 4) There will be no major change in the current taxation law and policies in Hong Kong;
- 5) All relevant legal approvals, business certificates, or licenses for the normal course of operation are formally obtained, remain in good standing, and can be procured with no additional costs or fees; and
- 6) The Target Group will retain competent management, key personnel, and technical staff to support their on-going business operations.

11. ADJUSTED NET ASSET VALUE

The adjusted net asset method assumes that the value of the assets and liabilities of the company provide an objective evidence for the value at which investors are willing to buy or sell the interest of the company.

The book value of the assets and liabilities should be adjusted to reflect their current Market Value. In order to calculate the business enterprise value, short-term and long-term debts would not be deducted from the total assets.

We have obtained the consolidated management accounts of the Target Group. As at the Valuation Date, the Target Group has the following assets and liabilities:

- Current assets: bank balances and cash, trade and other receivables, inventories and taxation recoverable, etc.
- Current liabilities: trade and other payables, taxation payable, amount due to non-controlling interests of a subsidiary and bank loans etc.

- Non-current assets: deposits paid for acquisition of investment properties/property, plant and equipment, investment properties and property, plant and equipment, including The Emperor Hotel, The Unit Serviced Apartments and MORI MORI Serviced Apartments

- Non-current liabilities: bank loans

Business Enterprise Value reflects the value of a business enterprise as a whole. It reflects the total value attributable to stakeholders who contribute capital to the business, i.e. equity holders and debt holders. Therefore, the Business Enterprise Value does not take the capital structure of a business into account. As a result, when estimating the Business Enterprise Value, debt-like instruments would not be deducted from the total assets of the company. Bank loans, the amounts due to fellow subsidiaries, and the amount due to non-controlling interests of a subsidiary are of similar nature to debts, except that bank loans are borrowings from external parties while the amounts due to fellow subsidiaries and the amount due to non-controlling interests of a subsidiary are borrowings from related companies or equity holders. Therefore, when estimating the Business Enterprise Value, neither bank loans, the amounts due to fellow subsidiaries, nor the amount due to non-controlling interests of a subsidiary are deducted from the total assets.

We assume the book value of the current assets reflects the Market Value as they are short-term in nature.

Current liabilities, such as trade payables and other payables, which are supporting the business operation but not regarded as sources of capital, would be deducted from the total assets to arrive at the Business Enterprise Value. We assume the book value of these operating current liabilities reflects the Market Value as they are short-term in nature.

In this case, we are not interested in the value contributed from the non-controlling interests, as such, non-controlling interests, and the amount due to non-controlling interests of a subsidiary are deducted to arrive at our final conclusion.

For the Properties, we have adjusted the book value based on the Property Valuation and estimated the corresponding deferred tax liabilities arisen due to the adjustments. For the rest of the non-current assets, we have relied on the book value.

For the non-current liabilities, as they are debts, they contribute to the business enterprise value and not necessarily to include them in our valuation.

The following table summarizes our calculation.

Table 1: Business Enterprise Value of the Target Group as at the Valuation Date

	Book Value <i>HKD'000</i>	Adjustment <i>HKD'000</i>	Market Value <i>HKD'000</i>
Bank balances and cash	36,297	–	36,297
Trade and other receivables	7,072	–	7,072
Inventories	601	–	601
Tax recoverable	218	–	218
Total current assets	44,188	–	44,188
Investment properties	515,000	–	515,000
Property, plant and equipment	1,523,457	5,775	1,529,232
Deposits paid for Investment Properties/Property, Plant and Equipment	8,577	–	8,577
Total non-current assets	2,047,034	5,775	2,052,809
Total assets	2,091,222	5,775	2,096,997
Less: trade and other payables	(12,272)	–	(12,272)
Less: tax payables	(8)	–	(8)
Less: deferred tax liabilities	–	(953)	(953)
Business Enterprise Value with non-controlling interests	2,078,942	4,822	2,083,764
Less: non-controlling interests	811	–	811
Less: amount due to non-controlling interests of a subsidiary	(2,090)	–	(2,090)
Business Enterprise Value	2,077,663	4,822	2,082,485

11.1. Valuation adjustment

In this case, we are evaluating the business enterprise value and the value is estimated based on adjusted net asset value. Value developed based on adjusted net asset value implies the asset holder could exercise its control over the assets. As such, there is not necessarily to apply additional valuation adjustment for controlling shareholder's privileges.

For a closely held private company, lack of marketability means that there is no readily available market for the asset holders to transact. As adjusted net asset value is developed based on the Market Values of individual assets and liabilities, which implied the marketability of the assets and liabilities should have been reflected. As a result, it is not necessarily to apply additional marketability discount.

12. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Target Group.

The opinion expressed in this report has been based on the information supplied to us by the Parties and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key data supplied to us with their expected values, the accuracy of the results and conclusions from the review relies on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any error or omission in the supplied information and do not accept any consequential liability arising from commercial decisions or actions resulting from them.

This result reflects facts and conditions as they exist at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

13. CONCLUSION

Based on our analysis as described in this report, the Market Value of the business enterprise value of the Target Group, on a controlling non-marketable basis as at the Valuation Date was as below:

In HKD'000

Business Enterprise Value	2,082,485
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The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor biases with respect to the parties involved.

Yours faithfully,
For and on behalf of
FLAGSHIP APPRAISALS AND CONSULTING LIMITED

Ferry S.F. Choy
MSc. Fin, CFA, ICVS
Managing Director

EXHIBIT A – STATEMENT OF GENERAL SERVICES CONDITIONS

The service(s) provided by Flagship Appraisals and Consulting Limited will be performed in accordance with the professional valuation standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. None should rely on our report as a substitute for their own due diligence or judgment. No reference to our name or our report, in whole or in part, may be made in any document you prepare and/or distribute to third parties without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Flagship Appraisals and Consulting Limited, including any director, officer, employee, subcontractor, affiliate, or agent. In the event we are subject to any liability in connection with this engagement, regardless of advanced legal theory, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process and proceedings. These conditions can only be modified by written documents executed by both parties.

EXHIBIT B – INVOLVED STAFF BIOGRAPHIES

Ferry S.F. Choy, *MSc. Fin, CFA, ICVS*
Managing Director

Mr. Choy is the Managing Director of Flagship Appraisals and Consulting Limited. Before taking up his current position, he had worked in the accounting and valuation profession for nearly 15 years, over 10 years of which were spent in the valuation profession. Throughout his career, Mr. Choy has served many listed companies domiciled in Hong Kong, China, Malaysia and Singapore. In his position as Director at Greater China Appraisals, Mr. Choy's experience included management advice, project evaluation, public listings, M&A and valuation of different assets.

Mr. Choy is a Charterholder of Chartered Financial Analyst (CFA) and an International Certified Valuation Specialist (ICVS) – a professional credential in business valuation issued by the International Association of Certified Valuation Specialists (IACVS). He served on the Continuous Education Committee of the IACVS Hong Kong Chapter for one year, providing business valuation training courses to its members. He also provides training courses to different professional bodies including HKICPA and CPA Australia.

Mr. Choy has acted as a valuation specialist in different transactions of listed companies including disclosable acquisitions and disposals. He has also acted as an Expert Witness and a Single and Joint Expert in a number of commercial and family law assignments involving business valuation and shareholder disputes.



The Directors

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30 April 2021

Dear Sirs,

Re: (1) 373 Queen's Road East, Wan Chai, Hong Kong
(2) 46 and 48 Morrison Hill Road, Wan Chai, Hong Kong
(3) 17 Yik Yam Street, Happy Valley, Hong Kong
(collectively known as the "Properties")

We are jointly instructed by Emperor International Holdings Limited ("EIHL") and Emperor Entertainment Hotel Limited ("EEHL") to assess the Market Value of the Properties as at 31 January 2021 (the "**Valuation Date**") for the purposes of inclusion in the public circulars to be issued by EIHL and EEHL respectively in relation to the sale and purchase of the Properties.

The Properties are held by EIHL as at the Valuation Date for investment purpose and to be acquired by EEHL for investment purpose.

We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our assessment of such value as at the Valuation Date.

Basis of Valuation

Our valuation is our opinion of the respective Market Values of the Properties which we would define as intended to mean "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".

Moreover, Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors (“**HKIS**”), which incorporates the International Valuation Standards, and (where applicable) the relevant HKIS or jurisdictional supplement. We have also complied with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Identification and Status of the Valuer

The subject valuation exercise is handled by Mr. Freddie Ling and Mr. Eddie So. Mr. Freddie Ling is the Senior Director of Savills Valuation and Professional Services Limited (“**SVPSL**”) and a Member of HKIS with over 35 years’ experience in valuation of properties in Hong Kong. Mr. Eddie So is the Director of SVPSL and a Member of HKIS with over 26 years’ experience in valuation of properties in Hong Kong. Both of them have sufficient knowledge of the relevant market, skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the Properties, SVPSL had not been involved in valuation of the Properties in the past 12 months.

We are independent of EIHL and EEHL. We are not aware of any instances, which would give rise to potential conflict of interest from SVPSL or Mr. Freddie Ling or Mr. Eddie So in the subject exercise. We confirm SVPSL, Mr. Freddie Ling and Mr. Eddie So are in the position to provide objective and unbiased valuation for the Properties.

Valuation Methodology

In preparing our valuation of the Properties, we have principally adopted the sales comparison approach and made reference to sales of comparable properties as available in the market. In our valuation, we have considered the different attributes between the Properties and the comparables in terms of transaction time, location, view, and other relevant factors, and have made adjustments accordingly.

Title Investigations

We have not been provided with copies of title documents relating to the Properties, but we have caused searches of the Properties at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. As advised by EIHL and EEHL and to the best of their knowledge, there are no significant investigations, notices, pending litigations, breaches of law or title defects against the Properties. In our valuation, we have assumed that the Properties have good legal titles and are freely transferable in the market. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

Valuation Consideration and Assumptions

We have relied to a very considerable extent on information given by EIHL and EEHL and have accepted information given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, statements, building plans, floor plans, floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by EIHL and EEHL. We have been advised by EIHL and EEHL that no material facts have been omitted from the information provided.

We have not carried out on-site measurements to verify the correctness of the floor areas in respect of the Properties. Dimensions, measurements and areas included in this report are based on information contained in the documents provided to us and are therefore only approximations.

We have inspected the exterior of the Properties and where possible, we have also inspected the interior of the Properties. Our inspections were carried out by Mr. Martin Wong, MHKIS, MRICS on 10 March 2021. However, no structural surveys have been made, but during our inspection, we did not note any serious defects. We are not, however, able to report that the Properties are free of rot, infestation, or any other structural defect. No tests were carried out to any of the services. No environmental studies for the Properties have been made. In undertaking our valuation, we have assumed that the interiors of the Properties are finished and maintained in reasonable conditions commensurate with their ages and uses, and the Properties are in their original/approved layouts without any unauthorized structures, extensions, and alterations. We have also assumed in our valuation that the Properties are provided with normal and satisfactory building services for their existing uses as at the Valuation Date.

As advised by EIHL and EEHL and to the best of their knowledge, there were no plans for substantial construction, renovation, improvement, development or change of uses of the Properties as at the Valuation Date.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Except for the purpose of disclosure in the public circulars to be issued by EIHL and EEHL in connection with the sale and purchase of the Properties, neither the whole nor any part of the valuation report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it may appear.

We enclose herewith our summary of values and valuation report.

Yours faithfully

For and on behalf of

Savills Valuation and Professional Services Limited

Freddie Ling
MRICS MHKIS RPS(GP)
Senior Director

Eddie C K So
MRICS MHKIS RPS(GP)
Director

Note: Mr. Freddie Ling is a professional surveyor who has over 35 years' experience in valuation of properties in Hong Kong.

Mr. Eddie C K So is a professional surveyor who has over 26 years' experience in valuation of properties in Hong Kong.

SUMMARY OF VALUES

Property	Market value in existing state as at 31 January 2021
1. 373 Queen's Road East, Wan Chai, Hong Kong	HK\$1,500,000,000
2. 46 and 48 Morrison Hill Road, Wan Chai, Hong Kong	HK\$250,000,000
3. 17 Yik Yam Street, Happy Valley, Hong Kong	HK\$265,000,000
Total:	HK\$2,015,000,000

VALUATION REPORT

No. Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
1. 373 Queen's Road East, Wan Chai, Hong Kong.	The property is a 29-storey hotel building erected on a site with a registered site area of approximately 717 sq. m. (7,718 sq. ft.).	As advised, EIHL currently operates the property as a hotel under the trade name of "The Emperor Hotel".	HK\$1,500,000,000 (Hong Kong Dollars One Billion Five Hundred Million)
Inland Lot No. 8970.	<p>The building is located in between Queen's Road East and Hau Tak Lane, near their junctions with Morrison Hill Road, in Wan Chai District. Wan Chai is a well-established commercial and residential area in Hong Kong. Developments in the vicinity of the building mainly comprise hotels and medical & healthcare facilities.</p> <p>The building is completed in 2017. According to a set of building plans approved by the Building Authority, the building consists of back of house facilities and plant rooms on the Basement 2 Floor; car parking spaces and plant rooms on the Basement 1 Floor; car parking spaces and back of house facilities on the Lower Ground Floor; a hotel entrance lobby with a caretaker's and administration office, a cafe and plant rooms on the Ground Floor; a restaurant and plant rooms on the 1st Floor, a lounge and plant rooms on the 2nd Floor; guestrooms and back of house facilities on the 3rd to 24th Floors; and a lounge and plant rooms on the 25th Floor. The building provides a total of 299 guestrooms (including 7 suites), 10 private car parking spaces, a heavy good vehicle loading & unloading bay, 2 lay-bys for taxi/private car and a lay-by for coach/tour bus.</p>	<p>The average occupancy rate of the hotel from June to November 2020 is approximately 54%.</p> <p>The 25th Floor of the property is subject to a lease for a term of 4 years commencing from 1 April 2019 to 31 March 2023 at a monthly basic rent of HK\$160,000. The monthly basic rent is reduced to HK\$64,000 for the period from 1 December 2020 to 28 February 2021.</p>	

No. Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
	According to the building plans, the total gross floor area of the building is approximately 10,751.37 sq. m. (115,728 sq. ft.).		
	Inland Lot No. 8970 is held from the Government under Conditions of Sale No. 20142 for a term of 50 years commencing from 8 August 2011. The annual Government rent of the lot is 3% of the rateable value from time to time of the lot.		

Notes:

- (1) Pursuant to the recent land register records, the current registered owner of the Property is Motive Drive Limited which is a company indirectly wholly owned by EIDL.
- (2) The Property is subject to a Legal Charge/Mortgage dated 3 July 2018 in favor of The Bank of East Asia, Limited, and registered vide memorial no. 18072002820274.
- (3) The Property lies within an area zoned "Commercial" under Wong Nai Chung Outline Zoning Plan No. S/H7/21 gazetted on 4 December 2020.
- (4) In undertaking our valuation of the Property, we have considered sales of hotel properties in urban areas of Hong Kong Island and Kowloon Peninsula in the past one year and selected 3 sales as comparables taking into account of their transaction time, location and scale. Details of the comparables are tabulated below:–

Date	Hotel Name and Address	Consideration (HK\$ Million)	Gross Floor Area (sq. ft.)	Unit Rate (per sq. ft.)
Aug-2020	Le Petit Rosedale Hotel Hong Kong, 7 Moreton Terrace, Causeway Bay	460.00	31,157	HK\$14,764
Jul-2020	Queen's Hotel, 199 Queen's Road West, Sai Ying Pun	310.00	26,777	HK\$11,577
May-2020	H1 Hotel, 423 and 425 Reclamation Street, Mong Kok	260.00	17,497	HK\$14,860
			Average	HK\$13,734
			Average adjusted unit rate	HK\$13,000

- (5) The unit rates of the comparables range from HK\$11,577 to HK\$14,860 per sq. ft. In our valuation, we have considered the different attributes between the Property and the comparables in terms of transaction time, location, view, building age & condition, and scale, and have made adjustments accordingly.
- (6) In applying adjustments to the comparable, if a comparable is superior to the Property in term of the abovementioned attributes, a downward adjustment would be made to adjust down the unit rate of that comparable, and vice versa. The average adjusted unit rates of the comparables arrive at a unit rate of approximately HK\$13,000 per sq. ft. for the Property.
- (7) According to the Hong Kong Tourism Board, Wan Chai District has 10,709 hotel rooms which represent around 12% of the total hotel rooms in Hong Kong; and the average occupancy rate of the hotels in Wan Chai District from June to November 2020 is approximately 50%.

No. Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
2. 46 and 48 Morrison Hill Road, Wan Chai, Hong Kong.	The property is a 12-storey commercial and residential composite building erected on a site with a registered site area of approximately 235.41 sq. m. (2,534 sq. ft.).	Shop unit on the Ground Floor of 46 Morrison Hill Road is let under a tenancy for a term of 2 years commencing from 1 March 2019 at a monthly rent of HK\$106,920 and a subsequent tenancy for a term of 2 years commencing from 1 March 2021 at a monthly rent of HK\$80,190. Shop unit on the Ground Floor of 48 Morrison Hill Road is let under a tenancy for a term of 2 years commencing from 1 May 2019 at a monthly rent of HK\$82,000 for 1st year and a monthly rent of HK\$85,000 for 2nd year. All monthly rents of the shop units are exclusive of rates, management fee and all other outgoings.	HK\$250,000,000 (Hong Kong Dollars Two Hundred and Fifty Million)
Inland Lot No. 8391.	<p>The building is located at the south-western side of Morrison Hill Road, near the junction of Yat Sin Street and Lap Tak Lane, in Wan Chai District. Wan Chai is a well-established commercial and residential area in Hong Kong. Developments in the vicinity of the building mainly comprise commercial and residential composite buildings, office buildings and hotels.</p> <p>The building is completed in 1977. According to EIHL, the building had been substantially refurbished in 2015.</p> <p>According to a set of building plans approved by the Building Authority, the building consists of two shops on the Ground Floor, two office units on each of the 1st and 2nd Floors; and two residential units on each of the 3rd to 11th Floors.</p> <p>According to the building plans, the total gross floor area of the building is approximately 1,538.18 sq. m. (16,557 sq. ft.).</p>	<p>The office units on the 1st and 2nd Floor are occupied by EIHL.</p>	

No. Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
	Inland Lot No. 8391 is held from the Government under Conditions of Sale No. 10819 for a term of 75 years commencing from 15 November 1975 and renewable for a further term of 75 years. The annual Government rent of the lot is HK\$100.	<p>The remaining portion of the property is currently operated as serviced apartments by EIHL under the trade name of “Mori Mori Serviced Apartments”. 3 out of the total 18 units are vacant whilst the remaining units are let under various tenancies with last expiring in December 2021 at a total monthly rent of approximately HK\$375,000 inclusive of rates, management fee and all other outgoings.</p> <p>The occupancy rate of the serviced apartments is approximately 83%.</p>	

Notes:

- (1) Pursuant to the recent land register records, the current registered owner of the Property is Mori Investments Limited which is a company indirectly wholly owned by EIHL.
- (2) The Property is subject to the following encumbrances:–
 - i. Deed of Mutual Covenant dated 1 November 1977, and registered vide memorial no. UB1623223;
 - ii. Mortgage dated 28 March 2013 in favour of The Hongkong and Shanghai Banking Corporation Limited, and registered vide memorial no. 13042200230052; and
 - iii. Assignment of Rental dated 28 March 2013 in favour of The Hongkong and Shanghai Banking Corporation Limited, and registered vide memorial no. 13042200230062.

- (3) The Property lies within an area zoned “Residential (Group A)” under Wan Chai Outline Zoning Plan No. S/H5/28 gazetted on 4 May 2018.
- (4) In undertaking our valuation of the Property, we have selected and adopted the recent sales of similar commercial properties and residential properties in the vicinity of the Property as comparables.
- (5) We have considered sales of commercial properties in Wan Chai District in the past two years and selected 5 sales with similar trading potential and size to the commercial portion of the Property as commercial comparables. Details of the commercial comparables are tabulated below:–

Date	Comparable	Consideration (HK\$ Million)	Saleable Area (sq. ft.)	Unit Rate (per sq. ft.)
Jan-2021	Shop A and Shop B on Ground Floor, Man Shek Building, 404-406 Jaffe Road	38.0	1,129	HK\$33,658
Aug-2020	Shops 6 and 7 on Ground Floor, Dandenong Mansion, 379-389 Jaffe Road	29.0	880	HK\$32,955
Jul-2020	Shop E on Ground Floor, Lucky Plaza, 315-321 Lockhart Road	17.5	348	HK\$50,287
Mar-2020	Shop A on Ground Floor, Fuji Building, 381-383 Lockhart Road	30.0	647	HK\$46,368
Jul-2019	Ground Floor, 17 Morrison Hill Road	19.0	533	HK\$35,647
			Average	HK\$39,783
			Average adjusted unit rate	HK\$36,000

- (6) The saleable unit rates of the commercial comparables range from HK\$32,955 to HK\$50,287 per sq. ft. In our valuation, we have considered the different attributes between the commercial portion of the Property and the commercial comparables in terms of transaction time, location, building age, size, frontage, layout, and headroom, and have made adjustments accordingly.
- (7) In applying adjustments to the commercial comparable, if a commercial comparable is superior to the Property in term of the abovementioned attributes, a downward adjustment would be made to adjust down the unit rate of that commercial comparable, and vice versa. The average adjusted unit rates of the comparables arrive at a saleable unit rate of approximately HK\$36,000 per sq. ft. for the shops on the Ground Floor of the Property.

- (8) We have considered sales of residential properties in Wan Chai District in the past one year and selected 8 sales with similar locality, size, age and condition to the residential portion of the Property as residential comparables. Details of the residential comparables are tabulated below:–

Date	Comparable	Consideration (HK\$ Million)	Saleable Area (sq. ft.)	Unit Rate (per sq. ft.)
Jan-2021	13/F, Galway Court 9 Cross Street	5.80	311	HK\$18,650
Dec-2020	Flat A, 20/F, Sam Yuen Mansion 204-210 Lockhart Road	6.00	389	HK\$15,424
Dec-2020	Flat A, 20/F, Mei Fai Mansion 110-116 Jaffe Road	6.68	427	HK\$15,644
Dec-2020	Flat A, 15/F, Tai Wo Mansion 2-8 Tai Wo Street	5.90	388	HK\$15,206
Oct-2020	Flat A, 5/F, Eastman Court, 229-233 Hennessy Road	4.60	309	HK\$14,887
Oct-2020	Flat B, 7/F, Eastman Court, 229-233 Hennessy Road	5.12	309	HK\$16,570
Sep-2020	Flat B, 11/F, Eastman Court, 229-233 Hennessy Road	5.00	309	HK\$16,181
Aug-2020	Flat A, 7/F, Eastman Court, 229-233 Hennessy Road	5.15	309	HK\$16,667
			Average	HK\$16,154
			Average adjusted unit rate	HK\$16,900

- (9) The saleable unit rates of the residential comparables range from HK\$14,887 to HK\$18,650 per sq. ft. In our valuation, we have considered the different attributes between the residential portion of the Property and the residential comparables in terms of transaction time, location, building age, size, floor, view, internal condition, lighting & ventilation, and facilities, and have made adjustments accordingly.
- (10) In applying adjustments to the residential comparable, if a residential comparable is superior to the Property in term of the abovementioned attributes, a downward adjustment would be made to adjust down the unit rate of that residential comparable, and vice versa. The average adjusted unit rates of the comparables arrive at a saleable unit rate of approximately HK\$16,900 per sq. ft. for the residential portion of the Property.
- (11) According to Savills Research & Consultancy, Wan Chai District has 2,127 serviced apartment units which represent around 10% of the total serviced apartment units in Hong Kong. The occupancy rate of the serviced apartment units in Wan Chai District is approximately 60% at the end of 2020.

No. Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
3. 17 Yik Yam Street, Happy Valley, Hong Kong.	The property is a 21-storey commercial and residential composite building erected on a site with a registered site area of approximately 187.5 sq. m. (2,018 sq. ft.).	Shop unit on the Ground Floor of the property is let under a tenancy for a term of 3 years commencing from 15 November 2018 at a monthly rent of HK\$40,000 inclusive of management fee but exclusive of rates and all other outgoings.	HK\$265,000,000 (Hong Kong Dollars Two Hundred and Sixty Five Million)
Section A of Inland Lot No. 3089 and Inland Lot No. 3352.	The building is located at the south-eastern side of Yik Yam Street in an area known as Happy Valley. Happy Valley is a traditional middle class residential area in Hong Kong. Developments in the vicinity of the building mainly comprise residential buildings with shops on the ground floor. The building is completed in 2017. According to a set of building plans approved by the Building Authority, the building consists of shop units on the Ground and 1st Floors; a clubhouse and plant rooms on the 2nd Floor; 4 residential units on each of the 3rd to 16th Floors; and 3 residential flats on each of the 17th to 20th Floors.	Shop unit on the 1st Floor of the property is let under a tenancy for a term of 3 years commencing from 1 June 2019 at a monthly rent of HK\$35,000 inclusive of management fee but exclusive of rates and all other outgoings.	

No. Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
	<p>According to the building plans, the total gross floor area of the building is approximately 1,595.695 sq. m. (17,179 sq. ft.).</p> <p>Inland Lot No. 3089 is held under a Government Lease for a term of 75 years commencing from 15 September 1930 and renewed for a further term of 75 years.</p> <p>Inland Lot No. 3352 is held under a Government Lease for a term of 75 years commencing from 29 February 1932 and renewed for a further term of 75 years.</p> <p>The annual Government rent of the property is HK\$195,014.</p>	<p>The remaining portion of the property is currently operated as serviced apartments by EIHL under the trade name of “The Unit Serviced Apartments”. 6 out of the total 68 units are vacant whilst the remaining units are let under various tenancies with last expiring in December 2021 at a total monthly rent of approximately HK\$632,000 inclusive of rates, management fee and all other outgoings.</p> <p>The occupancy rate of the serviced apartments is approximately 91%.</p>	

Notes:

- (1) Pursuant to the recent land register records, the current registered owner of the Property is Parkmost Limited which is a company indirectly wholly owned by EIHL.
- (2) The Property is subject an Offensive Trade Licence from District Lands Officer, Hong Kong East dated 22 June 2016, and registered vide memorial no. 16070801570022.
- (3) The Property lies within an area zoned “Residential (Group A)” under Wong Nai Chung Outline Zoning Plan No. S/H7/21 gazetted on 4 December 2020.
- (4) In undertaking our valuation of the Property, we have selected and adopted the recent sales of similar commercial properties and residential properties in the vicinity of the Property as comparables.

- (5) We have considered sales of commercial properties in Happy Valley District in the past three years and selected 2 sales with similar trading potential and size to the commercial portion of the Property as commercial comparables. Details of the commercial comparables are tabulated below:–

Date	Comparable	Consideration (HK\$ Million)	Saleable Area (sq. ft.)	Unit Rate (per sq. ft.)
Dec-2020	Unit 2 on Ground Floor, Green Valley Mansion, 51 Wong Nai Chung Road	39.0	883	HK\$44,168
Aug-2018	Shop A on Ground Floor, Broadview Mansion, 75B Wong Nai Chung Road	15.0	320	HK\$46,875
			Average	HK\$45,522
			Average adjusted unit rate	HK\$41,800

- (6) The saleable unit rates of the commercial comparables range from HK\$44,168 to HK\$46,875 per sq. ft. In our valuation, we have considered the different attributes between the commercial portion of the Property and the commercial comparables in terms of transaction time, location, building age, size, frontage, layout, and headroom, and have made adjustments accordingly.
- (7) In applying adjustments to the commercial comparable, if a commercial comparable is superior to the Property in term of the abovementioned attributes, a downward adjustment would be made to adjust down the unit rate of that commercial comparable, and vice versa. The average adjusted unit rates of the comparables arrive at a saleable unit rate of approximately HK\$41,800 per sq. ft. for the shop on the Ground Floor of the Property.
- (8) We have considered sales of residential properties in Happy Valley District in the past one year and selected 11 sales with similar locality, size, age and condition to the residential portion of the Property as residential comparables. Details of the residential comparables are tabulated below:–

Date	Comparable	Consideration (HK\$ Million)	Saleable Area (sq. ft.)	Unit Rate (per sq. ft.)
Jan-2021	Flat A, 12/F, Fortuna Court, 1 Wong Nai Chung Road	10.000	468	HK\$21,357
Jan-2021	Flat E, 3/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	11.543	398	HK\$29,003
Jan-2021	Flat F, 8/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	13.238	428	HK\$30,930
Dec-2020	Flat B, 8/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	13.345	402	HK\$33,197

Date	Comparable	Consideration (HK\$ Million)	Saleable Area (sq. ft.)	Unit Rate (per sq. ft.)
Dec-2020	Flat A, 8/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	13.293	411	HK\$32,343
Nov-2020	Flat F, 10/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	13.584	428	HK\$31,738
Nov-2020	Flat F, 5/F, Eight Kwai Fong Happy Valley, 8 Kwai Fong Street	12.060	428	HK\$28,178
Nov-2020	Flat A, 19/F, Le Village, 49 Village Road	8.000	379	HK\$21,108
Nov-2020	Flat B, 17/F, Le Village, 49 Village Road	7.050	294	HK\$23,980
Jul-2020	Flat B, 28/F, The Gracedale, 23 Yuk Sau Street	9.060	392	HK\$23,112
Jun-2020	Flat A, 6/F, Fortuna Court, 1 Wong Nai Chung Road	11.500	468	HK\$24,573
			Average	HK\$27,229
			Average adjusted unit rate	HK\$27,100

- (9) The saleable unit rates of the residential comparables range from HK\$21,108 to HK\$33,197 per sq. ft. In our valuation, we have considered the different attributes between the residential portion of the Property and the residential comparables in terms of transaction time, location, building age, size, floor, view, internal condition, and facilities, and have made adjustments accordingly.
- (10) In applying adjustments to the residential comparable, if a residential comparable is superior to the Property in term of the abovementioned attributes, a downward adjustment would be made to adjust down the unit rate of that residential comparable, and vice versa. The average adjusted unit rates of the comparables arrive at a saleable unit rate of approximately HK\$27,100 per sq. ft. for the residential portion of the Property.
- (11) According to Savills Research & Consultancy, Happy Valley District has 606 serviced apartment units which represent around 3% of the total serviced apartment units in Hong Kong. The occupancy rate of the serviced apartment units in Happy Valley District is approximately 63% at the end of 2020.

30 April 2021

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

Dear Sir,

We have prepared a market study of the development of the tourism and hospitality sectors in Hong Kong and addressed the specific market data/analysis of the local hotel and serviced apartment markets as well as certain districts for Emperor Entertainment Hotel Limited for public document purposes.

1.0 GENERAL TOURISM INDUSTRY OVERVIEW

Historical Tourism Market Trends

1.1 Detailed historical tourist industry analysis

1.1.1 Hong Kong's strategic positioning as a tourism hub

2020 was an exceptional year with the pandemic disrupting the tourism industry globally, but Hong Kong's strategic positioning as a tourism hub in Asia should help it rebound quickly once COVID-19 is contained.

Hong Kong ranked third in Asia (just behind Japan and China) and 14th in the world in terms of travel and tourism competitiveness, according to the Travel & Tourism Competitiveness Index in 2019, compiled by the World Economic Forum, which covers a total of 140 countries and regions.

Hong Kong has long maintained its role as one of Asia's key regional aviation hubs and this was reinforced by the opening of the Hong Kong International Airport (HKIA) at Chek Lap Kok in 1998. Most of Asia's major cities are within a short flight of the Hong Kong Special Administrative Region (HKSAR) while almost half of the world's population lies within six hours flying time.

Hong Kong is one of the top shopping destinations in the world and was ranked fourth in 'The World's Best Shopping Cities, 2019', a survey conducted by CEOWORLD Magazine in 2019¹. The Hong Kong retail offering is diverse, with global and luxury brand names complementing local retailers. The robust retail sector is supported by a large tourist market and robust domestic retail sales. Hong Kong has long been renowned as a shopping paradise and genuine-product offerings as well as price differentials have attracted Mainland shoppers in particular to cross the border and shop in Hong Kong over the past decade.

Besides shopping, Hong Kong also offers a range of world class tourist attractions such as Victoria Peak, Ocean Park, Hong Kong Disneyland and the Ngong Ping 360 Cable Car. The two internationally renowned theme parks, Ocean Park and Hong Kong Disneyland ranked 20th and 21th respectively in the "Top 25 amusement/theme parks worldwide" of the 2019 Theme Index² and also ranked 9th and 10th respectively in the "Top 20 amusement/theme parks in Asia Pacific" of the same index in 2019, with the two parks attracting a combined 11.4 million visitations in 2019.

Hong Kong is not all about leisure travel and sightseeing however. Hong Kong has also been an international trading hub for decades, as well as a popular meeting point for buyers and suppliers given its strategic location, well established infrastructure and other competitive advantages. Aided by some world class exhibition and convention facilities such as Hong Kong Convention and Exhibition Centre (HKCEC) in Wanchai and AsiaWorld Expo at HKIA, Hong Kong has held many premier trade fairs and exhibitions over the years, attracting exhibitors and buyers from all over the world.

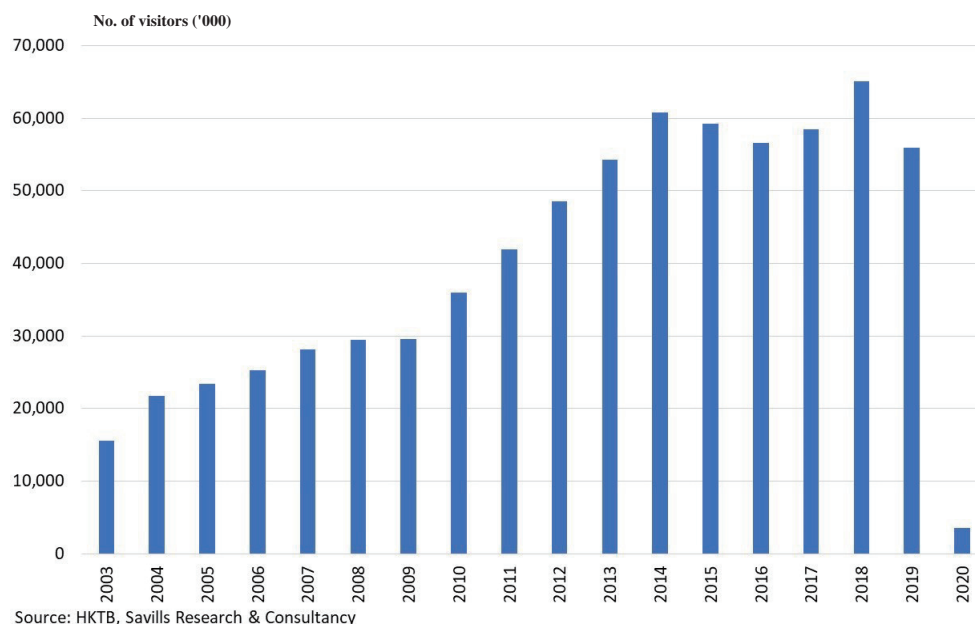
In 2019/2020, the Hong Kong Trade Development Council (HKTDC), the government-funded trade facilitator and event organizer, organized 31 major trade fairs in Hong Kong, which together attracted 18,700 exhibitors and 340,000 buyers. Seven of these fairs achieved a record-breaking number of exhibitors, while three conferences saw a record number of participants amidst the worsening social unrest and the deteriorating virus situation. The healthy number of exhibitors and buyers/attendees at these fairs is a testament to the resilience of the MICE sector in Hong Kong.

¹ Source: CEOWORLD Magazine

² Source: TEA/AECOM The Global Attractions Attendance Report, 2019

1.1.2 Historical visitor arrivals to Hong Kong

Visitor arrivals, 2003 – 2020



The implementation of the Individual Visit Scheme (IVS) after the containment of SARS in 2003 has propelled an exponential growth in Mainland visitor arrivals to Hong Kong over the past two decades, with the total number of visitor arrivals increasing by 319% from 2003 to 2018 to reach 65.1 million, a record high, though there were some blips from 2014 to 2017. The escalating US/China trade disputes and uncertain local political environment deterred many visitors from travelling to Hong Kong for both business and leisure in 2019, and as a result visitor arrival numbers declined by 14% to reach 55.9 million in that year.

The outbreak of COVID-19 since the turn of last year hit global travel hard with most countries implementing strict travel and border controls to avoid spreading the virus, and Hong Kong also closed most of its borders during the course of the year, virtually stopping visitor arrivals to the territory. In 2020 as a whole, only 3.6 million visitors travelled to Hong Kong, a marked 94% y-o-y decline.

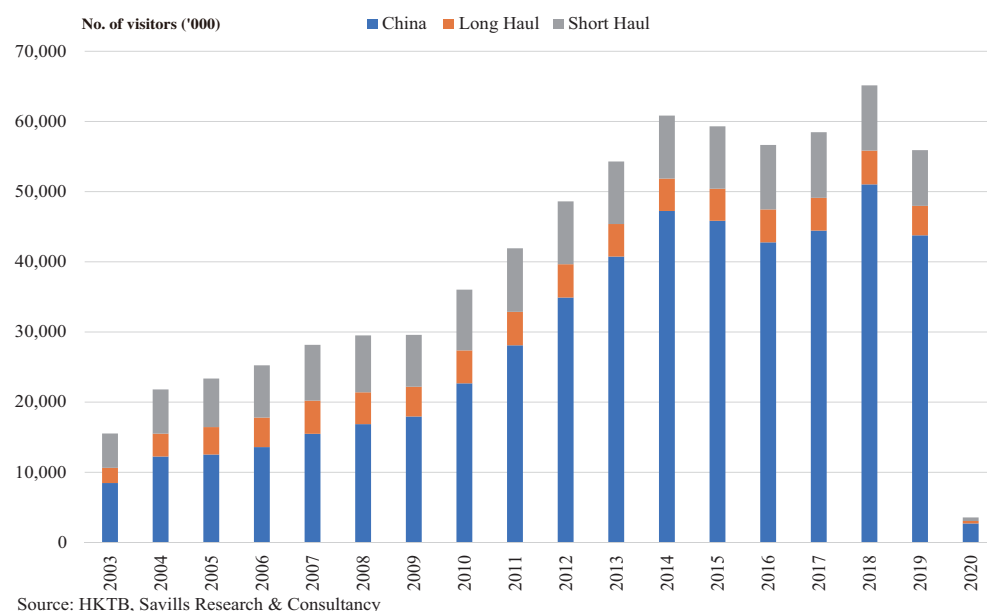
1.1.3 Historical visitor profile analysis

a. Visitor arrivals by country of origin

A series of measures have been introduced to relax restrictions on travel by Mainland Chinese to Hong Kong from 2001 onwards (application procedures as well as currency controls), which have helped unlock hotel demand. This includes the IVS, which was introduced in July 2003, and allows travellers from selected Chinese cities to visit Hong Kong independently rather than coming only in tour groups. In 2009, the Mainland government allowed eligible Shenzhen residents to apply for One-year Multiple-entry IVS Endorsements to make it easier to visit Hong Kong. IVS now covers 49 mostly first and second tier cities in China, including approximately 270 million people. **From 2003 to 2018, visitor arrivals from Mainland China increased dramatically from 8.5 million to 51.0 million, a 503% rise after the implementation of the IVS.** This tremendous growth has made **Mainland China the single most important source of tourists for Hong Kong** and in 2018 their number represented approximately **78%** of that year's total.

Mainland Chinese visitors saw a similar decline in percentage terms (14% y-o-y) as the overall market with many adverse events, in particular the social unrest and Hong Kong/China tensions. Mainland China visitors registered a 94% decline in 2020 to reach 2.7 million with the subsequent border closure.

Visitor arrivals from China, long-haul³ and short-haul⁴, 2003 – 2020



³ According to the Hong Kong Tourism Board (HKTb), long-haul markets are defined as visitors from the Americas, Europe, Africa, the Middle East, Australia, New Zealand and South Pacific.

⁴ According to the HKTb, short-haul markets are defined as visitors from North Asia, South and Southeast Asia, Taiwan and Macau excluding Mainland China.

Short haul and long-haul visitors also increased from 2003 to 2018, at a much more moderate pace of 90% and 121% over the period, with an obvious deviation from their Chinese counterparts in 2009 when the Global Financial Crisis (GFC) hit most developed countries, limiting their appetite for travel, therefore both short and long-haul arrivals registered 9% and 7% declines in 2009. Their subsequent rebound was also not as strong as Mainland Chinese visitors due to the aftermath of the GFC, the Euro debt crisis, an appreciating Hong Kong dollar and the local social campaign. All these events made residents in these countries more cautious about international travel. After peaking in 2018, international visitor arrivals have declined at a similar pace to the overall market over the last two years.

The Hong Kong and Macao tour was a multi-destination travel itinerary popular among Mainland tour groups before the pandemic, meaning Mainland tour groups have tended to visit both cities if they visit the Hong Kong-Macao region. The popularity of the Hong Kong Macao tour is attributable to the attractions of Hong Kong and Macao which complement each other in terms of the experiences they offer. Hong Kong is regarded as a world-class travel destination, renowned for its gastronomy, nightlife and shopping. A unique East-meets-West culture and the wide diversity of tourist attractions also contribute to Hong Kong's appeal as a tourist destination.

Macau is regarded as the "Las Vegas of the East" with its many world class casinos. It is the only location in China where gambling is legal. Mainland tour groups often include both cities in their schedules blending the cosmopolitan lifestyle of Hong Kong with the casino resorts and gambling of Macau. For example, a five-day four-night tour would typically involve three days in Hong Kong to visit Ocean Park and other attractions along with some shopping and two days in Macau to visit major attractions and the casinos. The convenient connections between both cities, including the Hong Kong-Zhuhai-Macao Bridge and frequent ferry services, facilitate the operation of this tourist itinerary. However, the COVID-19 outbreak has disrupted this type of travel since both cities have had to put border restrictions in place.

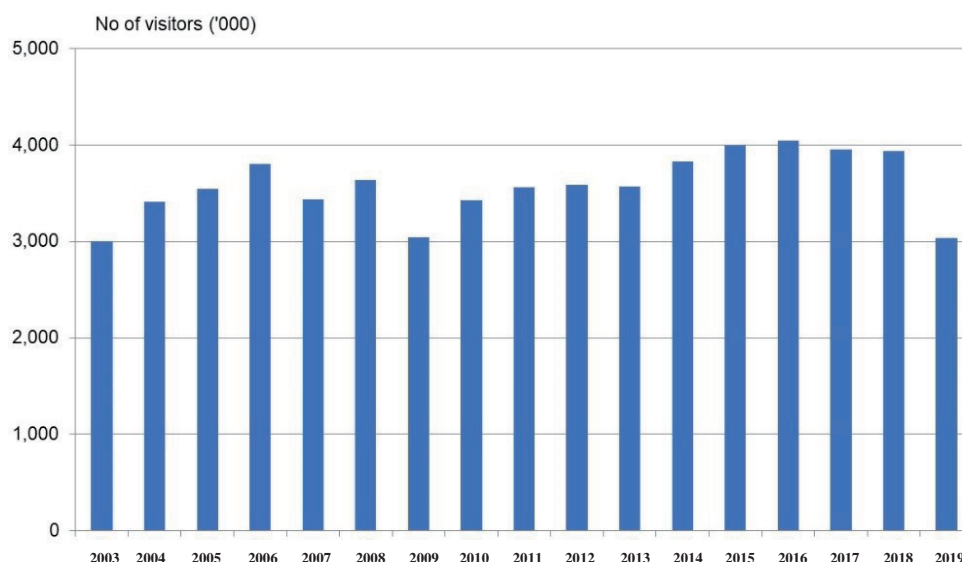
b. Visitor arrivals by purpose of visit

According to data from the HKTb, of all overnight visitors to Hong Kong in 2019, approximately 61% were here on vacation and 17% were visiting friends and relatives. Overnight business travellers represented 13% of total overnight visitors with the remainder (3%) in transit. Chinese overnight business travellers numbered 1,667,700, representing 55.0% of the total overnight business visitors in 2019, compared to 40.7% in 2010. The increase in the proportion of Chinese business travellers indicates Hong Kong's growing importance as a gateway to the world for Mainland businesses for finance, trade and communications.

1.1.4 Business traveller market historical development and trends

Overnight business travellers from the US and Europe, as well as expatriates on short-term contracts and higher budgets, usually opt to stay in hotels in traditional core business districts such as Central, Wanchai/Causeway Bay and Tsimshatsui. The hotels in major shopping areas are also very popular with tourists from other Asian countries, including Taiwan, Japan and China.

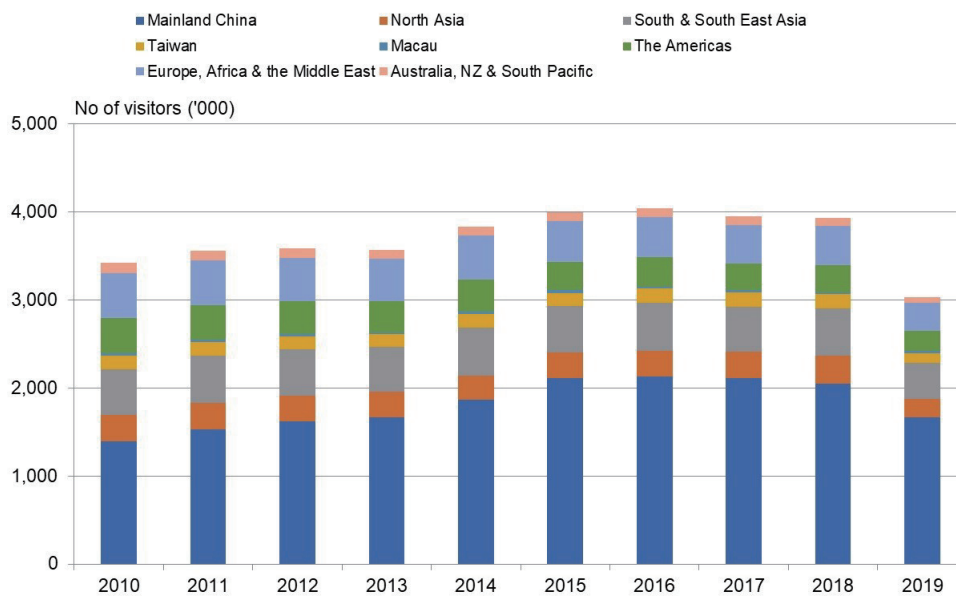
Overnight business travellers to Hong Kong, 2003 – 2019



Source: HKTB, Savills Research & Consultancy

With reference to the chart above, the number of overnight business travellers to Hong Kong broadly remained at 4 million between 2015 and 2018. Due to the trade disputes and uncertain local political environment, the number of business travellers registered a decline in 2019. **By country of origin, business travellers from Mainland China were the largest group among all countries and accounted for 55.0% of the total in 2019**, followed by South & Southeast Asia (13.7%) and Europe, Africa & the Middle East (10.6%). From 2010 to 2019, Chinese business travellers not only grew as a percentage of the total but also in absolute numbers. Mainland Chinese business visitor arrivals grew from 1.39 million in 2010 to 1.67 million in 2019. Meanwhile, their proportion of the total rose from 40.7% to 55.0%.

Number of overnight business travellers by country of origin, 2010 – 2019



Source: HKTB, Savills Research & Consultancy

From 2010 to 2019 the growth rate of business traveller arrivals from Mainland China has outperformed those from both short-haul and long-haul markets. During the years when both markets recorded a decline in numbers, business travellers from Mainland China still recorded positive growth in 2012, 2013 and 2015 at rates of 6.0%, 2.6% and 13.3% respectively.

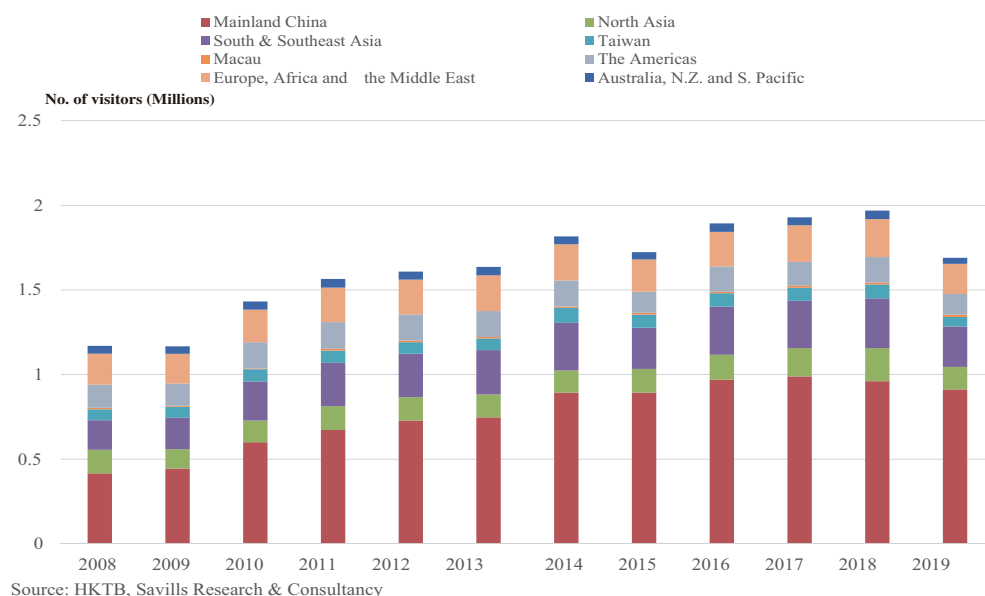
1.1.5 MICE market historical development and trends

Hong Kong has become a centre for conventions and exhibitions in Asia. Approximately 1.7 million overnight MICE visitors came to Hong Kong in 2019, a 14.2% dip from 2018 after a 2.1% increase in the previous year, with the 2018 figure a record high, 68.4% higher than the 2008 level.

Overnight MICE visitors, 2008-2019

Year	No. of overnight visitors	YoY growth (%)
2008	1,167,657	N/A
2009	1,164,848	-0.2
2010	1,429,941	+22.8
2011	1,562,940	+9.3
2012	1,606,154	+2.8
2013	1,634,363	+1.8
2014	1,816,021	+11.1
2015	1,721,438	-5.1
2016	1,891,017	+9.9
2017	1,927,144	+1.9
2018	1,967,038	+2.1
2019	1,687,728	-14.2

Source: HKTb, Savills Research and Consultancy

Breakdown of MICE visitors by major market, 2008-2019

The highest proportion of overnight MICE visitors were from Mainland China at 53.9%, compared with 35.5% in 2008. The total number of Chinese overnight MICE visitors stood at 910,005 in 2019, a 119.8% increase from 2008.

MICE visitors are usually high spending. The per capita spending of overnight MICE visitors in 2019 was HK\$7,200, 23.8% higher than the per capita spending of overall overnight visitors in the same year (HK\$5,818).

Future Tourist Market Trends

1.2 Tourism/leisure industry market development and trends



	Project	Type	Expected year of completion
1	Future plan for Ocean Park	Tourism infrastructure	Under review
2	Expansion of Disneyland	Tourism infrastructure	2018-2023
3	West Kowloon Cultural District	Culture and entertainment	From 2016 (in 3 phases)
4	Kai Tak Fantasy	Culture and entertainment	Under review
5	Invigorating Island South	Culture and entertainment	Under review

Source: Ocean Park, Disneyland, HKSAR government

1.3 Impact of government policies on the tourism sector

Besides the medium to long-term plans to further enhance Hong Kong's attractiveness as a tourist destination, the government has also put forward some short term policies to support the tourism sector, which faced a very difficult operating environment in 2020 because of the pandemic and subsequent border closure.

- Roll out additional relief measures involving a funding of HK\$600 million for the tourism industry, which has been hardest hit by the epidemic.
- Tap into more local cultural and green tourism resources once the epidemic has eased, with a view to expanding both the Mainland and overseas visitor source markets as well as offering a leisure and travel experience with rich historical and cultural elements.

For the equally hard-hit MICE sector, the government has drawn up both short and long-term policies to help revitalize the sector:

- Take forward the redevelopment of the three government towers in Wan Chai North and the Kong Wan Fire Station into convention and exhibition facilities, hotels and offices, and press ahead with the development of phase two of AsiaWorld-Expo.
- Make use of the HK\$1 billion Convention and Exhibition Industry Subsidy Scheme to subsidise exhibitors of exhibitions organised by the HKTDC and participants of its major conventions.

1.4 Tourism and hospitality market outlook

1.4.1 Internal factors

The COVID-19 situation has been substantially contained in China so far, and the Chinese government has rolled out vaccination programs in December last year. We believe that China will reap the greatest benefits when the market returns to normal, when suppressed outbound travel demand is released, contributing to a bounce back in visitation and a robust rebound in the hospitality business, especially in Hong Kong and Macau.

Hong Kong remains the key gateway for access to China's capital markets. Coupled with its ongoing integration with the Greater Bay Area, the returning business travellers from Mainland China will lay a strong foundation for a rebound in the local hospitality sector.

The proposed Hong Kong Health Code (for safe travel to Guangdong and Macau after testing negative for COVID-19), the proposed 'travel bubbles' with nearby countries, as well as the newly promoted Vaccine Passport (first adopted in Iceland in March 2021) are all potential measures to restore travel across the border. Based on the number of COVID-19 cases between January and March 2021, the COVID-19 situation has been successfully contained in mainland China, while other popular travel destinations such as the US and many countries in Europe continue to face challenges. Once outbound travel restrictions in mainland China are lifted, Chinese visitors are likely to travel to nearby destinations where travel bubbles permit and Hong Kong could stand to benefit from this influx of Mainland tourists.

Compared with the situation in the second half of 2019, social unrest has eased in 2021. As the government loosened some social distancing measures in February 2021, together with the gradual decline of confirmed COVID-19 cases, foot traffic in the major shopping areas has picked up gradually, with some shopping centres reporting an increase in footfall of 20% to 30% over the period. Such favourable consumption sentiment should go a long way to restoring visitor confidence in Hong Kong, especially Mainland shoppers from nearby cities and provinces.

In January 2021, the joint promulgation of the Culture and Tourism Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) by the Ministry of Culture and Tourism was announced to outline the direction for the overall cultural and tourism development of the GBA. The aim of the development plan is to develop the GBA into an exchange hub for the cultures of the East and the West and build a world-class tourism destination.

The development plan involves developing more GBA tourist attractions to promote GBA multi-destination tourism and attract more overseas tourists. This development plan will expand multi-destination tourism in the two cities (Hong Kong and Macau) into eleven cities to offer a more diversified travel experience. Hong Kong and Macau will remain the top destinations with their existing tourism and hospitality infrastructure. The development plan and enhanced transportation systems between cities within the GBA will further strengthen the positions of Hong Kong and Macau as an international tourism destination and a global gambling hub.

1.4.2 External factors

In addition, with the termination of the value-added tax (VAT) refund in the United Kingdom for international visitors with effect from 1 January 2021, bargain hunting Mainland tourists may potentially switch their city breaks to other countries. According to data from VisitBritain, the corporate website for the United Kingdom's tourism industry, the total number of visits from China visitors reached 883,000 in 2019 with over GBP1.71 billion of total spending. As Hong Kong remains a duty free destination, this could prove to be another catalyst for Hong Kong tourism when the border reopens.

In the meantime, rising tensions with many countries have intensified after the COVID-19 outbreak and this could be another consideration influencing the travel plans of China tourists once borders reopen.

1.4.3 Forecast visitor arrivals

With the pandemic far from over and the effectiveness of vaccination programs far from certain it is almost impossible to make any meaningful forecast of tourist numbers without making large assumptions. Nevertheless, with expectations of returning Mainland Chinese, regional as well as international tourists, both vacation and business, we have benchmarked critical years in the past as a reference for a future possible visitor recovery.

We expect that the tourism market will return gradually over the next three years when the global pandemic passes or COVID vaccines become widely available. Given the extremely low base in 2020, we predict that visitor numbers will rebound by 150% in 2021 to around 9.8 million, which is about 15% of the 2018 peak or equivalent to the 1994/1995 level, followed by a 123% (back to post-SARS level in 2004), and 92% (equivalent to 2010/2011 level) and 30% (back to 2013 level) growth in 2022 and to 2024 respectively when the overnight visitor and long-haul markets start to pick up in earnest.

Visitor arrival forecasts, 2021E – 2024E

	Visitor arrivals	Equivalent Years
2021	9 million (+150%)	1994/1995
2022	22 million (+144%)	2004
2023	42 million (+92%)	2010/2011
2024	54 million (+30%)	2013

Source: Savills Research & Consultancy

1.4.4 Hotel market outlook

The hotel market is facing high short term uncertainty with the pandemic not yet over and the effectiveness of available vaccines still not certain. Nevertheless, the good news is that the COVID-19 situation has been well contained in Mainland China over the past few months (save for a few local cases of late) and vaccine injection programs are well underway. While China domestic travel declined by 52.1% over 2020 the rate of decline slowed from 83.4% y-o-y in Q1 to 32.9% y-o-y in Q4, showing a clear revival of travel appetite among the general public. With the COVID-19 situation still severe in many popular travel destinations such as Japan, Korea, the US and most countries in Europe, Hong Kong will stand to benefit from another influx of Mainland tourists if the border can be reopened over the next few months.

The medium outlook for Hong Kong's hospitality industry is more positive, as a number of influences will continue to have an impact on the sector. Leisure travellers will be drawn to Hong Kong by the recently completed and ongoing extensions of both Disneyland and Ocean Park. The appeal of Hong Kong for Mainland Chinese as China's most cosmopolitan and prosperous city is expected to endure, in particular for the more affluent and mature groups who now seek a more complete travel experience than simply shopping and are willing to spend more on hotels and sightseeing. Other factors, such as rising incomes, improving employment prospects, a more global perspective and more leisure time should also ensure a continuing flow of visitors from elsewhere in Asia.

With Hong Kong's strengthening role in the Greater Bay Area (GBA), China's wealthiest and most advanced region, the number of business travellers will rise. Hong Kong is becoming economically integrated with China and will continue to play an increasingly important role as a finance, logistics and business services hub. The already implemented Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and the gradual establishment of Hong Kong as the premier offshore Renminbi centre for China should attract more Chinese business travellers, both short term and long term. These positive attributes will continue to strengthen Hong Kong's position as a preferred place for doing regional business and should therefore result in an increasing number of overnight business travellers.

Hong Kong's transport infrastructure projects will make cross-border travel easier as well as improving mobility within Hong Kong itself, while HKIA's proposed third runway could increase the airport's capacity to handle 607,000 flight movements, 102 million passengers and 8.9 million tonnes of cargo per year, meeting projected demand up to and possibly beyond 2030. The project has been granted government approval and the Airport Authority has adopted the three-runway system as a future development mode. The project is currently under construction and by the time of its expected completion in 2025, Hong Kong will be well positioned to welcome more inbound visitors with improved flight capacity.

1.4.5 Serviced apartment market outlook

The serviced apartment market will be one of the beneficiaries of the economic recovery after the pandemic and during the COVID-19 pandemic, many hotels have converted some rooms for long-stay packages to fill vacancies. When international travel reopens, it is expected that the hotels will shift their focus back to short term stays thereby reducing the competition between hotels and serviced apartments. Hence, occupancy rates and rental levels will gradually increase to levels seen in previous years.

2.0 GENERAL OVERVIEW OF THE HOTEL/SERVICED APARTMENT MARKET IN HONG KONG

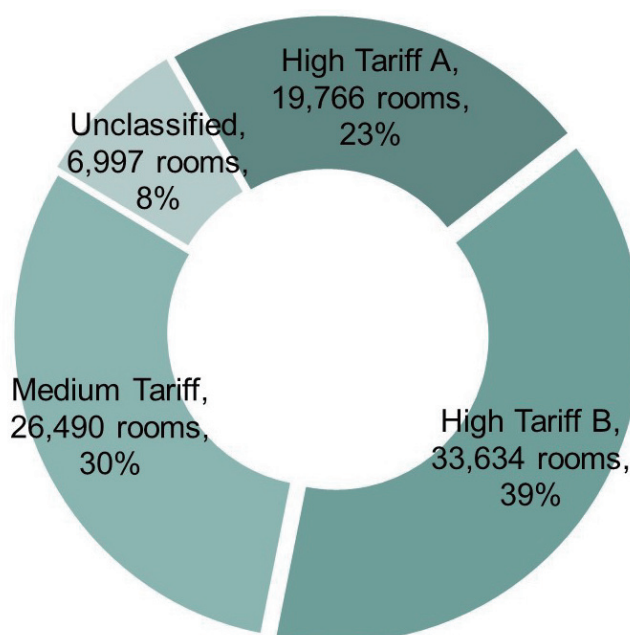
2.1 Hotel market overview

2.1.1 Classification of hotel segments

Hotels in Hong Kong can be classified into three main categories (High Tariff A, High Tariff B and Medium Tariff), based on a scoring system of five key criteria, namely location, facilities, staff-to-room ratio, room rates and business mix, as set out by the HKTb.

There were 312 hotels in Hong Kong at the end of January 2021, representing 86,887 rooms, with 23% classed as High Tariff A, 39% as High Tariff B, 30% as Medium Tariff and 8% unclassified.

Distribution of hotel stock by class, Jan 2021

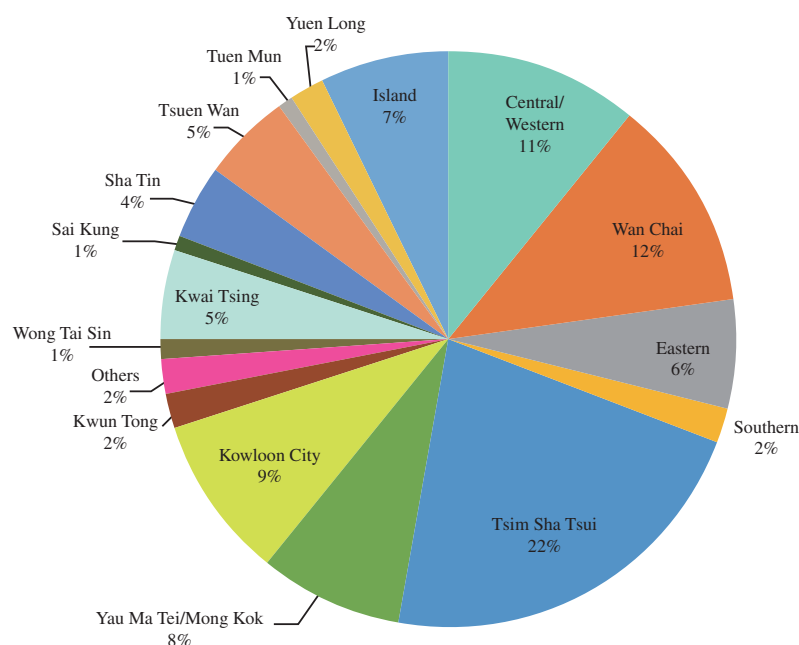


Source: HKTb, Savills Research & Consultancy

2.1.2 Hotel stock distribution by district

Tsimshatsui, the most popular core tourist and retail area in Kowloon, has the largest hotel stock at 18,797 rooms or 22% of all hotel rooms, followed by Wan Chai District (12%), Central & Western District (11%), Kowloon City (9%) and Yau Ma Tei/ Mong Kok (8%) with the remainder distributed across other districts of Hong Kong, according to the HKTB.

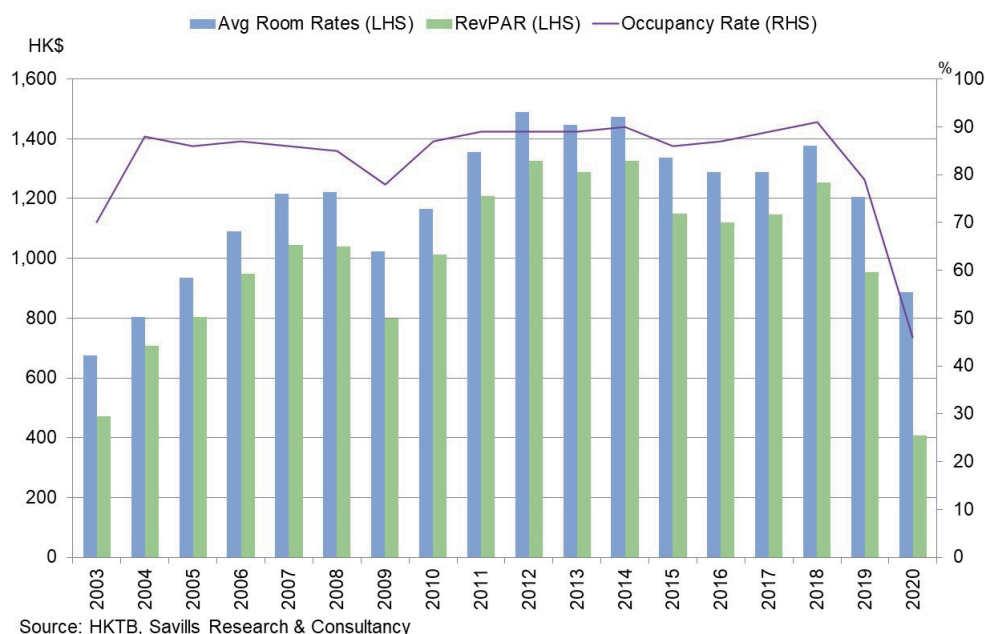
Distribution of hotel stock by district, Q4/2020



Source: HKTB, Savills Research & Consultancy

2.1.3 Hotel operating performance

Average hotel room rates, occupancy rates and revenue per available room, 2003 – 2020



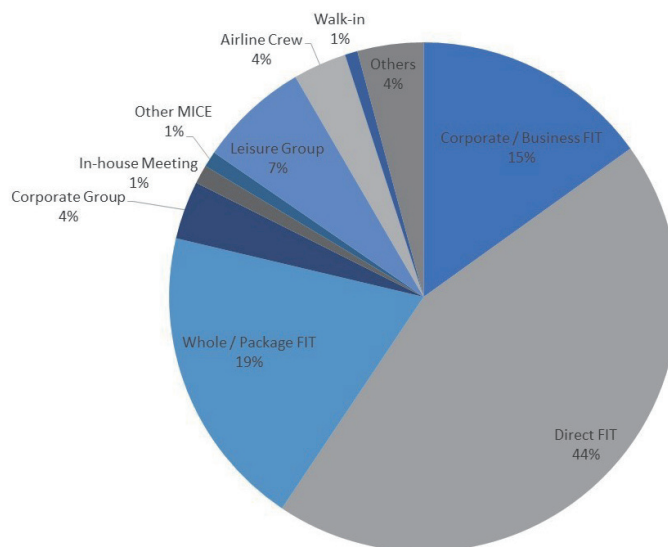
The strong global economic recovery and a rebound in Mainland visitors boosted the local hotel market in 2017 and 2018, and as such the average hotel room rate and revenue per available room (RevPAR)⁵ recorded growth. The reviving international and Chinese travel propelled the occupancy rate to 91% in 2018, a record high. Nevertheless, due to local social issues and the COVID-19 outbreak, all these parameters fell in 2019 and 2020.

2.1.4 Customer mix/demographics of hotel guests by hotel segment

a. Overall hotel guest profile by segment

According to the HKTb and Savills' estimates, there were approximately 10 million hotel guests in 2019. This can be broken down into Transient, Group, Airline Crew and Others, representing 78.7%, 12.9%, 3.4% and 5.0%, of the total respectively.

⁵ Calculated by occupancy × average room rate.

Hotel guest profile by segment, 2019

Source: HKTB, Savills Research & Consultancy

The worsening social situation in 2019 deterred business travellers with a number of conferences and meetings called off due to security concerns, and as such the proportion of business hotel guests (Corporate/Business Frequent Individual Travellers (FIT), Corporate Group, In-house Meeting and Other MICE) declined from 22.7% in 2018 to 21.0% in 2019. The proportion of individual travellers increased from 60.7% to 63.6% over the same period.

b. *Hotel guest profile by segment by hotel category*

Hotel guest profile by segment by hotel category, 2019

Proxy to HKTB category	High Tariff A	High Tariff B	Medium Tariff
		HK\$1,651- HK\$2,350	HK\$951-\$1,650
ADR Range	>HK\$2,351		<HK\$950
Corporate/Business FIT	26.0%	17.7%	15.0%
Direct FIT	48.2%	47.1%	41.5%
Whole/Package FIT	16.0%	21.6%	17.9%
Corporate Group	4.8%	4.7%	3.3%
In-house Meeting	2.7%	0.4%	1.5%
Other MICE	1.1%	0.2%	2.0%
Leisure Group	1.0%	4.5%	4.6%
Airline Crew	NA	2.5%	9.9%
Government	0.1%	NA	NA
Walk-in	0.2%	0.4%	0.9%
Others	NA	0.9%	3.4%

Source: HKTB, Savills Research & Consultancy

The classification of hotel guests is based on the ADR range, and to make it more comparable to HKTB's hotel classification, we have proxied the various ADR ranges with the respective hotel classification in the above table. **Based on its ADR range, The Emperor Hotel is classified as a High Tariff B hotel.**

High Tariff B hotels recorded a high proportion of Direct FIT (41.5%) and Whole/Package FIT (17.9%), which was well supported by mid-budget individual leisure travellers. Notably 9.9% of High Tariff B hotel guests are airline crew.

High Tariff B hotels enjoy price competitive advantages over their High Tariff A counterparts, and also provide more premium hospitality services often in better locations than Medium Tariff hotels. As a result, we note that High Tariff B hotels are relatively resilient regardless of economic cycles. It is believed that the macro economy as well as the tourism industry will take some time to fully recover. Facing such market uncertainties, corporate/business, direct and package FITs may prefer High Tariff B hotels due to budget concerns. Airline crews may also choose to stay in High Tariff B hotels due to airlines' cautious attitude to staff expenditure.

2.2 Serviced apartment market overview

2.2.1 Definition

A serviced apartment is a type of furnished apartment which offers services and flexible lease terms. It 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 house keeping;
4. Rental price is inclusive of most taxes, utilities, management fees and government rents and rates;
5. Lease terms are typically short (3-6 months)

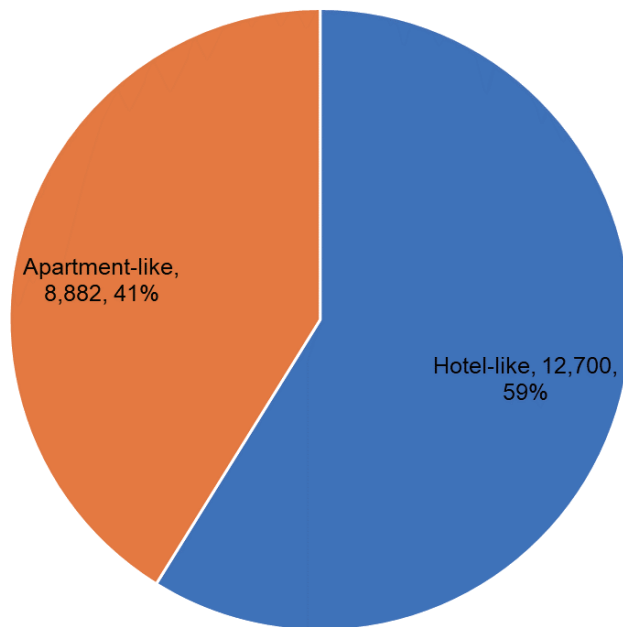
Serviced apartments include two sub-categories, “apartment-like” and “hotel-like”.

An apartment-like serviced apartment resembles a conventional residential unit which is furnished and offered with a series 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.

2.2.2 Stock distribution

Total serviced apartment stock by type, Dec 2020

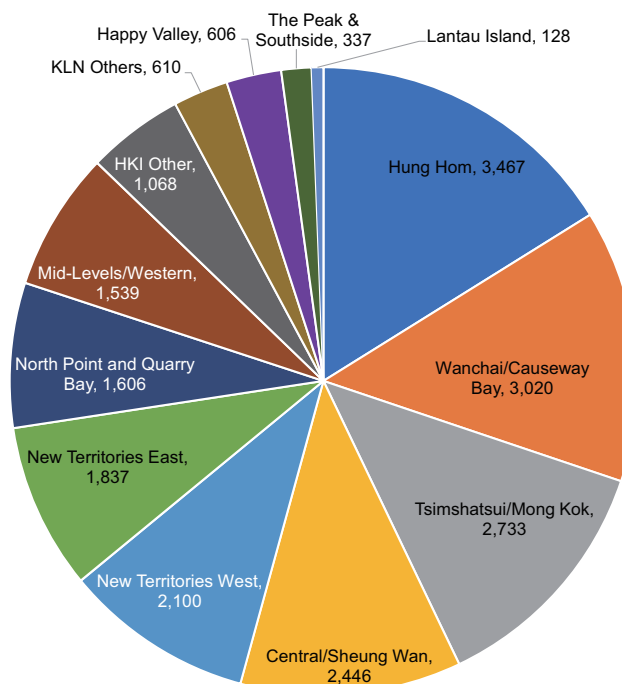


Source: Savills Research and Consultancy

Hotel-like units make up a larger share (59%) of the serviced apartment market, with the majority of units found in Kowloon and the New Territories, Hung Hom and Tsuen Wan 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 (41%), where most of the units are on Hong Kong Island, especially Wanchai and Causeway Bay. Kornhill Apartments (450 units) in Taikoo Shing and The HarbourView Place (266 units) in Kowloon Station are examples of apartment-like serviced apartments.

Total serviced apartment stock by district, Dec 2020



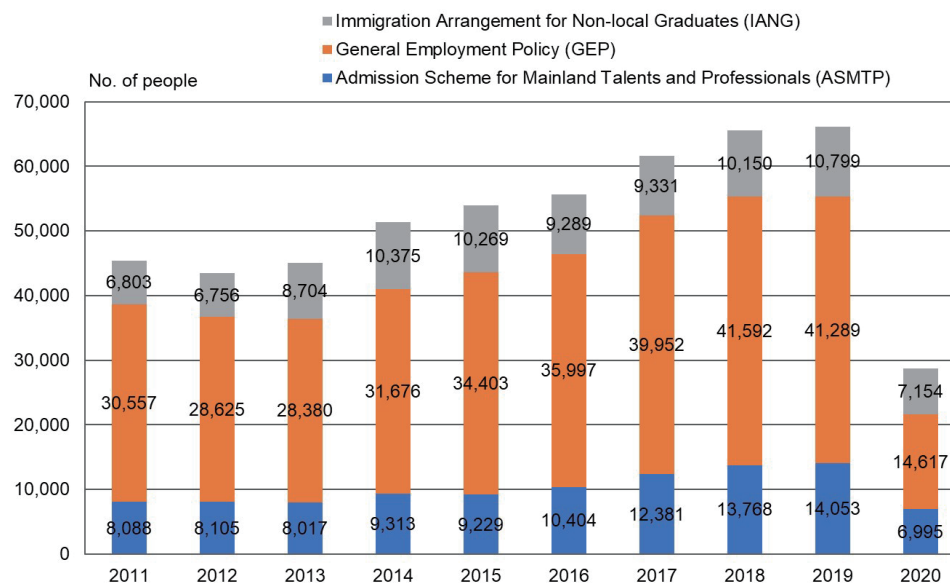
Source: Savills Research and Consultancy

Hung Hom (3,467 units, 16%) has the largest number of serviced apartments. Wanchai/Causeway Bay (3,020 units, 14%) and Tsimshatsui/Mong Kok (2,733 units, 13%), both major business districts, came second and third in terms of total number of units. We can also find 2,446 units in Central/Sheung Wan, which is considered the CBD of Hong Kong, with most of the units situated in Mid-Levels Central and Sheung Wan.

2.2.3 Demand Profile

Demand for serviced apartments is normally on a relatively short to medium term basis. Although there is occasional non-business demand such as from locals residing in serviced apartments during home renovation, demand is predominately business related and most residents come from overseas needing short term accommodation, some employed on a project basis while others may stay for the long-term and choose to switch to normal leasing apartments at a later date.

Overseas and mainland professionals immigrating to Hong Kong, 2011 – 2020



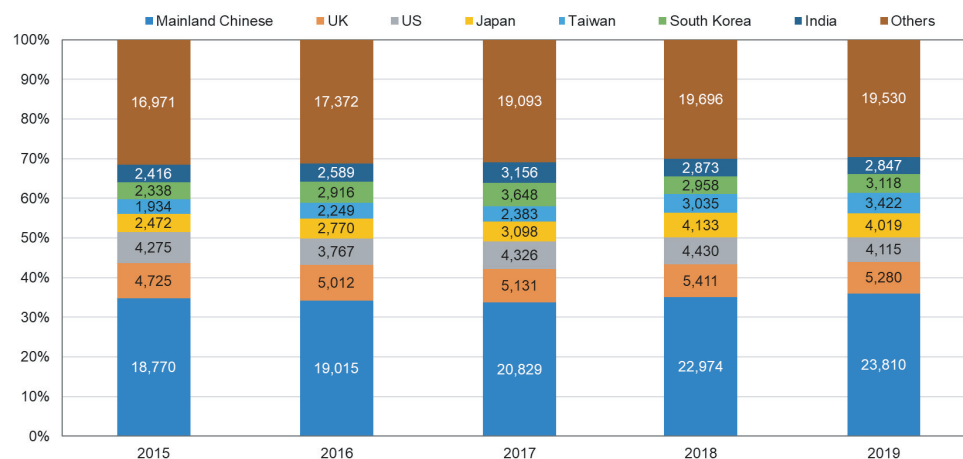
Source: Immigration Department, Savills Research and Consultancy

Admissions of overseas and mainland talents and professionals has been one of the major leasing demand drivers for serviced apartments. In Hong Kong, the three most common admission schemes are the General Employment Policy (GEP), Immigration Arrangement for Non-local Graduates (IANG) and Admission Scheme for Mainland Talents and Professionals (ASMTMP).

Except 2012 (the year of the European debt crisis), the number of immigrants recorded annual increases between 2011 and 2019. The number of immigrants from these three schemes rose from 45,448 in 2011 to 66,141 in 2019, representing a CAGR (“compound annual growth rate”) of 4.8% per year.

In 2020, due to economic recession and cross-border restrictions due to the COVID-19 outbreak, the number of immigrants from these three schemes dropped by 56.5%, from 66,141 to 28,766. Among the three schemes, GEP recorded the largest annual fall of 64.6%, followed by ASMTMP (-50.2%) and IANG (-33.8%).

Overseas and mainland professionals immigrating to HK by nationality, 2015 – 2019



Source: Immigration Department, Savills Research and Consultancy

Among the three most common admission schemes, namely, GEP, IANG and ASMTP, the largest group of immigrants in terms of nationality is Mainland Chinese, who represented 36% of immigrants in 2019. The CAGR of the number of Mainland Chinese immigrants was 6.1% per annum 2015-2019.

3.0 WANCHAI/HAPPY VALLEY DISTRICT HOTEL AND SERVICED APARTMENT MARKET ANALYSIS

3.1 Recent district developments and trends

3.1.1 Wanchai district

Proposed Exhibition Centre Station



Source: Google map, MTR, Savills Research and Consultancy

The proposed Exhibition Centre Station will be an underground station located beneath the former Wanchai Ferry Pier public transport interchange, the former Wanchai Swimming Pool and the former Harbour Road Sports Centre. It will be the interchange station between the East Rail Line and the future North Island Line. The Cross Harbour Section of the Shatin-Central Link is planned to be opened in 2022.

Apart from the MTR station, in the Policy Address of 2017, the government mentioned that the development of a new convention centre above the Exhibition Centre Station of the Shatin to Central Link could provide an additional 15,000 sq m of convention space. The zoning for this site will be primarily for convention and meeting facilities, and other commercial related uses, railway station facilities and a public transport interchange with a maximum building height of 50 mPD. It will be connected to Great Eagle Centre, Harbour Centre and HKCEC Extension at podium level.

In the Chief Executive's Policy Address ("Policy Address") of 2017, the government decided to demolish and redevelop the three government buildings in Wanchai North to add about 23,000 sq m (247,570 sq ft) of convention and exhibition facilities. Hotel facilities which complement the convention and exhibition activities, and Grade A office space can be built on top of the new convention and exhibition venue. In the Policy Address of 2018, it was mentioned that the sites were expected to be vacated by 2026 at the earliest for demolition and redevelopment.

Future commercial supply in Wanchai

Address	GFA (sq ft)	Expected year of completion	Type
Hopewell Centre II	1,094,331	2021	A commercial building with 1,024 hotel rooms
75-85 Lockhart Road	95,615	2021	Commercial building
222-228 Wan Chai Road	131,139	2021	Commercial building
333-335 Hennessy Road	28,029	2021	Commercial building
232 Wan Chai Road	86,826	2022	Commercial building
153-167 Queen's Road East	115,217	2022	Commercial building
369-371 Hennessy Road	30,233	2022	Commercial building
1-11 Landale Street	218,916	2023	Commercial building
1 Stubbs Road	254,791	2023	Commercial building
199-203 Hennessy Road & 194-200 Lockhart Road	120,735	2024 or after	Commercial building
Total	2,175,832		

Source: Buildings Department, Market news, Savills Research and Consultancy

There will be 10 commercial projects completed in Wanchai during 2021-2024, with a total GFA of 2.18 million sq ft.

The largest upcoming project is Hopewell Centre II, which will be a 1.1 million sq ft commercial building with 1,024 hotel rooms, scheduled to be completed in 2021. In 2023, there will be two major Grade A office buildings completed: 1 Stubbs Road by AIA and 1-11 Landale Street by Swire Properties, providing more than 470,000 sq ft Grade A office space.

3.1.2 Happy Valley district

Happy Valley is a well-developed and mature residential area with few new developments although a new clubhouse by the Hong Kong Jockey Club – The Hilltop in the Valley has added new colour to the district. As a traditional luxury enclave the area caters for short term trips for Mainlanders visiting families, visitors undertaking periodic medical treatments at Hong Kong Sanatorium & Hospital, local families undergoing home renovations as well as the home offices of designers.

The Hilltop in the Valley



Source: Google map, Savills Research and Consultancy, Wong & Ouyang (HK) Ltd

The Hilltop in the Valley is a 12-storey building with over 501,000 sq ft and 250 car parking spaces. It provides a wide range of dining experiences from high quality food and beverage establishments. The clubhouse also provides a series of sports facilities which include four outdoor tennis courts, an indoor swimming pool, golf training facilities, a gym and bowling lanes. Interest and recreational classes for children and musical and performance entertainment areas are also offered by the clubhouse.

In early 2019, the government proposed redeveloping Hong Kong Stadium as a municipal sports ground, reducing the seating capacity from 40,000 to 8,000-9,000, since the Hong Kong Stadium will be redundant after completion of Kai Tak Sports Park in 2023. The proposal was rejected by Wanchai District Council.

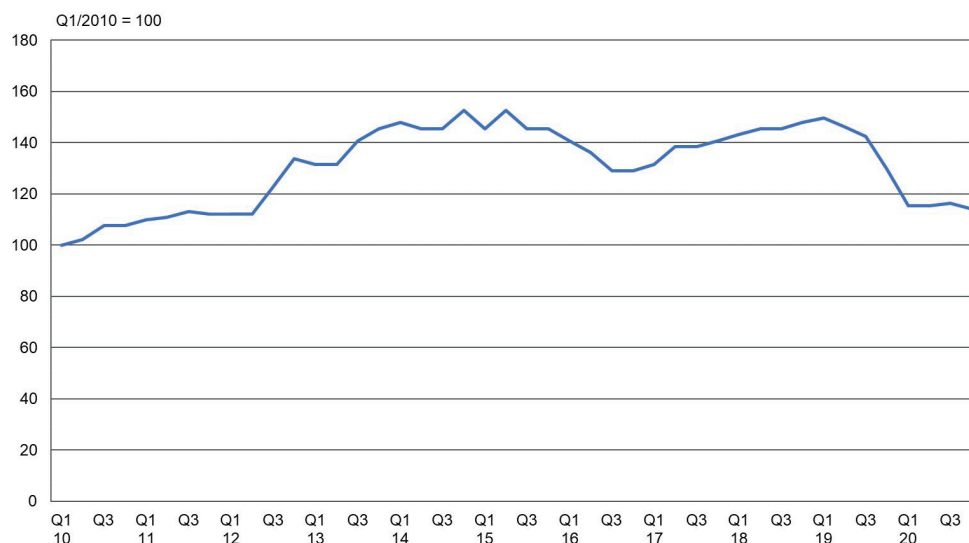
3.2 District serviced apartment market analysis

3.2.1 Wanchai district

Given the proximity to key office nodes in Hong Kong, many of the tenants are expatriates working for MNCs and the employees of Mainland Chinese firms. A majority of the tenants work in the banking and financial sectors or are professionals and consultants in other business service industries.

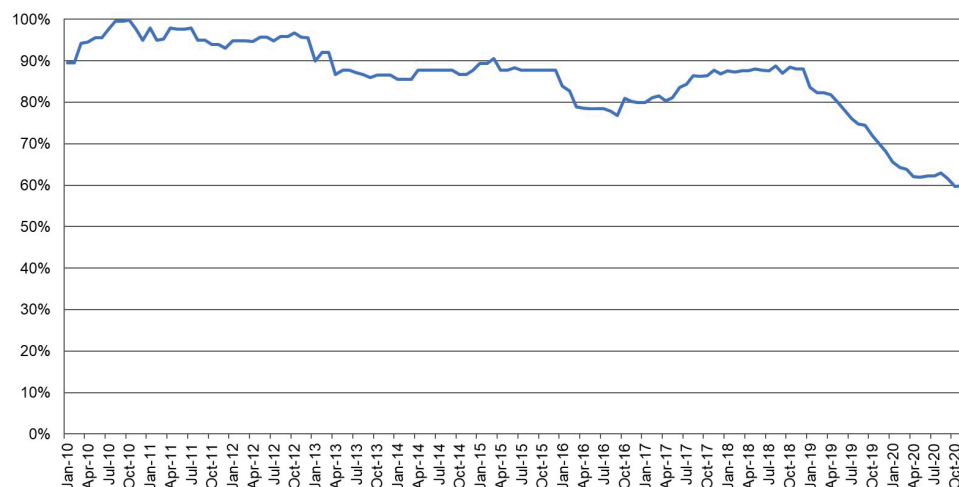
They prefer being close to office clusters in Wanchai/Causeway Bay and Central while also being near dining and entertainment areas, such as the bar and restaurant hub in Wanchai North and F&B and lifestyle hub “The East” along Queen’s Road East.

Wanchai serviced apartment rental indices, Q1/2010 – Q4/2020



Source: Savills Research and Consultancy

After the global financial crisis in 2009, serviced apartment rents in Wanchai surged 2010-2012, with a total increment of 33.8% over the 3 years. There was a major rental adjustment of -1.7% in 1H/2013 before rents continued to pick up. In 2013 and 2014, serviced apartment rents in the district were up by 8.8% and 4.8% respectively. After reaching a peak in 2010s, rents started to drop in Q3/2015 given the stock market sell-off in Hong Kong and Mainland China in Q2/2015. A declining rental trend took place until the third quarter of 2016. After the rental increase of 9.1% and 5.0% in 2017 and 2018 respectively, rents started to drop after reaching a recent peak in Q1/2019 due to the social unrest and an intensification of the US China trade war. Together with the effects of the pandemic, rents were down by 22.9% in Q2/2020 compared with their peak in Q1/2019.

Wanchai serviced apartment occupancy rate, Jan 2010 – Dec 2020

Source: Savills Research and Consultancy

During 2010-2012, serviced apartments in Wanchai maintained an average occupancy rate of over 90%. The average occupancy rate fell below 90% given the opening of new projects during 2013-2015. The occupancy rate then rebounded to levels close to 90% in 2018 after vacancy in new projects was gradually taken up.

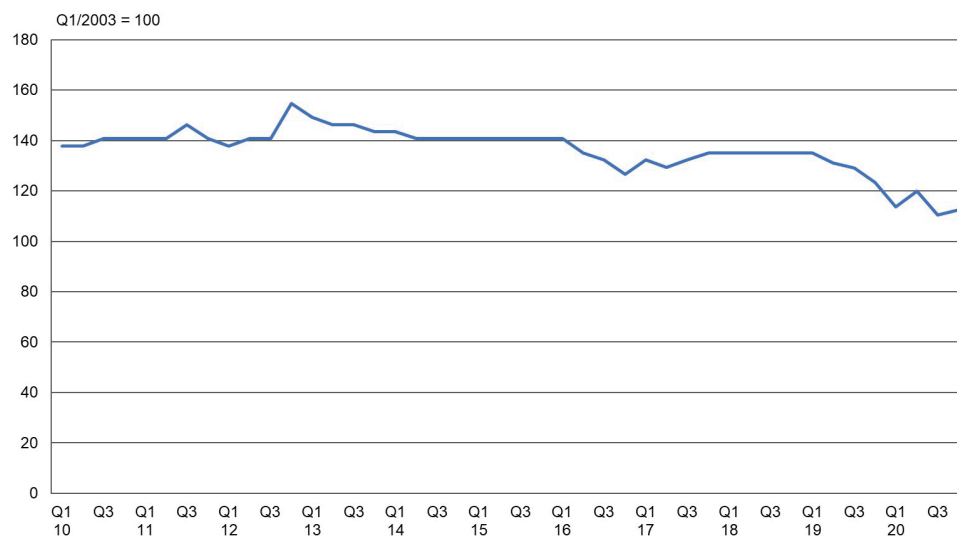
Along with the serviced apartment rents, the occupancy rate began to drop in early 2019, from 88% in December 2018 to 68% in December 2019. In 1H/2020, the occupancy rate continued to fall to reach 62% in June 2020. The rate was relatively stable over 2H/2020 and by the end of 2020, it had reached 60%.

3.2.2 *Happy Valley district*

Unlike the districts nearby (Wanchai and Causeway Bay), Happy Valley is not a business district but an upper-income residential area, with diverse residents. The area attracts tenants who prefer to enjoy a high level of privacy and a quiet living environment.

Happy Valley is a favourite among families as it is located within POA School Net 12 which consists of notable primary schools such as Marymount Primary School and St Paul's Primary Catholic School and international schools like ESF Bradbury School and French International School.

**Happy Valley (including Tai Hang) serviced apartment rental indices,
Q1/2010 – Q4/2020**



Source: Savills Research and Consultancy

Rents in Happy Valley were relatively stable and a rental increment of 12.2% was recorded during 2010-2012 when rents in overall Hong Kong and Wanchai were up by 23.0% and 33.8% respectively. After a rental decrease of 7.2% over 2013, rents were stable during 2014-2015. Happy Valley rents further dropped by 10% in 2016 when a stock market adjustment took place. After a slight rebound of 6.7% in 2017, rents remained flat until the social unrest and the US China trade war in the second quarter of 2019, which resulted in a yearly rental decrease of 8.7% in 2019. Rents continued their downward trend in 2020 when a rental decrease of 8.9% was recorded.

Happy Valley (including Tai Hang) serviced apartment occupancy rate, Jan 2010 – Dec 2020



Source: Savills Research and Consultancy

Average occupancy rates in Happy Valley were over 90% during 2010-2012 when rents were picking up. The average occupancy rate dropped below 90% together with a rental decrease in 2013. The occupancy remained above 80% during 2014-2015 before falling to 70% in 2016. Along with the market recovery in 2017 and 2018, the occupancy rate in Happy Valley hit above 70% until the start of 2019.

The occupancy rate started to decrease in Q2/2019 to reach 72% at the end of 2019. The downward trend resumed in 2020 to push the rate to an historical low of 60% in September 2020. The occupancy rate later rebounded slightly to 63% in December 2020.

3.3 Brief market outlook for the district

3.3.1 Wanchai district

After the opening of the proposed Exhibition Centre Station, the estimated journey time between Hung Hom Station and Exhibition Centre Station will be less than 5 minutes. This dramatically shortens the travel time from Wanchai to Kowloon. This will increase Wanchai's appeal given the enhanced accessibility.

Given the expansion of commercial space in Wanchai, amounting to 2.18 million sq ft in the coming few years, we expect the working population to show moderate growth and increase demand for serviced apartments in the district. In long-term, the redevelopment of Wanchai Government Office Buildings will provide additional space for convention and exhibition activity, Grade A office space and a hotel. This will create another landmark and further stimulate business activity in Wanchai.

3.3.2 Happy Valley district

With only one upcoming residential development in Happy Valley, the building profile of the district will remain the same. Development of Caroline Hill Road commercial site will not have a major impact on Happy Valley since it is more related to an extension of Causeway Bay commercial area. The tenant profile will be similar since the district appeals to those looking for a quiet environment with high levels of privacy.

If office decentralization, which means corporates moving out of Central to other districts on Hong Kong Island, still exists in the future as an occupier trend, it would be beneficial for the district if MNCs and corporates move to Wanchai/Causeway Bay which are business districts close to Happy Valley.

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 any one 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

Simon Smith

Regional Head of Research & Consultancy

Asia Pacific

A. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the year ended 31 March 2018, 31 March 2019 and 31 March 2020 and for the six months ended 30 September 2020 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 2018:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0709/ltm20180709311.pdf>

Annual report of the Company for the year ended 31 March 2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0702/ltm201907022442.pdf>

Annual report of the Company for the year ended 31 March 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0710/2020071000505.pdf>

Interim report of the Company for the six months ended 30 September 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1210/2020121000415.pdf>

B. INDEBTEDNESS

At the close of business on 15 March 2021 (being the latest practicable date for ascertaining information regarding this indebtedness statement), the Group had an aggregate outstanding indebtedness amounting to approximately HK\$2,174.4 million, which consists of:

Other borrowings

The Group had amounts due to non-controlling interests of a subsidiary of HK\$39.0 million which are unsecured, unguaranteed, interest-free and repayable at the discretion of non-controlling interests and availability of surplus fund of a subsidiary.

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 March 2021, the Group had total lease liabilities of approximately HK\$27.3 million.

Pledge of assets

- (i) Certain assets of the Group with carrying values of approximately HK\$2,044.7 million were pledged to two banks to secure for banking facilities of HK\$520.0 million in aggregate granted by banks to the Group and the banking facilities were not utilised at the close of business on 15 March 2021.
- (ii) The Group had a bank deposit of HK\$63.0 million pledged to a bank to secure a bank facility granted to an indirect wholly-owned subsidiary of the Company. The bank facility represents a bank guarantee of approximately MOP64.5 million (equivalent to approximately HK\$62.6 million) for the period up to 26 June 2023, which is made in favour of Sociedade de Jogos de Macau, 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 the service agreement between the indirect wholly-owned subsidiary of the Company and SJM dated 19 February 2010 (the “**2010 Service Agreement**”) (as supplemented by an addendum of the 2010 Service Agreement dated 4 May 2020).
- (iii) The Group also had a bank deposit of approximately HK\$0.4 million pledged to another 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 March 2021, 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.

C. WORKING CAPITAL

After taking into account the present internal financial resources available to the Group, including cash and bank balances as well as the available banking facilities, the Directors are of the opinion that the working capital available to the Group is sufficient for the Group’s requirement for at least 12 months from the date of this circular.

D. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the interim report of the Company for the six months ended 30 September 2020 in relation to the impact of the travel restrictions and health quarantine arrangements for inbound travellers due to the COVID-19 pandemic, 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 2020, being the date to which the latest audited consolidated financial statements of the Group were made up. However, the Board would like to emphasize that with the launch of vaccine and the relaxation of the quarantine measures within the Greater Bay Area, the Company expects the business operation will be gradually resumed.

E. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Company takes a positive stance towards the hospitality services particularly in Hong Kong and Macau, as these two cities are regarded as an integrated tourism hub of mainland visitors with synergies of shopping, fine dining, entertainment and leisure facilities, targeting mass tourists as well as big spenders of mainland Chinese in the long-run. Besides, Hong Kong remains the key gateway for access to China's capital markets. Coupled with its ongoing integration with the Greater Bay Area, the business travels will lay a strong foundation for the further expansion of the hospitality sector.

Since the COVID-19 pandemic has been substantially contained in China so far, China is expected to reap the greatest benefits when the market returns to normal and the suppressed outbound travel demand is released. Supported by the expansion of the middle income group and more comprehensive transportation linkages, it will benefit the hospitality sector in Hong Kong as well as Macau, given that the travelers always include both cities in one single itinerary due to the close proximity while having distinct characteristics yet complementary positioning.

The Company expects that a travel bubble will be launched soon, and the mainland visitors are likely to travel to nearby destinations. With the Enlarged Group strategically owning several hotels and serviced apartments in Hong Kong and Macau, it will be able to carry out an integrated marketing strategy for its hospitality business as a whole, and provide a unique service to travelers traveling between these two cities by implementing joint promotional schemes. As the vaccination programmes are rolling out globally, it is expected that travel restrictions will be lifted gradually. With the Enlarged Group's strengthened footprint in Hong Kong and Macau, it is well prepared for the tourism rebound and recovery of consumption sentiment, and is confident regarding the sector outlook and the long-term development of the Enlarged Group.

As at Latest Practicable Date, the Company has no intention or plan for equity fund raising in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct equity fund raising when suitable fund raising opportunities arise in order to support the future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

The following is the text of a report set out on pages IV-1 to IV-65, 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 POLY KEEN INTERNATIONAL LIMITED AND ITS SUBSIDIARIES TO THE DIRECTORS OF EMPEROR ENTERTAINMENT HOTEL LIMITED

Introduction

We report on the historical financial information of Poly Keen International Limited ("**Poly Keen**") and its subsidiaries (collectively referred to as "**Poly Keen Group**") set out on pages IV-4 to IV-65, which comprises the consolidated statements of financial position of Poly Keen Group as at 31 March 2018, 2019, 2020 and 31 January 2021, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Poly Keen Group for each of the three years ended 31 March 2020 and the ten months ended 31 January 2021 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IV-4 to IV-65 forms an integral part of this report, which has been prepared for inclusion in the circular of Emperor Entertainment Hotel Limited (the "**Company**") dated 30 April 2021 (the "**Circular**") in connection with acquisition of 100% equity interest in Poly Keen.

Director's responsibility for the Historical Financial Information

The sole director of Poly Keen 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 sole director of Poly Keen determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of Poly Keen 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.

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 sole director of Poly Keen, 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 Poly Keen Group's financial position as at 31 March 2018, 2019, 2020, and 31 January 2021 and of Poly Keen 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.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Poly Keen Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the ten months ended 31 January 2020 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Poly Keen is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing (the "**HKSAs**") and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, 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-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends declared and paid by Poly Keen's subsidiaries during the Relevant Periods and states that no dividends were declared or paid by Poly Keen in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 April 2021

HISTORICAL FINANCIAL INFORMATION OF POLY KEEN

Preparation of Historical Financial Information

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

The consolidated financial statements of Poly Keen Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA and were audited by us, in accordance with HKSAs issued by the HKICPA (“**Underlying Financial Statements**”).

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.

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Ten months ended 31 January	
		2018	2019	2020	2020	2021
	NOTES	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
Revenue						
Contracts with customers	5(a)	79,233	135,864	83,670	77,909	41,074
Leases	5(b)	8,794	17,954	18,251	15,345	12,948
Total revenue		88,027	153,818	101,921	93,254	54,022
Cost of sales		(10,909)	(12,411)	(17,666)	(15,188)	(14,120)
Cost of hotel operations		(50,296)	(58,010)	(49,862)	(43,819)	(32,104)
Direct operating expenses in respect of leasing of investment properties		(1,583)	(2,199)	(8,680)	(1,045)	(7,483)
Gross profit		25,239	81,198	25,713	33,202	315
Fair value changes of investment properties		58,652	12,800	24,776	65,000	(69,000)
Other income		9,001	12,007	2,671	2,671	8,725
Other gains and losses	7	–	(28,548)	600,421	600,421	(13)
Selling and marketing expenses		(4,233)	(17,109)	(10,600)	(9,758)	(2,810)
Administrative expenses		(30,687)	(61,735)	(69,661)	(64,568)	(57,501)
Finance costs	8	(21,739)	(47,803)	(52,465)	(44,101)	(30,598)
Profit (loss) before taxation	9	36,233	(49,190)	520,855	582,867	(150,882)
Taxation (charge) credit	10	(626)	(90)	10,240	8,664	74
Profit (loss) for the year/period		35,607	(49,280)	531,095	591,531	(150,808)
Profit (loss) for the year/period attributable to:						
Owners of Poly Keen		35,607	(49,280)	531,697	592,199	(150,591)
Non-controlling interests		–	–	(602)	(668)	(217)
		35,607	(49,280)	531,095	591,531	(150,808)

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 March			At 31 January
		2018	2019	2020	2021
	NOTES	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment properties	13	739,600	752,400	584,000	515,000
Property, plant and equipment	14	1,851,537	1,825,973	1,569,604	1,523,457
Deposits paid for acquisition of investment properties/property, plant and equipment		8,851	18,792	1,698	8,577
		<u>2,599,988</u>	<u>2,597,165</u>	<u>2,155,302</u>	<u>2,047,034</u>
Current assets					
Inventories		571	446	605	601
Trade and other receivables	15	6,144	9,988	7,484	7,072
Taxation recoverable		818	499	218	218
Amounts due from fellow subsidiaries	16	28,310	–	16,807	–
Bank balances and cash	17	5,398	27,164	30,152	36,297
		<u>41,241</u>	<u>38,097</u>	<u>55,266</u>	<u>44,188</u>
Current liabilities					
Trade and other payables	18	59,998	25,558	29,401	12,272
Amounts due to fellow subsidiaries	19	1,225,042	1,372,136	436,133	1,330,796
Amount due to non-controlling interests of a subsidiary	20	–	–	2,090	2,090
Taxation payable		–	128	5,835	8
Bank borrowings – due within one year	21	843,080	14,880	23,880	877,778
		<u>2,128,120</u>	<u>1,412,702</u>	<u>497,339</u>	<u>2,222,944</u>
Net current liabilities		<u>(2,086,879)</u>	<u>(1,374,605)</u>	<u>(442,073)</u>	<u>(2,178,756)</u>
Total assets less current liabilities		<u>513,109</u>	<u>1,222,560</u>	<u>1,713,229</u>	<u>(131,722)</u>

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

		At 31 March			At
		2018	2019	2020	31 January
	NOTES	HK\$'000	HK\$'000	HK\$'000	2021
					HK\$'000
Non-current liabilities					
Bank borrowings – due after one year	21	201,527	960,380	936,500	63,132
Deferred taxation	22	<u>16,761</u>	<u>16,639</u>	<u>85</u>	<u>–</u>
		<u>218,288</u>	<u>977,019</u>	<u>936,585</u>	<u>63,132</u>
		<u>294,821</u>	<u>245,541</u>	<u>776,644</u>	<u>(194,854)</u>
Capital and reserves					
Share capital	23	–*	–*	–*	–*
Reserves		<u>294,821</u>	<u>245,541</u>	<u>777,238</u>	<u>(194,043)</u>
Equity attributable to owners of					
Poly Keen		294,821	245,541	777,238	(194,043)
Non-controlling interests		<u>–</u>	<u>–</u>	<u>(594)</u>	<u>(811)</u>
		<u>294,821</u>	<u>245,541</u>	<u>776,644</u>	<u>(194,854)</u>

* Less than HK\$1,000

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Poly Keen				
	Share capital	Retained profits (accumulated losses)	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2017	—*	261,314	261,314	—	261,314
Profit and total comprehensive income for the year	—	35,607	35,607	—	35,607
Dividend paid (<i>note 11</i>)	—	(2,100)	(2,100)	—	(2,100)
At 31 March 2018	—*	294,821	294,821	—	294,821
Loss and total comprehensive expense for the year	—	(49,280)	(49,280)	—	(49,280)
At 31 March 2019	—*	245,541	245,541	—	245,541
Profit (loss) and total comprehensive income (expense) for the year	—	531,697	531,697	(602)	531,095
Capital contribution from non-controlling interests of a subsidiary	—	—	—	8	8
At 31 March 2020	—*	777,238	777,238	(594)	776,644
Loss and total comprehensive expense for the period	—	(150,591)	(150,591)	(217)	(150,808)
Adjustments arising from group reorganisation (<i>note 2</i>)	—*	—	—*	—	—*
Dividends paid (<i>note 11</i>)	—	(820,690)	(820,690)	—	(820,690)
At 31 January 2021	—*	(194,043)	(194,043)	(811)	(194,854)
At 1 April 2019	—*	245,541	245,541	—	245,541
Profit (loss) and total comprehensive income (expense) for the period (unaudited)	—	592,199	592,199	(668)	591,531
Capital contribution from non-controlling interest of a subsidiary	—	—	—	8	8
At 31 January 2020 (unaudited)	—*	837,740	837,740	(660)	837,080

* Less than HK\$1,000

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Ten months ended 31 January	
	2018	2019	2020	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Operating activities					
Profit (loss) before taxation	36,233	(49,190)	520,855	582,867	(150,882)
Adjustments for:					
Interest expenses	21,564	46,892	52,465	44,101	30,598
Depreciation of property, plant and equipment	24,733	27,295	53,706	44,331	46,337
Fair value changes of investment properties	(58,652)	(12,800)	(24,776)	(65,000)	69,000
Impairment allowance recognised					
for trade receivables	–	182	–	–	–
Loss (gain) on disposal/write-off of property, plant and equipment	–	56	(600,421)	(600,421)	13
Write-off of inventories	–	72	–	–	–
Write-off of an amount due from a fellow subsidiary	–	28,310	–	–	–
Operating cash flows before movements in working capital	23,878	40,817	1,829	5,878	(4,934)
(Increase) decrease in inventories	(35)	53	(159)	(200)	4
(Increase) decrease in trade and other receivables	(1,803)	(4,026)	2,504	(2,379)	412
(Decrease) increase in trade and other payables	(9,922)	3,057	(4,306)	(2,229)	508
Cash generated from (used in) operations	12,118	39,901	(132)	1,070	(4,010)
Income tax (paid) refunded	(1,168)	235	(326)	(326)	(5,838)
Net cash from (used in) operating activities	10,950	40,136	(458)	744	(9,848)

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

	Year ended 31 March			Ten months ended 31 January	
	2018	2019	2020	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Investing activities					
Acquisition of investment properties and costs incurred for investment properties under development	–	(4,581)	(5,694)	(4,904)	–
Acquisition of property, plant and equipment	(122,378)	(35,979)	(40,523)	(38,514)	(17,749)
Advances to fellow subsidiaries	(62)	–	–	–	–
Deposits paid on acquisition of investment properties/property, plant and equipment	(220)	(9,941)	(517)	(511)	(6,879)
Repayments from fellow subsidiaries	–	–	–	–	–
Proceeds from disposal of property, plant and equipment	–	32	–	–	–
Net cash used in investing activities	(122,660)	(50,469)	(46,734)	(43,929)	(24,628)
Financing activities					
New bank borrowings raised	161,000	988,000	–	–	–
Capital contribution from non-controlling interests of a subsidiary	–	–	8	8	–
Repayments of bank borrowings	(13,080)	(1,057,347)	(14,880)	(14,880)	(19,470)
Interest paid	(20,319)	(28,245)	(33,693)	(28,676)	(15,946)
Advance from non-controlling interests of a subsidiary	–	–	2,090	2,090	–
Advances from fellow subsidiaries	82,113	129,691	96,655	85,259	82,156
Repayment to fellow subsidiaries	(102,945)	–	–	–	(6,119)
Net cash from financing activities	106,769	32,099	50,180	43,801	40,621
Net (decrease) increase in cash and cash equivalents	(4,941)	21,766	2,988	616	6,145
Cash and cash equivalents at beginning of the year/period	10,339	5,398	27,164	27,164	30,152
Cash and cash equivalents at end of the year/period, representing bank balances and cash	5,398	27,164	30,152	27,780	36,297

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF POLY KEEN**1. GENERAL INFORMATION**

Poly Keen is a limited company incorporated in British Virgin Islands (“BVI”). Poly Keen’s immediate holding company is Emperor Hotel Group Limited (“**Emperor Hotel Group**”), a limited liability company incorporated in BVI. An intermediate holding company of Poly Keen is Emperor International Holdings Limited (“**EIHL**”), an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The ultimate holding company of Poly Keen is Albert Yeung Holdings Limited, a limited liability company incorporated in BVI which is in turn held by First Trust Services GmbH, 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 Poly Keen is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI and the correspondence address of Poly Keen is 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.

The Historical Financial Information is presented in Hong Kong dollars, which is the functional currency of Poly Keen.

Poly Keen is an investment holding company. The principal activities of its principal subsidiaries are set out in note 31.

Going Concern Assumption

The sole director of Poly Keen has given careful consideration to the going concern of Poly Keen Group in light of the fact that as of 31 January 2021, Poly Keen Group’s and Poly Keen’s current liabilities exceeded its current assets by HK\$2,178,756,000 and HK\$146,000, respectively.

The intermediate holding company, EIHL agreed to provide unconditional financial support to the Poly Keen 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 100% equity interests in Poly Keen Group (the “**Proposed Acquisition**”) became successful, to provide sufficient funds to Poly Keen Group so that Poly Keen Group will be able to meet all current obligations as they fall due in the coming twelve months after the date of this report.

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

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 3 which conform with HKFRSs issued by the HKICPA and the principle of merger accounting.

During the Relevant Periods, Poly Keen Group, comprising Poly Keen, Able Elegant Development Limited (“**Able Elegant**”), Brilliant Key Investments Limited (“**Brilliant Key**”), Emperor Hotel Holdings Limited (“**EHHL**”), Emperor Hotel Management Limited (“**Emperor Hotel Management**”), Mori Investments Limited (“**Mori Investments**”), MORI MORI Serviced Apartments Limited (“**MORI MORI**”), Motive Drive Limited (“**Motive Drive**”), Prime Summit Investment Limited (“**Prime Summit**”), Parkmost Limited (“**Parkmost**”), The Emperor Hotel Limited (“**E Hotel**”) and The Unit Serviced Apartments Limited (“**USAL**”) were controlled by EIHL.

In preparing for the Proposed Acquisition, the companies comprising Poly Keen Group underwent a group reorganisation on 29 January 2021 as described below (“**Group Reorganisation**”).

- (i) Emperor Property Investment Limited (“**EPIL**”) transferred 1 share of EHHL, representing 100% of its issued share capital, to Poly Keen at a consideration of US\$1.00. EHHL is holding 100% of Motive Drive. As a result, EHHL and Motive Drive become wholly-owned subsidiaries of Poly Keen.
- (ii) EPIL transferred 1 share of Prime Summit, representing 100% of its issued share capital, to Poly Keen at a consideration of US\$1.00. Prime Summit is holding 100% of Parkmost. As a result, Prime Summit and Parkmost become wholly-owned subsidiaries of Poly Keen.
- (iii) EPIL transferred 1 share of Brilliant Key, representing 100% of its issued share capital, to Poly Keen at a consideration of US\$1.00. Brilliant Key is holding 100% of Mori Investments. As a result, Brilliant Key and Mori Investments become wholly-owned subsidiaries of Poly Keen.
- (iv) Emperor Hotel Group transferred 2 shares of Emperor Hotel Management, representing 100% of its issued shares, to Poly Keen at a consideration of HK\$2.00. As a result, Emperor Hotel Management becomes a wholly-owned subsidiary of Poly Keen.
- (v) Emperor Hotel Group transferred 1 share of MORI MORI, representing 100% of its issued shares, to Poly Keen at a consideration of HK\$1.00. As a result, MORI MORI becomes a wholly-owned subsidiary of Poly Keen.
- (vi) Emperor Hotel Group transferred 1 share of E Hotel, representing 100% of its issued shares, to Poly Keen at a consideration of HK\$1.00. As a result, E Hotel becomes a wholly-owned subsidiary of Poly Keen.
- (vii) Emperor Hotel Group transferred 2 shares of USAL, representing 100% of its issued shares, to Poly Keen at a consideration of HK\$2.00. As a result, USAL becomes a wholly-owned subsidiary of Poly Keen.

Since Poly Keen Group resulting from the Group Reorganisation has always been under the common control of EIHL throughout the Relevant Periods regardless of the actual dates when they formally and legally became subsidiaries of Poly Keen, therefore, Poly Keen Group is regarded as a continuing entity and merger accounting has been applied for the preparation of the Historical Financial Information as if Poly Keen has always been the holding company of Poly Keen Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of Poly Keen Group for each of the three years ended 31 March 2018, 2019 and 2020 and the ten months ended 31 January 2021 include the results, changes in equity and cash flows of Poly Keen Group as if the group structure after the completion of the reorganisation had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, where there is a shorter period.

The consolidated statements of financial position of Poly Keen Group as at 31 March 2018, 2019 and 2020 have been prepared to present the assets and liabilities of Poly Keen Group, as if the group structure after the completion of the reorganisation had been in existence at those dates taking into account their respective dates of incorporation, where applicable.

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

The Historical Financial Information has been prepared for inclusion in the circular of Emperor Entertainment Hotel Limited dated 30 April 2021 in connection with acquisition of 100% equity interest in Poly Keen.

Application of HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Poly Keen Group has consistently adopted accounting policies which conform with the HKFRSs effective for annual periods beginning on or after 1 April 2020, including HKFRS 15 Revenue from Contracts with Customers (“**HKFRS 15**”) and the related amendments throughout the Relevant Periods, except that Poly Keen Group adopted HKFRS 9 Financial Instruments (“**HKFRS 9**”) on 1 April 2018 and HKFRS 16 Leases (“**HKFRS 16**”) on 1 April 2019 and early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions on 1 April 2020 and adopted HKAS 39 Financial Instruments: Recognition and Measurement (“**HKAS 39**”) for the year ended 31 March 2018 and HKAS 17 Leases (“**HKAS 17**”) for each of the years ended 31 March 2018 and 2019.

HKFRS 9 Financial instruments and the related amendments

On 1 April 2018, Poly Keen Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and liabilities, 2) expected credit losses (“**ECL**”) for financial assets and lease receivables and (3) general hedge accounting.

Poly Keen Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating the historical financial information for the year ended 31 March 2018.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9***(a) Impairment under ECL model***

Poly Keen Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. The ECL on these receivables are assessed individually.

ECL for other financial assets at amortised cost, including other receivables, amounts due from fellow subsidiaries and bank balances are assessed on 12-months expected credit loss ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, no additional credit loss allowance has been recognised against retained profits. Further assessment is set out in note 25.

HKFRS 16 Leases

Poly Keen Group has applied HKFRS 16 on 1 April 2019. HKFRS 16 superseded HKAS 17, and the related interpretations.

Definition of a lease

Poly Keen Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Poly Keen Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, Poly Keen Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

Poly Keen Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, Poly Keen Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months from the date of initial application; and
- ii used hindsight based on facts and circumstances as at date of initial application in determining the lease term for Poly Keen Group's leases with extension and termination options.

As a lessor

In accordance with the transitional provisions in HKFRS 16, Poly Keen Group is not required to make any adjustment on transition for leases in which Poly Keen Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on Poly Keen Group's consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and the discounting effect is insignificant at transition.

The applications of HKFRS 16 has had no material impact on Poly Keen Group as a lessor on the consolidated statement of financial position as at 1 April 2019.

Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

Poly Keen Group has applied the amendment for the first time in the ten months ended 31 January 2021. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the coronavirus disease ("**Covid-19**") that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The applications of HKFRS 16 Covid-19-Related Rent Concessions has had no material impact on Poly Keen Group on the consolidated statement of financial position as at 1 April 2020.

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

New and amendments to HKFRSs that have been issued but not yet effective

HKFRS 17	Insurance Contracts and the related Amendments ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ³

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 April 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ Effective for annual periods beginning on or after a date to be determined

The management of Poly Keen Group anticipates that the application of the new and amendments to HKFRSs will have no material impact on the Historical Financial Information in the foreseeable future.

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Poly Keen Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Historical Financial Information incorporate the financial statements of Poly Keen and entities controlled by Poly Keen. Control is achieved when Poly Keen:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Poly Keen Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Poly Keen Group obtains control over the subsidiary and ceases when Poly Keen Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date Poly Keen Group gains control until the date when Poly Keen Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Poly Keen Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Poly Keen Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from Poly Keen Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

Revenue from contracts with customers

Poly Keen Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Poly Keen Group's performance as Poly Keen Group performs;
- Poly Keen Group's performance creates or enhances an asset that the customer controls as Poly Keen Group performs; or
- Poly Keen Group's performance does not create an asset with an alternative use to Poly Keen Group and Poly Keen Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations including bundle sales for hotel accommodation and food and beverage, Poly Keen Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which Poly Keen Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, Poly Keen Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which Poly Keen Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation***Output method***

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict Poly Keen Group's performance in transferring control of services.

Revenue recognition

Poly Keen Group provides hotel room to customers. The performance obligation represents provision of hotel accommodation services for customers. Revenue from hotel room is recognised as a performance obligation satisfied over time as Poly Keen Group is entitled to receive its income according to the relevant operating performance from the customers and the customers simultaneously receives and consumes the benefits provided by Poly Keen Group's performance as Poly Keen Group performs.

The transaction price of food and beverage is the net amount collected from the customer for such goods. The transaction price for such transactions is recorded as revenue when the good is transferred to the customer. There is no other separate performance obligation identified except for delivery of goods. The revenue on food and beverage sales is recognised as revenue when the food and beverage are delivered and titles have been passed.

Poly Keen Group has other contracts that include multiple goods and services, such as packages that bundle food and beverage and other services with hotel stays. For such arrangements, Poly Keen Group allocates revenue to each good or service based on its relative stand-alone selling price. Poly Keen Group primarily determines the stand-alone selling price of hotel rooms, food and beverage, and retail goods and services based on the amount that Poly Keen Group charges when each is sold separately in similar circumstances to similar customers.

Leases***Poly Keen Group as a lessee (prior to 1 April 2019)***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Definition of a lease (upon application of HKFRS 16 on or after 1 April 2019)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, Poly Keen Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Poly Keen Group as a lessee (upon application of HKFRS 16 on or after 1 April 2019)

Poly Keen Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

Poly Keen Group applies the short-term lease recognition exemption to leases of leasehold land and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Poly Keen Group as a lessor***Classification and measurement of leases***

Leases for which Poly Keen Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from Poly Keen Group's ordinary course of business are presented as revenue.

Poly Keen Group as a lessor (upon application of HKFRS 16 on or after 1 April 2019)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, Poly Keen Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

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.

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.

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

Government grants

Government grants are not recognised until there is reasonable assurance that Poly Keen Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which Poly Keen Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to Poly Keen Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Inventories

Inventories represent catering goods and consumables and are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Poly Keen Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each 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 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 differences arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where Poly Keen Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 year 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 each reporting period.

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of Poly Keen Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 Income Taxes (i.e. based on the expected manner as to how the properties will be recovered).

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, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including investment properties under development for such purposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accounted operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under development are capitalised as part of the carrying amount of the investment properties under development.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Hotel properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Poly Keen Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment loss on property, plant and equipment

At the end of the reporting period, Poly Keen Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment are estimated individually. When it is not possible to estimate the recoverable amount individually, Poly Keen Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, Poly Keen Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. 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 except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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 (before application of HKFRS 9 on 1 April 2018)***

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from fellow subsidiaries and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include Poly Keen Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on the receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and amounts due from fellow subsidiaries where the carrying amounts are reduced through the use of allowance accounts. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable and amounts due from fellow subsidiaries is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 on or after 1 April 2018)

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 instrument 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.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (upon application of HKFRS 9 on or after 1 April 2018)

Poly Keen Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, amounts due from fellow subsidiaries and bank balances), and lease receivables which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on Poly Keen Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Poly Keen Group always recognises lifetime ECL for trade receivables and lease receivables under simplified approach.

For all other instruments, Poly Keen Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case Poly Keen Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Poly Keen Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, Poly Keen Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Poly Keen Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless Poly Keen Group has reasonable and supportable information that demonstrates otherwise.

Poly Keen Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Poly Keen Group considers an event occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Poly Keen Group, in full (without taking into account any collaterals held by Poly Keen Group).

Irrespective of the above, Poly Keen Group considers that default has occurred when a financial asset is more than 90 days past due unless Poly Keen Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Poly Keen Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under Poly Keen Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Poly Keen Group in accordance with the contract and the cash flows that Poly Keen Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flow used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (prior to 1 April 2019).

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Poly Keen Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

Poly Keen Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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 liabilities. Equity instruments issued by Poly Keen Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to fellow subsidiaries, amount due to non-controlling interests of a subsidiary and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

Poly Keen Group derecognises a financial liability when, and only when, Poly Keen 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Poly Keen Group's accounting policies, which are described in note 3, the management of Poly Keen 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 associated 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.

Critical judgement in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the management of Poly Keen Group has made in the process of applying Poly Keen Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or assets arising from investment properties that are measured using the fair value model, the management of Poly Keen Group has reviewed Poly Keen Group's investment properties portfolios and concluded that the Poly Keen Group's investment properties located in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in these investment properties over time, rather than through sale. Therefore, in measuring Poly Keen Group's deferred taxation in investment properties, the management of Poly Keen Group has determined that the presumption that the carrying amounts of the investment properties located in Hong Kong measuring using the fair value model are recovered entirely through sale is not rebutted. As a result, Poly Keen Group has not recognised any deferred taxes on changes in fair value of the investment properties situated in Hong Kong, as it is expected that Poly Keen Group will not subject to any income taxes on disposal of its investment properties situated in Hong Kong.

Key sources of estimation uncertainty

The followings are the key assumptions 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.

Valuation of investment properties

The investment properties of HK\$739,600,000, HK\$752,400,000, HK\$584,000,000 and HK\$515,000,000 as at 31 March 2018, 2019, 2020 and 31 January 2021 respectively are measured at fair value. The amounts are based on valuation on these properties conducted by the independent firms of qualified professional property valuers (the “**Valuers**”) using property valuation techniques which are dependent on key inputs and significant assumptions that involve judgements. The relevant inputs and conditions include:

- comparable market transactions with adjustments to reflect different locations or conditions for investment properties; and
- comparable market rents and transactions, occupancy rate and discount rate.

The basis of valuation is disclosed in note 13. Changes to these assumptions and inputs would result in changes in the fair value of Poly Keen Group’s investment properties and corresponding adjustments to the amount of gain or loss reported in the profit or loss.

In estimating the fair value of Poly Keen Group’s investment properties, Poly Keen Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Poly Keen Group engages the Valuers to perform the valuation of Poly Keen Group’s investment properties. At the end of each reporting period, a designated team works closely with the Valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. Poly Keen Group will first consider and adopt Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, Poly Keen Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the management of Poly Keen Group.

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

5. REVENUE

An analysis of Poly Keen Group's revenue is as follows:

(a) Contracts with customers

	Year ended 31 March			Ten months ended 31 January	
	2018	2019	2020	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Recognised over time:					
Hotel room income	43,716	93,699	53,391	50,133	25,434
Recognised at a point in time:					
Food and beverage sales	34,304	40,936	28,817	26,800	14,891
Other hotel operation income	1,213	1,229	1,462	976	749
	35,517	42,165	30,279	27,776	15,640
Revenue from contracts with customers	79,233	135,864	83,670	77,909	41,074

All sales or services rendered are for contracts with an original periods of one year or less. As a practical expedient permitted under HKFRS 15, the transaction price allocated to these performance obligations is not disclosed.

(b) Leases

	Year ended 31 March 2020	Ten months ended 31 January 2020 2021	
	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	
Total revenue arising from leases:			
For operating leases:			
Lease payments that are fixed	18,251	15,345	12,948
		Year ended 31 March	
		2018 2019	
		HK\$'000 HK\$'000	
Total revenue arising from leases:			
Operating lease income – property		8,794	17,954

No contingent rental is included in the operating lease income.

6. SEGMENT INFORMATION

Poly Keen Group's operating and reportable segments are lease of properties and hotel and hotel related operations for the purpose of resource allocation and assessment of performance.

The segment information reported externally was analysed on the basis of their products and services supplied by Poly Keen Group's operating divisions which is consistent with the internal information that is regularly reviewed by the management of Poly Keen Group, the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in Poly Keen Group, whereby the management of Poly Keen Group has chosen to organise Poly Keen Group around differences in products and services.

Principal activities of the operating and reportable segments are as follows:

Lease of properties Investment properties in Hong Kong held for rental purpose

Hotel and hotel related operations Hotel and hotel related operations in Hong Kong

The CODM review the hotel and hotel related operations in Hong Kong and hence they are grouped and identified as a single operating segment – hotel and hotel related operations.

The accounting policies of the operating and reportable segments are the same as Poly Keen Group's accounting policies described in note 3. Segment results represent the profit earned by or loss suffered from each segment without allocation of central administration costs, finance costs and unallocated other gains and losses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Information regarding the above segments is reported below:

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

For the year ended 31 March 2018

Segment revenue and results

	Lease of properties <i>HK\$'000</i>	Hotel and hotel related operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
– from external customers	8,794	79,233	88,027
Segment results	64,894	(6,903)	57,991
Corporate expenses			(19)
Finance costs			(21,739)
Profit before taxation			36,233
Taxation charge			(626)
Profit for the year			35,607

Other information

Amounts included in the measure of segment results:

Depreciation of property, plant and equipment	1,819	22,914	24,733
Fair value increment in investment properties	58,652	–	58,652

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For the year ended 31 March 2019

Segment revenue and results

	Lease of properties <i>HK\$'000</i>	Hotel and hotel related operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
– from external customers	17,954	135,864	153,818
Segment results	23,538	18,995	42,533
Corporate expenses			(15,610)
Unallocated other gains and losses			(28,310)
Finance costs			(47,803)
Loss before taxation			(49,190)
Taxation charge			(90)
Loss for the year			(49,280)

Other information

Amounts included in the measure of segment results:

Depreciation of property, plant and equipment	6,125	21,170	27,295
Fair value increment in investment properties	12,800	–	12,800
Impairment allowance recognised for			
trade receivables	49	133	182
Write-off of inventories	–	72	72
Loss on disposal/write-off of property, plant and equipment	–	56	56

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

For the year ended 31 March 2020

Segment revenue and results

	Lease of properties <i>HK\$'000</i>	Hotel and hotel related operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
– from external customers	18,251	83,670	101,921
Segment results	31,622	551,676	583,298
Corporate expenses			(9,978)
Finance costs			(52,465)
Profit before taxation			520,855
Taxation credit			10,240
Profit for the year			531,095

Other information

Amounts included in the measure of segment results:

Depreciation of property, plant and equipment	6,134	47,572	53,706
Fair value increment in investment properties	24,776	–	24,776
Gain on disposal of property, plant and equipment	–	600,421	600,421

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

For the ten months ended 31 January 2020 (unaudited)

Segment revenue and results

	Lease of properties <i>HK\$'000</i>	Hotel and hotel related operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
– from external customers	15,345	77,909	93,254
Segment results	70,801	564,484	635,285
Corporate expenses			(8,317)
Finance costs			(44,101)
Profit before taxation			582,867
Taxation credit			8,664
Profit for the period			591,531

Other information

Amounts included in the measure of segment results:

Depreciation of property, plant and equipment	5,112	39,219	44,331
Fair value increment in investment properties	65,000	–	65,000
Gain on disposal of property, plant and equipment	–	600,421	600,421

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

For the ten months ended 31 January 2021

Segment revenue and results

	Lease of properties <i>HK\$'000</i>	Hotel and hotel related operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
– from external customers	12,948	41,074	54,022
Segment results	(65,555)	(45,201)	(110,756)
Corporate expenses			(9,528)
Finance costs			(30,598)
Loss before taxation			(150,882)
Taxation credit			74
Loss for the period			(150,808)

Other information

Amounts included in the measure of segment results:

Government grants	–	8,725	8,725
Depreciation of property, plant and equipment	4,967	41,370	46,337
Fair value decrement in investment properties	69,000	–	69,000
Loss on disposal/write-off of property, plant and equipment	13	–	13

No analysis of Poly Keen Group's assets and liabilities by operating and reportable segments is disclosed as it is not regularly provided to the CODM for review.

Other than the segment information disclosed above, there was no other information reviewed by the CODM for the years ended 31 March 2018, 2019 and 2020, and the ten months ended 31 January 2020 and 2021.

Geographical information

Poly Keen Group's revenue was derived principally in Hong Kong.

The non-current assets are all located in Hong Kong.

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

Information about major customer

During the Relevant Periods, no single customer contributed over 10% of the Poly Keen Group's total revenue.

7. OTHER GAINS AND LOSSES

	Year ended 31 March			Ten months ended 31 January	
	2018	2019	2020	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Impairment allowance recognised for trade receivables	–	(182)	–	–	–
Write-off of an amount due from a fellow subsidiary (Note)	–	(28,310)	–	–	–
(Loss) gain on disposal/write-off of property, plant and equipment (<i>note 14</i>)	–	(56)	600,421	600,421	(13)
	<u>–</u>	<u>(28,548)</u>	<u>600,421</u>	<u>600,421</u>	<u>(13)</u>

Note: During the year ended 31 March 2019, Poly Keen Group has written off the amount due from a fellow subsidiary upon deregistration of its subsidiary.

8. FINANCE COSTS

	Year ended 31 March			Ten months ended 31 January	
	2018	2019	2020	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Interests on:					
– bank borrowings	20,276	29,489	32,319	27,312	15,855
– amounts due to fellow subsidiaries	10,284	17,403	20,146	16,789	14,743
	<u>30,560</u>	<u>46,892</u>	<u>52,465</u>	<u>44,101</u>	<u>30,598</u>
Less: Amount capitalised in the cost of qualifying assets (<i>Note</i>)	<u>(8,996)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	21,564	46,892	52,465	44,101	30,598
Bank charges	<u>175</u>	<u>911</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>21,739</u>	<u>47,803</u>	<u>52,465</u>	<u>44,101</u>	<u>30,598</u>

Note: The capitalised borrowing costs represent the borrowing costs incurred by a subsidiary on borrowing raised specifically for the hotel properties under construction during the year ended 31 March 2018.

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

9. PROFIT (LOSS) BEFORE TAXATION

	Year ended 31 March			Ten months ended 31 January	
	2018	2019	2020	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit (loss) before taxation has been arrived at after charging or (crediting):					
Directors' remuneration (<i>Note i</i>)	–	–	–	–	–
Other staff costs	41,526	55,284	42,106	37,262	26,655
Other staff's retirement benefit scheme contributions	1,585	2,213	1,847	1,456	1,454
Total staff costs	43,111	57,497	43,953	38,718	28,109
Auditor's remuneration	218	309	385	313	347
Write-off of inventories (included in cost of hotel operations)	–	72	–	–	–
Depreciation of property, plant and equipment	24,733	27,295	53,706	44,331	46,337
Operating lease rental in respect of rented premise	128	228	–	–	–
Expenses relating to short-term leases	–	–	394	320	241
Government grants (<i>Note ii</i>) (included in other income)	–	–	–	–	(8,725)

Notes:

- (i) No emoluments were recognised or paid by Poly Keen Group to the sole director of Poly Keen as compensation for loss of office and inducement to join for the Relevant Periods. The sole director of Poly Keen had not waived any emoluments during the Relevant Periods.
- (ii) During the ten months ended 31 January 2021, Poly Keen Group recognised government grants of HK\$8,725,000 in respect of Covid-19-related subsidies, of which HK\$7,649,000 relates to Employment Support Scheme provided by the Hong Kong government.

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

10. TAXATION (CHARGE) CREDIT

	Year ended 31 March			Ten months ended 31 January	
	2018	2019	2020	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Hong Kong Profits Tax					
– Current year/period	(491)	(138)	(6,334)	(5,278)	–
– Over(under)provision in respect of prior years/period	38	(74)	20	20	(11)
	(453)	(212)	(6,314)	(5,258)	(11)
Deferred taxation (charge) credit (<i>note 22</i>)	(173)	122	16,554	13,922	85
Taxation (charge) credit	(626)	(90)	10,240	8,664	74

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for each of the years ended 31 March 2018, 2019 and 2020 and the ten months ended 31 January 2020.

No provision for Hong Kong Profits Tax is made for the ten months ended 31 January 2021 as there is no estimated assessable profit for the period.

The taxation (charge) credit for the years/periods can be reconciled to the profit (loss) before taxation per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Ten months ended 31 January	
	2018	2019	2020	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit (loss) before taxation	36,233	(49,190)	520,855	582,867	(150,882)
Taxation (charge) credit at Hong Kong					
Profits Tax rate of 16.5%	(5,978)	8,116	(85,941)	(96,173)	24,896
Tax effect of expenses not deductible for tax purpose	(5,373)	(10,019)	(13,057)	(13,434)	(13,990)
Tax effect of income not taxable for tax purpose	13,802	4,587	112,996	112,930	1,440
Over(under)provision in prior years/period	38	(74)	20	20	(11)
Utilisation of tax losses previously not recognised	1,357	264	10	1,171	–
Tax effect of tax losses not recognised	(3,729)	(4,645)	(13,257)	(3,981)	(13,150)
Others	(743)	1,681	9,469	8,131	889
Taxation (charge) credit for the years/period	(626)	(90)	10,240	8,664	74

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

11. DIVIDENDS

During the year ended 31 March 2018 and the ten months ended 31 January 2021, MORI MORI declared a dividend of HK\$2,100,000 and HK\$390,000, respectively to the then sole shareholder, which is a fellow subsidiary of Poly Keen. During the ten months ended 31 January 2021, Emperor Hotel Management declared a dividend of HK\$820,300,000 to the then sole shareholder, which is a fellow subsidiary of Poly Keen.

The rate of dividends and number of shares ranking for dividends are not presented as such information is not considered meaningful having regards to the purpose of this report.

Other than above, no dividend has been declared or paid by other group entities or by Poly Keen in the Relevant Periods.

12. EARNINGS PER SHARE

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

13. INVESTMENT PROPERTIES

	Investment properties under development <i>HK\$'000</i>	Completed investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
FAIR VALUE			
At 1 April 2017	145,000	458,800	603,800
Additions	77,148	–	77,148
Reclassified from investment properties under development to completed investment properties	(222,148)	222,148	–
Increase in fair value	–	58,652	58,652
At 31 March 2018	–	739,600	739,600
Increase in fair value	–	12,800	12,800
At 31 March 2019	–	752,400	752,400
Additions	–	824	824
Disposal	–	(194,000)	(194,000)
Increase in fair value	–	24,776	24,776
At 31 March 2020	–	584,000	584,000
Decrease in fair value	–	(69,000)	(69,000)
At 31 January 2021	–	515,000	515,000

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

The investment properties represent investment properties situated in Hong Kong and are held for rental under operating leases. The investment properties are not held within a business model with business objective to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sale.

As at 31 March 2018, 2019 and 2020, the fair values of Poly Keen Group's investment properties have been arrived at on the basis of valuation carried out on those dates by Memfus Wong Surveyors Limited, in accordance with the HKIS Valuation Standards 2017 issued by Hong Kong Institute of Surveyors ("HKIS"). As at 31 January 2021, the fair values of Poly Keen Group's investment properties have been arrived at on the basis of valuation carried out by Savills Valuation and Professional Services Limited, in accordance with the HKIS Valuation Standards 2020 issued by HKIS. The Valuers are not connected with Poly Keen Group.

During the years ended 31 March 2018 and 2019, the unrealised gain on property revaluation included in profit or loss is HK\$58,652,000 and HK\$12,800,000 respectively. During the year ended 31 March 2020 and the ten months ended 31 January 2021, the unrealised loss on property revaluation included in profit or loss is HK\$59,224,000 and HK\$69,000,000 respectively.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the period. The valuation was arrived at with reference to market evidence of recent transaction prices for similar properties with adjustments to reflect different locations and conditions.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation technique and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Investment properties held by Poly Keen Group in the consolidated statements of financial position	Fair value				Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity/relationship of unobservable inputs to fair value
	31.3.2018	31.3.2019	31.3.2020	31.01.2021				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
Residential Premises in Hong Kong	387,000	412,000	395,000	348,000	Level 3	Direct comparison method with market unit rate as the key input	Market unit rate, mainly taking into account the time, location, quality, view, floor level and size, between the comparables, which ranged from HK\$16,800 to HK\$38,000, HK\$17,800 to HK\$38,000, HK\$16,800 to HK\$37,500 and HK\$16,500 to HK\$25,600 per square foot as at 31 March 2018, 2019, 2020 and 31 January 2021, respectively	A significant increase in the market unit rate used would result in a significant increase in the fair value of the investment properties, and vice versa

Investment properties held by Poly Keen Group in the consolidated statements of financial position	Fair value				Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity/relationship of unobservable inputs to fair value
	31.3.2018	31.3.2019	31.3.2020	31.01.2021				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
Retail shops in Hong Kong	313,000	300,000	152,000	128,000	Level 3	Direct comparison method with market unit rate as the key input	Market unit rate, mainly taking into account the time, location, frontage and size, between the comparables, which ranged from HK\$12,000 to HK\$62,000, HK\$10,000 to HK\$62,500, HK\$45,000 to HK\$50,000 and HK\$35,000 to HK\$41,800 per square foot as at 31 March 2018, 2019, 2020 and 31 January 2021, respectively	A significant increase in the market unit rate used would result in a significant increase in the fair value of the investment properties, and vice versa
Office premises in Hong Kong	39,600	40,400	37,000	39,000	Level 3	Direct comparison method with market unit rate as the key input	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which ranged from HK\$11,800 to HK\$11,900, HK\$12,000 to HK\$12,100, HK\$11,000 to HK\$11,100 and at HK\$11,700 per square foot as at 31 March 2018, 2019, 2020 and 31 January 2021, respectively	A significant increase in the market unit rate used would result in a significant increase in the fair value of the investment properties, and vice versa
Total	<u>739,600</u>	<u>752,400</u>	<u>584,000</u>	<u>515,000</u>				

There were no transfer between Level 3 and other levels during the Relevant Periods.

During the year ended 31 March 2020, Poly Keen Group had disposed of retail shops to a fellow subsidiary at a consideration of HK\$194,000,000 (note 29(a)).

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

14. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties under construction <i>HK\$'000</i>	Hotel properties <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2017	1,436,077	418,900	11,863	12,921	1,879,761
Additions	125,539	–	996	42,405	168,940
Transfer from hotel properties under construction to hotel properties	(1,561,616)	1,561,616	–	–	–
At 31 March 2018	–	1,980,516	12,859	55,326	2,048,701
Additions	–	652	285	882	1,819
Disposals/write-off	–	–	–	(161)	(161)
At 31 March 2019	–	1,981,168	13,144	56,047	2,050,359
Additions	–	31,365	14,549	9,002	54,916
Disposals	–	(418,901)	(10,457)	(9,756)	(439,114)
At 31 March 2020	–	1,593,632	17,236	55,293	1,666,161
Additions	–	–	–	203	203
Disposals/write-off	–	–	–	(136)	(136)
At 31 January 2021	–	1,593,632	17,236	55,360	1,666,228
DEPRECIATION					
At 1 April 2017	–	151,552	9,415	11,464	172,431
Provided for the year	–	20,416	372	3,945	24,733
At 31 March 2018	–	171,968	9,787	15,409	197,164
Provided for the year	–	17,255	209	9,831	27,295
Eliminated on disposal/write-off	–	–	–	(73)	(73)
At 31 March 2019	–	189,223	9,996	25,167	224,386
Provided for the year	–	39,841	2,906	10,959	53,706
Eliminated on disposal	–	(163,190)	(8,796)	(9,549)	(181,535)
At 31 March 2020	–	65,874	4,106	26,577	96,557
Provided for the period	–	33,536	3,438	9,363	46,337
Eliminated on disposal/write-off	–	–	–	(123)	(123)
At 31 January 2021	–	99,410	7,544	35,817	142,771

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	Hotel properties under construction <i>HK\$'000</i>	Hotel properties <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
CARRYING VALUE					
At 31 March 2018	–	1,808,548	3,072	39,917	1,851,537
At 31 March 2019	–	1,791,945	3,148	30,880	1,825,973
At 31 March 2020	–	1,527,758	13,130	28,716	1,569,604
At 31 January 2021	–	1,494,222	9,692	19,543	1,523,457

During the year ended 31 March 2020, Poly Keen Group had disposed of property, plant and equipment (comprising a hotel property and related leasehold improvements and others) with an aggregate carrying amount of HK\$257,579,000 to a fellow subsidiary at a consideration of HK\$858,000,000 (note 29(a)).

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Hotel properties	Over the estimated useful lives of 40 years or the unexpired terms of the relevant leases, whichever is shorter
Leasehold improvements	10 - 20%
Others	10 - 20%

The hotel properties are located in Hong Kong. As the lease payments for land and building elements cannot be allocated reliably, the entire lease payments have been included in the carrying amount of the hotel properties.

15. TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	At 31 March 2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	At 31 January 2021 <i>HK\$'000</i>
Trade receivables	2,840	3,074	781	759
Less: Impairment allowance	–	(182)	–	–
	2,840	2,892	781	759
Other receivables	197	362	1,737	1,715
Deposits paid	2,202	3,977	3,816	3,507
Prepayments	905	2,757	1,150	1,091
	6,144	9,988	7,484	7,072

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As at 31 March 2018, 2019, 2020 and 31 January 2021, trade receivables comprise receivables from contracts with customers and lease receivables of HK\$2,812,000, HK\$2,743,000, HK\$535,000 and HK\$617,000 and HK\$28,000, HK\$149,000, HK\$246,000 and HK\$142,000 respectively.

As at 1 April 2017, the amount of trade receivables comprised receivables from contracts with customers and lease receivables of HK\$2,057,000 and HK\$166,000 respectively.

An ageing analysis of Poly Keen Group's trade receivables (net of impairment allowance) based on the date of credit granted or the invoice date at the end of the reporting period is set out below:

	At 31 March			At 31 January
	2018	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 – 30 days	2,502	2,649	399	744
31 – 60 days	284	87	202	–
61 – 90 days	18	28	11	10
91 – 180 days	27	–	25	5
Over 180 days	9	128	144	–
	<u>2,840</u>	<u>2,892</u>	<u>781</u>	<u>759</u>

No credit period was granted to hotel customers and tenants generally, except for those high credit rating customers to which an average credit period of 30 days was granted.

As at 31 March 2018, 2019, 2020 and 31 January 2021, included in Poly Keen Group's trade receivables (net of impairment allowance) are debtors with aggregate carrying amount of HK\$338,000, HK\$243,000, HK\$382,000 and HK\$15,000 respectively which are past due as at the reporting date. Out of the past due balances, HK\$36,000, HK\$128,000, HK\$169,000 and HK\$5,000 has been past due 90 days or more and is not considered as in default based on historical repayment pattern from the specific debtors. Poly Keen Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 25(b).

16. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

Details of impairment assessment of amounts due from fellow subsidiaries are set out in note 25(b).

17. BANK BALANCES AND CASH

Details of impairment assessment of bank balances are set out in note 25(b).

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18. TRADE AND OTHER PAYABLES

	2018	At 31 March 2019	2020	At 31 January 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	2,910	3,403	2,133	2,141
Rental deposits received	2,476	3,887	2,924	3,845
Construction accruals and payables for acquisition of property, plant and equipment	47,985	9,244	18,767	1,221
Accruals and advance receipts	6,627	9,024	5,577	5,065
	<u>59,998</u>	<u>25,558</u>	<u>29,401</u>	<u>12,272</u>

An aged analysis of trade payables based on the invoice date at the end of each reporting period is set out below:

	2018	At 31 March 2019	2020	At 31 January 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	2,845	3,061	2,073	2,088
31 – 60 days	56	310	35	31
61 – 90 days	–	23	5	1
91 – 180 days	–	–	–	2
Over 180 days	9	9	20	19
	<u>2,910</u>	<u>3,403</u>	<u>2,133</u>	<u>2,141</u>

19. AMOUNTS DUE TO FELLOW SUBSIDIARIES

At 31 March 2018, 2019, 2020 and 31 January 2021, amounts of HK\$363,760,000, HK\$384,510,000, HK\$408,563,000 and HK\$402,445,000 are unsecured, repayable on demand and carry interest ranging from 3.44% to 4.44% over Hong Kong Interbank Offered Rate (“**HIBOR**”), from 2.55% to 3.85% over HIBOR, at 3.49% over HIBOR and at 3.91% over HIBOR per annum respectively.

The remaining balances are unsecured, interest-free and repayable on demand.

20. AMOUNT DUE TO NON-CONTROLLING INTERESTS OF A SUBSIDIARY

As at 31 March 2020 and 31 January 2021, the amounts represent unsecured and interest-free shareholder's loan due to non-controlling interests of Able Elegant.

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In accordance with the contractual terms of the shareholder's agreement, the amounts are to be repaid from surplus fund, which represents cash available in Able Elegant, non-wholly owned subsidiary of the Poly Keen Group, after payment of all operating expenses and payables including but not limited to bank loan and third party loan which are due for repayment together with the accrued interest.

As at 31 March 2020 and 31 January 2021, the management of Able Elegant determined that Able Elegant had adequate available surplus fund for the repayment of all principal amounts outstanding to its shareholder. Accordingly, the amounts are shown as current liabilities as at 31 March 2020 and 31 January 2021.

21. BANK BORROWINGS

The bank borrowings carried interest ranging from 1.25% to 1.90% over HIBOR at 31 March 2018 and ranging from 1.25% to 1.35% over HIBOR at 31 March 2019, 2020 and 31 January 2021 per annum. The bank borrowings are repayable as follows:

	2018	At 31 March 2019	2020	At 31 January 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	843,080	14,880	23,880	877,778
Between one to two years	13,080	23,880	878,880	6,370
Between two to five years	136,707	936,500	57,620	56,762
Over five years	51,740	–	–	–
	<u>1,044,607</u>	<u>975,260</u>	<u>960,380</u>	<u>940,910</u>
Less: Amounts due within one year shown under current liabilities	<u>(843,080)</u>	<u>(14,880)</u>	<u>(23,880)</u>	<u>(877,778)</u>
Amounts due after one year shown under non-current liabilities	<u>201,527</u>	<u>960,380</u>	<u>936,500</u>	<u>63,132</u>

As at 31 March 2018, 2019, 2020 and 31 January 2021, the bank borrowings were secured by the investment properties of HK\$443,600,000, HK\$438,400,000, HK\$292,000,000 and HK\$250,000,000 and hotel properties of HK\$1,808,548,000, HK\$1,791,945,000, HK\$1,527,758,000 and HK\$1,494,222,000 respectively and a corporate guarantee provided by an intermediate holding company (note 29(c)).

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22. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the Relevant Periods:

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2017	(20,037)	3,449	(16,588)
(Charge) credit to profit or loss (<i>note 10</i>)	<u>(10,172)</u>	<u>9,999</u>	<u>(173)</u>
At 31 March 2018	(30,209)	13,448	(16,761)
(Charge) credit to profit or loss (<i>note 10</i>)	<u>(4,224)</u>	<u>4,346</u>	<u>122</u>
At 31 March 2019	(34,433)	17,794	(16,639)
Credit to profit or loss (<i>note 10</i>)	<u>13,177</u>	<u>3,377</u>	<u>16,554</u>
At 31 March 2020	(21,256)	21,171	(85)
(Charge) credit to profit or loss (<i>note 10</i>)	<u>(1,817)</u>	<u>1,902</u>	<u>85</u>
At 31 January 2021	<u><u>(23,073)</u></u>	<u><u>23,073</u></u>	<u><u>–</u></u>

For the purpose of presentation in the consolidated statements of financial position, deferred tax assets and liabilities have been offset for the temporary differences arising from the same group entity.

As at 31 March 2018, 2019 and 2020, and 31 January 2021, Poly Keen Group had unused tax losses of approximately HK\$116,049,000, HK\$168,942,000, HK\$269,693,000 and HK\$360,918,000 available for offset against future profits respectively. Deferred tax asset is recognised in respect of approximately HK\$81,506,000, HK\$107,848,000, HK\$128,315,000 and HK\$139,840,000 as at 31 March 2018, 2019, 2020, and 31 January 2021, respectively of such loss. As at 31 March 2018, 2019 and 2020, and 31 January 2021, no deferred tax asset was recognised in respect of the remaining tax losses of approximately HK\$34,543,000, HK\$61,094,000, HK\$141,378,000 and HK\$221,078,000 respectively, due to unpredictability of future profit streams. Poly Keen Group's unrecognised tax losses might be carried forward indefinitely.

There were no other unrecognised deferred taxation for the Relevant Periods as at the end of the Relevant Periods.

23. SHARE CAPITAL

Poly Keen Group

The share capital as at 1 April 2017, 31 March 2018, 2019 and 2020 represents the combined share capital of Poly Keen, Brilliant Key, EHHL, Emperor Hotel Management, MORI MORI, Prime Summit, E Hotel, and USAL, which in aggregate was less than HK\$1,000.

The share capital as at 31 January 2021 represents the paid-up capital of Poly Keen, which is less than HK\$1,000.

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

Pursuant to the Group Reorganisation, Poly Keen has become the direct holding company of Brilliant Key, EHHL, Emperor Hotel Management, MORI MORI, Prime Summit, E Hotel, and USAL and indirect holding company of Motive Drive, Parkmost and Mori Investments since 29 January 2021.

	Number of share	Share capital US\$
Poly Keen		
Ordinary shares of US\$1 each		
Authorised:		
At 1 April 2017, 31 March 2018, 2019, 2020, and 31 January 2021	1	1
	<u>1</u>	<u>1</u>
Issued and fully paid:		
At 1 April 2017, 31 March 2018, 2019, 2020, and 31 January 2021	1	1
	<u>1</u>	<u>1</u>
		<i>HK\$'000</i>
Shown in the Historical Financial Information as		– *
		<u>– *</u>

* Less than HK\$1,000

There was no change in Poly Keen's authorised, issued and full paid share capital during the Relevant Periods.

24. CAPITAL RISK MANAGEMENT

Poly Keen Group manages its capital to ensure that entities in Poly Keen 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. Poly Keen Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of Poly Keen Group consists of net debt, which includes the amounts due to fellow subsidiaries and the amount due to non-controlling interests of a subsidiary as disclosed in notes 19 and 20, respectively, net of cash and cash equivalents, and equity attributable to owners of Poly Keen, comprising issued share capital and reserve.

The management of Poly Keen Group reviews the capital structure on a regular basis. As part of this review, the management of Poly Keen Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of Poly Keen Group, Poly Keen Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018	At 31 March 2019	2020	At 31 January 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Loans and receivables/financial assets at amortised cost:				
Trade and other receivables	5,239	7,231	6,334	5,981
Amounts due from fellow subsidiaries	28,310	–	16,807	–
Bank balances and cash	5,398	27,164	30,152	36,297
	<u>38,947</u>	<u>34,395</u>	<u>53,293</u>	<u>42,278</u>
Financial liabilities				
Amortised cost:				
Trade and other payables	5,386	7,290	5,057	5,986
Amounts due to fellow subsidiaries	1,225,042	1,372,136	436,133	1,330,796
Amount due to non-controlling interests of a subsidiary	–	–	2,090	2,090
Bank borrowings	1,044,607	975,260	960,380	940,910
	<u>2,275,035</u>	<u>2,354,686</u>	<u>1,403,660</u>	<u>2,279,782</u>

(b) Financial risk management objectives and policies

Poly Keen Group's financial instruments include trade and other receivables, bank balances and cash, amounts due from (to) fellow subsidiaries, trade and other payables, amount due to non-controlling interest of a subsidiary and 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 Poly Keen 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

Poly Keen Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances and cash, amounts due to fellow subsidiaries and bank borrowings. Poly Keen Group currently does not have policy on cash flow hedges of interest rate risk. However, the management of Poly Keen Group monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Poly Keen 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 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/period and held constant throughout the respective year/period.

Except for bank balances using 5 basis points, if interest rates had been 100 basis points higher and all other variables were held constant, the potential effect on profit (loss) before taxation is as follows:

	Year ended 31 March			Ten months ended
	2018	2019	2020	31 January
	HK\$'000	HK\$'000	HK\$'000	2021
				HK\$'000
Increase (decrease) in				
profit before taxation/				
decrease (increase) in loss				
before taxation				
– Bank balances	3	14	15	18
– Amounts due to				
fellow subsidiaries	(3,638)	(3,845)	(4,086)	(4,024)
– Bank borrowings	(10,446)	(9,753)	(9,604)	(9,409)
	(14,081)	(13,584)	(13,675)	(13,415)

If interest rates had been lower in an opposite magnitude and all other variables held constant, the potential effect on results would be equal and opposite.

Credit risk (before application of HKFRS 9 on 1 April 2018)

Poly Keen Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2018 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to manage the credit risk, the management of Poly Keen Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, Poly Keen Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period based on the management's knowledge of customers and their creditability and repayment record to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of Poly Keen Group considers that Poly Keen Group's credit risk is significantly reduced and no impairment loss was provided.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The management of Poly Keen Group considers no significant concentration of credit risk on trade receivables as the trade receivables are spread over a number of customers.

In addition, the management of Poly Keen Group considered there was no significant credit risk on the other receivables and amounts due from fellow subsidiaries after assessing their financial background and creditability.

Credit risk management and impairment assessment (upon application of HKFRS 9 on or after 1 April 2018)

Poly Keen Group's maximum exposure to credit risk which will cause a financial loss to Poly Keen Group due to failure to discharge obligations by the counterparties at the end of reporting period are arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of Poly Keen Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, Poly Keen Group performs impairment assessment under ECL model on trade balances individually. In this regard, the management of Poly Keen Group considers that Poly Keen Group's credit risk is significantly reduced.

The management of Poly Keen Group considers no significant concentration of credit risk on trade receivables as the trade receivables are spread over a number of customers.

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During the year ended 31 March 2019, lifetime ECL of HK\$182,000 for certain trade receivables were recognised as the management of Poly Keen Group considered the amounts from certain customers were credit-impaired.

The management of Poly Keen Group has also assessed all available forward looking information, including but not limited to the economic outlook and subsequent settlement of these customers. As at 31 March 2019, impairment allowance with an aggregate balance of HK\$182,000 represents individually credit-impaired trade receivables and lease receivables as the management of Poly Keen Group considered the outstanding balances from these customers were uncollectible.

Lifetime ECL for the remaining trade receivables with an aggregate gross carrying amount of HK\$2,892,000, HK\$781,000 and HK\$759,000 as at 31 March 2019, 2020 and 31 January 2021 was insignificant and thus negligible to be provided by Poly Keen Group due to the low probability of default of those debtors based on historical credit loss experience. The management of Poly Keen Group has also assessed all available forward looking information, including but not limited to the economic outlook and subsequent settlement of these customers, and concluded that the credit risk inherent in Poly Keen Group's outstanding trade receivables and lease receivables is insignificant.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (credit-impaired) HK\$'000
As at 1 April 2018	–
Change due to financial instruments recognised as at 1 April 2018:	
– impairment losses recognised	182
	<hr/>
As at 31 March 2019	182
Write-off	(182)
	<hr/>
As at 31 March 2020 and 31 January 2021	–
	<hr/> <hr/>

For the bank balances, impairment allowance was insignificant and thus negligible to be made since the management considers the probability of default is negligible as such deposits are placed in reputable banks with high credit ratings assigned by international credit-rating agencies and have low credit risk.

For the other receivables and amounts due from fellow subsidiaries, impairment allowance was insignificant and thus not provided since the management considers the probability of default is minimal after assessing the counterparties' financial background and creditability.

Liquidity risk

As at 31 March 2018, 2019, 2020 and 31 January 2021, Poly Keen Group's current liabilities exceeded its current assets by HK\$2,086,879,000, HK\$1,374,605,000, HK\$442,073,000 and HK\$2,178,756,000 respectively.

In the management of the liquidity risk, Poly Keen Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of Poly Keen Group to finance Poly Keen Group's operations and mitigate the effects of fluctuations in cash flows. The management of Poly Keen Group monitors the utilisation of banking facilities and ensures compliance with loan covenants.

Poly Keen Group relies on bank borrowings and advances from fellow subsidiaries as sources of liquidity. Poly Keen Group also relies on financial support from its intermediate holding company which has agreed to provide adequate funds to Poly Keen Group as another source of liquidity. In addition, the Company has agreed, on the condition that the Proposed Acquisition became successful, to provide sufficient funds to Poly Keen Group as another source of liquidity.

Accordingly, the management of Poly Keen Group considers that Poly Keen Group's liquidity risk is minimal.

The following table details Poly Keen 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 Poly Keen Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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

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Liquidity tables

	Weighted average effective interest rate %	Less than 1 year or repayable on demand HK\$'000	1 year to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
At 31 March 2018						
Trade and other payables	–	5,386	–	–	5,386	5,386
Bank borrowings	2.05	864,511	162,568	52,801	1,079,880	1,044,607
Amounts due to fellow subsidiaries (interest bearing)	4.59	363,760	–	–	363,760	363,760
Amounts due to fellow subsidiaries (non-interest bearing)	–	861,282	–	–	861,282	861,282
		<u>2,094,939</u>	<u>162,568</u>	<u>52,801</u>	<u>2,310,308</u>	<u>2,275,035</u>
At 31 March 2019						
Trade and other payables	–	7,290	–	–	7,290	7,290
Bank borrowings	2.64	40,661	1,012,046	–	1,052,707	975,260
Amounts due to fellow subsidiaries (interest bearing)	4.89	384,510	–	–	384,510	384,510
Amounts due to fellow subsidiaries (non-interest bearing)	–	987,626	–	–	987,626	987,626
		<u>1,420,087</u>	<u>1,012,046</u>	<u>–</u>	<u>2,432,133</u>	<u>2,354,686</u>
At 31 March 2020						
Trade and other payables	–	5,057	–	–	5,057	5,057
Bank borrowings	2.91	51,830	966,938	–	1,018,768	960,380
Amount due to non-controlling interests of a subsidiary	–	2,090	–	–	2,090	2,090
Amounts due to fellow subsidiaries (interest bearing)	5.54	408,563	–	–	408,563	408,563
Amounts due to fellow subsidiaries (non-interest bearing)	–	27,570	–	–	27,570	27,570
		<u>495,110</u>	<u>966,938</u>	<u>–</u>	<u>1,462,048</u>	<u>1,403,660</u>
At 31 January 2021						
Trade and other payables	–	5,986	–	–	5,986	5,986
Bank borrowings	1.41	891,082	64,828	–	955,910	940,910
Amounts due to non-controlling interests of a subsidiary	–	2,090	–	–	2,090	2,090
Amounts due to fellow subsidiaries (interest bearing)	4.07	402,445	–	–	402,445	402,445
Amounts due to fellow subsidiaries (non-interest bearing)	–	928,351	–	–	928,351	928,351
		<u>2,229,954</u>	<u>64,828</u>	<u>–</u>	<u>2,294,782</u>	<u>2,279,782</u>

(c) Fair value

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

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Poly Keen 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 Poly Keen Group's consolidated statements of cash flows from (used in) financing activities.

	Interest payable HK\$'000	Bank borrowings HK\$'000 (note 21)	Amounts due to fellow subsidiaries HK\$'000 (note 19)	Amount due to non-controlling interests of a subsidiary HK\$'000 (note 20)	Dividend payable HK\$'000	Total HK\$'000
At 1 April 2017	384	896,687	1,165,637	–	–	2,062,708
Financing net cash flows	(20,319)	147,920	(20,832)	–	–	106,769
Interest expenses	20,276	–	10,284	–	–	30,560
Non-cash transactions (Note i)	–	–	69,953	–	(2,100)	67,853
Dividend declared	–	–	–	–	2,100	2,100
At 31 March 2018 and 1 April 2018	341	1,044,607	1,225,042	–	–	2,269,990
Financing net cash flows	(28,245)	(69,347)	129,691	–	–	32,099
Interest expenses	29,489	–	17,403	–	–	46,892
At 31 March 2019 and 1 April 2019	1,585	975,260	1,372,136	–	–	2,348,981
Financing net cash flows	(33,693)	(14,880)	96,655	2,090	–	50,172
Interest expenses	32,319	–	20,146	–	–	52,465
Non-cash transactions (Note ii)	–	–	(1,052,804)	–	–	(1,052,804)
At 31 March 2020 and 1 April 2020	211	960,380	436,133	2,090	–	1,398,814
Financing net cash flows	(15,946)	(19,470)	76,037	–	–	40,621
Interest expenses	15,855	–	14,743	–	–	30,598
Non-cash transactions (Note iii)	–	–	803,883	–	(820,690)	(16,807)
Dividend declared	–	–	–	–	820,690	820,690
At 31 January 2021	120	940,910	1,330,796	2,090	–	2,273,916
At 1 April 2019	1,585	975,260	1,372,136	–	–	2,348,981
Financing net cash outflows (unaudited)	(28,676)	(14,880)	85,259	2,090	–	43,793
Interest expenses (unaudited)	27,312	–	16,789	–	–	44,101
Non-cash transactions (unaudited) (Note iv)	–	–	(1,040,013)	–	–	(1,040,013)
At 31 January 2020 (unaudited)	221	960,380	434,171	2,090	–	1,396,862

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Notes:

- (i) The amounts included non-cash transaction for cost incurred in investment properties of HK\$67,853,000 and dividend of HK\$2,100,000.
- (ii) The amounts included non-cash transaction for the disposal of hotel property of HK\$858,000,000 and investment property of HK\$194,000,000 and deposits paid for acquisition of investment properties/property, plant and equipment of HK\$17,611,000. The portion of HK\$1,052,804,000 was settled for amounts due to fellow subsidiaries, the remaining balance of HK\$16,807,000 was settled for amounts due from fellow subsidiaries.
- (iii) The amounts included non-cash transaction for the dividend of HK\$820,690,000. The portion of HK\$803,883,000 was settled for amounts due to fellow subsidiaries, the remaining balance of HK\$16,807,000 was settled for amounts due from fellow subsidiaries.
- (iv) The amounts included non-cash transaction for the disposal of hotel property of HK\$858,000,000 and investment property of HK\$194,000,000 and deposits paid for acquisition of investment properties/property, plant and equipment of HK\$17,611,000. The portion of HK\$1,040,013,000 was settled for amounts due to fellow subsidiaries, the remaining balance of HK\$29,598,000 was settled for amounts due from fellow subsidiaries.

27. OPERATING LEASE COMMITMENTS

Poly Keen Group as lessor

At 31 March 2020 and 31 January 2021, minimum lease payments receivables on leases are as follows:

	At 31 March 2020 HK\$'000	At 31 January 2021 HK\$'000
Within one year	2,920	1,173
In the second year	820	140
In the third year	70	—
	3,810	1,313
	3,810	1,313

At 31 March 2018 and 2019, Poly Keen Group had contracted with tenants to receive the following future minimum lease payments in respect of the premises in the investment properties, which fall due as follows:

	At 31 March 2018 HK\$'000	2019 HK\$'000
Within one year	2,316	2,573
In the second to fifth years inclusive	113	2,987
	2,429	5,560
	2,429	5,560

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As at 31 March 2018, 2019, 2020, and 31 January 2021, certain premises in Poly Keen Group's investment properties have committed tenants for the tenancy ranging from 1 to 2 years, 1 to 3 years, 1 to 3 years and 1 to 2 years, respectively, and the rentals are pre-determined and fixed.

28. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2018, cost incurred in investment properties of HK\$67,853,000 was settled through the current account with the fellow subsidiary.

During the year ended 31 March 2020, the consideration for the disposal of property, plant and equipment (comprising a hotel property and related leasehold improvements and others) of HK\$858,000,000 and investment property of HK\$194,000,000 to a fellow subsidiary were settled through the current account with the fellow subsidiary.

During the years ended 31 March 2018, 2019, 2020 and the ten months ended 31 January 2020 and 2021, interest expenses to fellow subsidiaries of HK\$10,284,000, HK\$17,403,000, HK\$20,146,000, HK\$16,789,000 and HK\$14,743,000, respectively, were settled through the current accounts with the fellow subsidiaries.

During the year ended 31 March 2018 and the ten months ended 31 January 2021, dividends declared to the then sole shareholder, which is a fellow subsidiary of Poly Keen, of HK\$2,100,000 and HK\$820,690,000, respectively, were settled through the current account with the fellow subsidiary.

During the ten months ended 31 January 2020 and the year ended 31 March 2020, the deposits paid for acquisition of investment properties/property, plant and equipment of HK\$17,611,000 and HK\$17,611,000, respectively, were transferred through the current account with the fellow subsidiary.

29. RELATED PARTY TRANSACTIONS

- (a) During the following years/periods, Poly Keen Group had the following significant transactions with related parties:

	Year ended 31 March			Ten months ended	
	2018	2019	2020	31 January	
	HK\$'000	HK\$'000	HK\$'000	2020	2021
				HK\$'000	HK\$'000
				(unaudited)	
Management fee income from a fellow subsidiary	9,001	12,007	2,668	2,668	–
Management fee expense to a fellow subsidiary	–	15,584	9,958	8,580	9,502
Interest expenses to a fellow subsidiary	10,284	17,403	20,146	16,789	14,743
Rental income from a related company	–	165	–	–	–
Rental expenses paid to related companies	128	128	–	–	–
Short-term lease expenses paid to a related company	–	–	128	107	93
Disposal of an investment property to a fellow subsidiary	–	–	194,000	194,000	–
Disposal of property, plant and equipment (comprising a hotel property and related leasehold improvements and others) to a fellow subsidiary	–	–	858,000	858,000	–

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

- (b) The remunerations of the sole director and other members of key management are borne by a fellow subsidiary for the Relevant Periods.
- (c) As at 31 March 2018, 2019, 2020 and 31 January 2021, a corporate guarantee of HK\$1,359,000,000, HK\$1,016,000,000, HK\$1,016,000,000 and HK\$1,016,000,000, respectively, was provided by an intermediate holding company to secure the bank borrowings of Poly Keen Group.

30. FINANCIAL INFORMATION OF POLY KEEN

The financial information of Poly Keen as at 31 March 2018, 2019, 2020 and 31 January 2021 is as follows:

	At 31 March			At
	2018	2019	2020	31 January
	HK\$'000	HK\$'000	HK\$'000	2021
				HK\$'000
Non-current asset				
Investment in subsidiaries	—	—	124	124
Current asset				
Amount due from a subsidiary	—	—	25,976	25,976
Current liability				
Amount due to a fellow subsidiary	5	10	26,115	26,122
Net current liabilities	(5)	(10)	(139)	(146)
	(5)	(10)	(15)	(22)
Capital and reserves				
Share capital	—*	—*	—*	—*
Reserves (<i>Note</i>)	(5)	(10)	(15)	(22)
	(5)	(10)	(15)	(22)

* Less than HK\$1,000

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

Note:

	Accumulated losses HK\$'000
At 1 April 2017	–
Loss and total comprehensive expense for the year	(5)
At 31 March 2018	(5)
Loss and total comprehensive expense for the year	(5)
At 31 March 2019	(10)
Loss and total comprehensive expense for the year	(5)
At 31 March 2020	(15)
Loss and total comprehensive expense for the period	(7)
At 31 January 2021	(22)

31. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of Poly Keen as at 31 March 2018, 2019, 2020 and 31 January 2021 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid-up share capital	Equity attributable to Poly Keen				Principal activities
			At 31 March		At 31 January		
			2018	2019	2020	2021	
			%	%	%	%	
Able Elegant	Hong Kong	31 March 2018: N/A 31 March 2019: HK\$10 31 March 2020 and 31 January 2021: HK\$134,285	–	70.00	92.55	92.55	Food and beverage operation
Brilliant Key	British Virgin Islands	US\$1	100	100	100	100	Investment holding
EHHL	British Virgin Islands	US\$1	100	100	100	100	Investment holding

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid-up share capital	Equity attributable to Poly Keen				Principal activities
			At 31 March		At 31 January		
			2018	2019	2020	2021	
			%	%	%	%	
Emperor Hotel Management (2018 and 2019: Emperor Hotel (HK) Limited)	Hong Kong	HK\$2	100	100	100	100	Provision of hotel management services
Honfirst Land Limited	Hong Kong	31 March 2018: HK\$27,000,000 31 March 2019, 2020 and 31 January 2021: N/A	100	–	–	–	Inactive (deregistered during the year ended 31 March 2019)
Mori Investments	Hong Kong	HK\$2	100	100	100	100	Property holding
MORI MORI	Hong Kong	HK\$1	100	100	100	100	Serviced apartment operation
Motive Drive	Hong Kong	HK\$100	100	100	100	100	Property holding
Prime Summit	British Virgin Islands	US\$1	100	100	100	100	Investment holding
Parkmost	Hong Kong	HK\$100	100	100	100	100	Property holding
E Hotel	Hong Kong	HK\$1	100	100	100	100	Provision of hotel and catering services
USAL	Hong Kong	HK\$2	100	100	100	100	Serviced apartment operation

All subsidiaries of Poly Keen Group have adopted 31 March as their financial year end date. Except for Able Elegant which statutory financial statements for the year ended 31 March 2020 and Emperor Hotel Management, Mori Investments, MORI MORI, Motive Drive, Parkmost, E Hotel and USAL which statutory financial statements for the years ended 31 March 2018, 2019 and 2020 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us, no audited financial statements of all other subsidiaries of Poly Keen Group have been prepared for the years ended 31 March 2018, 2019 and 2020 as they are incorporated in a jurisdiction where there are no statutory audit requirements.

None of the subsidiaries of Poly Keen issued any debt securities as at 31 March 2018, 2019, 2020 and 31 January 2021.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Poly Keen Group, Poly Keen or any of its subsidiaries have been prepared in respect of any period subsequent to 31 January 2021.

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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 2020 and for the ten months ended 31 January 2021 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 illustrative and 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 Enlarged Group (the **"Unaudited Pro Forma Financial Information"**), which have been prepared by the Directors in accordance with the paragraph 4.29 of the Listing Rules and is solely for the purpose to illustrate the effect of the Transaction on the Enlarged Group's financial position as at 30 September 2020 as if the Transaction had been completed on 30 September 2020, 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 2020 as if the Transaction had been completed on 1 April 2019.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2020 which has been extracted from the interim report of the Group for the six months ended 30 September 2020 published on 25 November 2020, and the audited consolidated statement of financial position of the Target Group as at 31 January 2021 which has been extracted from the Accountants' Report of the Target Group as 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 2020 which have been extracted from the annual report of the Group for the year ended 31 March 2020 published on 23 June 2020, and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Target Group for the year ended 31 March 2020 which have been extracted from the Accountants' Report of the Target Group as 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.

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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 as at 30 September 2020 and as at 1 April 2019. 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 30 September 2020

	The Group as at 30 September 2020 (Unaudited) HK\$'000 (note 1)	The Target Group as at 31 January 2021 (Audited) HK\$'000 (note 2)	Pro forma adjustments			The Enlarged Group (Unaudited) HK\$'000
			(Unaudited) HK\$'000 (note 3)	(Unaudited) HK\$'000 (note 4)	(Unaudited) HK\$'000 (note 5)	
Non-current assets						
Investment properties	646,200	515,000	–	–	–	1,161,200
Property, plant and equipment	1,181,376	1,523,457	5,775	–	–	2,710,608
Right-of-use assets	469,332	–	–	–	–	469,332
Deposits paid for acquisition of investment properties/ property, plant and equipment	13,286	8,577	–	–	–	21,863
Goodwill	110,960	–	–	–	–	110,960
	<u>2,421,154</u>	<u>2,047,034</u>	<u>5,775</u>	<u>–</u>	<u>–</u>	<u>4,473,963</u>

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	The Group as at 30 September 2020 (Unaudited) HK\$'000 (note 1)	The Target Group as at 31 January 2021 (Audited) HK\$'000 (note 2)	Pro forma adjustments			The Enlarged Group (Unaudited) HK\$'000
			(Unaudited) HK\$'000 (note 3)	(Unaudited) HK\$'000 (note 4)	(Unaudited) HK\$'000 (note 5)	
Current assets						
Inventories, at cost	14,332	601	–	–	–	14,933
Trade and other receivables	151,836	7,072	–	–	–	158,908
Taxation recoverable	–	218	–	–	–	218
Pledged bank deposits	63,351	–	–	–	–	63,351
Short-term bank deposits	2,049,173	–	(1,500,000)	–	–	549,173
Bank balances and cash	1,330,248	36,297	(582,485)	(1,615)	–	782,445
	<u>3,608,940</u>	<u>44,188</u>	<u>(2,082,485)</u>	<u>(1,615)</u>	<u>–</u>	<u>1,569,028</u>
Current liabilities						
Trade and other payables	135,715	12,272	–	–	–	147,987
Amounts due to fellow subsidiaries	5,928	1,330,796	(1,330,796)	–	–	5,928
Amounts due to non-controlling interests of a subsidiary	39,000	2,090	–	–	–	41,090
Taxation payable	254,312	8	–	–	–	254,320
Secured bank borrowings						
– due within one year	–	877,778	(877,778)	–	–	–
Lease liabilities						
– due within one year	2,539	–	–	–	–	2,539
	<u>437,494</u>	<u>2,222,944</u>	<u>(2,208,574)</u>	<u>–</u>	<u>–</u>	<u>451,864</u>
Net current assets (liabilities)	<u>3,171,446</u>	<u>(2,178,756)</u>	<u>126,089</u>	<u>(1,615)</u>	<u>–</u>	<u>1,117,164</u>
Total assets less current liabilities	<u>5,592,600</u>	<u>(131,722)</u>	<u>131,864</u>	<u>(1,615)</u>	<u>–</u>	<u>5,591,127</u>

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	The Group as at 30 September 2020 (Unaudited) HK\$'000 (note 1)	The Target Group as at 31 January 2021 (Audited) HK\$'000 (note 2)	Pro forma adjustments			The Enlarged Group (Unaudited) HK\$'000
			(Unaudited) HK\$'000 (note 3)	(Unaudited) HK\$'000 (note 4)	(Unaudited) HK\$'000 (note 5)	
Non-current liabilities						
Secured bank borrowings						
– due after one year	–	63,132	(63,132)	–	–	–
Lease liabilities						
– due after one year	25,658	–	–	–	–	25,658
Deferred taxation	92,648	–	953	–	–	93,601
	<u>118,306</u>	<u>63,132</u>	<u>(62,179)</u>	<u>–</u>	<u>–</u>	<u>119,259</u>
Net assets (liabilities)	<u>5,474,294</u>	<u>(194,854)</u>	<u>194,043</u>	<u>(1,615)</u>	<u>–</u>	<u>5,471,868</u>
Capital and reserves						
Share capital	121	–	–	–	–	121
Reserves	<u>4,496,282</u>	<u>(194,043)</u>	<u>194,043</u>	<u>(1,615)</u>	<u>323</u>	<u>4,494,990</u>
Equity attributable to owners of the Company	<u>4,496,403</u>	<u>(194,043)</u>	<u>194,043</u>	<u>(1,615)</u>	<u>323</u>	<u>4,495,111</u>
Non-controlling interests	<u>977,891</u>	<u>(811)</u>	<u>–</u>	<u>–</u>	<u>(323)</u>	<u>976,757</u>
	<u>5,474,294</u>	<u>(194,854)</u>	<u>194,043</u>	<u>(1,615)</u>	<u>–</u>	<u>5,471,868</u>

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 March 2020

	The Group for the year ended 31 March 2020 (Audited) HK\$'000 (note 1)	The Target Group for the year ended 31 March 2020 (Audited) HK\$'000 (note 2)	Pro forma adjustments					The Enlarged Group (Unaudited) HK\$'000 (note 9)
			(Unaudited) HK\$'000 (note 4)	(Unaudited) HK\$'000 (note 6)	(Unaudited) HK\$'000 (note 7)	(Unaudited) HK\$'000 (note 8)	(Unaudited) HK\$'000 (note 9)	
Revenue								
Contracts with customers	1,120,106	83,670	–	–	–	–	–	1,203,776
Leases	23,124	18,251	–	–	–	–	–	41,375
	1,143,230	101,921	–	–	–	–	–	1,245,151
Cost of sales	(33,783)	(17,666)	–	–	–	–	–	(51,449)
Cost of hotel and gaming operations	(495,297)	(49,862)	–	–	(13,295)	–	–	(558,454)
Direct operating expenses in respect of investment properties	–	(8,680)	–	–	–	–	–	(8,680)
Gross profit	614,150	25,713	–	–	(13,295)	–	–	626,568
Other income	96,667	2,671	–	(53,108)	–	–	–	46,230
Other gains and losses	(7,661)	600,421	–	–	–	–	–	592,760
Impairment allowance reversed for trade receivables	385	–	–	–	–	–	–	385
Fair value changes of investment properties	(36,400)	24,776	–	–	–	–	–	(11,624)
Selling and marketing expenses	(212,361)	(10,600)	–	–	–	–	–	(222,961)
Administrative expenses	(245,739)	(69,661)	(1,615)	–	–	–	–	(317,015)
Finance costs	(2,334)	(52,465)	–	33,855	–	–	–	(20,944)
Profit before taxation	206,707	520,855	(1,615)	(19,253)	(13,295)	–	–	693,399
Taxation credit	75,738	10,240	–	–	–	2,194	–	88,172
Profit for the year	282,445	531,095	(1,615)	(19,253)	(13,295)	2,194	–	781,571

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group for the year ended 31 March 2020 (Audited) HK\$'000 (note 1)	The Target Group for the year ended 31 March 2020 (Audited) HK\$'000 (note 2)	Pro forma adjustments					The Enlarged Group (Unaudited) HK\$'000 (note 9)
			(Unaudited) HK\$'000 (note 4)	(Unaudited) HK\$'000 (note 6)	(Unaudited) HK\$'000 (note 7)	(Unaudited) HK\$'000 (note 8)	(Unaudited) HK\$'000 (note 9)	
Other comprehensive (expenses) income								
<i>Items that may be reclassified subsequently to profit or loss:</i>								
Fair value changes of debt instruments at fair value through other comprehensive income	(4,721)	-	-	-	-	-	-	(4,721)
Reclassification adjustments for amount transferred to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	4,009	-	-	-	-	-	-	4,009
Other comprehensive expenses for the year	(712)	-	-	-	-	-	-	(712)
Total comprehensive income for the year	281,733	531,095	(1,615)	(19,253)	(13,295)	2,194	-	780,859
Profit for the year attributable to:								
Owners of the Company	263,915	531,697	(1,615)	(19,253)	(13,295)	2,194	(99,946)	663,697
Non-controlling interests	18,530	(602)	-	-	-	-	99,946	117,874
	282,445	531,095	(1,615)	(19,253)	(13,295)	2,194	-	781,571
Total comprehensive income for the year attributable to:								
Owners of the Company	263,345	531,697	(1,615)	(19,253)	(13,295)	2,194	(99,946)	663,127
Non-controlling interests	18,388	(602)	-	-	-	-	99,946	117,732
	281,733	531,095	(1,615)	(19,253)	(13,295)	2,194	-	780,859

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

**Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for
the year ended 31 March 2020**

	The Group for the year ended 31 March 2020 (Audited) HK\$'000 (note 1)	The Target Group for the year ended 31 March 2020 (Audited) HK\$'000 (note 2)	Pro forma adjustments			The Enlarged Group (Unaudited) HK\$'000
			(Unaudited) HK\$'000 (note 4)	(Unaudited) HK\$'000 (note 6)	(Unaudited) HK\$'000 (note 7)	
Cash flows from operating activities						
Profit before taxation	206,707	520,855	(1,615)	(19,253)	(13,295)	693,399
Adjustments for:						
Interest income	(94,753)	–	–	53,108	–	(41,645)
Interest expenses	1,031	52,465	–	(33,855)	–	19,641
Fair value changes of investment properties	36,400	(24,776)	–	–	–	11,624
Impairment loss reversed for trade receivables	(385)	–	–	–	–	(385)
Unrealised exchange gain	(1,134)	–	–	–	–	(1,134)
Depreciation of property, plant and equipment	98,543	53,706	–	–	13,295	165,544
Depreciation of right-of-use assets	19,486	–	–	–	–	19,486
Loss on disposal of debt instruments at fair value through other comprehensive income	4,009	–	–	–	–	4,009
Loss (gain) on disposal/write-off of property, plant and equipment	81	(600,421)	–	–	–	(600,340)

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	The Group for the year ended 31 March 2020 (Audited) HK\$'000 (note 1)	The Target Group for the year ended 31 March 2020 (Audited) HK\$'000 (note 2)	Pro forma adjustments			The Enlarged Group (Unaudited) HK\$'000
			(Unaudited) HK\$'000 (note 4)	(Unaudited) HK\$'000 (note 6)	(Unaudited) HK\$'000 (note 7)	
Operating cash flows before movements in working capital	269,985	1,829	(1,615)	–	–	270,199
Increase in inventories	(829)	(159)	–	–	–	(988)
Decrease in trade and other receivables	91,151	2,504	–	–	–	93,655
Decrease in trade and other payables	(50,152)	(4,306)	–	–	–	(54,458)
Increase in amounts due to fellow subsidiaries	3,447	–	–	–	–	3,447
Cash generated from (used in) operations	313,602	(132)	(1,615)	–	–	311,855
Hong Kong Profits Tax refunded (paid)	20	(326)	–	–	–	(306)
Net cash from (used in) operating activities	313,622	(458)	(1,615)	–	–	311,549

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	The Group for the year ended 31 March 2020 (Audited) HK\$'000 (note 1)	The Target Group for the year ended 31 March 2020 (Audited) HK\$'000 (note 2)	Pro forma adjustments			The Enlarged Group (Unaudited) HK\$'000
			(Unaudited) HK\$'000 (note 4)	(Unaudited) HK\$'000 (note 6)	(Unaudited) HK\$'000 (note 7)	
Cash flows from investing activities						
Withdrawal of short-term bank deposits	818,781	–	–	–	–	818,781
Proceeds from disposal of debt instruments at fair value through other comprehensive income	390,583	–	–	–	–	390,583
Interest received	97,046	–	–	(53,108)	–	43,938
Withdrawal of pledged bank deposit	45,290	–	–	–	–	45,290
Proceeds from disposal of property, plant and equipment	51	–	–	–	–	51
Acquisition of subsidiaries	–	–	–	(3,029,445)	–	(3,029,445)
Placement of short-term bank deposits	(1,498,775)	–	–	–	–	(1,498,775)
Acquisition of property, plant and equipment	(61,476)	(40,523)	–	–	–	(101,999)
Deposits paid for acquisition of property, plant and equipment	(13,898)	(517)	–	–	–	(14,415)
Acquisition of debt instruments at fair value through other comprehensive income	(11,718)	–	–	–	–	(11,718)
Placement of pledged bank deposits	(1,598)	–	–	–	–	(1,598)
Acquisition of investment properties and costs incurred for investment properties under development	–	(5,694)	–	–	–	(5,694)
Net cash used in investing activities	(235,714)	(46,734)	–	(3,082,553)	–	(3,365,001)

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	The Group for the year ended 31 March 2020 (Audited) HK\$'000 (note 1)	The Target Group for the year ended 31 March 2020 (Audited) HK\$'000 (note 2)	Pro forma adjustments			The Enlarged Group (Unaudited) HK\$'000
			(Unaudited) HK\$'000 (note 4)	(Unaudited) HK\$'000 (note 6)	(Unaudited) HK\$'000 (note 7)	
Cash flows from financing activities						
Advances from fellow subsidiaries	–	96,655	–	–	–	96,655
Bank borrowings raised	–	–	–	520,000	–	520,000
Capital contribution from non-controlling interests of a subsidiary	–	8	–	–	–	8
Dividends paid	(104,267)	–	–	–	–	(104,267)
Repayment of bank borrowings	–	(14,880)	–	–	–	(14,880)
Payment on repurchase of shares	(38,638)	–	–	–	–	(38,638)
(Repayments to) advances from non-controlling interests of a subsidiary	(7,200)	2,090	–	–	–	(5,110)
Repayments of lease liabilities	(1,607)	–	–	–	–	(1,607)
Interest paid	(1,031)	(33,693)	–	13,709	–	(21,015)
Net cash (used in) from financing activities	<u>(152,743)</u>	<u>50,180</u>	<u>–</u>	<u>533,709</u>	<u>–</u>	<u>431,146</u>
Net (decrease) increase in cash and cash equivalents	(74,835)	2,988	(1,615)	(2,548,844)	–	(2,622,306)
Cash and cash equivalent at the beginning of the reporting period	<u>2,638,143</u>	<u>27,164</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,665,307</u>
Cash and cash equivalent at the end of the reporting period	<u><u>2,563,308</u></u>	<u><u>30,152</u></u>	<u><u>(1,615)</u></u>	<u><u>(2,548,844)</u></u>	<u><u>–</u></u>	<u><u>43,001</u></u>

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

1. The unaudited condensed consolidated statement of financial position of the Group as at 30 September 2020 is extracted from the interim report of the Group dated 25 November 2020. The audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows for the year ended 31 March 2020 of the Group are extracted from the annual report of the Group dated 23 June 2020.
2. The audited consolidated statement of financial position of the Target Group as at 31 January 2021, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Target Group for the year ended 31 March 2020 are extracted from the Accountants' Report of the Target Group as set out in Appendix IV to this circular.
3. Pursuant to the SP Agreement, the Consideration was approximately HK\$2,082,485,000 (subject to adjustments) with reference to the business valuation of the Target Group as stated in the Preliminary Assessment Letter (having taken into account of the valuation of the Properties and the then financial position of the Target Group) and shall be settled by cash payable by the Group to the Vendor in the following manner: i) 90% of the Consideration shall be paid on the Completion Date; and ii) the balance of the Consideration, subject to adjustments stated below and pursuant to the SP Agreement, shall be paid within 60 Business Days following the Completion Date (or such other date as mutually agreed by the Vendor and the Purchaser).

Upon Completion, the identifiable assets and liabilities of the Target Group acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value as required by the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("**HKFRS 3 (Revised)**") issued by the Hong Kong Institute of Certified Public Accountants.

For the purpose of the Unaudited Pro Forma Financial Information and for illustrative purpose only, the Directors has carried out an illustrative consideration allocation exercise in accordance with the requirements of HKFRS 3 (Revised). Details of the identifiable assets and liabilities of the Target Group as at 31 January 2021 to be accounted for the unaudited pro forma statement of financial position of the Enlarged Group and the calculations are as follows:

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	Carrying amount <i>HK\$'000</i>	Fair value adjustment <i>HK\$'000</i>	Fair value <i>HK\$'000</i>
Investment properties	515,000	–	515,000
Property, plant and equipment	1,523,457	5,775	1,529,232
Deposits paid for acquisition of investment properties/property, plant and equipment	8,577	–	8,577
Inventories, at cost	601	–	601
Trade and other receivables	7,072	–	7,072
Taxation recoverable	218	–	218
Bank balances and cash	36,297	–	36,297
Trade and other payables	(12,272)	–	(12,272)
Amounts due to fellow subsidiaries	(1,330,796)		(1,330,796)
Amounts due to non-controlling interests of a subsidiary	(2,090)	–	(2,090)
Taxation payable	(8)	–	(8)
Secured bank borrowings – due within one year	(877,778)	–	(877,778)
Secured bank borrowings – due after one year	(63,132)	–	(63,132)
Deferred taxation	–	(953)	(953)
Net identifiable liabilities	<u>(194,854)</u>	<u>4,822</u>	<u>(190,032)</u>
			<i>HK\$'000</i>
Fair value of net identifiable liabilities			(190,032)
Add: Amounts due to fellow subsidiaries (<i>note 3.1</i>)			1,330,796
Total bank borrowings (<i>note 3.2</i>)			940,910
Non-controlling interests			<u>811</u>
Net identifiable assets to be acquired and total consideration to be paid			<u>2,082,485</u>
Consideration to be satisfied by:			
Short-term deposits (<i>note 3.3</i>)			1,500,000
Bank balances and cash (<i>note 3.3</i>)			<u>582,485</u>
			<u>2,082,485</u>

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

- 3.1 Pursuant to the SP Agreement, the Vendor agreed to sell and assign the Sale Loan together with all rights, title, benefits and interest thereof and therein and together with all rights attaching thereto on or before Completion free from all encumbrances to the Purchaser. As such, it is assumed that the Vendor would streamline and reclassify the amounts due to fellow subsidiaries as the Sale Loan before Completion.
- 3.2 Pursuant to the SP Agreement, the Vendor and the Purchaser also agreed that the Properties are sold free from encumbrances. Hence, it is assumed that the Vendor would settle all outstanding balances of the bank borrowings before Completion and such borrowing amounts would be contributed as part of the Sale Loan at Completion.
- 3.3 As at 30 September 2020, certain bank balances of the Group were placed in time deposits at banks for short-term investment purpose. As advised by the management of the Company, it is assumed that HK\$1.5 billion of the short-term deposits would be utilised to settle part of the Consideration while the remaining balance of the Consideration of approximately HK\$582,485,000 would be settled by using the Group's bank balances and cash.
4. The adjustment represents the estimated acquisition-related costs of approximately HK\$1,615,000 (the “**Transaction Costs**”) assumed to be paid, including audit, legal, valuation and other professional services relating to the Transaction, which would be settled by bank balances and cash of the Enlarged Group and are charged to profit or loss. This adjustment is not expected to have a continuing effect on the Enlarged Group.
5. The adjustment represents share of the Transaction Costs by non-controlling interests of the Enlarged Group, which is amounted to approximately HK\$323,000.
6. Same as note 3 mentioned above, assuming the Transaction was completed on 1 April 2019, the Directors has carried out an illustrative consideration allocation exercise in accordance with the requirements of HKFRS 3 (Revised). The fair value of net identifiable assets of the Target Group as at 1 April 2019 to be accounted for the unaudited pro forma statement of financial position of the Enlarged Group is calculated as follows:

	Carrying amount HK\$'000	Fair value adjustment HK\$'000	Fair value HK\$'000
Carrying amount of net identifiable assets at 31 March 2019 based on the Accountant's Report of the Target Group to this circular	245,541		245,541
Add: Fair value change of the hotel property with reference to its property valuation at 31 March 2019 (note 6.4)		522,764	
Less: Deferred taxation relating to the fair value change of the hotel property		(86,256)	436,508
Fair value of net identifiable assets at 1 April 2019			682,049

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	<i>HK\$'000</i>
Fair value of net identifiable assets at 1 April 2019	682,049
Add: Amounts due to fellow subsidiaries (<i>note 6.1</i>)	1,372,136
Total bank borrowings (<i>note 6.2</i>)	<u>975,260</u>
Net identifiable assets to be acquired and total consideration to be paid	<u><u>3,029,445</u></u>
Consideration to be satisfied by:	
Bank balances and cash (<i>note 6.3</i>)	2,509,445
Funds from raising bank borrowings by the Group (<i>note 6.3</i>)	<u>520,000</u>
	<u><u>3,029,445</u></u>

- 6.1 Pursuant to the SP Agreement, the Vendor agreed to sell and assign the Sale Loan together with all rights, title, benefits and interest thereof and therein and together with all rights attaching thereto on or before Completion free from all encumbrances to the Purchaser. As such, it is assumed that the Vendor would streamline and reclassify the amounts due to fellow subsidiaries as the Sale Loan before Completion.

For the purpose of the Unaudited Pro forma Financial Information of the Enlarged Group, the estimated direct reduction in finance costs of approximately HK\$20,146,000 is based on the assumptions that the acquisition of the Target Group (the “Acquisition”) had taken place on 1 April 2019 and the amounts due to fellow subsidiaries which bear interest at the rates from 3.44% to 3.85% over Hong Kong Interbank Offered Rate (“HIBOR”) per annum was fully settled.

- 6.2 Pursuant to the SP Agreement, the Vendor and the Purchaser also agreed that the Properties are sold free from encumbrances. Hence, it is assumed that the Vendor would settle all outstanding balances of the bank borrowings before Completion and such borrowing amounts would be contributed as part of the Sale Loan at Completion.

For the purpose of the Unaudited Pro forma Financial Information of the Enlarged Group, the estimated direct reduction in finance costs of approximately HK\$32,319,000 is based on the assumptions that the Acquisition had taken place on 1 April 2019 and the Target Group’s bank borrowings which bear interest at the rates of HIBOR plus 1.25% to HIBOR plus 1.35% per annum had been fully repaid.

- 6.3 For the purpose of the Unaudited Pro forma Financial Information of the Enlarged Group, the Consideration of approximately HK\$3,029,445,000, which is assumed to be based on the business valuation of the Target Group as at 1 April 2019, will be payable by the Purchaser to the Vendor at Completion in cash.

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

It is assumed that the Consideration amounting to approximately HK\$2,509,445,000 will be settled in cash by the Purchaser at Completion, and the remaining part of the Consideration of HK\$520,000,000 will be settled by the Purchaser by way of raising bank borrowings at Completion, which bear interest at the rates of HIBOR plus 1.75% to HIBOR plus 2.25% per annum. The estimated finance costs of the bank borrowings under this assumption is approximately HK\$18,610,000. The combined effect of these finance costs and the estimated reduction in finance costs as set out in note 6.2 would result in net reduction of interest paid of approximately HK\$13,709,000.

The estimated direct reduction in interest income of approximately HK\$53,108,000 is based on the assumptions that the Acquisition had taken place on 1 April 2019 and there is a reduction in the Group's bank balances at average effective interest rate of 2.13% per annum.

- 6.4. *The fair value changes of the hotel property of HK\$522,764,000 represents the excess of fair value of the hotel property (based on the property valuation report as at 31 March 2019) over its carrying amount as at 1 April 2019.*
7. The adjustment represents the additional depreciation of approximately HK\$13,295,000 charged to the Enlarged Group for the year ended 31 March 2020 due to the recognition of fair value adjustment on the hotel property with reference to its property valuation as at 31 March 2019. This adjustment is expected to have a continuing financial effect on the Enlarged Group.
8. The adjustment represents the deferred taxation credit arising from the depreciation of the hotel property with the amount of approximately HK\$2,194,000 as if the Transaction has been completed on 1 April 2019. This adjustment is expected to have a continuing financial effect on the Enlarged Group.
9. The adjustment represents share of profit attributable to the owners of the Target Group for the year ended 31 March 2020 and share of profit or loss effects on the pro forma adjustments based on the assumption that the Acquisition had taken place on 1 April 2019 as stated in the above note 4 and notes 6 to 8 by the non-controlling interests of the Enlarged Group and the calculation is shown as follows:

	<i>HK\$'000</i>
Profit for the year attributable to the owners of the	
Target Group based on the Accountant's Report to this circular	531,697
Add: Direct reduction in finance costs (<i>notes 6.1 and 6.2</i>)	52,465
Deferred taxation credit (<i>note 8</i>)	2,194
Less: Direct reduction in interest income (<i>note 6.3</i>)	(53,108)
Finance costs arising from bank borrowings raised (<i>note 6.3</i>)	(18,610)
Additional depreciation of the hotel property (<i>note 7</i>)	(13,295)
Transaction Costs incurred (<i>note 4</i>)	(1,615)
	<hr/>
Adjusted profit for the year	499,728
	<hr/> <hr/>
Share of adjusted profit for the year by the non-controlling interests of the Enlarged Group	99,946
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APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

10. For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the Company's management has performed an impairment assessment on the hotel property in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**") and it is assumed that (i) there is no impairment indicator and no material adverse changes in the fair values of the assets and liabilities of the Target Group; and (ii) the identifiable assets and liabilities can be realised at their carrying amounts. The Company's management considers that there would have been no impairment of the hotel property as if the Acquisition had been completed on 30 September 2020 for the purpose of unaudited pro forma consolidated statement of financial position of the Enlarged Group and on 1 April 2019 for the purpose of unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flow of the Enlarged Group. However, should there be any adverse changes to the business of the Target Group, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against hotel property in accordance with HKAS 36 and the Group's accounting policies.
11. 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 30 September 2020 for the unaudited pro forma consolidated statement of financial position as at 30 September 2020, and subsequent to 31 March 2020 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2020 as if the Acquisition had taken place as at 30 September 2020 and 1 April 2019, respectively.

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Section A of Appendix V to this circular.

Deloitte.

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INDEPENDENT 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 consolidated statement of financial position as at 30 September 2020, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020, the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2020 and related notes as set out on pages 1 to 16 of Appendix V to the circular issued by the Company dated 30 April 2021 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 1 to 16 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 100% equity interests in Poly Keen International Limited (“**Poly Keen**”) and its subsidiaries (collectively referred to as “**Poly Keen Group**”), constituting a very substantial and connected transaction (the “**Acquisition**”) on the Group’s financial position as at 30 September 2020 as if the Acquisition had taken place at 30 September 2020 and the Group’s financial performance and cash flows for the year ended 31 March 2020 as if the Acquisition had taken place at 1 April 2019. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s condensed consolidated financial statements for the six months ended 30 September 2020, on which no review report has been published and information about the Group’s financial performance and cash flows has been extracted by the Directors from the Group’s audited consolidated financial statements for the year ended 31 March 2020, on which an auditor’s report has been published.

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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 Control

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 Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented 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.

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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 as at 30 September 2020 or 1 April 2019 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.

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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
30 April 2021

The following management discussion and analysis should be read in conjunction with the Accountants' Report of the Target Group for the year ended 31 March 2018, 31 March 2019 and 31 March 2020 and for the ten months ended 31 January 2021 as set out in Appendix IV to this circular.

BUSINESS REVIEW

The Target Company is a company incorporated in BVI and an indirect wholly-owned subsidiary of Emperor International. The principal businesses of the Target Company is investment holding of companies engaged in hospitality business and property investment in Hong Kong.

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 March 2018, 2019 and 2020 and for the ten months ended 31 January 2021 (collectively, the “**Reporting Periods**”). All references to “FY2018”, “FY2019” and “FY2020” mean the financial years ended 31 March 2018, 31 March 2019 and 31 March 2020, 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

(i) Hotel and hotel related operation

The revenue generated from hotel and hotel related operation in FY2018, FY2019, FY2020 and for the ten months ended 31 January 2020 and 2021 were approximately HK\$79.2 million, HK\$135.9 million, HK\$83.7 million, HK\$77.9 million and HK\$41.1 million, respectively. The revenue from hotel and hotel related operation increased significantly from approximately HK\$79.2 million in FY2018 to approximately HK\$135.9 million in FY2019, which was mainly due to the commencement of The Emperor Hotel in December 2017. The revenue from hotel and hotel related operation decreased from approximately HK\$135.9 million in FY2019 to HK\$83.7 million in FY2020 and the revenue from hotel and hotel related operation decreased from HK\$77.9 million for ten months ended 31 January 2020 as compared to HK\$41.1 million for the ten months ended 31 January 2021 which was mainly attributable to the social unrest and outbreak of COVID-19.

(ii) Lease of properties

The revenue generated from rental of investment properties in Hong Kong in FY2018, FY2019, FY2020 and for the ten months ended 31 January 2020 and 2021 were approximately HK\$8.8 million, HK\$18.0 million, HK\$18.3 million, HK\$15.3 million and HK\$12.9 million, respectively. Following the commencement of business of The Unit Serviced Apartments in January 2018, the revenue from lease of properties increased from HK\$8.8 million in FY2018 to approximately HK\$18.0 million in FY2019. The revenue from lease of properties remained stable at around HK\$18.0 million in FY2019 and FY2020. The rental income slightly decreased from HK\$15.3 million for ten months ended 31 January 2020 as compared to HK\$12.9 million for the ten months ended 31 January 2021 mainly due to COVID-19 pandemic.

Cost of sales

The cost of sales incurred by the Target Group mainly represented the cost of food and beverage sales. The Target Group recorded cost of sales of approximately HK\$10.9 million, HK\$12.4 million, HK\$17.7 million, HK\$15.2 million and HK\$14.1 million, respectively in FY2018, FY2019, FY2020 and for the ten months ended 31 January 2020 and 2021. The cost of sales increased slightly from approximately HK\$10.9 million in FY2018 to approximately HK\$12.4 million in FY2019. The increase from approximately HK\$12.4 million in FY2019 to approximately HK\$17.7 million in FY2020 was due to commencement of business of a new restaurant. The decrease from approximately HK\$15.2 million for the ten months ended 31 January 2020 to approximately HK\$14.1 million for the ten months ended 31 January 2021 was mainly due to decrease in food and beverage revenue as a result of COVID-19 pandemic.

Cost of hotel operation

The Target Group recorded cost of hotel operation of approximately HK\$50.3 million, HK\$58.0 million, HK\$49.9 million, HK\$43.8 million and HK\$32.1 million, respectively in FY2018, FY2019, FY2020 and for the ten months ended 31 January 2020 and 2021. The cost of hotel operation increased slightly from approximately HK\$50.3 million in FY2018 to approximately HK\$58.0 million in FY2019. The decrease from approximately HK\$58.0 million in FY2019 to approximately HK\$49.9 million in FY2020 and the decrease from approximately HK\$43.8 million for the ten months ended 31 January 2020 to approximately HK\$32.1 million for the ten months ended 31 January 2021 was mainly due to decrease in revenue from hotel and hotel related operation as a result of the social unrest and outbreak of COVID-19.

Other gains and losses

The Target Group recorded other gains and losses of approximately HK\$Nil, HK\$(28.5) million, HK\$600.4 million, HK\$600.4 million and HK\$(0.01) million, respectively in FY2018, FY2019, FY2020 and for the ten months ended 31 January 2020 and 2021. The other losses of approximately HK\$28.5 million in FY2019 was resulted from the write-off of an amount due from a fellow subsidiary by the Target Group upon deregistration of its subsidiary. For FY2020, the gain on disposal of a hotel property and related leasehold improvements and others of approximately HK\$600.4 million was recognised.

Fair value changes of investment properties

The property interests held for generating rental income were measured using fair value model and were accounted for as investment properties. The fair value of the investment properties as at 31 March 2018, 2019 and 2020 and 31 January 2021 had been valued by the independent properties valuer.

The fair value changes of investment properties recorded by the Target Group were approximately HK\$58.7 million, HK\$12.8 million, HK\$24.8 million, HK\$65.0 million and HK\$(69.0) million respectively in FY2018, FY2019, FY2020 and for the ten months ended 31 January 2020 and 2021. The fair value loss recorded for the ten months ended 31 January 2021 as compared to the fair value gain for the ten months ended 31 January 2020 was attributable to a tough business environment and hence downward pressure on both retail and commercial rents.

Administrative expenses

The Target Group recorded administrative expenses of approximately HK\$30.7 million, HK\$61.7 million, HK\$69.7 million, HK\$64.6 million and HK\$57.5 million, respectively in FY2018, FY2019, FY2020 and for the ten months ended 31 January 2020 and 2021. The administrative expenses doubled from approximately HK\$30.7 million in FY2018 to approximately HK\$61.7 million in FY2019 following the commencement of business of The Emperor Hotel in December 2017. The slight movement in administrative expenses from approximately HK\$61.7 million in FY2019 to approximately HK\$69.7 million in FY2020 and from approximately HK\$64.6 million for the ten months ended 31 January 2020 to approximately HK\$57.5 million for the ten months ended 31 January 2021 was mainly due to stable and similar operating scale of the business over the periods.

Finance costs

The finance costs incurred by the Target Group mainly represented interest from borrowings. The Target Group recorded finance costs of approximately HK\$21.7 million, HK\$47.8 million, HK\$52.5 million, HK\$44.1 million and HK\$30.6 million, respectively in FY2018, FY2019, FY2020 and for the ten months ended 31 January 2020 and 2021. The significant increase from approximately HK\$21.7 million in FY2018 to approximately HK\$47.8 million in FY2019 was mainly due to (i) approximately HK\$9.0 million of finance costs incurred by a subsidiary on borrowings raised specifically for the hotel properties under construction being capitalised in FY2018; and (ii) the increase in finance costs for new bank borrowings and amounts due to fellow subsidiaries of the Target Group.

Profit/Loss for the year/period

The Target Group recorded profit/(loss) for the year of approximately HK\$35.6 million, HK\$(49.3) million, HK\$531.1 million in FY2018, FY2019 and FY2020 respectively, and profit/(loss) of approximately HK\$591.5 million and HK\$(150.8) million for the ten months ended 31 January 2020 and 2021 respectively. The fluctuation of the profit/(loss) for the year/period of the Target Group during the Reporting Periods was primarily due to (i) the other gains and losses; and (ii) the fair value changes of investment properties. Please refer to the section headed “Other gains and losses” and “Fair value changes of investment properties” in this appendix.

Liquidity, financial resources and capital structure

During the Reporting Periods, the Target Group mainly financed its operation by i) cash flow from operation, of which its cash and cash equivalents as at 31 March 2018, 2019 and 2020 and 31 January 2021 amounted to approximately HK\$5.4 million, HK\$27.2 million, HK\$30.2 million and HK\$36.3 million respectively; ii) bank borrowings of approximately HK\$1,044.6 million, HK\$975.3 million, HK\$960.4 million and HK\$940.9 million as at 31 March 2018, 2019 and 2020 and 31 January 2021, respectively, with an interest ranging from 1.25% to 1.90% over Hong Kong Interbank Offered Rate (“**HIBOR**”) per annum as at 31 March 2018 and from 1.25% to 1.35% over HIBOR per annum as at 31 March 2019, 2020 and 31 January 2021; and iii) amounts due to fellow subsidiaries of approximately HK\$1,225.0 million, HK\$1,372.1 million, HK\$436.1 million and HK\$1,330.8 million as at 31 March 2018, 2019 and 2020 and 31 January 2021, respectively. The amounts due to fellow subsidiaries amounted to approximately HK\$363.8 million, HK\$384.5 million, HK\$408.6 million and HK\$402.4 million were unsecured, repayable on demand and carry interest ranging from 3.44% to 4.44% over HIBOR, from 2.55% to 3.85% over HIBOR, at 3.49% over HIBOR and at 3.91% over HIBOR per annum as at 31 March 2018, 2019, 2020 and 31 January 2021, respectively. The remaining balances are unsecured, interest-free and repayable on demand.

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 2018, 2019 and 2020 and 31 January 2021, the Target Group recorded net current liabilities of approximately HK\$2,086.9 million, HK\$1,374.6 million, HK\$442.1 million and HK\$2,178.8 million, respectively. The net current liabilities were mainly attributable to the amounts due to fellow subsidiaries which were repayable on demand. As at 31 March 2018, 2019 and 2020 and 31 January 2021, the Target Group's gearing ratios (represented by a percentage of total borrowings over total assets) were approximately 85.9%, 89.1%, 63.3% and 108.7% respectively.

Employee and Remuneration Policies

As at 31 March 2018, 2019 and 2020 and 31 January 2021, the Target Group had, in aggregate, 150, 140, 133 and 125 employees, respectively in Hong Kong. The Target Group recruited, employed, promoted and remunerated its employees based on their qualifications, experience, skills, performances and contributions. Remuneration was also determined with reference to, among others, the market trend. The Target Group had implemented various programs for staff training and development as well.

During the Reporting Periods, the total staff costs including director's remuneration amounted to approximately HK\$43.1 million, HK\$57.5 million, HK\$44.0 million, HK\$38.7 and HK\$28.1 million, respectively in FY2018, FY2019, FY2020 and for the ten months ended 31 January 2020 and 2021.

Future plans for material investments or capital assets

As at 31 January 2021, the Target Group did not have any future plans for material investments or capital assets.

Capital Commitments

The Target Group had no capital commitments as at 31 March 2018, 2019 and 2020 and 31 January 2021.

Charges on assets

As at 31 March 2018, 2019 and 2020 and 31 January 2021, the Target Group had pledged the investment properties with a carrying amount of approximately HK\$443.6 million, HK\$438.4 million, HK\$292.0 million and HK\$250.0 million, respectively and hotel properties of approximately HK\$1,808.5 million, HK\$1,791.9 million, HK\$1,527.8 million and HK\$1,494.2 million, respectively to secure general banking facilities and bank borrowings granted to the Target Group.

Contingent liabilities

The Target Group had no material contingent liabilities as at 31 March 2018, 2019 and 2020 and 31 January 2021.

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 dollars.

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 2018, 31 March 2019 and 31 March 2020 and for the six months ended 30 September 2020, details of which are set out in the annual reports of the Company for the years ended 31 March 2018 (“**2018 Annual Report**”), 31 March 2019 (“**2019 Annual Report**”) and 31 March 2020 (“**2020 Annual Report**”) respectively and the interim report for the six months ended 30 September 2020 (“**2020 Interim Report**”). Unless otherwise defined in this circular or the context otherwise requires, capitalised terms used in this appendix shall have the same meanings as those ascribed in the abovementioned annual reports and interim report of the Company, as the case may be.

The Group operates two hotels, Grand Emperor Hotel (“**GEH**”) and Inn Hotel Macau (“**IHM**”), in Macau.

GEH, the Group’s flagship project, on the Macau Peninsula, is an award-winning 26-storey gaming hotel with a gross floor area of approximately 655,000 square feet and 307 guest rooms. It has six gaming floors, covering over 130,000 square feet, and offers slot machines as well as gaming tables in the gaming concourse and the VIP room. In addition, GEH offers a wide range of amenities including fitness centre, sauna and spa facilities, as well as five restaurants and bars boasting fine cuisines from all around the world. With strong commitment to providing guests with unparalleled entertainment and hospitality experiences, the Group delivers consistently top-quality services that translate into high levels of customer satisfaction and loyalty.

Located at the heart of Macau’s Taipa Island, IHM is a 17-storey hotel with a gross floor area of approximately 209,000 square feet, and 287 guest rooms. IHM creates comfortable experience for catering the lifestyles of both leisure and business travellers. Through extending coverage from the Peninsula to Taipa, IHM enables the Group to fully capture the potential of Macau’s hospitality market.

FOR THE YEAR ENDED 31 MARCH 2018**MARKET REVIEW**

For the year ended 31 March 2018 (the “**2018 Year**”), Macau’s gross gaming revenue recorded a growth of 20.9% to MOP231.4 billion. Such increase was largely driven by an expansion in overall gaming capacity on Cotai. Since 2015, several large-scale development projects embarked by gaming concessionaires have commenced operations on Cotai. With a raft of new gaming offerings and family-friendly recreations, the new establishments have attracted leisure travellers, who are typically mass-market players. The market share of gaming on Macau Peninsula, especially in the mass segment, was diluted by the competition from new properties on Cotai.

FINANCIAL REVIEW**Overall Review**

With incremental capacity added on Cotai, though the Group's performance was inevitably affected, it managed to record a slight decline in revenue, to HK\$1,498.4 million (2017: HK\$1,613.2 million). Profit for the 2018 Year attributable to the owners of the Company increased by 13.6% to HK\$393.6 million (2017: HK\$346.5 million). Such increase was mainly due to a decrease of selling and marketing expenses and exchange loss, as well as a revaluation gain recognised during the 2018 Year, as compared to a revaluation loss in the last year. Basic earnings per share increased to HK\$0.30 (2017: HK\$0.27). The Board recommended the payment of a final dividend of HK\$0.057 (2017: HK\$0.057) per share. Together with the interim dividend of HK\$0.026 (2017: HK\$0.025) per share, the total dividends per share for the 2018 Year are HK\$0.083 (2017: HK\$0.082).

Liquidity and Financial Resources

The Group continued to maintain a strong cash position and a healthy financial position, supported by its ongoing and stable cash inflows. The Group funded its operations and capital expenditure by cash generated internally from its operations. For the commercial benefit of the Group, the Group invested in certain high-yield listed corporate bonds with carrying value of HK\$423.1 million as of 31 March 2018. These listed corporate bonds are denominated in United States dollar and Renminbi with a maturity period from 1 to 3 years. As at 31 March 2018, aggregate of bank balances and cash, short-term bank deposits and pledged bank deposits of the Group amounted to HK\$3,574.4 million (2017: HK\$3,962.2 million), which are mainly denominated in Hong Kong dollars and Macau Patacas. The Group did not experience any significant exposure to foreign exchange rate fluctuation during the 2018 Year.

The Group's current assets and current liabilities as at 31 March 2018 were HK\$4,073.8 million and HK\$881.7 million (2017: HK\$4,279.1 million and HK\$817.6 million), respectively. During the 2018 Year, the Group fully repaid its bank borrowing of HK\$469.8 million and partially settled advances from non-controlling interests of HK\$13.2 million. As a result, the gearing ratio of the Group (expressed as a percentage of total borrowings over total equity) significantly decreased to 1.8% (2017: 10.8%) as of 31 March 2018. As at 31 March 2018, the advances from non-controlling interests amounted to HK\$107.6 million (2017: HK\$120.8 million), which was denominated in Hong Kong dollars, unsecured, interest-free and repayable at the discretion of non-controlling interests and availability of surplus fund of the subsidiary.

Subsequent to the end of the 2018 Year, the Company had repurchased its own shares from the market in total of 1,935,000 shares at an aggregated consideration of HK\$3.3 million with an average price of HK\$1.729 per share from internal resources. Having considered the Group's cash reserves, the Directors believe the share repurchases would recognise value to the Company's shareholders and benefit the Company and its shareholders as a whole. As at the date of 2018 Annual Report, these repurchased shares had been cancelled.

Pledge of Assets

As at 31 March 2018, assets with carrying values of approximately HK\$2.3 billion (2017: HK\$2.3 billion) were pledged to several banks as security for banking facilities, for a total of approximately HK\$100.0 million (2017: HK\$569.8 million) granted to the Group. In addition, the Group has a bank deposit of HK\$0.3 million (2017: HK\$0.3 million) pledged to a bank as security for the use of ferry ticket equipment provided by a third party to the Group.

BUSINESS REVIEW**Gaming Revenue**

The Group's casino in GEH is operated under the gaming licence held by Sociedade de Jogos de Macau, S.A. The introduction of other casino resorts in Cotai has resulted in market share dilution on the Macau Peninsula, where the Group's casino complex is located. Facing keen competition from the new casino resorts, the Group strived to mitigate the impact by improving customer segmentation. Leveraging its dedicated customer service team, the Group also strengthened efforts to create customer-centric experiences that build loyalty and engagement of high-roller gamblers. During the 2018 Year, the Group's gaming revenue declined slightly to HK\$1,253.4 million (2017: HK\$1,362.1 million).

Gaming Concourse

The gross win in the gaming concourse was HK\$1,293.1 million (2017: HK\$1,391.8 million) and revenue from the gaming concourse was HK\$723.2 million (2017: HK\$777.5 million), accounting for 48.3% of the Group's total revenue. There were 67 (2017: 67) tables in the gaming concourse. Average win per table per day was HK\$53,000 (2017: HK\$57,000).

VIP Room

The Group self-managed a VIP room with 10 (2017: 10) tables. The rolling amount was HK\$22.4 billion (2017: HK\$24.7 billion). Revenue from the VIP room was HK\$490.9 million (2017: HK\$546.4 million), accounting for 32.8% of the Group's total revenue. Average win per table per day was HK\$237,000 (2017: HK\$263,000).

Slot Machines

With a capacity of 172 (2017: 170) slot seats, the gross win from slot machines increased to HK\$82.7 million (2017: HK\$80.4 million). Revenue from the slot machines increased to HK\$39.3 million (2017: HK\$38.2 million), accounting for 2.6% of the Group's total revenue. Average win per seat per day grew up by 9.5% to HK\$1,431 (2017: HK\$1,307).

Hotel Revenue

The Group's hotel revenue derives from the hospitality income of GEH and IHM. The hotel revenue was HK\$245.0 million (2017: HK\$251.1 million), accounting for 16.3% of the total revenue.

As of 31 March 2018, GEH and IHM provided 307 and 287 guest rooms, respectively. During the 2018 Year, the average room rates of GEH and IHM were HK\$872 (2017: HK\$820) per night and HK\$476 (2017: HK\$412) per night, with occupancy rates of 93% (2017: 91%) and 94% (2017: 95%), respectively. Total room revenue was HK\$100.1 million (2017: HK\$99.2 million). Total food and beverage revenue was HK\$112.7 million (2017: HK\$119.4 million), while the aggregate amount of rental income and other revenue was HK\$32.2 million (2017: HK\$32.5 million).

OUTLOOK

In view of intensified competition in Macau and other countries, the Group continuously enhances its overall efficiency and strengthens its market position through capitalising on its competitive edges, including a strong network of quality customers and outstanding customer service. In response to market conditions, the Group actively manages customer segmentation and focuses on the segment which offers the greatest potential for growth, in order to maximise its profitability. Meanwhile, the Group retains an active base of customers and ensures long-term satisfaction and loyalty by delivering compelling experiences that are tailored to individual customers.

Upon the completion of large-scale tourism projects, along with government initiatives to boost infrastructure development, Macau's position as a global leisure and tourism hub will be further reinforced. On the demand side, sustained growth in Macau's gaming market is expected, on the back of the increase in numbers of Chinese outbound travellers, which is largely driven by the expanding wealth effect and the rise of China's middle class. The Group is optimistic regarding growth prospects for Macau's gaming market, and is actively reviewing growth strategies and value-creating opportunities in Macau.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group's number of employee was 1,164 (2017: 1,196). Total staff costs including Directors' remuneration and the other staff costs for the 2018 Year were HK\$441.8 million (2017: HK\$435.2 million). Employees' remuneration was determined in accordance with individual's responsibilities, competence and skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, retirement benefits and other competitive fringe benefits.

To provide incentives or rewards to the staff, the Company has adopted a share option scheme, particulars of which are set out in the section headed “Share Options” on pages 112 and 113 of 2018 Annual Report.

FOR THE YEAR ENDED 31 MARCH 2019

MARKET REVIEW

With Macau government’s various initiatives to position itself as a global leisure and tourism hub, Macau combines a wide spectrum of leisure activities and entertainment that appeal to the evolving demands of visitors from around the world. During the year ended 31 March 2019 (the “**2019 Year**”), the number of Macau’s inbound visitors rose 13.0% to 37.6 million.

Though there is positive growth in Macau tourism, the development of Cotai casino resorts has started to mature and this, coupled with the volatile global economic environment and intensifying control of capital flows in mainland China, has resulted in slower growth of Macau’s gaming market. During the Year, Macau’s gross gaming revenue increased by 8.5% to MOP302.5 billion, as compared with double digit growth in the previous financial year.

FINANCIAL REVIEW

Overall Review

The change in Macau’s tourism landscape has somewhat impacted the Group’s performance, and revenue declined by 7.8% to HK\$1,381.3 million (2018: HK\$1,498.4 million) during the 2019 Year. Profit for the 2019 Year attributable to the owners of the Company also decreased by 6.6% to HK\$367.5 million (2018: HK\$393.6 million). Basic earnings per share were HK\$0.29 (2018: HK\$0.30). The Board recommended the payment of a final dividend of HK\$0.054 (2018: HK\$0.057) per share. Together with the interim dividend of HK\$0.028 (2018: HK\$0.026) per share, the total dividends per share for the 2019 Year are HK\$0.082 (2018: HK\$0.083).

Capital Structure, Liquidity and Financial Resources

The Group continued to maintain a strong cash position and a healthy financial position, supported by its ongoing and stable cash inflows. The Group funded its operations and capital expenditure by cash generated internally from its operations. For the commercial benefit of the Group, the Group invested in certain high-yield listed corporate bonds with carrying value of HK\$468.8 million as of 31 March 2019 (2018: HK\$423.1 million). These listed corporate bonds are denominated in United States dollar and Renminbi with a maturity period from 1 to 3 years. As at 31 March 2019, aggregate of bank balances and cash, short-term bank deposits and pledged bank deposits of the Group amounted to HK\$2,982.8 million (2018: HK\$3,574.4 million), which are mainly denominated in Hong Kong dollars, United States dollars and Macau Patacas. During the 2019 Year, the Group recorded an exchange loss of HK\$10.9 million mainly attributable to devaluation of assets denominated in Renminbi. The Group closely monitors its overall foreign exchange exposure and will consider to adopt appropriate measures to mitigate its currency risk.

The Group's current assets and current liabilities as at 31 March 2019 were HK\$3,355.4 million (2018: HK\$4,073.8 million) and HK\$561.8 million (2018: HK\$881.7 million), respectively. As at 31 March 2019, the advances from non-controlling interests of a subsidiary of the Company amounted to HK\$46.2 million (2018: HK\$107.6 million), which was denominated in Hong Kong dollars, unsecured, interest-free and repayable at the discretion of non-controlling interests and availability of surplus fund of the subsidiary. The gearing ratio of the Group (expressed as a percentage of total borrowings over total equity) decreased to 0.8% (2018: 1.8%).

During the 2019 Year, the Company repurchased its own shares from the market using internal resources, with a total of 43,720,000 shares purchased at an aggregate consideration of HK\$72.6 million, with an average price of HK\$1.66 per share. Having considered the Group's cash reserves, the Directors believed the share repurchases would enhance value to the Company's shareholders and benefit the Company and its shareholders as a whole. As at the date of 2019 Annual Report, these repurchased shares had been cancelled and the total number of issued shares of the Company was reduced to 1,258,825,983 (2018: 1,302,545,983) shares and its issued share capital was HK\$126,000 (2018: HK\$130,000).

Subsequent to the end of the 2019 Year, the Company further repurchased its own shares from the market, likewise from internal resources, with a total of 7,845,000 shares purchased at an aggregate consideration of HK\$13.4 million, with an average price of HK\$1.70 per share.

Pledge of Assets

As at 31 March 2019, assets with carrying values of approximately HK\$2.2 billion (2018: HK\$2.3 billion) were pledged to several banks as security for banking facilities, for a total of HK\$520.0 million (2018: HK\$100.0 million) granted to the Group. In addition, the Group has bank deposits of HK\$44.0 million (2018: HK\$0.3 million) pledged to banks as security for i) obtaining a bank guarantee in amount of MOP45.0 million (equivalent to HK\$43.7 million) which is made in favour of Sociedade de Jogos de Macau, S.A. ("SJM") for the Group's fulfilment of all its obligations, in particular for reimbursement by the Group to SJM of the employee's salaries and benefits for those gaming operation employees employed by SJM who work for the casino where the Group provides services to SJM, as stipulated under the service agreement entered into between SJM and the Group; and ii) the use of ferry ticket equipment provided by a third party to the Group.

Acquisitions

On 8 October 2018, the Group made an acquisition from a substantial shareholder of Luck United Holdings Limited (“**Luck United**”), a non-wholly owned subsidiary of the Company, of its entire 15% equity interest in Luck United and the relevant shareholder’s loan due to this shareholder (“**15% Acquisition**”), at a total consideration of HK\$460.0 million. On 27 December 2018, the Group made a further acquisition from another shareholder of Luck United of its entire 5% equity interest in Luck United and the relevant shareholder’s loan due to this shareholder (“**5% Acquisition**”), at a total consideration of HK\$155.0 million. As at 31 March 2019, both of the 15% Acquisition and the 5% Acquisition were completed, and the Group increased its shareholding in Luck United to 80%. In recent years, Luck United continued to achieve a stable performance in entertainment and hospitality services in Macau, and generated a recurrent income stream for the Group. The increase in the shareholding of Luck United can realise the expansion of this good investment opportunity, and enable the Group to efficiently utilise financial resources.

BUSINESS REVIEW**Gaming Revenue**

The Group’s casino in GEH is operated under the gaming licence held by SJM. Although the number of inbound visitors in Macau grew during the 2019 Year, the market share of casinos on the Macau Peninsula has been partially captured by the recently opened casino resorts in Cotai. In order to expand its customer base and enhance customer loyalty, the Group strengthened its efforts to improve customer segmentation and customer services, aiming to create a personalised and pleasant experiences for gamblers. During the 2019 Year, the Group’s gaming revenue declined slightly, to HK\$1,136.8 million (2018: HK\$1,253.4 million).

Gaming Concourse

The gross win in the gaming concourse was HK\$1,187.0 million (2018: HK\$1,293.1 million) and revenue from the gaming concourse was HK\$664.8 million (2018: HK\$723.2 million), accounting for 48.1% (2018: 48.3%) of the Group’s total revenue. There were 67 (2018: 67) tables in the gaming concourse. Average win per table per day was HK\$49,000 (2018: HK\$53,000).

VIP Room

The Group self-managed a VIP room with 10 (2018: 10) tables. The rolling amount was HK\$19.3 billion (2018: HK\$22.4 billion). Revenue from the VIP room was HK\$429.4 million (2018: HK\$490.9 million), accounting for 31.1% (2018: 32.8%) of the Group’s total revenue. Average win per table per day was HK\$207,000 (2018: HK\$237,000).

Slot Machines

With a capacity of 180 (2018: 172) slot seats as at 31 March 2019, the gross win from slot machines increased to HK\$89.7 million (2018: HK\$82.7 million). Revenue from the slot machines increased to HK\$42.6 million (2018: HK\$39.3 million), accounting for 3.1% (2018: 2.6%) of the Group's total revenue. Average win per seat per day increased by 0.8% to HK\$1,442 (2018: HK\$1,431).

Hotel Revenue

The Group's hotel revenue derives from the hospitality income of GEH and IHM. The hotel revenue decreased slightly by 0.2% to HK\$244.5 million (2018: HK\$245.0 million), accounting for 17.7% (2018: 16.3%) of the Group's total revenue. As of 31 March 2019, GEH and IHM provided 311 and 287 guest rooms, respectively. During the 2019 Year, the average room rates of GEH and IHM were HK\$888 (2018: HK\$872) per night and HK\$520 (2018: HK\$476) per night, with occupancy rates of 94% (2018: 93%) and 93% (2018: 94%), respectively. Total room revenue was HK\$102.7 million (2018: HK\$100.1 million). Total from food and beverage revenue was HK\$113.3 million (2018: HK\$112.7 million), while the aggregate amount of rental income and other revenue was HK\$28.5 million (2018: HK\$32.2 million).

OUTLOOK

In the near future, the volatile global economy and political tensions are likely to somewhat hinder the development of Macau's gaming market. Nonetheless, the Macau government is relentlessly boosting its tourism, in order to turn Macau into a world-class tourist city. Currently, approximately 70% of its tourists come from mainland China, and the Group is poised to benefit from the rising affluence in mainland China. The latest developments – including the operation of Hong Kong-Zhuhai-Macao Bridge and the promotion of the Greater Bay Area – are also set to boost Macau tourism. The Group therefore remains optimistic about the long term outlook for Macau's gaming market.

In view of the changing tourism landscape in Macau, the Group will reinforce its customer segmentation, in order to expand its share of the premium mass market, in which the Group sees long-term potential. In this regard, the Group will increase its competitiveness by offering differentiated, premium services to the targeted segments. The Group endeavours to elevate itself in order to solidify its market presence as opportunities emerge, and is committed to contributing to the development of Macau into a global gaming hub.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group's number of employee was 1,143 (2018: 1,164). Total staff costs (including directors' remuneration) were HK\$451.7 million (2018: HK\$441.8 million) for the 2019 Year. Each employee's remuneration was determined in accordance with individual's responsibilities, competence and skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

To provide incentives or rewards to the staff, the Company has adopted a share option scheme, particulars of which are set out in the section headed "Share Options" on pages 137 and 138 of 2019 Annual Report.

FOR THE YEAR ENDED 31 MARCH 2020**MARKET REVIEW**

During the year ended 31 March 2020 (the "**2020 Year**"), the Sino-US tensions and the outbreak of coronavirus disease (COVID-19; the "**Pandemic**") have resulted in the most drastic economic slump over the past two decades. Due to the Pandemic, stringent travel restrictions and health control measures upon arrivals were imposed; the whole gaming services in Macau was even compulsorily closed for 15 days in February 2020, resulting in a significant drop in visitation in Macau. During the first quarter of 2020, visitor arrivals to Macau were only 3.2 million, down by 68.9% year-on-year, while Macau's gross gaming revenue was MOP30.6 billion, significantly declined by 59.9% and 57.7% year-on-year and quarter-on-quarter, respectively.

FINANCIAL REVIEW**Overall Review**

As a result of the decline in the number of visitors and weakening market sentiment, the Group's revenue decreased by 17.2% to HK\$1,143.2 million (2019: HK\$1,381.3 million). The Group's gaming revenue decreased by 18.5% to HK\$926.8 million (2019: HK\$1,136.8 million), accounting for 81.1% (2019: 82.3%) of the total revenue. Profit for the 2020 Year attributable to the owners of the Company was HK\$263.9 million (2019: HK\$367.5 million). Basic earnings per share were HK\$0.21 (2019: HK\$0.29). The Board recommended the payment of a final dividend of HK\$0.030 (2019: HK\$0.054) per share. Together with the interim dividend of HK\$0.030 (2019: HK\$0.028) per share, the total dividends for the 2020 Year are HK\$0.060 (2019: 0.082) per share.

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\$3,544.3 million (2019: HK\$2,982.8 million) as at 31 March 2020, which are mainly denominated in Hong Kong dollar and United States dollar. The Group funded its operations and capital expenditure by cash generated internally from its operations. The Group's foreign exchange exposure risk mainly arises from its assets denominated in Renminbi. The Group closely monitors its overall foreign exchange exposure, and adopts appropriate measures to mitigate its currency risk when necessary.

The Group's current assets and current liabilities as at 31 March 2020 were HK\$3,762.3 million (2019: HK\$3,355.4 million) and HK\$443.7 million (2019: HK\$561.8 million), respectively. As at 31 March 2020, the advances from non-controlling interests of a subsidiary of the Company amounted to HK\$39.0 million (2019: HK\$46.2 million), which was denominated in Hong Kong dollar, unsecured, interest-free and repayable at the discretion of non-controlling interests and availability of surplus fund of the subsidiary. The Group was in a net cash position as at 31 March 2020 and hence its gearing ratio (calculated as net debt divided by total equity plus net debt) was zero (2019: zero).

During the 2020 Year, the Company had repurchased 24,585,000 shares (the “**Repurchased Shares**”) of its own shares from the market using internal resources, at an aggregate consideration of approximately HK\$38.5 million and an average price of HK\$1.567 per share. The Repurchased Shares had been cancelled during the 2020 Year, and hence the total number of issued shares of the Company right after its cancellation was reduced by about 2.0% to 1,234,240,983 (2019: 1,258,825,983) and its issued share capital was HK\$123,000 (2019: HK\$126,000). Having considered the Group's strong cash reserves, the Directors believe the share repurchases would enhance value to the Company's shareholders and benefit the Company and its shareholders as a whole.

Pledge of Assets

As at 31 March 2020, assets with carrying values of approximately HK\$2.1 billion (2019: HK\$2.2 billion) were pledged to two banks as security for banking facilities of a total of HK\$520.0 million (2019: HK\$520.0 million). In addition, the Group has a bank deposit of HK\$0.3 million (2019: HK\$0.3 million) pledged as a security deposit for the use of ferry ticket equipment provided by a third party. There was a pledged bank deposit of HK\$43.7 million for obtaining a bank guarantee in the amount of MOP45.0 million (equivalent to HK\$43.7 million) in favour of SJM for the Group's fulfilment of all its obligations, in particular for reimbursement by the Group to SJM of the salaries and benefits for SJM gaming operation employees who work in the casino where the Group provides services to SJM, as stipulated in the service agreement between SJM and the Group. The pledge for this bank deposit was released at the end of the 2020 Year upon expiry of the security.

BUSINESS REVIEW

In November 2019, the trademark “英皇” has been recognised as well-known to relevant public in mainland China and obtained cross-class protection from the National Intellectual Property Administration, affirming their wide recognition and brand value in China.

Gaming Revenue

The Group’s casino in GEH is operated under the gaming licence held by SJM. During the 2020 Year, the Group’s total gaming revenue decreased to HK\$926.8 million (2019: HK\$1,136.8 million).

Gaming Concourse

The gross win in the gaming concourse was HK\$1,113.8 million (2019: HK\$1,187.0 million). Revenue from the gaming concourse was down by 6.3% to HK\$623.2 million (2019: HK\$664.8 million), contributing 67.3% (2019: 58.5%) of the Group’s total gaming revenue. There were 67 (2019: 67) tables in the gaming concourse. Average win per table per day was approximately HK\$45,000 (2019: HK\$49,000).

VIP Room

The Group self-managed a VIP room with 10 (2019: 10) tables. The rolling amount during the 2020 Year declined to HK\$10.2 billion (2019: HK\$19.3 billion). Revenue from the VIP room also declined to HK\$267.9 million (2019: HK\$429.4 million), contributing 28.9% (2019: 37.8%) of the Group’s total gaming revenue. Average win per table per day was approximately HK\$129,000 (2019: HK\$207,000).

Slot Machines

With a capacity of 180 (2019: 180) slot seats as at 31 March 2020, the gross win from slot machines was HK\$75.1 million (2019: HK\$89.7 million). Revenue from the slot machines was HK\$35.7 million (2019: HK\$42.6 million), accounting for 3.8% (2019: 3.7%) of the Group’s total gaming revenue. Average win per seat per day was HK\$1,148 (2019: HK\$1,442).

Hotel Revenue

The Group's hotel revenue derives from the hospitality income of GEH and IHM. The hotel revenue was HK\$216.4 million (2019: HK\$244.5 million), accounting for 18.9% (2019: 17.7%) of the Group's total revenue. As of 31 March 2020, GEH and IHM provided 311 and 287 guest rooms respectively. During the 2020 Year, the average room rates of GEH and IHM were HK\$830 (2019: HK\$888) per night and HK\$504 (2019: HK\$520) per night, with occupancy rates of 88% (2019: 94%) and 90% (2019: 93%), respectively. Total room revenue was HK\$93.8 million (2019: HK\$102.7 million). Total food and beverage revenue was HK\$96.5 million (2019: HK\$113.3 million), while the rental income and other revenue totalled HK\$26.1 million (2019: HK\$28.5 million).

OUTLOOK

Macau has been designated as a global gaming hub by the Chinese government, while Hengqin is one of the major development cities within the Greater Bay Area. With the further cooperation between Macau and Hengqin, Macau will be able to seize the market potential and further enhance its leading tourism position. In light of the expanding middle class, more comprehensive transportation network as well as the support of favourable measures for the tourism industry, the Group remains confident regarding the longer term outlook for Macau.

The unfavourable business environment arising from the Pandemic and the volatile global economy are likely to somewhat hinder the development of Macau's gaming market. In response to the recent downturn in market sentiment, the Group will closely monitor the market situation, and promptly adjust strategies accordingly. As soon as the Pandemic is well contained, and the travel restrictions and health control measures upon arrivals are eased, the Group expects that the suppressed desire for leisure and pent-up consumption demand will be unleashed, resulting in an obvious rebound on the number of visitor arrivals. The Group strives to stay competitive in the marketplace, and anticipates reaping the greatest benefits when the market revives.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group's number of employee was 949 (2019: 1,143). Total staff costs including Directors' remuneration and the other staff costs for the Year were HK\$449.8 million (2019: HK\$451.7 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 incentives or rewards to the staff, the Company has adopted a share option scheme, particulars of which are set out in the section headed "Share Options" on pages 133 to 135 of 2020 Annual Report.

FOR SIX MONTHS ENDED 30 SEPTEMBER 2020**FINANCIAL REVIEW****Overall Review**

During the six months ended 30 September 2020 (the “**Period**”), the ongoing Pandemic led to the implementation of travel restrictions, curtailment of transportation channels and various health control measures, and continued to hinder the development of Macau’s gaming market. Visitation to Macau decreased by 99.5% in the second quarter of 2020 and by 92.4% in the third quarter, compared to the equivalent periods in 2019. Gross gaming revenue in Macau decreased by 95.5% in the second quarter of 2020, and by 92.9% in the third quarter year-on-year.

The Group’s total revenue decreased by 86.3% to HK\$92.9 million (2019: HK\$677.9 million), due to the travel restrictions drastically reducing the number of visitor arrivals during the Period. The Group’s gaming revenue decreased by 90.9% to HK\$51.1 million (2019: HK\$559.5 million), accounting for 55.0% (2019: 82.5%) of the total revenue. Loss for the Period attributable to the owners of the Company was HK\$141.8 million (2019: profit of HK\$177.2 million). Basic loss per share was HK\$0.12 (2019: basic earnings per share of HK\$0.14). The Board has resolved to declare an interim dividend of HK\$0.015 (2019: HK\$0.030) per share.

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\$3,442.8 million as at 30 September 2020 (31 March 2020: HK\$3,544.3 million), which are mainly denominated in Hong Kong dollar and United States dollar. The Group funded its operations and capital expenditure by cash generated from its operations and deposits reserved at the banks. During the Period, the Group did not expose to significant foreign exchange rate risk as most of the Group’s assets, liabilities and transactions were transacted at and denominated in the functional currency of its foreign operations as well as the assets denominated in United States dollar were well-supported under the existing Hong Kong-US dollar peg system.

The Group’s current assets and current liabilities as at 30 September 2020 were HK\$3,608.9 million (31 March 2020: HK\$3,762.3 million) and HK\$437.5 million (31 March 2020: HK\$443.7 million), respectively. As at 30 September 2020, the advances from non-controlling interests of a subsidiary of the Company amounted to HK\$39.0 million (31 March 2020: HK\$39.0 million), which was denominated in Hong Kong dollar, unsecured, interest-free and repayable at the discretion of non-controlling interests and availability of surplus fund of the subsidiary. The Group was in a net cash position as at 30 September 2020 and hence its gearing ratio (calculated as net debt divided by total equity plus net debt) was zero (31 March 2020: zero).

During the Period, the Company had repurchased 16,715,000 shares (the “**Repurchased Shares**”) of its own shares from the market using internal resources, at an aggregate consideration of HK\$19.1 million, and an average price of HK\$1.139 per share. The Repurchased Shares had been cancelled during the Period, and hence the total number of issued shares of the Company right after its cancellation was reduced by about 1.35% to 1,217,525,983 (31 March 2020: 1,234,240,983) shares and its issued share capital was HK\$121,000 as at 30 September 2020 (31 March 2020: HK\$123,000). Having considered the Group’s strong cash reserves, the Directors believe the share repurchases would enhance value to the Company’s shareholders and benefit the Company and its shareholders as a whole.

Pledge of Assets

As at 30 September 2020, assets with carrying values of approximately HK\$2.1 billion (31 March 2020: HK\$2.1 billion) were pledged to two banks as security for banking facilities of a total of HK\$520.0 million (31 March 2020: HK\$520.0 million). In addition, the Group has a bank deposit of HK\$63.0 million (31 March 2020: Nil) 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 in the 2010 Service Agreement (defined as below) (as supplemented by the Addendum (defined as below)), and another bank deposit of HK\$0.4 million (31 March 2020: HK\$0.3 million) pledged as security deposit for the use of ferry ticket equipment provided by a third party.

BUSINESS REVIEW

Gaming Revenue

The Group’s casino in GEH is operated under the gaming licence held by SJM. During the Period, the Group entered into an addendum (the “**Addendum**”) with SJM for the continuation of the provision of management and promotion services to SJM in the GEH casino, as in the service agreement between an indirectly wholly-owned subsidiary of the Company and SJM dated 19 February 2010 (the “**2010 Service Agreement**”). Pursuant to the Addendum, the term of the 2010 Service Agreement has been extended to 26 June 2022, while the Group’s entitlement to service fees and all other major terms under the 2010 Service Agreement remain unchanged. Details of the Addendum were disclosed in the joint announcement of the Company and Emperor International dated 13 May 2020.

Due to the visitations slump as a result of travel restrictions, the Group’s total gaming revenue inevitably decreased to HK\$51.1 million (2019: HK\$559.5 million) during the Period.

Mass Market Hall

The mass market gross win during the Period was HK\$65.3 million (2019: HK\$676.9 million). Revenue from the mass market hall was HK\$37.2 million (2019: HK\$378.3 million), contributing 72.8% (2019: 67.6%) of the Group's total gaming revenue. There were 67 (2019: 67) tables in the mass market hall. Average win per table per day was approximately HK\$5,300 (2019: HK\$55,000).

VIP Room

The Group self-managed a VIP room with 10 (2019: 10) tables. The rolling amount during the Period was HK\$226.9 million (2019: HK\$6.2 billion). Revenue from the VIP room was HK\$6.0 million (2019: HK\$160.2 million), contributing 11.8% (2019: 28.6%) of the Group's total gaming revenue. Average win per table per day was approximately HK\$5,800 (2019: HK\$154,000).

Slot Machines

With a capacity of 180 (2019: 180) slot seats as at 30 September 2020, the gross win from slot machines during the Period was HK\$16.6 million (2019: HK\$44.2 million). Revenue from the slot machines was HK\$7.9 million (2019: HK\$21.0 million), accounting for 15.4% (2019: 3.8%) of the Group's total gaming revenue. Average win per seat per day was HK\$502 (2019: HK\$1,354).

Hotel Revenue

The Group's hotel revenue derives from the hospitality income of GEH and IHM. The hotel revenue during the Period was HK\$41.8 million (2019: HK\$118.4 million), accounting for 45.0% (2019: 17.5%) of the Group's total revenue. As of 30 September 2020, GEH and IHM provided 311 and 287 guest rooms respectively. During the Period, the average room rates of GEH and IHM were HK\$536 (2019: HK\$846) per night and HK\$292 (2019: HK\$520) per night, with occupancy rates of 34% (2019: 94%) and 68% (2019: 93%), respectively. Total room revenue was HK\$15.2 million (2019: HK\$50.5 million). Total food and beverage revenue was HK\$18.7 million (2019: HK\$54.7 million), while the rental income and other revenue totalled HK\$7.9 million (2019: HK\$13.2 million).

OUTLOOK

The unfavourable business environment arising from the Pandemic and Sino-US trade disputes continues to adversely impact the global tourism industry. Hence, the gaming and hospitality services in Macau – which comprise a key segment of tourism in Greater China, are severely disrupted. A market turnaround is yet to be seen and general market sentiment remains weak. Nevertheless, Macau will continue to advance its strategic development as a world-leading tourism and entertainment destination, by integrating into the Greater Bay Area and creating a more comprehensive transportation network interlinking Hong Kong, Zhuhai and Macau.

The quarantine measures within the Greater Bay area are likely to be further relaxed if the Pandemic is well contained. Based on the suppressed desire for leisure and pent-up consumption demand, the Group expects that visitation and spending will rebound afterwards, resulting in a boost for the tourism industry in Macau. The Group strives to stay competitive in the marketplace, and anticipates reaping the greatest possible benefits when the market revives.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, the Group's number of employees was 803 (31 March 2020: 949). Total staff costs including Directors' remuneration and the other staff costs for the Period were HK\$154.1 million (2019: HK\$225.0 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 incentives or rewards to the staff, the Company has adopted a share option scheme, particulars of which are set out in the section headed "Share Options" on page 42 of 2020 Interim Report.

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 corporation (within the meaning of Part XV of the SFO) which were required to (a) 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 positions interests in the Company

(i) Ordinary shares of HK\$0.0001 each of the Company (“Shares”)

Name of Director	Capacity/Nature of interests	Number of issued Shares interested	% of the issued voting Shares
Ms. Luk Siu Man, Semon (“ Ms. Semon Luk ”)	Interest of spouse	851,352,845 (Note)	71.01%

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 is wholly-owned by AY Holdings which is held by First Trust Services GmbH (“**First Trust**”), being the trustee of a private discretionary trust founded by Dr. Albert Yeung who is deemed to have interests in the said Shares. By virtue of being the spouse of Dr. Albert 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

(i) Ordinary shares

Name of Director	Name of associated corporation	Capacity/Nature of interests	Number of issued shares interested	% of issued voting shares
Ms. Semon Luk	Emperor International	Interest of spouse	2,747,610,489 (Note)	74.71%
	Emperor Watch & Jewellery Limited ("Emperor W&J")	- ditto -	4,290,850,000 (Note)	63.29%
	Emperor Culture Group Limited	- ditto -	2,371,313,094 (Note)	73.80%
	Ulferts International Limited	- ditto -	600,000,000 (Note)	75.00%
Ms. Fan Man Seung, Vanessa	Emperor International	Beneficial owner	10,500,000	0.29%
Mr. Yu King Tin	Emperor W&J	Beneficial owner	80,000	0.001%

Note: These shares were ultimately owned by the respective discretionary trusts which are also founded by Dr. Albert Yeung. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk had deemed interests in the same shares.

(ii) Debentures

Name of Director	Name of associated corporation	Capacity/Nature of interests	Amount of debentures held
Mr. Wong Chi Fai	Emperor International	Interest in a controlled corporation	HK\$2,000,000

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 corporation(s) (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, save as Ms. Semon Luk who is also a director of Emperor International and Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa who are employees and also directors of Emperor International, 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 of the Company would fall to be disclosed to the Company under the provisions of Division 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 Director 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 and 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	% of issued voting Shares
Emperor International	Interest in a controlled corporation	851,352,845 (L)	71.01%
AY Holdings	Interest in a controlled corporation	851,352,845 (L)	71.01%
First Trust	Trustee of the private discretionary trust	851,352,845 (L)	71.01%
Dr. Albert Yeung	Founder of the private discretionary trust	851,352,845 (L)	71.01%

(L) = Long Position

Note: These Shares were the same shares as those set out under Section 2(a)(i) of “DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES” above.

Save as disclosed above, as at the Latest Practicable Date, so far 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, 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 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 has 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 in which Ms. Semon Luk has deemed interest, there was no other contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

- Master leasing agreement dated 3 December 2020 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 2020 (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 Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group were 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 Group.

9. MATERIAL CONTRACTS

Save for the SP Agreement, there are no material contracts (not being contracts entered into in the ordinary course of business) which were entered into by any member of the 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:

Name	Qualification
Deloitte Touche Tohmatsu (“ Deloitte ”)	Certified Public Accountants, Registered Public Interest Entity Auditor
Flagship Appraisals and Consulting Limited	Independent qualified valuer
Pelican	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Savills (Hong Kong) Limited	Market Consultant
Savills Valuation and Professional Services Limited	Independent qualified valuer

As at the Latest Practicable Date, each of above experts:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report (as the case may be) and references to its names, in the form and context in which they respectively appear;
- (b) 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 shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group; and
- (c) 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 2020), 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 AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 5:00 p.m. on any weekday (except for Saturdays and public holidays) at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong from the date of the circular and up to and including the date of the SGM:

- (a) the SP Agreement;
- (b) the Memorandum of Association and Bye-Laws of the Company;
- (c) the annual reports of the Company for the years ended 31 March 2018, 31 March 2019 and 31 March 2020 and the interim report of the Company for the six months ended 30 September 2020;
- (d) the letter from the Independent Board Committee as set out in pages 30 and 31 of this circular;
- (e) the letter from the Independent Financial Adviser, as set out in pages 32 to 58 of this circular;
- (f) the accountants' report of 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;

- (h) the written consents referred to in the paragraph headed “Expert and Consent” in this appendix;
- (i) the material contracts referred under the section headed “Material Contracts” in this appendix.
- (j) the business valuation report as set out in Appendix I(A) to this circular;
- (k) the property valuation report as set out in Appendix I(B) to this circular;
- (l) the market consultant’s report as set out in Appendix II to this circular; and
- (m) this circular.

12. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Liu Chui Ying, who is a fellow member of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.
- (b) The Hong Kong Branch Share registrar and transfer office of the Company is Tricor Secretaries Limited.
- (c) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text.

NOTICE OF SPECIAL GENERAL MEETING



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 (the “**Company**”) will be held at 2nd Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Monday, 24 May 2021 at 11:45 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 16 March 2021 between (1) Emperor Hotel Group Limited (a subsidiary of Emperor International Holdings Limited) as vendor and (2) Emperor Hotel Investment Limited (a subsidiary of the Company) as purchaser, for the sale and purchase of (a) the entire equity interest of Poly Keen International Limited and (b) all loan, interest and all other sums owing by Poly Keen International Limited to Emperor Hotel Group Limited as at the completion of the aforesaid agreement (a copy of which was tabled at the meeting marked “A” and signed by the Chairperson of the meeting for the purpose of identification) (the “**Sale and Purchase Agreement**”), and the transaction contemplated thereunder be and are hereby ratified, confirmed and approved; and

* *for identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

- (b) any one or more directors of the Company be and is 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 the directors of the Company).

By order of the board
Emperor Entertainment Hotel Limited
Liu Chui Ying
Company Secretary

Hong Kong, 30 April 2021

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) Unless indicated otherwise, capitalized terms used in this Notice shall have the same meanings as those defined in the circular of the Company dated 30 April 2021.
- (ii) Considering the outbreak of COVID-19, certain measures will be implemented at the special general meeting (“SGM”) with a view to addressing the risk to attendees of infection, including, without limitation (i) all attendees being required to (a) undergo compulsory body temperature check; (b) submit compulsorily health declaration form; and (c) wear surgical face masks prior to admission to the SGM venue (no mask will be provided at the SGM venue) and throughout the SGM; (ii) no corporate gifts being distributed; (iii) no refreshments or drinks being provided; and (iv) all attendees will be assigned designated seat at the SGM venue in order to ensure approximate social distancing and facilitate contact tracing. The Company reminds attendees that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances.

The Company will keep the evolving COVID-19 situation under review and may change measures, where appropriate. Shareholders should check the website of the Company (<https://www.emp296.com>) for future announcements and updates on the SGM arrangements.

- (iii) Pursuant to Rule 13.39(4) of the Listing Rules, the resolution set out in this Notice will be decided by Independent Shareholders by way of 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 Shareholders by show of hands.

NOTICE OF SPECIAL GENERAL MEETING

- (iv) A member of the Company entitled to attend and vote at the meeting convened by this 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 needs not be a member of the Company
- (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, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong ("**Branch Share Registrar**") 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 adjourned meeting.
- (vi) Where there are joint holders of any share, 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 if more than one of such joint holders be present at the SGM, 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 holders, and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding of such share.
- (vii) Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting.
- (viii) 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 before 4:30 p.m. on Monday, 17 May 2021.
- (ix) The translation into Chinese language of this Notice is for reference only. In case of any inconsistency, the English version shall prevail.

This Circular (in both English and Chinese versions) is available to any Shareholder either in printed form or on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.emp296.com>). In order to protect the environment, the Company highly recommends Shareholders to elect to receive electronic copy of this Circular. Shareholders may have the right to change their choice of receipt of all future Corporate Communications at any time by reasonable notice in writing to the Company or the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited, by post at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at is-enquiries@hk.tricorglobal.com.



英皇娛樂酒店有限公司*

Emperor Entertainment Hotel Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 296)

FORM OF PROXY

Special General Meeting (“SGM”) – 24 May 2021 (Monday)

Number of shares of HK\$0.0001 each to which this form of proxy relates <i>(Note 1)</i>	
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I/We *(Note 2)* _____
of _____
being the registered holder(s) in the capital of Emperor Entertainment Hotel Limited (the “Company”), HEREBY APPOINT *(Note 3)*

of _____
or failing him/her, the Chairperson of the SGM as my/our proxy to vote and act for me/us at the SGM and at any adjournment thereof to be held at 2nd Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Monday, 24 May 2021 at 11:45 a.m. for the purpose of considering and, if thought fit, passing the resolution set out in the notice convening the SGM and at any adjournment thereof to vote for me/us and in my/our name(s) in respect of the resolution as indicated below.

Please put a “✓” in the appropriate boxes below to indicate how you wish your vote(s) to be cast on a poll:

ORDINARY RESOLUTION	FOR <i>(Note 4)</i>	AGAINST <i>(Note 4)</i>
To ratify, confirm and approve the Sale and Purchase Agreement and the transaction contemplated thereunder.		

Dated this day _____ of _____ 2021. Signed *(Note 6)*: _____

Notes:

- Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the Company registered in your name(s).
- Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
- Please insert the name and address of the proxy. If no name is inserted, the Chairperson of the SGM will act as your proxy. A shareholder may appoint one or more proxies (if holding more than one share) to attend the meeting and vote for him. The proxy needs not be a member of the Company but must attend the SGM in person to represent you. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON WHO SIGNS IT.**
- IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK THE APPROPRIATE BOX MARKED “FOR”. IF YOU WISH TO VOTE AGAINST THE RESOLUTION, TICK THE BOX MARKED “AGAINST”.** If you do not indicate how you wish your proxy to vote, your proxy will be entitled to vote at his/her discretion or to abstain. Your proxy will also be entitled to vote at his/her discretion or to abstain on any resolution properly put to the SGM other than those referred to in the Notice of SGM.
- Full text of above Resolution is set out in the Notice of SGM.
- This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
- In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.
- To be valid, this form of proxy, together with any power of attorney or other authority, if any, which it is signed or a certified copy thereof, must be deposited at the Company’s Hong Kong Branch Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time for the holding of the SGM and any adjournment thereof.
- Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM.

PERSONAL INFORMATION COLLECTION STATEMENT

- “Personal Data” in these statements has the same meaning as “personal data” in the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong (“PDPO”).
- Your supply of Personal Data to the Company is on a voluntary basis. The Company may not be able to process your appointment of proxy and instructions if you fail to provide sufficient information.
- Your Personal Data may be disclosed or transferred by the Company to its subsidiaries, its share registrar, and/or other companies or bodies for any of the stated purposes, and retained for such period as may be necessary for our verification and record purposes.
- You have the right to request access to and/or correction of your Personal Data in accordance with the provisions of the PDPO. Any such request for access to and/or correction of your Personal Data should be in writing to the Privacy Compliance Officer of the Company’s Hong Kong Branch Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

* for identification purpose only