
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).

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



英皇娛樂酒店有限公司*
Emperor Entertainment Hotel Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 296)

**(I) MAJOR TRANSACTION AND
CONNECTED TRANSACTION
AND
(II) NOTICE OF SPECIAL GENERAL MEETING**

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

ALTUS CAPITAL LIMITED

A letter from the Board is set out from pages 9 to 22 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out from pages 23 to 24 of this circular. A letter from Altus, 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 25 to 50 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, 19 September 2022 at 11:00 a.m. or any adjournment thereof is set out from pages SGM-1 to SGM-3 of this circular. Please complete and return the accompanying form of proxy to the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, and in any event not less than 48 hours before the time of the SGM (by Saturday, 17 September 2022 before 11:00 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 COVID-19, the following precautionary measures will be implemented at the SGM:

- (1) Compulsory temperature check;
- (2) Compulsory scanning of the "LeaveHomeSafe" QR code displayed in the venue and presenting valid vaccination, exemption or recovery record;
- (3) Compulsory health declaration;
- (4) Compulsory wearing of surgical face mask — no mask will be provided at the SGM venue;
- (5) No refreshment or drinks will be served and no corporate gift will be distributed; and
- (6) A designated seat will be assigned at the SGM venue

Attendees who do not comply with the precautionary measures referred to in (1) to (4) above may be denied entry to the SGM venue, at the absolute discretion of the Company 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 proxies and to return their forms of proxy by the time specified therein, instead of attending the SGM in person. Physical attendance at the SGM by a Shareholder is not necessary for the purpose of exercising voting rights.

* for identification purpose only

CONTENTS

	<i>Page</i>
PRECAUTIONARY MEASURES FOR THE SGM	1
DEFINITIONS	4
LETTER FROM THE BOARD	9
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	23
LETTER FROM ALTUS	25
APPENDIX I — PROPERTY VALUATION REPORT	I-1
APPENDIX II — MARKET CONSULTANT’S REPORT	II-1
APPENDIX III — FINANCIAL INFORMATION OF THE GROUP	III-1
APPENDIX IV — ACCOUNTANTS’ REPORT OF THE TARGET GROUP	IV-1
APPENDIX V — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP	V-1
APPENDIX VI — MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP	VI-1
APPENDIX VII — GENERAL INFORMATION	VII-1
NOTICE OF SPECIAL GENERAL MEETING	SGM-1

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 MEETING

- (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 rights to vote at the SGM by appointing the Chairperson of the SGM as their proxy instead of attending the SGM in person.**

The deadline to submit completed forms of proxy is Saturday, 17 September 2022 at 11:00 a.m.. Completed forms of proxy must be returned to the Hong Kong Branch Share Registrar of the Company, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, 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 their intermediary (e.g. banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited, as the case may be) should consult directly with their intermediary regarding appointment of proxy or corporate representative before any relevant deadline as prescribed by their intermediary.
- (3) **Limiting attendance in person at the SGM venue:** The Company will limit attendance in person at the SGM venue depending on the public health situation at the time of the SGM and the guidance of the HKSAR Government.

Shareholders are reminded that physical attendance is not necessary for the purpose of exercising Shareholder's rights. The Company strongly encourages Shareholders to appoint the Chairperson of the SGM as their proxy by submitting their forms of proxy as stated above as soon as possible before the above deadline. In case Shareholders wish to attend the SGM in person or by a proxy of their choice, they or their proxies of their choice can still attend the SGM in person if such Shareholders are successful in registering to attend.

Any Shareholder (or his/her proxy or its corporate representative, as the case may be) who wishes to attend the SGM physically must pre-register his/her intention by completing and returning to the Company the pre-registration form. Such form can be

PRECAUTIONARY MEASURES FOR THE SGM

obtained at the Company's principal place of business in Hong Kong at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong during business hours or downloaded from the website of the Company (<https://www.Emp296.com>). Completed pre-registration form should be returned by hand or by post to the Company's principal place of business in Hong Kong as aforesaid at least 48 hours before the SGM time.

The right of the admission to the SGM venue will be allocated on first-come-first served basis. Duplicated registrations will be disregarded. Persons who have been allocated the right of admission to the SGM will be notified by email or by phone (if reachable). No notification will be sent to those who are not successful in obtaining 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 resolution(s) 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 resolution(s) 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 MEETING

- (1) Compulsory temperature 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 is exhibiting flu-like symptoms or subject to 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 must scan the "LeaveHomeSafe" QR code displayed in the venue prior to entry into the SGM venue and present his/her valid vaccination, exemption or recovery record as required under directions issued pursuant to the Prevention and Control of Disease (Vaccine Pass) Regulation (Chapter 599L of the Laws of Hong Kong).
- (3) 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>).

PRECAUTIONARY MEASURES FOR THE SGM

- (4) 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.
- (5) No refreshments, drinks or corporate gift will be served or distributed to attendees at the SGM venue.
- (6) 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.

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.

Depending on the COVID-19 situation in Hong Kong, the Company may implement further procedures and precautionary measures and change the SGM arrangements at short notice. Shareholders should visit the websites of the Company (<https://www.Emp296.com>) and the Stock Exchange (<https://www.hkexnews.hk>) 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:

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday, public holiday and 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 and Macau to the general public for business
“BVI”	the British Virgin Islands
“Company”	Emperor Entertainment Hotel Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Transaction in accordance with the terms and conditions of the SP Agreement
“Completion Account”	unaudited combined statement of financial position of the Target Group as at the Completion Date and unaudited combined statement of profit or loss and other comprehensive income of the Target Group for the period from 1 April 2022 to the Completion Date, prepared in accordance with accounting principles and practices generally accepted in Hong Kong and in compliance with the Companies Ordinance, to be delivered to the Purchaser pursuant to the SP Agreement

DEFINITIONS

“Completion Date”	within 21 Business Days (or such later date as mutually agreed by the Vendor and Purchaser in writing) following satisfaction (or waived by the Purchaser as appropriate) of all the conditions precedent under the section headed “Conditions Precedent” in this circular 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
“Directors”	the directors of the Company from the time being
“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)
“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, the lawful currency of Hong Kong
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Transaction

DEFINITIONS

“Independent Financial Adviser” or “Altus”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction
“Independent Shareholder(s)”	the Shareholder(s) who do not have material interest in the transaction contemplated under the SP Agreement
“Latest Practicable Date”	18 August 2022, 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
“Management Account”	the unaudited combined management accounts of the Target Group comprising a combined statement of profit or loss and other comprehensive income for the period from 1 April 2022 to 30 June 2022 and a combined statement of financial position as at 30 June 2022
“MOP”	Macanese pataca, the lawful currency of Macau
“PRC”	The People’s Republic of China

DEFINITIONS

“Pro-forma Completion Account”	unaudited pro-forma combined statement of financial position of the Target Group as at the Completion Date and unaudited pro-forma combined statement of profit or loss and other comprehensive income of the Target Group for the period from 1 April 2022 to the Completion Date prepared in accordance with accounting principles and practices generally accepted in Hong Kong and in compliance with the Companies Ordinance to be delivered to the Purchaser within 5 Business Days prior to Completion pursuant to the SP Agreement
“Property”	a 22-storey serviced apartments (including one retail shop on ground floor) situated at No. 22 Davis Street within the Kennedy Town and Mount Davis area of Hong Kong Island
“Property Holding Company”	company within the Target Group holding the Property
“Purchaser” or “Poly Keen International”	Poly Keen International Limited, which is a company incorporated in BVI and is an indirect non-wholly owned subsidiary of the Company
“Sale Loan”	all loan, interest, if any and all other sums owing by the Target Company to the Vendor at Completion
“Sale Share”	1 share in the Target Company, representing 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, 19 September 2022 at 11:00 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 15 July 2022 entered into between the Vendor and the Purchaser in relation to the Transaction
“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Target Company”	Ever Explore Holdings Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of Emperor International
“Target Group”	the Target Company and its subsidiaries
“Transaction”	the acquisition of the Sale Share and the Sale Loan by the Purchaser from the Vendor under the SP Agreement
“Vendor” or “Emperor Property”	Emperor Property Development Limited, which is a company incorporated in BVI and is a direct wholly-owned subsidiary of Emperor International
“%”	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:

Ms. Kwan Shin Luen, Susanna

Ms. Lai Ka Fung, May

Mr. Yeung Man Sun

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

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

28th Floor

Emperor Group Centre

288 Hennessy Road

Wanchai

Hong Kong

25 August 2022

To the Shareholders

Dear Sir/Madam,

**(I) MAJOR TRANSACTION AND CONNECTED TRANSACTION
AND
(II) NOTICE OF SPECIAL GENERAL MEETING**

* *for identification purpose only*

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the announcement of the Company dated 15 July 2022 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 the Consideration (subject to adjustments).

The purpose of this circular is to provide you with, amongst other, (i) further details of the Transaction; (ii) the financial information of the Target Group; (iii) a letter from Altus 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 Property; (vi) the financial information of the Group; (vii) other information as required under the Listing Rules; and (viii) a notice of the SGM.

THE SP AGREEMENT

Date: 15 July 2022

Vendor: Emperor Property

Purchaser: Poly Keen International

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.

LETTER FROM THE BOARD

Consideration and Payment terms

The Consideration payable, consisting of the value of the Sale Share and the Sale Loan, (subject to adjustments) by the Purchaser to the Vendor shall be determined by the following formula:

$$\text{Consideration} = A + B - C$$

where:

- “A” means HK\$490,000,000, being the agreed value of the Property with reference to the preliminary fair market valuation of the Property as at 8 July 2022 as assessed by an independent professional valuer;
- “B” means the carrying value/book value of the tangible assets of the Target Group (but excluding the Property and the fittings and equipment) as at the Completion Date as shown in the Pro-forma Completion Account; and
- “C” means the amount of all liabilities of the Target Group, including actual or contingent, accrued and deferred liabilities but excluding the Sale Loan, as at the Completion Date as shown in the Pro-forma Completion Account.

In accordance with the formula as set out above, the Consideration, for the acquisition of Sale Share and the Sale Loan, is estimated to be approximately HK\$471.6 million with reference to the Management Account, consisted of mainly (i) the agreed value of the Property of HK\$490.0 million with reference to the preliminary fair market valuation of the Property as at 8 July 2022 as assessed by an independent professional valuer; (ii) the carrying value/book value of the tangible assets of the Target Group (but excluding the Property and the fittings and equipment) of approximately HK\$2.1 million as at 30 June 2022; and (iii) the amount of all liabilities of the Target Group, but excluding the Sale Loan, of approximately HK\$20.5 million as at 30 June 2022. The Sale Loan, being all loan and interest, if any, and all other sums owing by the Target Company to the Vendor, is unsecured, repayable on demand and interest-free. As at the Latest Practicable Date, the amount of the Sale Loan is approximately HK\$443.7 million. Upon Completion, the total amount of Sale Loan shall be assigned to the Purchaser by Vendor.

In order to assess the fairness and reasonableness of the Consideration, the Company engaged Vincorn Consulting and Appraisal Limited (the “**Valuer**”) to perform the valuation of the Property (the “**Valuation**”). The Valuer has confirmed to the Company of their independence.

LETTER FROM THE BOARD

The Directors have assessed the qualification, experience and the track record of the Valuer and are of the view that Mr. Vincent Cheung, the managing director of the Valuer and the signor of the property valuation report (“**Valuation Report**”) who has over 25 years of experience in the valuation profession and has been engaged as the valuer for a wide range of services covering tangible and intangible assets, including but not limited to property valuation and have conducted valuation for similar properties in Hong Kong, is qualified, experienced and competent in performing the Valuation.

As stated in the Valuation Report issued by the Valuer in relation to the Valuation as set out in Appendix I to this circular, the key assumptions made mainly cover (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 property interests are free from encumbrances, restrictions and outgoings of an onerous nature; and (iii) the owner has free and uninterrupted rights to use the interest of the Property for the whole of the unexpired term of the leasehold interests.

The Valuation is performed under market approach as the principal valuation approach, which is universally considered as the most accepted valuation approach for valuing most forms of property and cross-checked with term and reversion analysis under income approach. In regarding the market approach, the Valuer considered recent sale comparable of retail and residential unit in the vicinity and with adjustments made to the indicated market prices to reflect condition of the Property relative to the market comparable. In regarding the income approach, as the residential operation will be commence in the second half of 2022, the Valuer has estimated the capital value of the Property by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancy and the potential reversionary rental income at market level. The Directors noted the Valuer has adopted a term yield of 2.25% (for existing rental income) and a reversionary yield of 2.50% (for reversionary rental income) respectively, which was determined based on its research and analysis of the property market in Hong Kong. The Directors further noted from the Valuer that the adopted saleable unit rent for retail and residential were HK\$89.7 per sq. ft. per month and HK\$69.3 per sq. ft. per month respectively, which were determined after due adjustment in terms of different attributes.

The Directors understood that the market approach, as the principal approach, having cross-checked by income approach is widely used for valuing the properties similar to the Property and the key assumptions are commonly adopted in valuation of properties in the market which considered as appropriate and necessary. Since the variance of the two valuation results is within a reasonable range, the Directors concurred with the Valuer that the valuation result from Income Approach — Term and Reversion Analysis supports valuation conclusion.

LETTER FROM THE BOARD

Set out below are the details of the comparable properties the Valuer had made reference to for market approach:

Retail sale comparable

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Development	Yue On Building	Kam Tong Building	Hau Wo Building	1E Sands Street
Address	78–86 Catchick Street	139–153 Belcher’s Street	44–52 Hau Wo Street	1E Sands Street
District	Kennedy Town	Kennedy Town	Kennedy Town	Kennedy Town
Year of Completion	1979	1973	1973	1958
Floor	G/F	G/F	G/F	G/F
Unit	Unit A	Unit A	Unit 5	Unit C of R.P.
Saleable Area (sq.ft.)	252	652	485	170
Nature	Agreement for Sale and Purchase			
Date of Instrument	4 Jul 2022	26 Apr 2022	21 Sep 2021	10 Sep 2021
Consideration (HKD)	13,800,000	37,000,000	27,500,000	9,350,000
Saleable Unit Rate (HKD/sq.ft.)	54,762	56,748	56,701	55,000

The adopted unit rate of the benchmark unit of the property is HKD58,777 per sq.ft. on the basis of saleable area for the retail portion.

LETTER FROM THE BOARD

Residential sale comparable

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Development	Kennedy 38	The Hudson	Kennedy 38	One South Lane
Address	38 Belcher's Street	11 Davis Street	38 Belcher's Street	1 South Lane
District	Kennedy Town	Kennedy Town	Kennedy Town	Kennedy Town
Year of Completion	2022	2016	2022	2016
Floor	31/F	5/F	31/F	17/F
Unit	Unit C	Unit C	Unit B	Unit 5
Saleable Area (sq.ft.)	456	658	287	213
Nature	Agreement for Sale and Purchase			
Date of Instrument	29 Apr 2022	22 Feb 2022	17 Dec 2021	30 Jul 2021
Consideration (HKD)	14,683,000	20,000,000	9,464,000	6,400,000
Saleable Unit Rate (HKD/sq.ft.)	32,200	30,395	32,976	30,047

The adopted unit rate of the benchmark unit of the property is HKD32,211 per sq. ft. on the basis of saleable area for the residential portion.

The Directors have reviewed the selection criteria and the comparable properties to which the Valuer had made reference. The comparable properties, both retail and residential, were selected as they shared similar locality, size, usage and condition to the Property. The Directors noted that the sales of the comparable properties are mostly recent during 2021 to 2022 and are located in the same district and of similar type with the Property. In light of the above, the Directors considered selection criteria are appropriate. The Directors also understood that, after selection of the

LETTER FROM THE BOARD

comparable properties, the Valuer has considered the different attributes between the Property and the comparable properties in terms of transaction time, location, size, building age, 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 saleable unit rate and saleable unit rent of the Property. Given that Hong Kong's property market is active and mature and, to the best of the Valuer's knowledge, the comparable properties represent an exhaustive list, the Directors considered the comparable properties are representative, fair and objective comparisons.

In light of the above, the Directors believed that (i) the Valuation is an appropriate reference when determining the Consideration; and (ii) the adjustments of the Consideration with reference to Pro-forma Completion Account is able to reflect the financial position of the Target Group upon Completion, hence, the Board is of the view that the Consideration, subject to adjustments, is fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

The Consideration (subject to adjustments) shall be settled as follows:

- (a) An initial deposit of HK\$24,000,000 shall be paid by the Purchaser to the Vendor within 14 Business Days after signing of the SP Agreement; and
- (b) Subject to the adjustments, the balance of the Consideration, by reference to the Pro-forma Completion Account, shall be paid upon Completion.

The Consideration payable shall be settled by cash transfer to the designated bank account of the Vendor or such other method as mutually agreed by the Vendor and Purchaser from time to time.

As at the Latest Practicable Date, the initial deposit of HK\$24,000,000 has been paid by the Purchaser to the Vendor, which shall be refundable pursuant to the terms of the SP Agreement.

Pro-forma Completion Account and Completion Account

Pursuant to the SP Agreement, the Vendor shall deliver to the Purchaser (i) the Pro-forma Completion Account within 5 Business Days prior to Completion; and (ii) the Completion Account together with the calculation of the final consideration with reference to the Completion Account (the "**Final Consideration**") at Completion.

LETTER FROM THE BOARD

The Consideration payable shall be subject to the adjustments following agreement or determination of the Completion Account and the Final Consideration. The Consideration shall be adjusted in the following manner:

- (a) If the Final Consideration is less than the Consideration paid by the Purchaser at Completion, the Consideration shall be adjusted downward by such difference; or
- (b) If the Final Consideration is higher than the Consideration paid by the Purchaser at Completion, the Consideration shall be adjusted upward by such difference.

If the Consideration is adjusted downward, the Vendor shall pay to the Purchaser the amount of such difference; or vice versa. Such adjusted amount shall be payable within 5 Business Days after agreement or determination of the Completion Account. Notwithstanding anything hereinabove, the Final Consideration shall not exceed HK\$500.0 million.

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;
- (b) the Vendor having proved the Property Holding Company's good title to the Property to the reasonable satisfaction of the Purchaser in accordance with Section 13 of the Conveyancing and Property Ordinance; and
- (c) the Company having obtained all required approvals at the SGM for the SP Agreement and the Transaction contemplated thereunder.

In the event that any of the foregoing conditions is not fulfilled (or waived by the Purchaser, except condition (c) above which cannot be waived) in accordance with the SP Agreement within 9 months from the date of the SP Agreement (or such later day as mutually agreed by the Vendor and the Purchaser in writing), the Purchaser shall be entitled to forthwith terminate the SP Agreement by notice in writing to the Vendor; and for the case of non-fulfilment of condition (c) above, the Vendor shall be entitled to forthwith terminate the SP Agreement by notice in writing to the Purchaser and the Vendor shall within 3 Business Days after the date of the said notice by the Purchaser or the Vendor return all the money previously paid by the Purchaser to it under the SP

LETTER FROM THE BOARD

Agreement without any interest costs or compensation and upon termination of the SP Agreement as aforesaid, 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.

Immediately after Completion, the Company will indirectly hold 80% equity interest in the Target Company and thus, the Target Group will become indirect non-wholly owned subsidiaries of the Company; on the other hand, the Target Group will become indirect non-wholly owned subsidiaries of Emperor International (through its shareholdings in the Company). The Completion is expected to take place on or before 30 September 2022.

INFORMATION OF EMPEROR INTERNATIONAL AND THE VENDOR

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

INFORMATION OF THE PURCHASER

The Purchaser is indirectly owned by the Company as to 80% and is principally engaged in investment holding.

INFORMATION OF THE TARGET GROUP AND THE PROPERTY

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 property investment in Hong Kong.

LETTER FROM THE BOARD

The Target Company was incorporated on 25 March 2022. The Target Group has undergone a group reorganisation. Details please refer to the paragraph headed “2. Group reorganisation and basis of preparation and presentation of the historical financial information” in Appendix IV. Assuming the Target Group had been formed since 1 April 2020, the audited combined financial information of the Target Group for the two years ended 31 March 2021 and 2022 would be as follows:

	For the year ended 31 March 2022 (audited) HK\$'000	For the year ended 31 March 2021 (audited) HK\$'000
Revenue	—	—
Net profit before taxation	24,156	37,501
Net profit after taxation	24,156	37,521

The net profit of the Target Group for the years ended 31 March 2021 and 2022 was mainly attributable to the reversal of write-down of the Property in previous years based on valuations conducted by an independent firm of qualified professional property valuer and due to moderate recovery of Hong Kong property market.

The unaudited total asset value and net asset of the Target Group as at 30 June 2022 were approximately HK\$492.1 million and HK\$37.8 million respectively. The unaudited total liabilities of the Target Group as at 30 June 2022 of approximately HK\$454.4 million was mainly comprised of (i) Sale Loan of appropriately HK\$433.9 million; and (ii) other payables, deposits received and accrued charges of approximately HK\$20.5 million. The Property was pledged for securing the bank loans as at 31 March 2022. Please refer to the paragraph headed “Liquidity, financial recourse and capital structure” in Appendix VI for details. As at the Latest Practicable Date, such secured bank loans has been fully repaid and the pledge thereof has been discharged and released as well.

The Property is a 22-storey serviced apartments (including one retail shop on ground floor) situated at No. 22 Davis Street within the Kennedy Town and Mount Davis area of Hong Kong Island with a gross floor area of approximately 20,636 sq. ft. and offers a total of 57 units. The construction of the Property has been completed, and has commenced operation as serviced apartments in August 2022. As at the Latest Practicable Date, the lease of approximately 80% of the total units was committed and tenants have started to move in since mid of August 2022. The maximum lease term committed is twelve months with monthly average rent of approximately HK\$20,000 per unit and average unit rate ranged from HK\$70 to HK\$92 per month per sq. ft..

LETTER FROM THE BOARD

The shop located on ground floor of the Property is currently leased out and subject to tenancy agreement with a term of three years from 1 April 2022 to 31 March 2025, at a monthly based rent of HK\$65,000 plus a turnover rent, but exclusive of rates and management fee and inclusive of government rent.

Original acquisition costs of the Properties

Based on the information provided by the Vendor, the original acquisition costs of the Property through construction and acquisition paid by the Property Holding Company were approximately HK\$449.1 million.

FINANCIAL EFFECTS OF THE TRANSACTION

Earnings

As set out in Appendix IV to this circular, no revenue was generated for each of the two years ended 31 March 2021 and 2022. Upon Completion, the Property is to be held by the Group to earn rentals and hence is classified as investment property, which is initially measured at cost and subsequently measured at fair value. Changes in fair value of investment property will be recognised in profit or loss. As at the Latest Practicable Date, leasing of the serviced apartments and retail shop under the Property has commenced and the Target Group will contribute rental income to the Group immediately after Completion.

Net assets

As extracted from the annual report of the Company for the year ended 31 March 2022, the audited consolidated total assets and total liabilities of the Group were approximately HK\$5,030.4 million and HK\$388.7 million respectively. As set out in Appendix V to this circular, assuming Completion had taken place on 31 March 2022, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group would increase to approximately HK\$5,050.6 million and HK\$409.9 million respectively.

REASONS AND BENEFITS FOR THE TRANSACTION

The Company has been engaging in the provision of hospitality services for decades, and currently operates a total of three hotels and two serviced apartments in Hong Kong and Macau. The management of the Company considered the Transaction is a good opportunity to utilise its financial resources to expand its business by acquiring a serviced apartment building within the scope of its principal business. The Transaction will widen its revenue base and extend its market

LETTER FROM THE BOARD

presence by enriching the Company's assets portfolio. As at the Latest Practicable Date, the Company has no further capital commitment in the Target Group. The Company expects to finance the capital needs of the Target Group by internal resources as and when required.

The Company takes a positive view towards the hospitality sector in Hong Kong, and believes the sector will recover as soon as travel restrictions are relaxed in the near future. The Company believes that the demand for serviced apartments will resurge given: (i) business travels will resume progressively, taking into account 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; and (ii) hotels will shift their focus back from long-stay amid the COVID-19 pandemic to short-stay when international travel reopens, thereby reducing the competition between hotels and serviced apartments.

The Board (including independent non-executive Directors who have separately provided their views in the section "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 Shareholders as a whole. 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 HOSPITALITY SECTORS IN HONG KONG

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

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 25% but less than 100%, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Given that Emperor International is a substantial Shareholder of the Company, the Vendor (being a direct wholly-owned subsidiary of Emperor International) is a connected person of the Company.

LETTER FROM THE BOARD

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 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 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 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 to approve the Transaction.

SGM

A notice convening the SGM to be held at 2nd Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Monday, 19 September 2022 at 11:00 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, Emperor International is considered to have material interest in the Transaction. Hence, Emperor International and its associates 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.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the websites of Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.Emper296.com>) Whether or not you intend to attend and vote at the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event not less than 48 hours before the time of the SGM or any 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 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Wednesday, 14 September 2022.

RECOMMENDATION

The Board is of the view that the terms of the SP Agreement have been negotiated on an arm's length basis, on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the Resolution to be proposed at the SGM. Before deciding how to vote on the Resolution at the SGM, you are advised to read (i) the Letter from the Independent Board Committee from pages 23 to 24 of this circular; and (ii) the Letter from Altus from pages 25 to 50 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)

25 August 2022

To the Independent Shareholders of Emperor Entertainment Hotel Limited

Dear Sir/Madam,

**MAJOR TRANSACTION AND CONNECTED TRANSACTION
IN RELATION TO THE SALE SHARE AND
THE SALE LOAN OF THE TARGET COMPANY**

We refer to the circular of the Company to the Shareholders dated 25 August 2022 (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 the SP Agreement and the Transaction contemplated thereunder. Altus 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 25 to 50 of the Circular. Your attention is also drawn to the “**Letter from the Board**” and the “**Letter from Altus**” in the Circular and the additional information set out in the appendices thereto.

Having considered the advice given by Altus, in particular the principal factors, reasons and recommendation as set out in its letter, we consider that (i) the entering into of the SP Agreement and the Transaction contemplated thereunder is in ordinary and usual course of business of the

* *for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms and conditions 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. 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

Kwan Shin Luen, Susanna

Lai Ka Fung, May

Yeung Man Sun

Independent non-executive Directors

LETTER FROM ALTUS

The following is the text of a letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Transaction contemplated under the SP Agreement, which has been prepared for the purpose of incorporation in the Circular.

ALTUS.

Altus Capital Limited

21 Wing Wo Street
Central
Hong Kong

25 August 2022

To the Independent Board Committee and the Independent Shareholders

Emperor Entertainment Hotel Limited

28th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

MAJOR TRANSACTION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction contemplated under the SP Agreement. Details of the proposed acquisition are set out in the “Letter from the Board” contained in the circular of the Company dated 25 August 2022 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

On 15 July 2022, the Vendor, a direct wholly-owned subsidiary of Emperor International, and the Purchaser, an indirect non-wholly owned subsidiary of the Company, entered into the SP Agreement, pursuant to which, the Vendor conditionally agreed to sell, and the Purchaser

LETTER FROM ALTUS

conditionally agreed to purchase the entire equity interest in the Target Company and the loan due from the Target Company to the Vendor at the Consideration of approximately HK\$471.6 million (subject to adjustments).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction exceeds 25% but less than 100%, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Given that Emperor International is a substantial Shareholder of the Company, the Vendor (being a direct wholly-owned subsidiary of 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.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether (i) the entering into of the SP Agreement and the Transaction contemplated thereunder is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; (ii) the terms and conditions of the SP Agreement and the Transaction contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the SGM to approve the SP Agreement and the Transaction contemplated thereunder, taking into account the recommendation from the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether (i) the entering into of the SP Agreement and the Transaction contemplated thereunder is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; (ii) the terms and conditions of the SP Agreement and the Transaction contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the SGM to approve the SP Agreement and the Transaction contemplated thereunder.

LETTER FROM ALTUS

We have not acted as the independent financial adviser or financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Transaction contemplated under the SP Agreement is at market level and not conditional upon successful passing of the resolution, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

We have performed relevant procedures and steps which we deemed necessary in forming our opinions in compliance with Rule 13.80(2) of the Listing Rules. These procedures and steps include, amongst others, (i) obtained and reviewed all relevant agreements, documents and information of the Group to assess the fairness and reasonableness of the terms of the Transaction; (ii) researched the relevant market and other conditions and trends relevant to the pricing of the Transaction; (iii) reviewed the fairness, reasonableness and completeness of any assumptions or projections relevant to the Transaction; and (iv) assessed the independence, qualifications, expertise and experience of the any third party expert providing an opinion or valuation relevant to the Transaction and reviewed its terms of engagement with the Company. The documents reviewed include, amongst others, (i) the SP Agreement; (ii) the property valuation report as set out in Appendix I to the Circular (the “**Property Valuation Report**”); (iii) the market consultant’s report as set out in Appendix II to the Circular (the “**Market Consultant’s Report**”); (iv) the annual reports of the Company for the years ended 31 March 2021 and 2022 respectively (the “**2021 Annual Report**” and the “**2022 Annual Report**”); (v) the accountants’ report of the Target Group for the three years ended 31 March 2022 as set out in Appendix IV to the Circular; and (vi) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Group, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the SGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

LETTER FROM ALTUS

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

1.1 Principal business activities

As at the Latest Practicable Date, the Group was principally engaged in the provision of hospitality services in Hong Kong and Macau. The principal activities and operating segments of the Group for the financial years ended 31 March 2020, 2021 and 2022 were (i) hotel and serviced apartment operation in (a) The Emperor Hotel, The Unit Serviced Apartments and MORI MORI Serviced Apartments in Hong Kong, which the Group acquired in May 2021; and (b) Grand Emperor Hotel and Inn Hotel Macau in Macau (collectively, the “**Hotel and Serviced Apartment Operation**”); and (ii) gaming operation in the gaming area of Grand Emperor Hotel (the “**Gaming Operation**”).

LETTER FROM ALTUS

1.2 Financial information

Set out below is a table summarising certain key financial information of the Group extracted from the 2021 Annual Report and the 2022 Annual Report.

Extract of consolidated statement of profit or loss and other comprehensive income

	For the year ended 31 March		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	1,143,230	301,855	415,894
<i>Hotel and Serviced Apartment</i>			
<i>Operation</i>	216,385	92,780	155,313
<i>Gaming Operation</i>	926,845	209,075	260,581
Gross profit/(loss)	614,150	(103,443)	(83,267)
Profit/(loss) for the year	282,445	(224,449)	(644,245)

Extract of consolidated statement of financial position

	As at 31 March		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Total assets	6,278,258	5,868,867	5,030,423
<i>Short-term bank deposits</i>	980,656	1,415,665	314,339
<i>Bank balances and cash</i>	2,563,308	1,861,052	671,097
Total liabilities	571,259	471,612	388,692
Total equity	5,706,999	5,397,255	4,641,731

Source: The 2021 Annual Report and the 2022 Annual Report

Year ended 31 March 2020 compared to year ended 31 March 2021

The Group recorded revenue of approximately HK\$301.9 million during the year ended 31 March 2021 (“FY2021”), representing a significant decrease of approximately 73.6% from approximately HK\$1,143.2 million during the year ended 31 March 2020 (“FY2020”). Such significant decrease was attributable to the decline in revenue from

LETTER FROM ALTUS

both the Hotel and Serviced Apartment Operation and the Gaming Operation. For the Hotel and Serviced Apartment Operation, revenue decreased by approximately 57.1% from approximately HK\$216.4 million in FY2020 to approximately HK\$92.8 million in FY2021 mainly due to the decline in average room rates and occupancy rates of Grand Emperor Hotel and Inn Hotel Macau in FY2021 as compared to FY2020, as the number of visitor arrivals in Macau declined drastically by approximately 86.3% during the year following travel restrictions imposed as a result of the COVID-19 pandemic. For the Gaming Operation, revenue decreased significantly by approximately 77.4% from approximately HK\$926.8 million in FY2020 to approximately HK\$209.1 million in FY2021 for the same reason above.

This significant reduction in revenue had led the Group to gross loss and loss for the year in FY2021 of approximately HK\$103.4 million and HK\$224.4 million respectively, as compared to gross profit and profit for the year recorded in FY2020 of approximately HK\$614.2 million and HK\$282.4 million respectively.

The Group's total assets decreased from approximately HK\$6.3 billion as at 31 March 2020 to approximately HK\$5.9 billion as at 31 March 2021 mainly due to the decrease in aggregate of short-term bank deposits and bank balances and cash from approximately HK\$3.5 billion as at 31 March 2020 to approximately HK\$3.3 billion as at 31 March 2021. Total equity of the Group also decreased from approximately HK\$5.7 billion as at 31 March 2020 to approximately HK\$5.4 billion as at 31 March 2021, generally in line with the Group's loss for the year recorded during FY2021.

Year ended 31 March 2021 compared to year ended 31 March 2022

The Group's revenue improved to approximately HK\$415.9 million for the year ended 31 March 2022 ("FY2022"), representing an increase of approximately 37.8% from approximately HK\$301.9 million in FY2021. Such increase was attributable to the increase in revenue generated from both the Hotel and Serviced Apartment Operation and the Gaming Operation. For the Hotel and Serviced Apartment Operation, revenue increased significantly by approximately 67.4% from approximately HK\$92.8 million in FY2021 to approximately HK\$155.3 million in FY2022 following the acquisition of The Emperor Hotel, The Unit Serviced Apartments and MORI MORI Serviced Apartments in FY2022. For the Gaming Operation, revenue increased by approximately 24.6% from approximately HK\$209.1 million in FY2021 to approximately HK\$260.6 million in FY2022 due to gradual improvement of entertainment and consumption sentiment.

LETTER FROM ALTUS

As a result of the increase in revenue, the gross loss position of the Group improved from approximately HK\$103.4 million in FY2021 to approximately HK\$83.3 million in FY2022. However, due mainly to the impairment losses on property, plant and equipment, right-of-use assets and goodwill of approximately HK\$271.1 million and fair value losses of investment properties of approximately HK\$143.0 million incurred in FY2022, as compared to nil and approximately HK\$36.0 million incurred in FY2021 respectively, the Group's loss for the year increased to approximately HK\$644.2 million in FY2022 from approximately HK\$224.4 million during the previous financial year.

The Group's total assets decreased from approximately HK\$5.9 billion as at 31 March 2021 to approximately HK\$5.0 billion as at 31 March 2022 mainly due to the decrease in aggregate of short-term bank deposits and bank balances and cash from approximately HK\$3.3 billion as at 31 March 2021 to approximately HK\$985.4 million as at 31 March 2022; while partially offset by the increase in (i) property, plant and equipment from approximately HK\$1.1 billion as at 31 March 2021 to approximately HK\$2.4 billion as at 31 March 2022; and (ii) investment properties from approximately HK\$624.5 million as at 31 March 2021 to approximately HK\$996.5 million as at 31 March 2022. Total equity of the Group also decreased from approximately HK\$5.4 billion as at 31 March 2021 to approximately HK\$4.6 billion as at 31 March 2022, generally in line with the Group's loss for the year recorded during FY2022.

1.3 Prospects of the Group

As noted in the 2022 Annual Report, the emergence of Omicron cases in Hong Kong and Macau in early 2022 has led to intermittent resumption of stringent measures, which inevitably caused delays in reopening of borders between the mainland China, Hong Kong and Macau and in turn impeded full market recovery. Notwithstanding the continued uncertainties in the near term, considering (i) governments across the world have started to ease travel restrictions and opened to travel; (ii) Hong Kong remains a strategic location for business environment, coupled with its gastronomy and shopping experience, while Macau will also continue striving to expand the spectrum of visitor sources with an aim to become the world centre of tourism and leisure; and (iii) the increasing vaccination coverage and new medicines for COVID-19 are being developed, the Management remains optimistic about the hospitality sector's long-term growth prospects, and believes the Group is set to recap the benefits when the sector fully rebounds.

Despite the FY2021 and FY2022 financial results of the Group having been adversely affected by the COVID-19 pandemic, we noted that its financial position has remained relatively sound. For our views towards the Group's reasons for conducting the Transaction, please refer to the paragraph headed "4. The Group's rationale for the Transaction" below.

LETTER FROM ALTUS

2. Background information of the Purchaser, the Vendor, the Target Group and the Property

2.1 Information of the Purchaser

The Purchaser, Poly Keen International Limited, is a company incorporated in BVI and is indirectly owned by the Company as to 80% with principal business of investment holding.

2.2 Information of the Vendor

The Vendor, Emperor Property Development Limited, is a company incorporated in BVI and is a direct wholly-owned subsidiary of Emperor International with principal business of investment holding.

2.3 Information of the Target Group

The Target Company, Ever Explore Holdings Limited, is a company incorporated in BVI and is an indirect wholly-owned subsidiary of Emperor International. The principal business of the Target Company is investment holding of companies engaged in property investment in Hong Kong. As at the Latest Practicable Date, the Property is the major asset held by the Target Group.

2.4 Information of the Property

According to the paragraph headed “Information of the Target Group and the Property” in the “Letter from the Board” of the Circular, the Property is a 22-storey serviced apartments (including one retail shop on ground floor) situated at No. 22 Davis Street within the Kennedy Town and Mount Davis area of Hong Kong Island with a gross floor area of approximately 20,636 sq. ft. and offers a total of 57 units. The construction of the Property has been completed, and has commenced operation as serviced apartments in August 2022. As at the Latest Practicable Date, the lease of approximately 80% of the total units was committed and tenants have started to move in since mid of August 2022. The maximum lease term committed is twelve months with monthly average rent of approximately HK\$20,000 per unit and average unit rate ranged from HK\$70 to HK\$92 per month per sq.ft.

According to the “Letter from the Board” of the Circular, the shop located on ground floor of the Property is currently leased out and subject to tenancy agreement with a term of three years from 1 April 2022 to 31 March 2025, at a monthly based rent of HK\$65,000 plus a turnover rent, but exclusive of rates, and management fee and inclusive of government rent.

LETTER FROM ALTUS

2.5 Financial information of the Target Group

Set out below is a table summarising certain key financial information of the Target Group extracted from the accountants' report for the three years ended 31 March 2022 as set out in Appendix IV to the Circular.

Extract of combined statements of profit or loss and other comprehensive income

	Year ended 31 March		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Other income	2	—	—
(Write-down)/reversal of write down of property under development for sale	(64,423)	37,508	26,915
Fair value change upon transfer from property under development for sale to investment property	—	—	945
Finance costs	—	—	(2,739)
(Loss)/profit and total comprehensive (expense)/income for the year	(64,446)	37,521	24,156

LETTER FROM ALTUS

Extract of combined statements of financial position

	As at 31 March		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Non-current asset	—	—	450,000
— <i>Investment property</i>	—	—	<i>450,000</i>
Current assets	309,836	340,234	666
— <i>Property under development for sale</i>	<i>245,000</i>	<i>339,000</i>	—
— <i>Other receivable, deposits and prepayments</i>	<i>64,756</i>	<i>823</i>	<i>381</i>
— <i>Bank balance</i>	<i>80</i>	<i>411</i>	<i>285</i>
Current liabilities	273,302	266,179	452,455
— <i>Amount due to a fellow subsidiary</i>	<i>273,085</i>	<i>266,134</i>	<i>282,235</i>
— <i>Secured bank borrowings</i>	—	—	<i>149,000</i>
Non-current liability	100,000	100,000	—
— <i>Secured bank borrowings</i>	<i>100,000</i>	<i>100,000</i>	—
Net liabilities	(63,466)	(25,945)	(1,789)

Combined statements of profit or loss and other comprehensive income

As the Property was under construction during the three years ended 31 March 2022, no revenue and cost of sales were recognised. Other income of the Target Group amounted to approximately HK\$2,000 in FY2020 mainly represented sundry income.

During FY2020, FY2021 and the period from April to December 2021, the Property was recorded as property under development for sale of which its carrying amount was measured at the lower of cost and net realised value. Based on valuations conducted by an independent firm of qualified professional property valuer, the Target Group recorded a write-down of property under development for sale of approximately HK\$64.4 million in FY2020; and subsequently recognised reversal of previously recognised write-down of property under development for sale of approximately HK\$37.5 million and HK\$26.9 million in FY2021 and FY2022 respectively.

LETTER FROM ALTUS

In December 2021, the Target Group changed its intended use of the Property from a property under development for sale to an investment property which was initially measured at cost and subsequently measured at fair value. Subsequent change in value of the Property was recorded as a fair value change of investment property. In FY2022, a fair value change of approximately HK\$0.9 million was recognised in profit or loss.

The finance costs incurred by the Target Group represented interests on secured bank borrowings and advance from a fellow subsidiary. During FY2020, FY2021 and FY2022, the Target Group recorded total interests on secured bank borrowings and advance from a fellow subsidiary of approximately HK\$15.8 million, HK\$10.0 million and HK\$9.0 million respectively, out of which approximately HK\$15.8 million, HK\$10.0 million and HK\$6.3 million had been capitalised in the property under development for sale in the respective financial years. As a result, the Target Group recorded finance costs of nil, nil and approximately HK\$2.7 million in profit or loss in FY2020, FY2021 and FY2022 respectively.

As a result of the above, the Target Group incurred (loss)/profit and total comprehensive (expense)/income for the year of approximately HK\$(64.4) million, HK\$37.5 million and HK\$24.2 million in FY2020, FY2021 and FY2022 respectively.

Combined statements of financial position

As set out above, the Property is the major asset held by the Target Group. As at 31 March 2020 and 2021, the Property was categorised as property under development for sale and carried an amount of approximately HK\$245.0 million and HK\$339.0 million, representing approximately 79.1% and 99.6% of the total assets respectively. As at 31 March 2022, the Property was categorised as investment property for the reason explained above and carried an amount of approximately HK\$450.0 million, representing approximately 99.9% of the total assets.

Liabilities of the Target Group mainly consisted of amount due to a fellow subsidiary (being the Sale Loan) and secured bank borrowings with an aggregate amount of approximately HK\$373.1 million, HK\$366.1 million and HK\$431.2 million as at 31 March 2020, 2021 and 2022 respectively. The amount due to a fellow subsidiary carried interest at 3.09% over Hong Kong Interbank Offered Rate (“**HIBOR**”), 3.21% over HIBOR and 2.80% over HIBOR per annum as at 31 March 2020, 2021 and 2022 respectively. The secured bank borrowings carried interest at 1.35% over HIBOR per annum as at 31 March 2020, 2021 and 2022 respectively and was secured by the

LETTER FROM ALTUS

Property together with corporate guarantee from its intermediate holding company. As at the Latest Practicable Date, the secured bank borrowings had been fully repaid and the pledge of the Property had been discharged and released as well.

Overall, the Target Group recorded net liabilities of approximately HK\$63.5 million, HK\$25.9 million and HK\$1.8 million as at 31 March 2020, 2021 and 2022 respectively.

3. Principal terms of the SP Agreement

On 15 July 2022 (after trading hours), Emperor Property, the direct wholly-owned subsidiary of Emperor International, entered into the SP Agreement with Poly Keen International, the indirect non-wholly owned subsidiary of the Company.

We summarise below the principal terms of the SP Agreement. For details, please refer to the paragraph headed “The SP Agreement” in the “Letter from the Board” of the Circular.

Date of SP Agreement:	15 July 2022
Parties:	Vendor: Emperor Property Purchaser: Poly Keen International
Subjects to be acquired:	The entire equity interest in the Target Company and the Vendor’s loan due from the Target Company to the Vendor
Consideration:	HK\$471.6 million (subject to adjustments as further elaborated in the paragraph headed “3.1 Consideration” below)

LETTER FROM ALTUS

- 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;
 - (b) the Vendor having proved the Property Holding Company's good title to the Property to the reasonable satisfaction of the Purchaser in accordance with Section 13 of the Conveyancing and Property Ordinance; and
 - (c) the Company having obtained all required approvals at the SGM for the SP Agreement and the Transaction contemplated thereunder.

When considering the fairness and reasonableness of the terms of the SP Agreement, we have taken into account the following factors.

3.1. Consideration

As set out in the "Letter from the Board" of the Circular, the Consideration payable, consisting of the value of the Sale Share and the Sale Loan, (subject to adjustments) by the Purchaser to the Vendor shall be determined by the following formula:

$$\text{Consideration} = A + B - C$$

where:

- "A" means HK\$490,000,000, being the agreed value of the Property (the "**Agreed Property Value**") with reference to the preliminary fair market valuation of the Property as at 8 July 2022 as assessed by an independent professional valuer (the "**Appraised Value**");
- "B" means the carrying value/book value of the tangible assets of the Target Group (but excluding the Property and the fittings and equipment) as at the Completion Date as shown in the Pro-forma Completion Account; and

LETTER FROM ALTUS

“C” means the amount of all liabilities of the Target Group, including actual or contingent, accrued and deferred liabilities but excluding the Sale Loan, as at the Completion Date as shown in the Pro-forma Completion Account.

In accordance with the formula as set out above, the Consideration, for the acquisition of the Sale Share and the Sale Loan, is estimated to be approximately HK\$471.6 million with reference to the Management Account, consisted of mainly:

- (i) the Agreed Property Value of HK\$490.0 million with reference to the Appraised Value as assessed by Vincorn Consulting and Appraisal Limited, the independent professional valuer (the “**Independent Property Valuer**”) as at 8 July 2022 (the “**Valuation Date**”), details of which are set out in Appendix I to the Circular;
- (ii) the carry value/book value of the tangible assets of the Target Group (but excluding the Property and the fittings and equipment) of approximately HK\$2.1 million as at 30 June 2022; and
- (iii) the amount of all liabilities of the Target Group, but excluding the Sale Loan, of approximately HK\$20.5 million as at 30 June 2022.

The Sale Loan, being all loan and interest, if any, and all other sums owing by the Target Company to the Vendor, is unsecured, repayable on demand and interest-free. As at the Latest Practicable Date, the amount of the Sale Loan was approximately HK\$443.7 million. Upon Completion, the total amount of Sale Loan shall be assigned to the Purchaser by Vendor.

The Consideration payable shall be subject to the adjustments following agreement or determination of the Completion Account and the Final Consideration (which is calculated with reference to the Completion Account) in the following manner:

- (i) If the Final Consideration is less than the Consideration paid by the Purchaser at Completion, the Consideration shall be adjusted downward by such difference; or
- (ii) If the Final Consideration is higher than the Consideration paid by the Purchaser at Completion, the Consideration shall be adjusted upward by such difference.

Notwithstanding anything hereinabove, the Final Consideration shall not exceed HK\$500.0 million.

LETTER FROM ALTUS

We are of the view that the method of arriving at the Consideration, which shall take into account the (i) amount of net asset value of the Target Group as at Completion; and (ii) amount of Sale Loan which will be assigned on a dollar-for-dollar basis, is fair and reasonable. Further, considering the Agreed Property Value, being the basis for determining the Consideration, is equivalent to the Appraised Value of the Property as assessed by the Independent Property Valuer, we are of the view that the Consideration is fair and reasonable. For discussions of the Appraised Value of the Property, please refer to the paragraph headed “3.3. Valuation of the Property” below. We are also of the view that the adjusting mechanism of the Consideration, which shall take into account the difference in net asset value of the Target Group as calculated with reference to the Pro-forma Completion Account and the Completion Account, is fair and reasonable.

3.2. Payment terms

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

- (i) An initial deposit of HK\$24,000,000 shall be paid by the Purchaser to the Vendor within 14 Business Days after signing of the SP Agreement; and
- (ii) Subject to the adjustments, the balance of the Consideration, by reference to the Pro-forma Completion Account, shall be paid upon Completion.

The Consideration payable shall be settled by cash transfer to the designated bank account of the Vendor or such other method as mutually agreed by the Vendor and Purchaser from time to time.

If the Consideration is adjusted downward in accordance to the adjusting mechanism as elaborated in the paragraph headed “3.1 Consideration” above, the Vendor shall pay to the Purchaser the amount of the difference; or vice versa. Such adjusted amount shall be payable within five Business Days after agreement or determination of the Completion Account.

Considering the payment of the Consideration will only happen upon the Completion and the initial deposit is refundable by the Vendor to the Purchaser in the event that any of the conditions precedent as stipulated under the SP Agreement is not fulfilled as elaborated in the paragraph headed “Conditions Precedent” in the “Letter from the Board” of the Circular, we are of the view that the payment terms for the Consideration is fair and reasonable.

3.3. Valuation of the Property

According to the Property Valuation Report as set out in Appendix I to the Circular, the Appraised Value of the Property amounted to HK\$490.0 million as at the Valuation Date, which is equivalent to the Agreed Property Value. To assess the fairness and reasonableness of the valuation, we have reviewed the Property Valuation Report and discussed with the Independent Property Valuer in relation to (i) the methodologies, basis and assumptions used in performing the valuation on the Property; (ii) their scope of work for conducting the valuation on the Property; and (iii) their relevant professional qualifications as a property valuer.

3.3.1. Valuation basis and assumptions

We noted that the Property Valuation Report has been prepared in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors with reference to the International Valuation Standards (“**IVS**”) as well as the requirements set out in Chapter 5 of the Listing Rules.

According to the Property Valuation Report, the valuation is carried out on a market value basis, which 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” according to the HKIS Valuation Standards 2020 and the IVS. In this regard, we noted that the SP Agreement is entered into by the parties thereto on normal commercial terms following arm’s length negotiations; and we are not aware of any unique circumstance relating to the Transaction such as distressed or compulsory sale. We are therefore of the view that the basis adopted by the Independent Property Valuer is fair and reasonable.

Further, the valuation has been made on the assumptions that (i) the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests; (ii) no allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale; (iii) the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the value of the property interests; and (iv) the owner of the Property has free and uninterrupted rights to use the property interests for the whole of the unexpired term of the leasehold interests.

LETTER FROM ALTUS

3.3.2. Valuation methodologies

In arriving at the Appraised Value, we noted that the Independent Property Valuer has adopted the market approach (the “**Market Approach**”) as the principal valuation approach, which involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. We understand from the Independent Property Valuer that the Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. As the Property has both retail and residential elements, we noted that the Independent Property Valuer has selected (i) four sale comparables which are retail units; and (ii) four sale comparables which are residential units, located in close proximity (i.e. all are located in Kennedy Town) and have been transacted during the period from 2021 to 2022.

Set out below are the details of comparable properties analysed by the Independent Property Valuer:

(a) *Retail sale comparables:*

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Development	Yue On Building	Kam Tong Building	Hau Wo Building	1E Sands Street
Address	78-86 Catchick Street	139-153 Belcher’s Street	44-52 Hau Wo Street	1E Sands Street
District	Kennedy Town	Kennedy Town	Kennedy Town	Kennedy Town
Year of Completion	1979	1973	1973	1958
Floor	G/F	G/F	G/F	G/F
Unit	Unit A	Unit A	Unit 5	Unit C of R.P.
Saleable Area (<i>sq.ft.</i>)	252	652	485	170
Nature	Agreement for Sale and Purchase			

LETTER FROM ALTUS

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Date of Instrument	4 Jul 2022	26 Apr 2022	21 Sep 2021	10 Sep 2021
Consideration (<i>HKD</i>)	13,800,000	37,000,000	27,500,000	9,350,000
Saleable Unit Rate (<i>HKD/sq.ft.</i>)	54,762	56,748	56,701	55,000

(b) Residential sale comparables:

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Development	Kennedy 38	The Hudson	Kennedy 38	One South Lane
Address	38 Belcher's Street	11 Davis Street	38 Belcher's Street	1 South Lane
District	Kennedy Town	Kennedy Town	Kennedy Town	Kennedy Town
Year of Completion	2022	2016	2022	2016
Floor	31/F	5/F	31/F	17/F
Unit	Unit C	Unit C	Unit B	Unit 5
Saleable Area (<i>sq.ft.</i>)	456	658	287	213
Nature	Agreement for Sale and Purchase	Agreement for Sale and Purchase	Agreement for Sale and Purchase	Agreement for Sale and Purchase
Date of Instrument	29 Apr 2022	22 Feb 2022	17 Dec 2021	30 Jul 2021
Consideration (<i>HKD</i>)	14,683,000	20,000,000	9,464,000	6,400,000
Saleable Unit Rate (<i>HKD/sq.ft.</i>)	32,200	30,395	32,976	30,047

In order to assess the fairness and representative of these sale comparables, we have obtained and reviewed the list of sale comparables and discussed with the Independent Property Valuer on the selection criteria of such sale comparables. We are given to understand that the sale comparables were selected by the Independent Property

LETTER FROM ALTUS

Valuer based on their respective locality, size, usage and condition which share the most similarities with the Property. For due diligence purpose, we have independently conducted desktop search to obtain the available information of the sale comparables identified by the Independent Property Valuer for verification purpose. From our review, we noted that the sale comparables are all located in the same district and of similar type with the Property which were transacted recently during the period from 2021 to 2022.

We further understand that appropriate adjustments and analysis have been considered and made by the Independent Property Valuer taking into account factors such as differences in location, age of the property, view and transaction time between the sale comparables and the Property, to arrive at an assumed unit rate. In order to assess the fairness and representative of the adjustments applied to the sale comparables, we have discussed with the Independent Property Valuer on the adjustments made to reflect different attributes between the Property and the sale comparables. We are given to understand that the Independent Property Valuer considered the different attributes between the Property and the sale comparables in terms of transaction time, location, size, building age and other relevant factors and made adjustments accordingly. The general basis of adjustments of such attributes is that (i) if the sale comparable is superior to the Property, a downward adjustment would be made to adjust down the unit rate of that sale comparable; or (ii) if the sale comparable is inferior to the Property, an upward adjustment would be made to adjust up the unit rate of that sale comparable. We have also obtained the underlying workings and reviewed the detailed calculations of the adjustments made by the Independent Property Valuer to the unit rates of the sale comparables and consider the adjustments to be logical and able to reflect different attributes between the Property and the sale comparables.

According to the Property Valuation Report, the adopted unit rates of the benchmark units of the Property is HK\$58,777 per sq.ft. and HK\$32,211 per sq.ft. on the basis of saleable area for the retail and residential portion respectively.

Based on the above, we are of view that the sale comparables chosen and the adjustments made are appropriate and relevant for providing a fair and reasonable basis for the Independent Property Valuer's opinion.

Further, the Independent Property Valuer has also cross-checked the Appraised Value using the income approach (the "**Income Approach**"), which estimates the capital value of a property by capitalising rental income at an appropriate capitalisation rate on a fully leased basis having regard to the current passing rental income from existing tenancy and the potential reversionary rental income at market level. According to the

LETTER FROM ALTUS

Independent Property Valuer, the Income Approach is commonly adopted for valuation of income producing properties such as offices, shops and arcades subject to existing tenancies. We understand that as of the Valuation Date, (i) the retail portion of the Property had been leased out; and (ii) the residential portion of the Property was vacant. Notwithstanding this, as stated in the paragraph headed “Information of the Target Group and the Property” in the “Letter from the Board” of the Circular, residential operation has commenced in August 2022. For its assumptions on rental income, we noted that the Independent Property Valuer has mainly made reference to the (i) existing lease for the retail portion of the Property; and (ii) market rental of residential and retail units in the proximity of the Property with similar characteristics (the “**Comparable Premises**”). In this regard, we noted that the Independent Property Valuer has identified and analysed the lease information of (i) four Comparable Premises which are retail units; and (ii) four Comparable Premises which are residential units, and has made appropriate adjustments reflecting the differences in, including but not limited to location, age of the property, view and transaction time.

According to the Property Valuation Report, the adopted saleable unit rent for retail and residential is HK\$89.7 per sq.ft. per month and HK\$69.3 per sq.ft. per month respectively.

As to the capitalisation rate, the Independent Property Valuer has adopted a term yield of 2.25% (for existing rental income) and a reversionary yield of 2.50% (for reversionary rental income) respectively. We understand from the Independent Property Valuer that such yields have taken into account its research and analysis of the property market in Hong Kong.

We have reviewed and discussed with the Independent Property Valuer the aforesaid basis and assumptions adopted in the Income Approach together with the list of Comparable Premises referred to when making the relevant assumptions. We noted that the Comparable Premises share certain similarities with the Property in terms of location and unit size. Based on the above, we are of the view that the basis and assumptions made in the Income Approach by the Independent Property Valuer are fair and reasonable.

We noted that the variance of the two valuation results is within a reasonable range. As such, we concur with the Independent Property Valuer that the valuation result from Income Approach, which is adopted to cross-check the valuation result from Market Approach, supports the valuation conclusion.

LETTER FROM ALTUS

3.3.3. Independent Property Valuer's competence and scope of work

We have conducted an independent interview with the Independent Property Valuer. We have enquired and the Independent Property Valuer has confirmed its independence from the Group, the Vendor and their respective associates. In addition to our discussion with the Independent Property Valuer on its firm's experience and expertise, we have obtained relevant qualifications and credentials of the team members involved in this valuation of the Property.

We noted that the Independent Property Valuer is a global appraisal and consulting service provider offering a comprehensive range of services covering tangible and intangible assets, including but not limited to property valuation. According to the Independent Property Valuer, it has been appointed as valuer by a wide range of Hong Kong listed companies in the past. The person who is responsible for signing off the Property Valuation Report, Mr. Vincent Cheung, has obtained the relevant professional qualifications and has over 25 years of experience in the valuation of properties. Inspection of the Property for preparation of the Property Valuation Report was conducted by employees of the Independent Property Valuer who have the necessary qualification and experience.

We have also obtained and reviewed the Independent Property Valuer's terms of engagement and discussed with the Independent Property Valuer its work performed in connection with this valuation. We are satisfied that the Independent Property Valuer is qualified to give the opinion as set out in the Property Valuation Report having taken into account its relevant experience and expertise, its independence, and its scope of work.

3.3.4. Section summary

Having considered that (i) the Independent Property Valuer has the relevant qualification, competence and experience to prepare the Property Valuation Report; (ii) the Independent Property Valuer's scope of work is appropriate for performing the valuation on the Property; and (iii) the valuation methodologies, basis and assumptions for valuing the Property are fair and reasonable, we are of the view that the Agreed Property Value, which is determined based on the Appraised Value, is fair and reasonable.

3.4. Section summary

Taking into account all the factors and analysis above, we are of the view that the terms and conditions of the SP Agreement are on normal commercial terms and are fair and reasonable.

4. The Group's rationale for the Transaction

As stated in the paragraph headed "Reasons and benefits for the Transaction" in the "Letter from the Board" of the Circular, considering the Transaction will widen the Group's revenue base and extend its market presence by enriching its assets portfolio, the Management believes that the entering into of the SP Agreement will benefit the expansion of the Group's business. Further, the Management takes a positive view towards the hospitality sector in Hong Kong and believes the sector will recover as soon as travel restrictions are relaxed in the near future, in particular, the demand for serviced apartments will resurge given Hong Kong's strategic position within the Greater Bay Area and less competition from hotels as hotels will shift their focus back to short-stay when international travel reopens.

In this regard, we noted that the Hotel and Serviced Apartment Operation is one of the key businesses of the Group, which contributed approximately 37.3% of the Group's revenue for the year ended 31 March 2022 and has become the sole operating activity of the Group after the cessation of the Gaming Operation segment on 27 June 2022, details of which are set out in the announcements of the Company dated 1 April 2022 and 15 June 2022 respectively. As elaborated in the paragraph headed "1. Background information of the Group" above, under the Hotel and Serviced Apartment Operation, the Group principally generates room revenue, rental income and food and beverage revenue from its asset portfolio, which currently consists of (i) one hotel and two serviced apartments in Hong Kong; and (ii) two hotels in Macau. We concur with the Management that the Transaction can widen the Group's revenue base in its ordinary and usual course of business, through adding another serviced apartment in Hong Kong to its asset portfolio. We also noted from the Market Consultant's Report as set out in Appendix II to the Circular that, Savills (Hong Kong) Limited, the market consultant (the "**Market Consultant**"), concurs with the aforesaid Management's view towards the market outlook of the serviced apartment industry in Hong Kong. A summary of the Market Consultant's Report has been set out in the paragraph headed "5. Market conditions" below.

In addition, we noted that the Management has also considered the Group's financial resources when deciding to conduct the Transaction. According to the 2022 Annual Report, the Group had short-term bank deposits and bank balances and cash in aggregate of approximately HK\$985.4 million as at 31 March 2022, where the Consideration of approximately HK\$471.6 million (subject to adjustments), represents approximately 47.9% of such balance. We understand

LETTER FROM ALTUS

that the Management has also considered the Group's low indebtedness level, in particular, it has no borrowings except for the amounts due to non-controlling interests of subsidiaries of approximately HK\$39.5 million as at 31 March 2022 according to the 2022 Annual Report, and believes the Group has the necessary financial resources to conduct the Transaction without significantly compromising its liquidity position required for its normal business operations.

Overall, considering the Group's financial position, the serviced apartment industry in Hong Kong and the quality of the Property, we concur with the Management's rationale for conducting the Transaction. It enables the Group to be in a position which can potentially reap benefits when the hospitality sector rebounds along with the expected relaxation of travel restrictions in the near future.

5. Market conditions

In assessing the reasons for and benefits of the Transaction, we have also made reference to the Market Consultant's Report, where the Market Consultant has conducted market research on the Property and the serviced apartment industry in Hong Kong, the details of which are set out in Appendix II to the Circular. We set out below a summary of the aforementioned market research analysis.

5.1. Overview of Western District (with a focus on Kennedy Town)

The full operation of the MTR West Island Line in late 2014, including the opening of the Kennedy Town station, provides a more convenient link to the central business district of Hong Kong. As professionals and business executives have moved to the district, a spate of new residential projects including The Belcher's, Imperial Kennedy and The Hudson have been completed along Forbes Street, Davis Street and Catchick Street and along the New Praya. The Western District is currently a vibrant neighbourhood with new residential and commercial offerings along with new MTR stations offering excellent access to other parts of Hong Kong.

5.2. Overview of serviced apartment industry and competitive landscape of the Property

Many existing serviced apartment tenants are expatriates working for multinational corporations and the employees of Mainland Chinese firms, who require proximity to key office nodes on the Hong Kong Island. In particular, most serviced apartment tenants work in the banking and financial services sectors or are professionals and consultants in related industries. Mainland students studying in the University of Hong Kong may also form parts of the potential tenant pool.

LETTER FROM ALTUS

The Western District provides road links to core business districts including the Connaught Road West Flyover to Central and the Western Harbour Tunnel to West Kowloon. In general, tenants of serviced apartment prefer living close to office clusters in West Kowloon, Central and Sheung Wan, while also being easily accessible to dining and entertainment areas.

In terms of competitive landscape, there are three serviced apartment projects providing a total of 362 units near the Property, which are completed from 2000 to 2012. With no new supply nearby over the past few years, the competitive landscape is expected to remain relatively stable.

5.3. Historical performance (with a focus on Central and Western District serviced apartment) and market outlook

The serviced apartment industry in Hong Kong had been adversely impacted by various factors in the past few years. Serviced apartment rents in Central and Western District dropped amid the social unrest and the intensification of the US-China trade war in 2019 and the COVID-19 pandemic in 2020, which led to rental decline of approximately 12.3% and 10.1% in 2019 and 2020 respectively. Rents recorded an increment of approximately 7.4% in 2021 as the social unrest and the COVID-19 pandemic were brought under control. In the first half of 2022, rents dropped in the first quarter due to the fifth wave of COVID-19 pandemic and rebounded by approximately 1.1% in the second quarter with demand driven by young professionals from China. In terms of occupancy rate, the average rate of serviced apartments in Central and Western District began to drop in 2019 along with rents, from approximately 90% in December 2018 to approximately 73% in December 2019. The rate continued to drop in 2020, reaching approximately 59% at the end of 2020, but rebounded to approximately 66% at the end of 2021 before dropping to below 60% in the first half of 2022.

Looking ahead, serviced apartment rents are expected to rebound with effective epidemic control, whilst occupancy rates will edge higher with the anticipated reopening of borders and the gradual relaxation of COVID-19 restrictions, which will drive visitors and expatriates back to Hong Kong. It is expected that demand for serviced apartments, particularly in areas near the core business districts, will remain strong. The demand for serviced apartments will also be likely driven by young Mainlanders in future years as Mainland professionals immigrate to Hong Kong and Mainland graduates take work in the local finance and legal sectors, among others. Mainland students studying in the University of Hong Kong may also opt to reside in serviced apartments in the area close to where they

LETTER FROM ALTUS

study. In addition, with the gradual reopening of the border, it is expected that hotels will shift the business focuses back to short-stay tourists, with serviced apartments likely to absorb the displaced long-stay hotel demand.

Overall, taking into account factors illustrated above and as further elaborated in the Market Consultant's Report as set out in Appendix II to the Circular, we concur with the Management that the Property is a high quality asset which may contribute to the business growth of the Group.

6. Financial effects of the Transaction on the Group

Upon completion of the Transaction contemplated under the SP Agreement, the Target Company will become an indirect wholly-owned subsidiary of the Company. The financial effects of the Transaction on the Group are set out below. However, it should be noted that the analysis below is for illustration purpose only and does not purport to represent how the financial position of the Group would become upon Completion.

6.1. Net asset value

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to the Circular, had the Completion taken place on 31 March 2022, the total assets of the Group would have increased by approximately HK\$20.2 million from approximately HK\$5,030.4 million to approximately HK\$5,050.6 million; while the total liabilities of the Group would have increased by approximately HK\$21.2 million from approximately HK\$388.7 million to approximately HK\$409.9 million. As a result, the net assets of the Group would have decreased slightly by approximately HK\$1.0 million from approximately HK\$4,641.7 million to approximately HK\$4,640.7 million.

6.2. Earnings

Following the Completion, the financial results of the Target Group will be consolidated into the Group. The Property is to be held by the Group to earn rentals and hence is classified as investment property, which is initially measured at cost and subsequently measured at fair value. Changes in fair value of investment property will be recognised in profit or loss. As at the Latest Practicable Date, leasing of the serviced apartments and retail shop under the Property has commenced and the Target Group will contribute rental income to the Group immediately after Completion.

LETTER FROM ALTUS

6.3. Working capital

The working capital position of the Group is expected to decrease immediately upon Completion, as the Consideration of approximately HK\$471.6 million (subject to adjustments) will be settled in cash. According to the 2022 Annual Report, the Group had short-term bank deposits and bank balances and cash in aggregate of approximately HK\$985.4 million as at 31 March 2022. Based on the above and our discussion with the Management, the Group's working capital and liquidity position is expected to remain ample after the Completion.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the view that (i) the entering into of the SP Agreement and the Transaction contemplated thereunder is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) the terms and conditions of the SP Agreement and the Transaction contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the SGM to approve the SP Agreement and the Transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Chang Sean Pey
Executive Director

Mr. Chang Sean Pey ("Mr. Chang") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

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

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



The Board of Directors

Emperor Entertainment Hotel Limited
28th Floor, Emperor Group Centre,
No. 288 Hennessy Road,
Wanchai, Hong Kong
25 August 2022

Dear Sirs,

INSTRUCTION AND VALUATION DATE

We refer to your instructions for us to assess the Market Value of the property interests located in Hong Kong to be acquired by Emperor Entertainment Hotel Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Value of the property interests as at 8 July 2022 (the “**Valuation Date**”).

VALUATION STANDARDS

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

VALUATION BASIS

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

VALUATION ASSUMPTIONS

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

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

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

VALUATION METHODOLOGY

When valuing the property interests, we have adopted Market Approach as the principal valuation approach, which is universally considered as the most accepted valuation approach for valuing most forms of property. The valuation results have been cross-checked by Income Approach — Term and Reversion Analysis.

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

Income Approach is a valuation approach commonly adopted for income producing properties such as offices, shops and arcades. The technique used in this valuation by Income Approach is Term and Reversion Analysis.

Term and Reversion Analysis is a common and suitable technique for the valuation of the properties subject to existing tenancies. This technique is used when the passing rent of a property differs from the market rent. It estimates the capital value of a property by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancy and the potential reversionary rental income at market level.

In Term and Reversion Analysis, the total rental income of a property is divided into the current passing rental income over the existing lease term, namely the term income, and the potential reversionary rental income after the expiry of the existing lease term, known as the reversionary income. The term value involves the capitalisation of the term income over the existing lease term. The reversionary value involves the capitalisation of the reversionary income after the expiry of existing lease term and it is then discounted back to the valuation date.

LAND TENURE AND TITLE INVESTIGATION

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

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

INFORMATION SOURCES

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

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

INSPECTION AND INVESTIGATIONS

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

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

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

CURRENCY

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

The valuation certificate is attached hereto.

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

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

Note:

Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People's Republic of China. He is suitably qualified to carry out the valuation and has over 25 years of experience in the valuation of properties of this magnitude and nature in the subject region.

VALUATION CERTIFICATE

Property Interests to be Acquired by the Group in Hong Kong

Property	Description and Tenure	Occupancy Particulars	Market Value in the Existing State as at 8 July 2022
No. 22 Davis Street, Kennedy Town, Hong Kong	<p>The property comprises a 22-storey composite building providing 57 units, located in Kennedy Town, Hong Kong. Ground Floor of the property is devoted to retail uses and the upper floors are devoted to residential uses.</p> <p>As per the approved building plans, the property has a total gross floor area of approximately 20,636.35 square feet (“sq.ft.”). As per our scale-off measurement on the approved building plans, the property has a total saleable area of approximately 14,185.00 sq.ft. As per Occupation Permit No. HK1/2022, the property was completed in about 2022.</p> <p>The subject lots are held under a Government Lease for a term of 999 years commencing from 24 September 1883.</p>	<p>As per our on-site inspection and the information provided by the Group, the shop on Ground Floor of the property is currently leased to Taste of Asia Group Limited subject to a tenancy with a term of three years from 1 April 2022 to 31 March 2025, at a monthly base rent of HKD65,000 plus a turnover rent, exclusive of rates, and management fee and inclusive of government rent. The residential portion of the property is currently vacant.</p>	<p>HKD490,000,000 (HONG KONG DOLLARS FOUR HUNDRED AND NINETY MILLION)</p>

Notes:

1. The property was inspected by Ines Wang on 13 July 2022.
2. The valuation and this certificate were prepared by Vincent Cheung *BSc(Hons) MBA FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *BSc(Hons) MRICS MHKIS RPS(GP) MCIREA RICS Registered Valuer Registered Real Estate Appraiser PRC*.
3. The details of the land search records of the property dated 12 July 2022 are summarised below:-

Item	Details
Registered Owner:	<u>IL905 s.A ss.11 R.P.</u> Fame Master Limited By an assignment dated 18 May 2018, registered vide Memorial No. 18061402120058 <u>IL905 s.A ss.11 s.A & IL905 s.A R.P.</u> Fame Master Limited By an assignment dated 18 May 2018, registered vide Memorial No. 18061402120060
Government Rent:	IL905 s.A ss.11 R.P.: N/A IL905 s.A ss.11 s.A.: HKD5.15 IL905 s.A R.P.: HKD50
Major Encumbrances:	<ul style="list-style-type: none"> • Deed of Mutual Grant of Right of Way with Plans dated 13 October 2004, registered vide Memorial No. UB9369453; • Offensive Trade Licence from District Lands Office, Hong Kong West & South dated 19 February 2021, registered vide Memorial No. 21031501170106; and • Occupation Permit (No. HK1/2022 (OP)) dated 13 January 2022, registered Vide Memorial No. 22021002420033.

4. The property is erected on The Remaining Portion of Sub-section 11 of Section A of Inland Lot No. 905, Section A of Sub-section 11 of Section A of Inland Lot No. 905 and The Remaining Portion of Section A of Inland Lot No. 905, which are held under a Government Lease. The salient conditions are summarised below:

Item	Details
Lot Number:	Inland Lot No. 905
Lease Term:	999 years commencing from 24 September 1883
Site Area:	Approximately 70,000 sq.ft.

Item	Details
Major Special Conditions:	<ul style="list-style-type: none"> • Executors, Administrators or Assigns or any other person or persons shall not nor will, during the continuance of this demise, use, exercise or follow in or upon the said premises or any part thereof, the trade or business of a Brazier, Slaughterman, Soap-maker, Sugar-baker, Fellmonger, Melter of tallow, Oilman, Butcher, Distiller, Victualler or Tavern-keeper, Blacksmith, Nightman, Scavenger, or any other noisy, noisome or offensive trade or business whatever, without the previous licence of Her said Majesty, Her Heirs, Successors, or Assigns, signified in writing by the Governor of the said Colony of Hongkong, or other person duly authorized in that behalf
5.	The property falls within an area zoned “Residential (Group A)” under Hong Kong Planning Area No. 1 — Approved Kennedy Town & Mount Davis Outline Zoning Plan No. S/H1/22 approved on 22 March 2022.
6.	The general description and market information of the property are summarised below:-
Location:	The property is located at No. 22 Davis Street, Kennedy Town, Hong Kong.
Transportation:	Hong Kong International Airport and Kennedy Town MTR Station are located approximately 34.7 kilometres and 200 metres away from the Property respectively.
Nature of Surrounding Area:	The area is predominately a residential area in Kennedy Town.
Market Overview:	According to the statistics published by the Rating and Valuation Department, the latest residential price and rental indices of the subject class decreased by 4.1% and 1.1% year-over-year respectively in June 2022. The market yield of residential properties of the subject class slightly increased from 2.4% to 2.5% in June 2022, compared to that in the previous year.
7.	Pursuant to the information provided by the Company, Fame Master Limited is an indirect wholly-owned subsidiary of Emperor International Holdings Limited.
8.	In the course of our valuation of the property by Market Approach, we have considered and analysed sale comparables of retail and residential units in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the adopted retail comparables range from HKD54,762 to HKD56,748 per sq.ft. on the basis of saleable area, and the unit rates of the adopted residential comparables range from HKD30,047 to HKD32,976 per sq.ft. on the basis of saleable area. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustment in terms of different attributes.

The following table sets forth the details of the adopted retail sale comparables:

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Development	Yue On Building	Kam Tong Building	Hau Wo Building	1E Sands Street
Address	78–86 Catchick Street	139–153 Belcher’s Street	44–52 Hau Wo Street	1E Sands Street
District	Kennedy Town	Kennedy Town	Kennedy Town	Kennedy Town
Year of Completion	1979	1973	1973	1958
Floor	G/F	G/F	G/F	G/F
Unit	Unit A	Unit A	Unit 5	Unit C of R.P.
Saleable Area (sq.ft.)	252	652	485	170
Nature	Agreement for Sale and Purchase			
Date of Instrument	4 Jul 2022	26 Apr 2022	21 Sep 2021	10 Sep 2021
Consideration (HKD)	13,800,000	37,000,000	27,500,000	9,350,000
Saleable Unit Rate (HKD/sq.ft.)	54,762	56,748	56,701	55,000

The adopted unit rate of the benchmark unit of the property is HKD58,777 per sq.ft. on the basis of saleable area for the retail portion.

The following table sets forth the details of the adopted residential sale comparables:

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Development	Kennedy 38	The Hudson	Kennedy 38	One South Lane
Address	38 Belcher's Street	11 Davis Street	38 Belcher's Street	1 South Lane
District	Kennedy Town	Kennedy Town	Kennedy Town	Kennedy Town
Year of Completion	2022	2016	2022	2016
Floor	31/F	5/F	31/F	17/F
Unit	Unit C	Unit C	Unit B	Unit 5
Saleable Area (sq.ft.)	456	658	287	213
Nature	Agreement for Sale and Purchase			
Date of Instrument	29 Apr 2022	22 Feb 2022	17 Dec 2021	30 Jul 2021
Consideration (HKD)	14,683,000	20,000,000	9,464,000	6,400,000
Saleable Unit Rate (HKD/sq.ft.)	32,200	30,395	32,976	30,047

The adopted unit rate of the benchmark unit of the property is HKD32,211 per sq.ft. on the basis of saleable area for the residential portion.

9. In the course of our valuation of the property by Income Approach — Term and Reversion Analysis for cross-checking purposes, we have considered and analysed rental comparables of retail and residential units in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rents of the adopted retail comparables range from HKD73.0 to HKD92.8 per sq.ft. per month on the basis of saleable area, and the unit rents of the adopted residential comparables range from HKD60.6 to HKD75.8 per sq.ft. per month on the basis of saleable area. The unit rents adopted in the valuation are consistent with the unit rents of the relevant comparables after due adjustment in terms of different attributes. The parameters adopted in our valuation are listed below:

Reversionary Yield:	2.50%
Term Yield:	2.25%
Market Rent:	Retail: HKD89.7 per sq.ft. per month on the basis of saleable area
	Residential: HKD69.3 per sq.ft. per month on the basis of saleable area

10. The valuation result from Market Approach, which is the principal valuation approach, has been cross-checked by the valuation result from Income Approach — Term and Reversion Analysis. Since the variance of the two valuation results is within a reasonable range, we consider that the valuation result from Income Approach — Term and Reversion Analysis supports our valuation conclusion.

25 August 2022
The Directors,
Emperor Entertainment Hotel Limited
28/F Emperor Group Centre
288 Hennessy Road
Wanchai, Hong Kong



Savills (Hong Kong) Limited
1202-04, 12/F 1111 King's Road
Taikoo Shing
Hong Kong

EA LICENCE: C-002450
T: (852) 2842 4400
savills.com

Dear Sir/Madam,

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

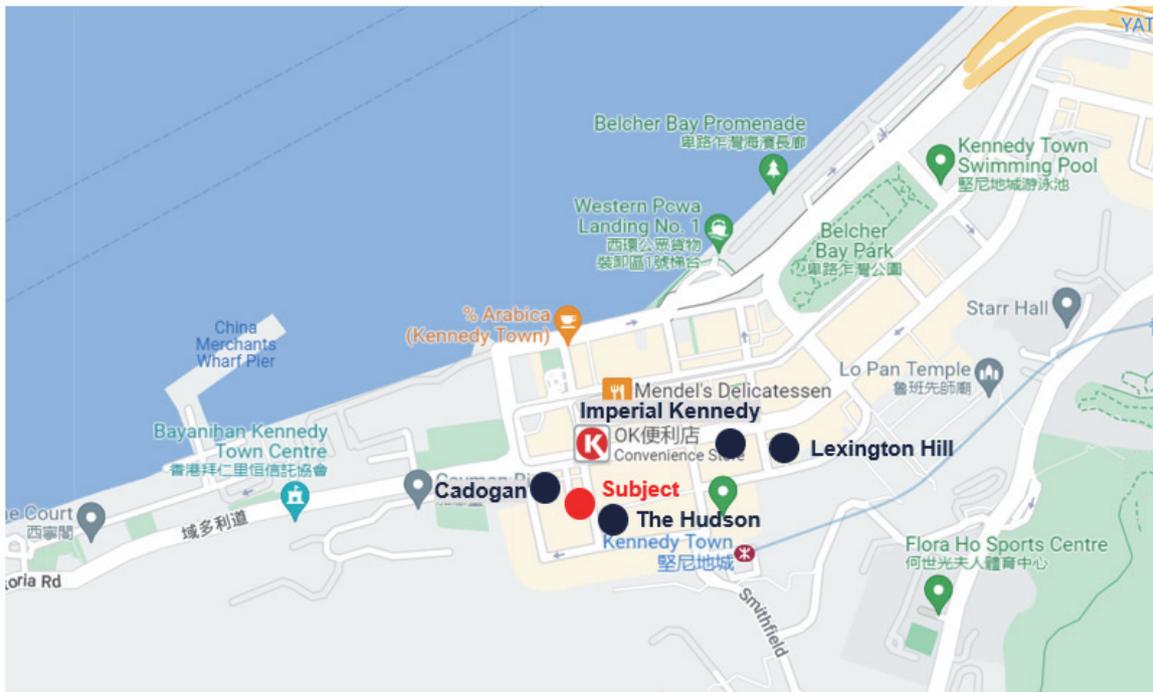
1.0 WESTERN DISTRICT (WITH A FOCUS ON KENNEDY TOWN) SERVICED APARTMENT MARKET ANALYSIS

1.1 Recent district developments and trends

Increasingly gentrified since the full operation of the West Island Line in late 2014

The MTR West Island Line came into full operation in late 2014, as an extension of the existing Island Line connecting Sheung Wan and Western District to Chai Wan and Eastern District while also providing a more convenient link to the CBD. The opening of three new stations at Sai Ying Pun, the University of Hong Kong (HKU) and Kennedy Town has allowed previously remote blue-collar neighbourhoods on the western edge of Hong Kong Island to undergo gentrification. A spate of new residential projects including The Belcher's, Imperial Kennedy and The Hudson have been completed followed by the demolition of the former incinerator and abattoir and the opening of restaurants, bars and coffee shops along Forbes Street, Davis Street and Catchick Street and along the New Praya as professionals and business executives have moved to the district. The waterfront is a popular venue in the evenings where residents meet to enjoy the harbour views. The district is a vibrant neighbourhood with new residential and commercial offerings along with new MTR stations offering excellent access to other parts of Hong Kong.

Location Map of New Residential Projects in Kennedy Town



Source: Google map, Savills Research & Consultancy

Development and redevelopment within the Kennedy Town and Mount Davis area

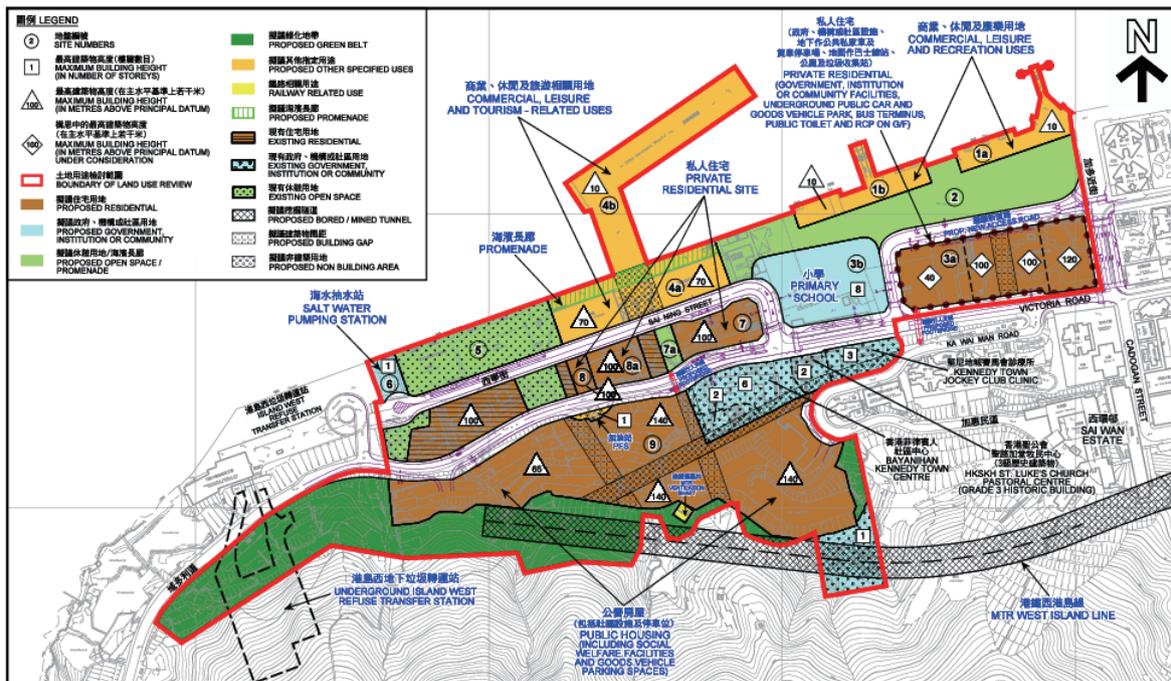
The Chief Executive in Council approved the draft Kennedy Town & Mount Davis Outline Zoning Plan in April 2022. The scheme area is situated at the north-western corner of Hong Kong Island, covering about 172 hectares of land, including Government land (Sites 1a, 1b, 2 and 5) and private lots (Sites 4a and 4b). The plan involves the deletion of the obsolete alignment of Route 7 and the previously proposed MTR West Island Line alignment and station, and the rezoning of a site on Forbes Street to “Open Space” and “Green belt”. The waterfront area will be revitalised to create a quality, vibrant and accessible waterfront through innovative building design and a variety of commercial, leisure, recreation, and tourism-related uses, offering pedestrian links and an integrated network of open space to enhance the harbour as a unique attraction for residents and tourists. A waterfront promenade will be connected by a footbridge to the private residential development cum public transport terminus, public toilet and other Government, institution or community facilities. It is expected that there will be more commercial activity added to the vibrant neighbourhood in the coming years along with the new developments in the district.

Location Map of Scheme Area and Subject Property



Source: GeoInfo Map, Savills Research & Consultancy

Land Use Plan Preview for the Western Part of Kennedy Town



Land Use Zonings	Total Area (Hectares)	Outline
Residential (Group A)	26.19	High-density residential developments and commercial use such as shops and services and eating place
Residential (Group B)	3.94	Medium-density residential development
Residential (Group C)	1.29	Low-rise residential developments
Residential (Group C) 1	1.40	Low to medium-rise residential developments subject to specific plot ratio and building height restrictions
Residential (Group E)	0.22	Covers two industrial buildings and a residential building to the south of Sai Ning Street, intended for phasing out the existing industrial uses through redevelopment or conversion
Government, Institution or Community	25.23	Primarily for the provision of Government, institution or community facilities serving the needs of local residents or a wider region
Open Space	9.5	Primarily for the provision of outdoor open-air space for active and/or passive recreational uses serving the needs of local residents and the general public.
Other Specified Uses	8.91	Primarily to provide/reserve land for specific purposes and uses including the Western District public cargo working area and petrol filling station etc.
Green Belt	76.18	Primarily for the conservation of existing natural environment includes sloping area in Mount Davis

Source: Planning Department, Savills Research & Consultancy

Future Grade A Office Supply in Central and Western District

Address	GFA (sq. ft.)	Expected year of completion	Type
Murray Road Carpark Redevelopment	465,000	2023	Grade A Office
Peel Street/Graham Street Project	320,000	2024	Grade A Office
Tak Shing House, 20 Des Voeux Road Central	153,686	2024	Grade A Office
Hutchison House Redevelopment	493,500	2024	Grade A Office
New Central Harbourfront Site 3	660,000	2027–2032	Grade A Office
Total	2,092,186		

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

There will be five commercial projects completed in Central and Western District from 2022 to 2032, with a total GFA of 2.1 million sq. ft.. They will all be concentrated in Central. The largest upcoming project is New Central Harbourfront Site 3, which will be a mixed-use development consisting of about 660,000 sq. ft. of office space and 1 million sq. ft. retail space in total, scheduled to be completed in phases from 2027 to 2032. In 2024, there will be three major Grade A office buildings completed: the Peel Street/Graham Street Project (Site C) by Wing Tai and CSI Properties, Tak Shing House, 20 Des Voeux Road Central by Tak Shing Investment and Hutchison House Redevelopment by CK Asset, providing nearly 1 million sq ft of Grade A office space.

1.2 District serviced apartment market analysis

1.2.1 Western district

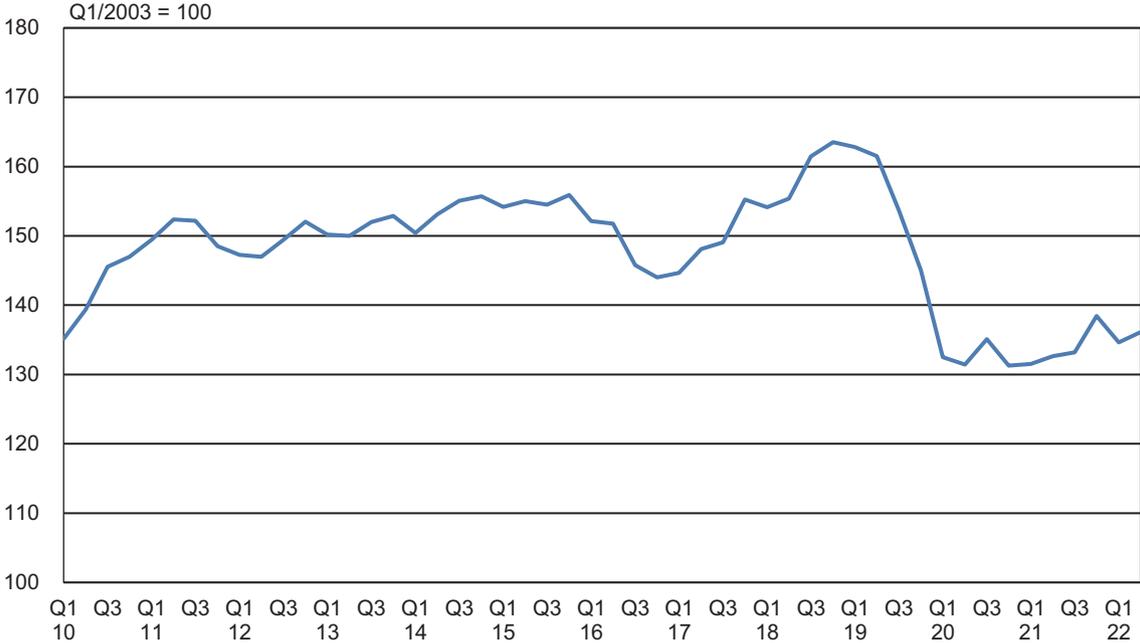
Many existing serviced apartment tenants are expatriates working for MNCs and the employees of Mainland Chinese firms, who require proximity to key office nodes on Hong Kong Island (most serviced apartment tenants work in the banking and financial services sectors or are professionals and consultants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

which attract young, mobile entrepreneurs and freelancers and cater well to the current trend for flexible working practices. Mainland students studying in the University of Hong Kong also form parts of the potential tenant pool.

Road links to core business districts include the Connaught Road West Flyover to Central and the Western Harbour Tunnel to West Kowloon providing access to ICC surrounding offices. Tenants prefer living close to office clusters in West Kowloon, Central and Sheung Wan, while also being able to travel easily to dining and entertainment areas, such as the bars and restaurants of Sai Ying Pun, Sheung Wan, Lan Kwai Fong and Soho, or the West Kowloon Cultural District.

For tenants who enjoy outdoor activities, Kennedy Town provides easy access to hiking trails in Lung Fu Shan Country Park and Mount Davis. Kennedy Town also provides modern public swimming facilities comprising two pools, opened in 2011 after the old pool was demolished to make way for the new MTR station.

Central and Western District Serviced Apartment Rental Indices, Q1/2010–Q2/2022



Source: Savills Research & Consultancy

Serviced apartment rents in Central and Western district surged by about 13% from 2010 to Q3/2011 after the global financial crisis of 2008 when there was a rental adjustment of -1.8% before rents continued to pick up again. Serviced

apartment rents rose by 3.8% from 2013 to 2015 and suffered a drop of -3.9% in Q3/2016 with weak visitor arrivals, but later continued to rise steadily until reaching a peak in Q4/2018, with the housing market also at a high point. Rents began to drop amid the social unrest and the intensification of the US China trade war in 2019 and the pandemic in 2020, which led to a rental decline of -12.3% in 2019 and -10.1% in 2020. Rents recorded an increment of 7.4% in 2021, as the social unrest and the pandemic were brought under control. In H1/2022, rents dropped in the first quarter due to a fifth wave of COVID-19 and rebounded by 1.1% in the second quarter with demand driven by young professionals from the mainland.

Central and Western District Serviced Apartment Occupancy Rate, Jan 2010–Jun 2022



Source: Savills Research & Consultancy

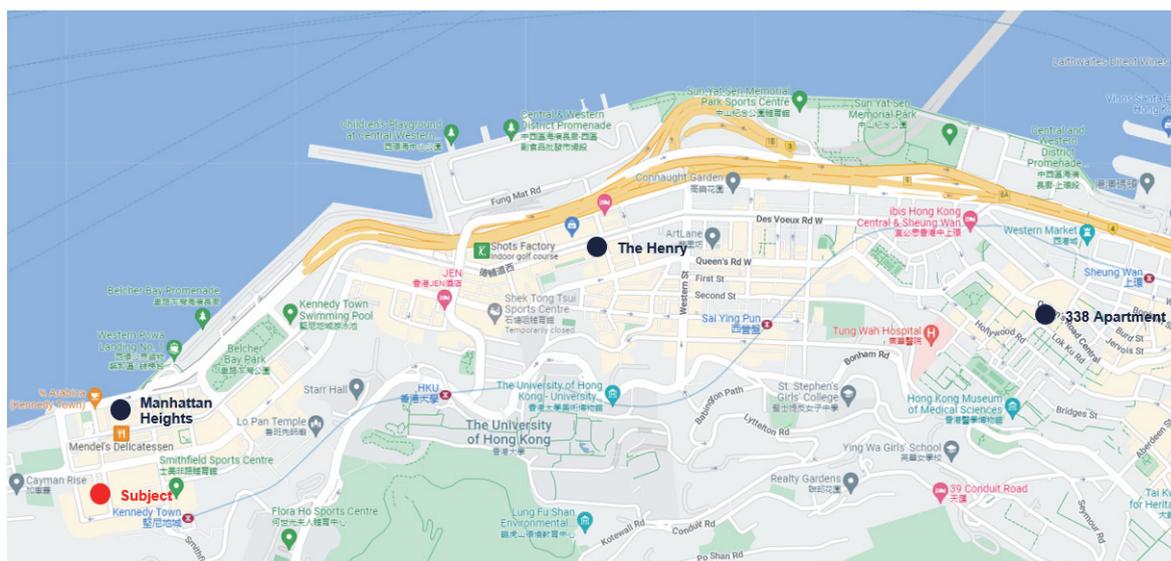
During 2010-2012, serviced apartments in Central and Western district maintained an average occupancy rate of over 90%. The average occupancy rate fell below 90% in 2013-2014 in what was a highly competitive serviced apartment market and rose above 90% in 2015. The occupancy rate remained stable from 2016 to 2018 in the range of 85% to 90%. The rate began to drop in 2019 along with rents, from 90% in December 2018 to 73% in December 2019. The rate continued to drop in 2020, reaching 59% at the end of 2020, but rebounded to 66% at the end of 2021 before dropping below 60% in H1/2022.

1.3 Competitive landscape

1.3.1 Comparable serviced apartment projects

There are three serviced apartment projects, providing a total of 362 units near the subject property. All three projects are 2-to-3-bedroom apartment-like serviced apartments completed from 2000 to 2012, and with no new supply nearby over the past few years the competitive landscape is expected to remain relatively stable.

Location Map of Comparable Serviced Apartment Projects and Subject Property



Source: Google Map, Savills Research & Consultancy

Development Name	Completion		No. of units	Unit Size (sq. ft.)
	Year	Type		
Manhattan Heights	2000	Apartment-like	260	434–714
338 Apartment	2007	Apartment-like	62	547–1,366
The Henry	2012	Apartment-like	40	370–978

Source: Savills Research & Consultancy

1.4 Brief market outlook

The SARS outbreak in 2003 shocked Hong Kong's economy along with the hit to the property market prior to the outbreak from higher real interest rates. The retail and tourism related sectors were severely affected with unemployment surging to an all-time high of 8.7% in mid-2003. The economy managed to rebound rapidly once the outbreak was brought under control, with real GDP growth of 8.7% in 2004 and continued growth thereafter thanks to the HK\$11.8 billion relief package launched by the Government and various beneficial economic and tourism policies such as The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and the lower cost of doing business in Hong Kong for foreign companies as the US dollar weakened. The unemployment rate reached a 20-year low of 2.8% in 2018 with a strong economy and a steady increase in visitor arrivals. During the COVID-19 outbreak in 2020, the economy saw a marked deterioration along with a slowdown in economic activity and cross-border travel, which led to a 5.5% drop in GDP with unemployment rising to 5.8%. Hong Kong's GDP rebounded by 8.1% in 2021 helped by exports and a gradual economic recovery in Mainland China. With an improving local epidemic situation and the anticipated reopening of international borders, economic activity should revive over the next few years.

1.4.1 Serviced apartment

Looking ahead, serviced apartment rents are expected to rebound with effective epidemic control, whilst occupancy rates will edge higher with the anticipated reopening of borders and the gradual relaxation of COVID restrictions which will drive visitors and expatriates back to the city. Along with the falling unemployment rate in the finance, insurance, real estate, professional and business services (FIREBS) sector, demand for serviced apartments, particularly in areas near core business districts will remain strong. The demand for serviced apartments driven by young Mainlanders is likely to rise in future years as Mainland professionals immigrate to Hong Kong and Mainland graduates take work in the local finance and legal sectors among others. Mainland students studying in the University of Hong Kong may also opt to reside in serviced apartments in the area, which is close to where they study. Their budgets are typically around HK\$20,000 to HK\$30,000 per month.

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

1.4.2 Western district

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

Kennedy Town has also become a dining and leisure landmark, and areas around Forbes Street, Davis Street and Catchick Street have recently been christened “Soho Sai Wan”, abbreviated as “Soho West” or the “New Soho district”. Middle to high-end restaurants and bars are clustered along these streets, where diners gather during happy hour and dinner time, providing a strong sense of community.

The University of Hong Kong (HKU) is currently redeveloping its old sports and residential facilities into a new campus hub on Pokfulam and Pokfield Roads. They have proposed escalator and elevator systems, a footbridge, and footpaths to enhance the walkability and connectivity between MTR Kennedy Town Station and Pokfulam Road.

Along with the ongoing transformation of Kennedy Town, including the redevelopment of the Harbourfront and new surrounding infrastructure, it is expected that demand for serviced apartments will rise over the next few years, driven by local professionals, Mainlanders, expatriates and students from HKU.

APPENDIX 1**GENERAL OVERVIEW OF THE SERVICED APARTMENT MARKET****Serviced apartment market overview**

- *Definition*

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

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

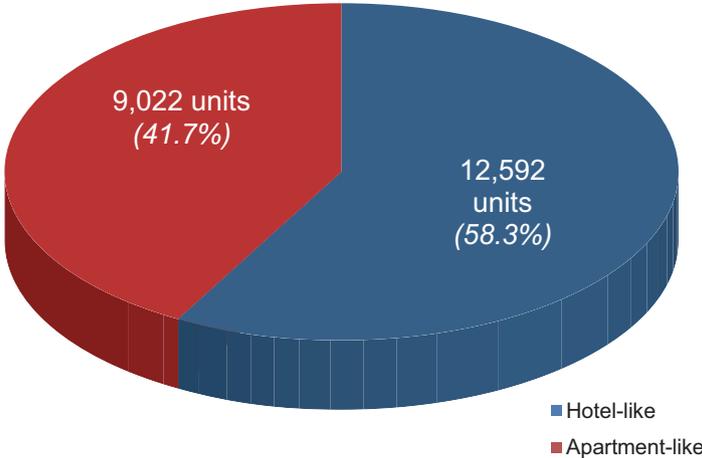
Serviced apartments include two sub-categories, “apartment-like” and “hotel-like”.

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

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

- *Stock distribution*

Total Serviced Apartment Stock by Type, Jun 2022

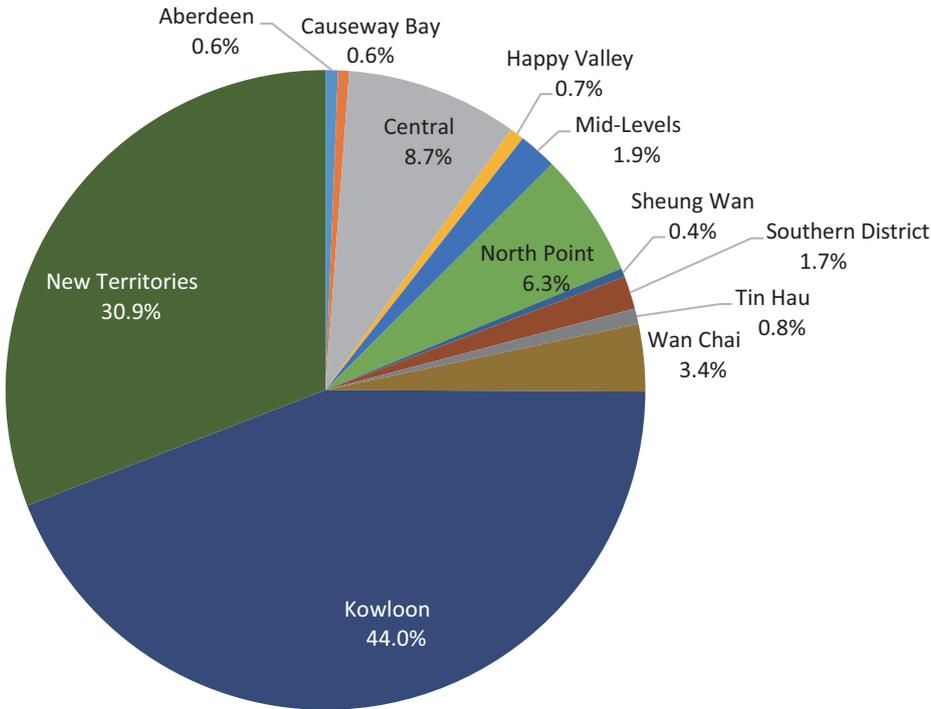


Source: Savills Research & Consultancy

Hotel-like units make up a larger share (58.3%) of the serviced apartment market, with most units found in Kowloon, Hung Hom and Tsim Sha Tsui in particular. Harbourview Horizon (1,980 units) and Harbourfront Horizon (1,422 units) in Hung Hom are the largest hotel-like apartments in terms of number of units.

Apartment-like units still account for a sizeable market share (41.7%), where most of the units are on Hong Kong Island, especially Wanchai and Causeway Bay. Kornhill Apartments (450 units) in Taikoo Shing and Townplace Soho (292 units) in Mid-Levels are the largest apartment-like serviced apartment.

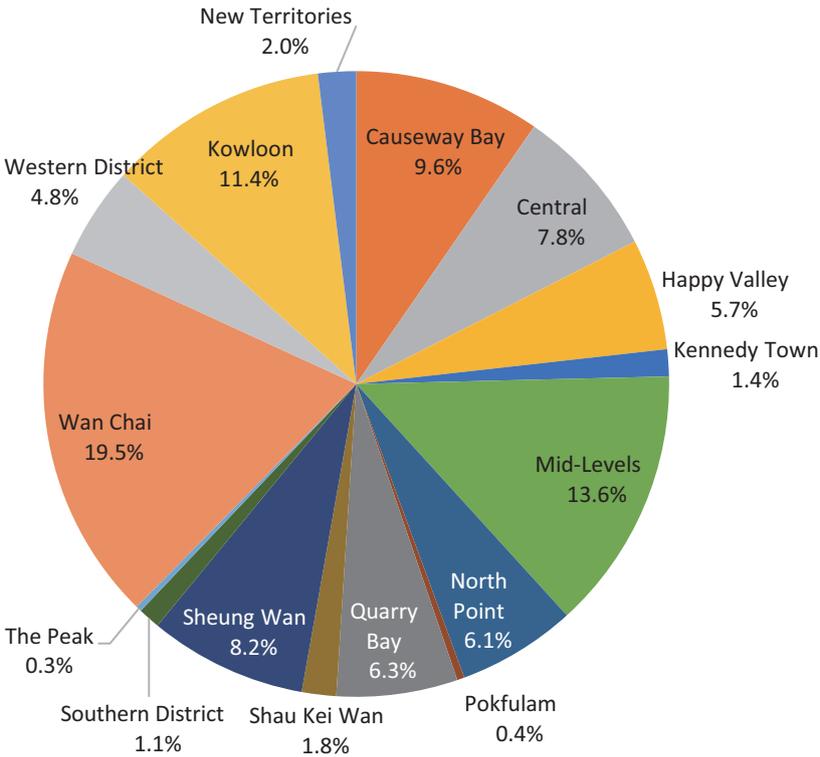
Total Hotel-like Serviced Apartment Stock by District, Jun 2022



Source: Savills Research & Consultancy

Kowloon (5,545 units, 44.0%) has the largest number of hotel-like serviced apartments, while the New Territories came in second (3,889 units, 30.9%). On Hong Kong Island, Central (1,093 units, 8.7%) has the largest number of such units as the major business district of the city.

Total Apartment-like Serviced Apartment Stock by District, Jun 2022

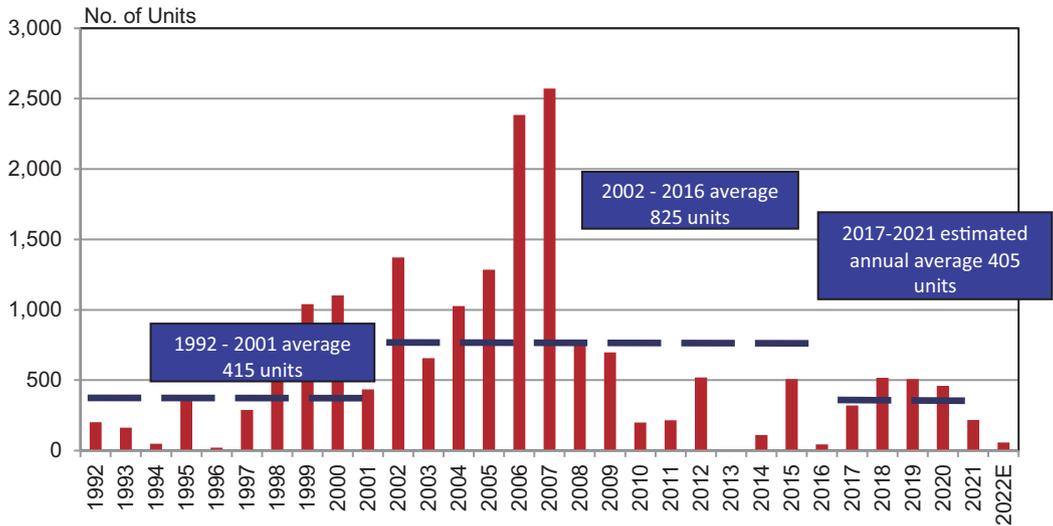


Source: Savills Research & Consultancy

Wan Chai (1,745 units, 19.5%) has the largest number of apartment-like serviced apartments, with the area featuring office towers and the Hong Kong Conference and Exhibition Centre. Mid-Levels (1,222 units, 13.6%) came in second with its close proximity to the offices clustered in Central and Western district. Kowloon (1,022 units, 11.4%) came in third in terms of number of units.

- **Historical supply**

Serviced Apartment Supply, 1992–2022E

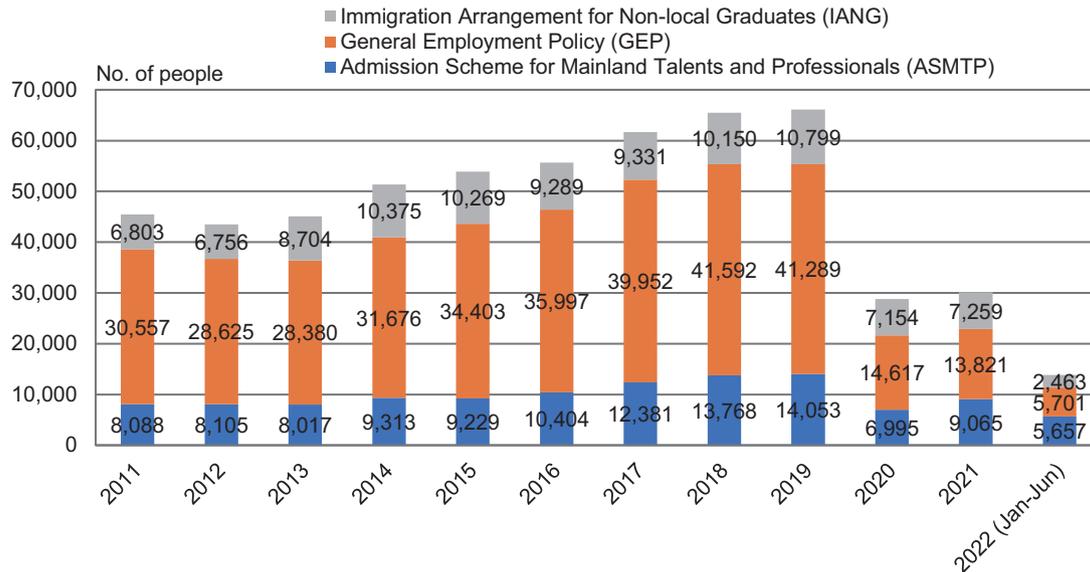


Source: Savills Research & Consultancy

In the 1990s, average new serviced apartment supply stood at around 400 units per year. The supply increased moderately in 2002 to 1,371 units but dropped significantly in 2003 due to SARS. The demand for serviced apartments was driven by the increasing number of tourists and expatriate workers after the outbreak, which led to supply hitting an historical high in 2006 and 2007 with 2,385 and 2,571 units completed respectively. Supply began to slide from 2008 and has remained low ever since, along with declining occupancy rates. Over the past few years, the annual average supply has been 405 units, while supply in 2021 reached 218 units amid low pandemic occupancy.

- **Demand profile**

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

Overseas and Mainland Professionals Immigrating to Hong Kong, 2011–2022 (Jan to Jun)

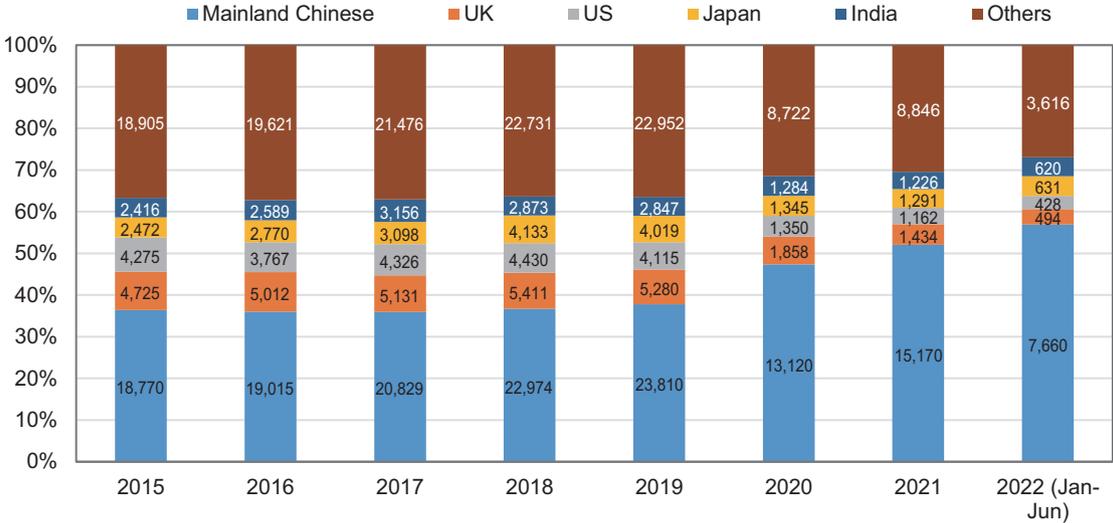
Source: Immigration Department, Savills Research & Consultancy

Admissions of overseas and Mainland talents and professionals has been one of the major demand drivers for serviced apartments more recently. In Hong Kong, the 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 (ASMTP).

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 of 4.8% per annum.

In 2020, due to economic recession and cross-border restrictions, 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 ASMTP (-50.2%) and IANG (-33.8%). The number rebounded slightly by 4.8% in 2021 with the stabilisation of the COVID situation. In H1/2022, the numbers remained low with 13,821 in total given that the quarantine measures in the Mainland and Hong Kong remained. It is anticipated that the number of immigrants from the three schemes will revive once the border reopens.

Overseas and Mainland Professionals Immigrating to Hong Kong by Nationality, 2015–2022 (Jan–Jun)



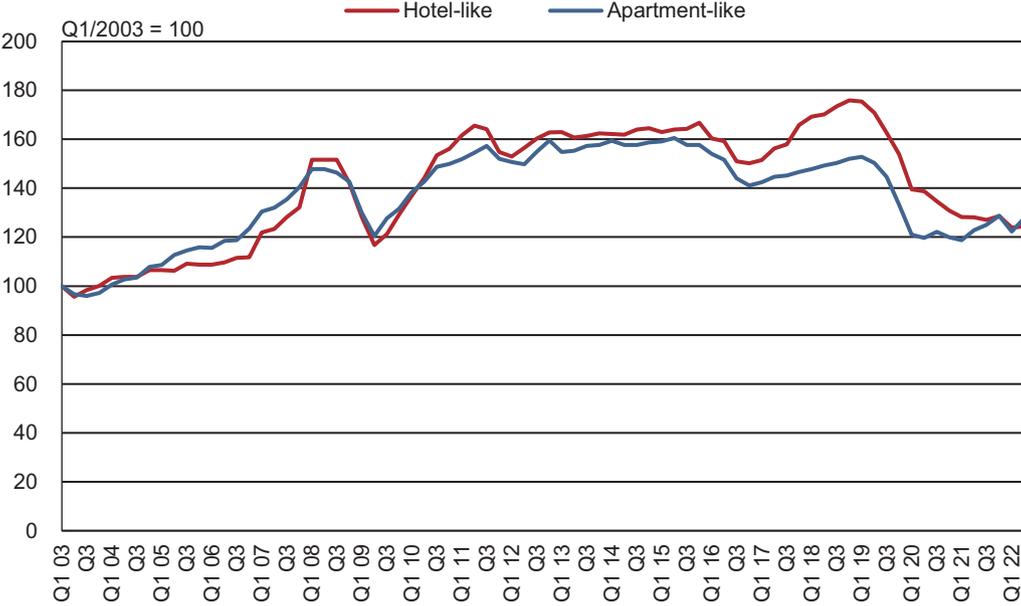
Source: Immigration Department, Savills Research & Consultancy

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 50% of immigrants in 2021. The proportion of Mainland Chinese increased year on year from 2015 to 2022. In H1/2022, Mainland Chinese professional immigrants reached 55.4% of the total.

• Rental and occupancy trends

Rental trends

Serviced Apartment Rental Index, Q1/2003–Q2/2022



Source: Savills Research & Consultancy

Both hotel-like and apartment-like serviced apartment rents in Hong Kong rose notably from 2003 to 2008 by around 49% after the SARS outbreak, until 2009 when the global financial crisis hit, and overall rents suffered a sharp fall of 13.7%. Rents for both types rebounded by 35% in 2012 from 2009 with the number of visitors reaching an all-time high of 48 million according to the Hong Kong Tourism Board. Rents remained at high levels from 2012 to 2016 thanks to the increase in visitor arrivals and expatriates coming to Hong Kong, particularly Mainland professionals and executives.

The momentum continued as rents reached a peak in early 2019 with the opening of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macau Bridge in late 2018. Rents started to fall during the social unrest of mid-2019 and the COVID-19 outbreak in early 2020, which both resulted in sharp falls in visitor arrivals and disrupted the arrival of expatriates. Rents declined by 24.3% over the course of three years returning to 2009 levels. Hotel-like serviced apartments performed better particularly during the pandemic since many long-term hotel tenants had to move out from where they were staying and move into hotel-like serviced apartments to make room for community isolation facilities.

Occupancy trends

Serviced Apartment Occupancy Rates, Jan 2004–Jun 2022



Source: Savills Research & Consultancy

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

Limitations on the report

This report contains forward-looking statements which state Savills (Hong Kong) Limited's (the Consultant) beliefs, expectations, forecasts or predictions for the future. The Consultant stresses that all such forecasts and statements, other than statements of historical fact, outlined in this report should be regarded as an indicative assessment of possibilities rather than absolute

certainties. The process of making forecasts involves assumptions about a considerable number of variables which are very sensitive to changing conditions. Variations of anyone may significantly affect outcomes and the Consultant draws your attention to this.

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

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

Yours sincerely,
Savills (Hong Kong) Limited

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 2020, 31 March 2021 and 31 March 2022 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 2020:

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

Annual report of the Company for the year ended 31 March 2021:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0712/2021071200623.pdf>

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

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

B. INDEBTEDNESS

At the close of business on 30 June 2022 (being the latest practicable date for ascertaining information regarding this indebtedness statement), the Group had an aggregate outstanding indebtedness amounting to approximately HK\$1,841.0 million, which consists of:

Other borrowings

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

Lease liabilities

The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates. At the close of business on 30 June 2022, the Group had total lease liabilities of approximately HK\$25.9 million.

Pledge of assets

- (i) Certain assets of the Group with carrying values of approximately HK\$1,710.3 million were pledged to two banks to secure for banking facilities of HK\$520.0 million in aggregate granted by the banks to the Group and the banking facilities were not utilised at the close of business on 30 June 2022.
- (ii) The Group had a bank deposit of HK\$64.9 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 SJM Resorts, S.A. (“SJM”) for the Group’s fulfilment of all its obligations of provision of services in the casino by the Group to SJM, as stipulated under 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 30 June 2022, 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, 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 2022, being the date to which the latest audited consolidated financial statements of the Group were made up.

E. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Despite a moderate revival of the hospitality sector during the year ended 31 March 2022, there was a setback with the emergence of Omicron cases in Hong Kong and Macau in early 2022, and hence intermittent resumption of stringent measures. This inevitably led to delays in reopening of borders between mainland China, Hong Kong and Macau, which in turn impeded full market recovery.

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

In respect of future development of serviced apartments in Hong Kong, the Group believes that the demand for serviced apartments will resurge given: (i) business travels will resume progressively, taking into account 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; and (ii) hotels will shift their focus back from long-stay amid the COVID-19 pandemic to short-stay when the international travel reopens, thereby reducing the competition between hotels and serviced apartments. Hence, the Group takes a positive stance towards the entire hospitality sector.

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

The following is the text of a report set out on pages IV-1 to IV-35, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular

Deloitte.

德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF EVER EXPLORE HOLDINGS LIMITED AND ITS SUBSIDIARIES TO THE DIRECTORS OF EMPEROR ENTERTAINMENT HOTEL LIMITED

Introduction

We report on the historical financial information of Ever Explore Holdings Limited (“**Ever Explore**”) and its subsidiaries (collectively referred to as “**Ever Explore Group**”) set out on pages IV-4 to IV-35, which comprises the combined statements of financial position of Ever Explore Group as at 31 March 2020, 2021 and 2022, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of Ever Explore Group for each of the three years ended 31 March 2022 (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-35 forms an integral part of this report, which has been prepared for inclusion in the circular of Emperor Entertainment Hotel Limited (the “**Company**”) dated 25 August 2022 (the “**Circular**”) in connection with acquisition of entire equity interest in Ever Explore.

Director's responsibility for the Historical Financial Information

The sole director of Ever Explore 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 Ever Explore 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 Ever Explore 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 Ever Explore, 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 Ever Explore Group's financial position as at 31 March 2020, 2021 and 2022 and of Ever Explore Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IV-4 have been made.

Dividends

We refer to note 9 to the Historical Financial Information which states that no dividends were declared or paid by the entity now comprising Ever Explore Group in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2022

HISTORICAL FINANCIAL INFORMATION OF EVER EXPLORE

Preparation of Historical Financial Information

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

The Historical Financial Information in this report was prepared based on the financial statements of Ever Explore's indirect wholly-owned subsidiary, The Davis Investment Limited ("**Davis**") for the Relevant Periods and the management accounts of Ever Explore and Dickworth Limited ("**Dickworth**") for the period from their respective date of incorporation to 31 March 2022 (collectively known as "**Underlying Financial Statements**"). The financial statements of Davis conformed with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards of Auditing issued by the HKICPA.

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

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March		
	<i>NOTES</i>	2020	2021	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income		2	—	—
(Write-down) reversal of write-down of property under development for sale	12	(64,423)	37,508	26,915
Fair value change upon transfer from property under development for sale to investment property		—	—	945
Administrative expenses		(25)	(7)	(965)
Finance costs	6	—	—	(2,739)
(Loss) profit before taxation	7	(64,446)	37,501	24,156
Taxation credit	8	—	20	—
(Loss) profit and total comprehensive (expense) income for the year		<u>(64,446)</u>	<u>37,521</u>	<u>24,156</u>

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

COMBINED STATEMENTS OF FINANCIAL POSITION

	NOTES	Year ended 31 March		
		2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Non-current asset				
Investment property	11	—	—	450,000
Current assets				
Property under development for sale	12	245,000	339,000	—
Other receivable, deposits and prepayments		64,756	823	381
Bank balance	13	80	411	285
		<u>309,836</u>	<u>340,234</u>	<u>666</u>
Current liabilities				
Other payables, deposits received and accrued charges		24	45	21,220
Amount due to a fellow subsidiary	14	273,085	266,134	282,235
Taxation payable		193	—	—
Secured bank borrowings — due within one year	15	—	—	149,000
		<u>273,302</u>	<u>266,179</u>	<u>452,455</u>
Net current assets (liabilities)		<u>36,534</u>	<u>74,055</u>	<u>(451,789)</u>
Total assets less current liabilities		<u>36,534</u>	<u>74,055</u>	<u>(1,789)</u>
Non-current liability				
Secured bank borrowings — due after one year	15	100,000	100,000	—
		<u>(63,466)</u>	<u>(25,945)</u>	<u>(1,789)</u>
Capital and reserve				
Share capital	17	—*	—*	—*
Accumulated losses		<u>(63,466)</u>	<u>(25,945)</u>	<u>(1,789)</u>
		<u>(63,466)</u>	<u>(25,945)</u>	<u>(1,789)</u>

* Less than HK\$1,000

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Retained profits (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019	*	980	980
Loss and total comprehensive expense for the year	—	(64,446)	(64,446)
At 31 March 2020	*	(63,466)	(63,466)
Profit and total comprehensive income for the year	—	37,521	37,521
At 31 March 2021	*	(25,945)	(25,945)
Profit and total comprehensive income for the year	—	24,156	24,156
At 31 March 2022	*	(1,789)	(1,789)

* Less than HK\$1,000

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Operating activities			
(Loss) profit before taxation	(64,446)	37,501	24,156
Adjustments for:			
Interest expenses	—	—	2,707
Fair value change upon transfer from property under development for sale to investment property	—	—	(945)
(Write-down) reversal of write-down of property under development for sale	64,423	(37,508)	(26,915)
Operating cash flows before movements in working capital	(23)	(7)	(997)
Increase in property under development for sale	(13,571)	(46,542)	(76,805)
(Increase) decrease in other receivable, deposits and prepayments	(339)	63,933	442
(Decrease) increase in other payables, deposits received and accrued charges	(34)	14	21,193
Cash (used in) generated from operations	(13,967)	17,398	(56,167)
Income tax paid	—	(173)	—
Net cash (used in) from operating activities	(13,967)	17,225	(56,167)
Financing activities			
New bank borrowings raised	—	—	49,000
Interest paid	(3,462)	(1,967)	(1,971)
Advance from (repayment to) a fellow subsidiary	17,424	(14,927)	9,012
Net cash from (used in) financing activities	13,962	(16,894)	56,041
Net (decrease) increase in cash and cash equivalents	(5)	331	(126)
Cash and cash equivalents at beginning of the year	85	80	411
Cash and cash equivalents at end of the year, representing bank balance	80	411	285

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF EVER EXPLORE**1. GENERAL INFORMATION**

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

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

Ever Explore is an investment holding company. The principal activities of its principal subsidiaries are set out in note 26.

Going Concern Assumption

The sole director of Ever Explore has given careful consideration to the going concern of Ever Explore Group in light of the fact that as of 31 March 2022, Ever Explore Group’s current liabilities exceeded its current assets by HK\$451,789,000.

The intermediate holding company, Emperor International agreed to provide unconditional financial support to Ever Explore 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 Ever Explore Group (the “**Proposed Acquisition**”) became successful, to provide sufficient funds to Ever Explore Group so that Ever Explore 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 Ever Explore is of the opinion that, together with the internal financial resources of Ever Explore Group, Ever Explore 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.

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

- (i) On 11 March 2022, Dickworth was incorporated in the BVI with limited liability. On 4 July 2022, Dickworth allotted and issued 1 share, credited as fully paid at a par value of United States dollar (“**US\$**”) 1 to Ever Explore.
- (ii) On 25 March 2022, Ever Explore was incorporated in the BVI with limited liability. On 4 July 2022, Ever Explore allotted and issued 1 share, credited as fully paid at a par value of US\$1 to Emperor Property.
- (iii) On 11 May 2022, Bausman Limited (“**Bausman**”) was incorporated in the BVI with limited liability. On 4 July 2022, Bausman allotted and issued 1 share, credited as fully paid at a par value of US\$1 to Ever Explore.
- (iv) On 5 July 2022, Davis allotted and issued 9,999 shares, representing 99.99% of its issued share capital to Bausman at a consideration of HK\$9,999.
- (v) On 7 July 2022, Emperor Property transferred 1 share of Davis, representing 0.01% of its issued share capital, to Dickworth at a consideration of HK\$1.
- (vi) Ever Explore is holding 100% equity interest of Basusman and Dickworth. As a result, Davis is an indirect wholly-owned subsidiary of Ever Explore.

Upon the completion of the Group Reorganisation, Ever Explore has become the holding company of the companies now comprising Ever Explore Group on 7 July 2022. Ever Explore Group resulting from the Group Reorganisation is regarded as a continuing entity. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Relevant Periods include the results, changes in equity and cash flows of the companies now comprising Ever Explore Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, where there is a shorter period. The combined statements of financial position of Ever Explore Group as at 31 March 2020, 31 March 2021 and 31 March 2022 have been prepared to present the assets and liabilities of the companies now comprising Ever Explore Group, which net assets are combined using the existing carrying values, as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

No statutory financial statements of Ever Explore 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 in connection with acquisition of 100% equity interest in Ever Explore.

Application of HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Ever Explore Group has consistently adopted accounting policies which conform with the HKFRSs effective for annual years beginning on or after 1 April 2021, including the related amendments throughout the Relevant Periods.

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

Ever Explore Group has not early applied the following new and amendments to HKFRSs that have been issued but are not effective.

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 — 2020 ¹

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

² Effective for annual periods beginning on or after 1 January 2023

³ Effective for annual periods beginning on or after a date to be determined

The management of Ever Explore 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 property that is 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, Ever Explore 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 *Leases*, 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 property which is 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 combination

The Historical Financial Information incorporates the financial statements of Ever Explore and entities controlled by Ever Explore and its subsidiaries. Control is achieved when Ever Explore:

- 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.

Ever Explore 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.

Combination of a subsidiary begins when Ever Explore Group obtains control over the subsidiary and ceases when Ever Explore Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statement of profit or loss and other comprehensive income from the date Ever Explore Group gains control until the date when Ever Explore 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 Ever Explore Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of Ever Explore Group are eliminated in full on combination.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is 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 property is included in profit or loss for the period in which they arise.

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 the profit or loss in the period in which the property is derecognised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are

substantially ready for their intended use or sale. For property under development for sale, Ever Explore Group ceases to capitalise borrowing costs as soon as the properties are ready for Ever Explore Group's intended use.

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

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

Property under development for sale

Property under development for sale in the ordinary course of business is classified as current assets and are carried at the lower of cost and net realisable value. Costs relating to the development of the properties include land cost, construction cost and other direct development expenditure. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Cost necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which Ever Explore Group must incur to make the sale.

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

Ever Explore Group transfers a property from property under development for sale to investment property when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the observable actions taken to support the change in use. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

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 (loss) profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Ever Explore Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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 taxes are also recognised in other comprehensive income or directly in equity respectively.

For the purposes of measuring deferred tax for investment property that is measured using the fair value model, the carrying amount of such property is presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

Current and deferred tax are recognised in profit or loss.

Financial instrument

Financial assets and financial liabilities are recognised when Ever Explore Group 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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, 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

Ever Explore Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including other receivable and bank balance) which are subject to impairment under HKFRS 9 *Financial Instruments*. 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, 12-month ECL (“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 Ever Explore 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.

Ever Explore 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 Ever Explore 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, Ever Explore 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, Ever Explore 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, Ever Explore Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless Ever Explore Group has reasonable and supportable information that demonstrates otherwise.

Ever Explore 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, Ever Explore Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Ever Explore Group, in full (without taking into account any collaterals held by Ever Explore Group).

Irrespective of the above, Ever Explore Group considers that default has occurred when a financial asset is more than 90 days past due unless Ever Explore 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

Ever Explore 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.

(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 adjusted by 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 Ever Explore Group in accordance with the contract and the cash flows that Ever Explore Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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.

Ever Explore Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

Derecognition of financial assets

Ever Explore 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 liability and equity*Classification as debt or equity*

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition of financial liability

Ever Explore Group derecognises a financial liability when, and only when, Ever Explore 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 Ever Explore Group's accounting policies, which are described in note 3, the management of Ever Explore 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 is the critical judgement, apart from those involving estimations (see below), that the management of Ever Explore Group has made in the process of applying Ever Explore Group's accounting policies and that have the most significant effect on the amounts recognised in the combined financial statements.

Deferred taxation on investment property

For the purposes of measuring deferred tax liabilities or assets arising from investment property that is measured using the fair value model, the management of Ever Explore Group has reviewed Ever Explore Group's investment property and concluded that Ever Explore Group's investment property with carrying amount of HK\$450,000,000 as at 31 March 2022 (31 March 2020 and 2021: Nil) is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. Therefore, in measuring Ever Explore Group's deferred taxation in investment property, the management of Ever Explore Group has determined that the carrying amount of the investment property measured using the fair value model is recovered entirely through sale. As a result, Ever Explore Group has not recognised any deferred taxes on changes in fair value of the investment property, as it is expected that Ever Explore Group will not subject to any income taxes on disposal of its investment property.

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.

Estimated net realisable value on property under development for sale

In determining whether write-down should be made to Ever Explore Group's property under development for sale of HK\$245,000,000, HK\$339,000,000 and Nil as at 31 March 2020, 2021 and 2022 respectively, Ever Explore Group takes into consideration the prevailing market environment and the estimated market value (i.e. the estimated selling price less estimated costs of selling expenses), and also taking into consideration the estimated cost to completion and estimated costs necessary to make the sale of property under development for sale. Write-down is made if the estimated market value less estimate cost to completion of property is less than the carrying amount. If the actual net realisable value on property under development for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material write-down may result.

During the year ended 31 March 2020, write-down of property under development for sales amounting to HK\$64,423,000 was recognised. During the years ended 31 March 2021 and 2022, reversal of previously recognised write-down of property under development for sale amounting to HK\$37,508,000 and HK\$26,915,000 is recognised respectively.

Fair value measurements of investment property and valuation process

The investment property is measured at fair value. The management of Ever Explore Group has a designated team to determine the appropriate valuation techniques and inputs for fair value measurements. The fair value is based on a valuation on the property conducted by an independent firm of qualified professional property valuers using property valuation techniques which involve certain key assumptions and inputs of market conditions including comparable market transactions with adjustments to reflect different locations or conditions.

In estimating the fair value of Ever Explore Group's investment property, Ever Explore Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Ever Explore Group engages the independent firm of qualified professional property valuers to perform the valuation of Ever Explore Group's investment property. At the end of each reporting period, the designated team works closely with the independent firm of qualified professional property valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. Ever Explore 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, Ever Explore 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 Ever Explore Group. Information about the valuation techniques and inputs used in determining the fair value of Ever Explore Group's investment property is disclosed in note 11. Changes to these assumptions and inputs would result in changes in the fair value of Ever Explore Group's investment property and corresponding adjustments to the amount of gain or loss reported in the profit or loss.

5. SEGMENT INFORMATION

Ever Explore Group determines its operating segments based on the reports reviewed by the directors of Davis, being the chief operating decision maker (the "CODM"), that are used to make strategic decisions. Information reported to the CODM, for the purposes of resource allocation and assessment focuses on revenue analysis as a whole. No other discrete financial information is provided other than Ever Explore Group's results and financial position. As there is no revenue generated during the Relevant Periods, only geographic information is presented.

Geographical information

Ever Explore Group's non-current asset is located in Hong Kong.

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

6. FINANCE COSTS

	Year ended 31 March		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
Interests on:			
— Secured bank borrowings	3,420	1,974	1,953
— Amount due to a fellow subsidiary	12,428	7,976	7,089
	<u>15,848</u>	<u>9,950</u>	<u>9,042</u>
Less: Capitalised in property under development for sale	<u>(15,848)</u>	<u>(9,950)</u>	<u>(6,335)</u>
	—	—	2,707
Bank charges	<u>—</u>	<u>—</u>	<u>32</u>
	<u>—</u>	<u>—</u>	<u>2,739</u>

7. (LOSS) PROFIT BEFORE TAXATION

	Year ended 31 March		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
(Loss) profit before taxation has been arrived at after charging:			
Director's remuneration (<i>Note</i>)	—	—	—
Auditor's remuneration	<u>6</u>	<u>6</u>	<u>6</u>

Note: The sole director of Ever Explore namely Emperor Management Services Limited was appointed on 4 July 2022. No emoluments were recognised or paid by Ever Explore Group to the sole director of Ever Explore as compensation for loss of office and inducement to join for the Relevant Periods. Remuneration of top five highest paid employees is not presented as there is no staff cost in the Relevant Periods.

8. TAXATION CREDIT

	Year ended 31 March		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The taxation credit comprises of:			
Hong Kong Profits Tax calculated at 16.5% of the estimated assessable profit			
— Overprovision in respect of prior years	—	20	—
	<u> </u>	<u> </u>	<u> </u>

No provision for Hong Kong Profits Tax is made in the Historical Financial Information for the years ended 31 March 2020, 2021 and 2022 as there are no estimated assessable profits for the years.

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

	Year ended 31 March		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit before taxation	(64,446)	37,501	24,156
	<u> </u>	<u> </u>	<u> </u>
Taxation credit (charge) at Hong Kong Profits Tax rate of 16.5%	10,634	(6,188)	(3,986)
Tax effect of expenses not deductible for tax purpose	(10,630)	—	—
Tax effect of income not taxable for tax purpose	—	6,189	4,597
Overprovision in prior years	—	20	—
Tax effect of tax losses not recognised	(4)	(1)	(611)
	<u> </u>	<u> </u>	<u> </u>
Taxation credit for the years	—	20	—
	<u> </u>	<u> </u>	<u> </u>

9. DIVIDENDS

No dividend has been declared or paid by the entity now comprising Ever Explore Group for the years ended 31 March 2020, 2021 and 2022.

10. EARNINGS PER SHARE

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

11. INVESTMENT PROPERTY

	<i>HK\$'000</i>
FAIR VALUE	
At 1 April 2019, 31 March 2020 and 31 March 2021	—
Transferred from property under development for sale	<u>450,000</u>
At 31 March 2022	<u><u>450,000</u></u>

The investment property is situated in Hong Kong. Ever Explore Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment property.

During the year ended 31 March 2022, property under development for sale originally held for sale purpose, upon the change in use to hold for rental purpose, were reclassified to completed investment property at fair value of HK\$450,000,000 at date of transfer.

As the date of transfer and 31 March 2022, the fair value of Ever Explore Group's investment property has been arrived at on the basis of valuation carried out on those dates by CBRE Limited, which is not connected to Ever Explore Group, in accordance with the HKIS Valuation Standards 2020 issued by Hong Kong Institute of Surveyors ("HKIS"). As the date of transfer is close to 31 March 2022, the management considers there is no fair value change between the date of transfer and 31 March 2022.

In estimating the fair value of the investment property, the highest and best use of the property is their current use. 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 value of the investment property is 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 property held by Ever Explore Group in the combined 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
	31.3.2020	31.3.2021	31.3.2022				
	HK\$'000	HK\$'000	HK\$'000				
Residential premise	—	—	397,500	Level 3	Direct comparison method with market unit rate as the key input	Market unit rate, mainly taking into account the time, location, age, view, floor level and size, between the comparables, which ranged from HK\$26,810 to HK\$30,215 per square foot for 2022.	A significant increase in the market unit rate used would result in a significant increase in the fair value of the investment property, and vice versa
Retail shop	—	—	52,500	Level 3	Direct comparison method with market unit rate as the key input	Market unit rate, mainly taking into account the time, location, frontage, age and size, between the comparables, which ranged from HK\$56,946 to HK\$62,889 per square foot for 2022.	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.

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

The investment property was pledged to a bank to secure the general banking facilities granted to Ever Explore Group.

12. PROPERTY UNDER DEVELOPMENT FOR SALE

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

During the years ended 31 March 2020, 2021 and 2022, the interest capitalised in property under development for sale amounted to HK\$15,848,000, HK\$9,950,000 and HK\$6,335,000 respectively.

During the Relevant Periods, the management of Ever Explore Group reviewed the net realisable value of the property under development for sale with reference to the current market environment. During the year ended 31 March 2020, write-down of property under development for sales amounting to HK\$64,423,000 was recognised. During the years ended 31 March 2021 and 2022, reversal of previously recognised write-down of property under development for sale amounting to HK\$37,508,000 and HK\$26,915,000 is recognised respectively due to moderate recovery of Hong Kong property market.

13. BANK BALANCE

Bank balances of savings account carry interest at prevailing market rate of 0.01% per annum for the year ended 31 March 2020, 2021 and 2022.

Details of impairment assessment of bank balance are set out in note 22(b).

14. AMOUNT DUE TO A FELLOW SUBSIDIARY

At 31 March 2020, 2021 and 2022, amounts are unsecured, repayable on demand and carry interest at 3.09% over Hong Kong Interbank Offered Rate (“**HIBOR**”), 3.21% over HIBOR and 2.8% over HIBOR per annum respectively.

15. SECURED BANK BORROWINGS

The secured bank borrowings carried interest at 1.35% over HIBOR at 31 March 2020, 2021 and 2022 per annum respectively and secured by investment property as at 31 March 2022 and property under development for sale as at 31 March 2020 and 2021 together with corporate guarantee from its intermediate holding company. The bank borrowings are repayable as follows:

	At 31 March		
	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within one year	—	—	149,000
Within a period of more than two years but not more than five years	100,000	100,000	—
	100,000	100,000	149,000
Less: Amounts due within one year shown under current liabilities	—	—	(149,000)
Amounts due after one year shown under non-current liabilities	100,000	100,000	—

16. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years.

	Accelerated tax depreciation	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2019, 31 March 2020 and 31 March 2021	—	—	—
Charge (credit) to profit or loss	1,225	(1,225)	—
At 31 March 2022	1,225	(1,225)	—

For the purpose of presentation in the statement of financial position, certain deferred tax assets and liabilities have been offset.

APPENDIX IV ACCOUNTANTS' REPORT OF THE TARGET GROUP

At 31 March 2020, 2021 and 2022, Ever Explore Group had unused tax losses of approximately HK\$24,000, HK\$31,000 and HK\$11,161,000 respectively available for offset against future profits. Deferred tax assets have been recognised in respect of Nil, Nil and HK\$7,426,000 of such losses as at 31 March 2020, 2021 and 2022. No deferred tax has been recognised for the remaining tax losses of HK\$24,000, HK\$31,000 and HK\$3,735,000 due to the unpredictability of future profit streams as at 31 March 2020, 2021 and 2022. The tax losses may be carried forward indefinitely.

17. SHARE CAPITAL

The share capital as at 1 April 2019, 31 March 2020, 2021 and 2022 represents the share capital of Davis, which was less than HK\$1,000.

Dickworth and Ever Explore are incorporated on 11 March 2022 and 25 March 2022 respectively in which the share capital has not been issued and paid up up to 31 March 2022.

18. OPERATING LEASE COMMITMENTS

Undiscounted lease payments receivable on lease are as follows:

	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	—	—	650
In the second year	—	—	780
In the third year	—	—	780
	<u>—</u>	<u>—</u>	<u>780</u>
	<u>—</u>	<u>—</u>	<u>2,210</u>

19. CAPITAL COMMITMENTS

	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided in the Historical Financial Information, net of deposits paid, in respect of property under development for sale	<u>11,466</u>	<u>73,208</u>	<u>—</u>

20. MAJOR NON-CASH TRANSACTION

During the years ended 31 March 2020, 2021 and 2022, interest expenses to a fellow subsidiary of HK\$12,428,000, HK\$7,976,000 and HK\$7,089,000 are settled through current account with that fellow subsidiary.

21. CAPITAL RISK MANAGEMENT

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

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

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

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

	At 31 March		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets			
Amortised cost:			
Other receivable	33	75	—
Bank balance	80	411	285
	<u>113</u>	<u>486</u>	<u>285</u>
Financial liabilities			
Amortised cost:			
Other payables and deposits received	—	—	314
Amount due to a fellow subsidiary	273,085	266,134	282,235
Secured bank borrowings	100,000	100,000	149,000
	<u>373,085</u>	<u>366,134</u>	<u>431,549</u>

(b) Financial risk management objectives and policies

Ever Explore Group's financial instruments include other receivable, bank balance, other payables and deposits received, amount due to a fellow subsidiary and secured bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of Ever Explore 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***

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

Cash flow interest rate risk is considered insignificant. Accordingly, no interest rate sensitivity analysis is presented.

Credit risk management and impairment assessment

The carrying amounts of the financial assets best represent Ever Explore Group's maximum exposure to credit risk which will cause a financial loss to the Ever Explore Group due to failure to discharge an obligation by the counterparties.

Other receivable

No impairment allowance was made for other receivable since the management of Ever Explore Group considers the probability of default is minimal after assessing the counterparty's financial background and creditability.

Bank balance

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

Liquidity risk

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

As at 31 March 2022, Ever Explore Group's current liabilities exceeded its current assets by HK\$451,789,000. Hence, Ever Explore Group is exposed to liquidity risk as it relies on financial support from its intermediate holding company which has agreed to provide adequate funds to Ever Explore Group to meet in full its financial obligations as they fall due in the foreseeable future.

Ever Explore Group also relies on secured bank borrowings and advance from a fellow subsidiary as a significant source of liquidity. The management monitors the utilisation of secured bank borrowings and ensures compliance with loan covenants.

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

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

Liquidity tables

	Weighted average effective interest rate %	Less than 1 year or repayable on demand HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
At 31 March 2020					
Secured bank borrowings	3.40	3,400	110,200	113,600	100,000
Amount due to a fellow subsidiary	5.14	273,085	—	273,085	273,085
		<u>276,485</u>	<u>110,200</u>	<u>386,685</u>	<u>373,085</u>
At 31 March 2021					
Secured bank borrowings	1.49	1,490	102,980	104,470	100,000
Amount due to a fellow subsidiary	3.34	266,134	—	266,134	266,134
		<u>267,624</u>	<u>102,980</u>	<u>370,604</u>	<u>366,134</u>
At 31 March 2022					
Other payables and deposits received	—	314	—	314	314
Secured bank borrowings	1.54	149,096	—	149,096	149,000
Amount due to a fellow subsidiary	3.11	282,235	—	282,235	282,235
		<u>431,645</u>	<u>—</u>	<u>431,645</u>	<u>431,549</u>

Disclosure of risks arising from the interest rate benchmark reform

Ever Explore Group's HIBOR bank borrowings may be subject to the interest rate benchmark reform. Ever Explore Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant interbank offered rate regulators.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

Progress towards implementation of alternative benchmark interest rates

As part of Ever Explore Group's risk management for transition, new contracts entered into by Ever Explore Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, Ever Explore Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 March 2022. The amounts of financial liabilities are shown at their carrying amounts.

Financial instruments prior to transition	Maturing in	HK\$'000	Transition progress for financial instruments
Non-derivative financial liability			
Bank borrowings linked to HIBOR	2022	149,000	HIBOR will continue use

(c) Fair value measurements

The management of Ever Explore 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.

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Ever Explore 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 Ever Explore Group's combined statements of cash flows from (used in) financing activities.

	Interest payable <i>HK\$'000</i>	Secured bank borrowings <i>HK\$'000</i> <i>(note 15)</i>	Amount due to a fellow subsidiary <i>HK\$'000</i> <i>(note 14)</i>	Total <i>HK\$'000</i>
At 1 April 2019	60	100,000	243,233	343,293
Financing net cash flows	(3,462)	—	17,424	13,962
Interests capitalised in property under development for sale	3,420	—	12,428	15,848
At 31 March 2020	18	100,000	273,085	373,103
Financing net cash flows	(1,967)	—	(14,927)	(16,894)
Interests capitalised in property under development for sale	1,974	—	7,976	9,950
At 31 March 2021	25	100,000	266,134	366,159
Financing net cash flows	(1,971)	49,000	9,012	56,041
Interests capitalised in property under development for sale	1,301	—	5,034	6,335
Interest expenses	652	—	2,055	2,707
At 31 March 2022	7	149,000	282,235	431,242

24. RELATED PARTY TRANSACTION

Other than those disclosed in notes 6, 14, 15 and 20 to the Historical Financial Information, Ever Explore Group also had the following related party transaction for all years:

	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Corporate guarantee given to a bank by an intermediate holding company	196,800	196,800	196,800

25. FINANCIAL INFORMATION OF EVER EXPLORE

Ever Explore was incorporated on 25 March 2022 but there is no paid-in capital up to 31 March 2022. Hence, no financial information is available during the Relevant Periods.

26. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of Ever Explore as at 31 March 2020, 2021 and 2022 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and fully paid-up share capital	Equity attributable to Ever Explore			Principal activities	
			At 31 March				
			2020	2021	2022	Date of this report	
			%	%	%	%	
Davis (previously known as Fame Master Limited)	Hong Kong	31 March 2020: HK\$1	N/A	N/A	N/A	100	Property investment
		31 March 2022: HK\$1					
		31 March 2021: HK\$1					
		Date of this report: HK\$10,000					
Bausman	British Virgin Islands	US\$1	N/A	N/A	N/A	100	Investment holding
Dickworth	British Virgin Islands	US\$1	N/A	N/A	N/A	100	Investment holding

All subsidiaries of Ever Explore have adopted 31 March as their financial year end date. Except for Davis which statutory financial statements for the years ended 31 March 2020, 2021 and 2022 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us, no audited financial statements of all other subsidiaries of Ever Explore have been prepared for the years ended 31 March 2020, 2021 and 2022 as they are incorporated in a jurisdiction where there are no statutory audit requirements.

None of the subsidiaries of Ever Explore issued any debt securities as at 31 March 2020, 2021 and 2022.

27. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Ever Explore Group, Ever Explore or any of its subsidiaries have been prepared in respect of any period subsequent to 31 March 2022.

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 2022 received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company as set out in Appendix III 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 statement of assets and liabilities 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 31 March 2022 as if the Transaction had been completed on 31 March 2022.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2022 which has been extracted from the annual report of the Group for the year ended 31 March 2022 published on 23 June 2022, after making certain pro forma adjustments relating to the Transaction that are (i) directly attributable to the Transaction; and (ii) factually supportable, as further described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information and is provided for illustrative purposes only. As a result of the hypothetical nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Enlarged Group that would be attained had the Transaction been completed as at 31 March 2022. Furthermore, the Unaudited Pro forma Financial Information does not purport to predict the Enlarged Group's future financial position after Completion.

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 statement of assets and liabilities of the Enlarged Group as at 31 March 2022

Pro forma Statement of Assets and Liabilities

	Pro forma adjustments				The Enlarged Group (Unaudited) HK\$'000
	The Group as at 31 March 2022 (Audited) HK\$'000 (note 1)	The Target Group as at 31 March 2022 (Audited) HK\$'000 (note 2)	(Unaudited) HK\$'000 (note 3)	(Unaudited) HK\$'000 (note 4)	
Non-current assets					
Investment properties	996,500	450,000	40,000	—	1,486,500
Property, plant and equipment	2,417,802	—	—	—	2,417,802
Right-of-use assets	420,417	—	—	—	420,417
Deposits paid for acquisition of property, plant and equipment	1,681	—	—	—	1,681
Pledged bank deposit	64,134	—	—	—	64,134
	<u>3,900,534</u>	<u>450,000</u>	<u>40,000</u>	<u>—</u>	<u>4,390,534</u>
Current assets					
Inventories, at cost	12,014	—	—	—	12,014
Trade and other receivables	132,085	381	—	—	132,466
Pledged bank deposit	354	—	—	—	354
Short-term bank deposits	314,339	—	—	—	314,339
Bank balances and cash	671,097	285	(469,446)	(1,060)	200,876
	<u>1,129,889</u>	<u>666</u>	<u>(469,446)</u>	<u>(1,060)</u>	<u>660,049</u>
Current liabilities					
Trade and other payables	117,146	21,220	—	—	138,366
Amounts due to fellow subsidiaries	4,540	282,235	(282,235)	—	4,540
Amounts due to non-controlling interests of subsidiaries	39,523	—	—	—	39,523
Taxation payable	145,614	—	—	—	145,614
Lease liabilities — due within one year	2,328	—	—	—	2,328
	<u>309,151</u>	<u>303,455</u>	<u>(282,235)</u>	<u>—</u>	<u>330,371</u>
Net current assets (liabilities)	<u>820,738</u>	<u>(302,789)</u>	<u>(187,211)</u>	<u>(1,060)</u>	<u>329,678</u>
Total assets less current liabilities	<u>4,721,272</u>	<u>147,211</u>	<u>(147,211)</u>	<u>(1,060)</u>	<u>4,720,212</u>
Non-current liabilities					
Lease liabilities — due after one year	28,951	—	—	—	28,951
Secured bank borrowings — due after one year	—	149,000	(149,000)	—	—
Deferred taxation	50,590	—	—	—	50,590
	<u>79,541</u>	<u>149,000</u>	<u>(149,000)</u>	<u>—</u>	<u>79,541</u>
Net assets (liabilities)	<u>4,641,731</u>	<u>(1,789)</u>	<u>1,789</u>	<u>(1,060)</u>	<u>4,640,671</u>

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

1. The audited consolidated statement of financial position of the Group as at 31 March 2022 is extracted from the published annual report of the Group dated 23 June 2022.
2. The audited consolidated statement of financial position of the Target Group as at 31 March 2022 is 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 payable (subject to adjustments) by the Purchaser to the Vendor shall be determined by the following formula:

$$\text{Consideration} = A + B - C$$

where:

“A” HK\$490,000,000, being the agreed value of the Property with reference to the preliminary fair market valuation of the Property as at 8 July 2022 as assessed by an independent professional valuer;

“B” means the carrying value/book value of the tangible assets of the Target Group (but excluding the Property and the fittings and equipment) as at the Completion Date as shown in the Pro-forma Completion Account; and

“C” means the amount of all liabilities of the Target Group, including actual or contingent, accrued and deferred liabilities but excluding the Sale Loan, as at the Completion Date as shown in the Pro-forma Completion Account.

The Consideration (subject to adjustments) shall be settled as follows:

- (a) An initial deposit of HK\$24,000,000 shall be paid by the Purchaser to the Vendor within 14 Business Days after signing of the SP Agreement; and
- (b) Subject to the adjustments, the balance of the Consideration, by reference to the Pro-forma Completion Account, shall be paid upon Completion.

The Consideration payable shall be settled by cash transfer to the designated bank account of the Vendor or such other method as mutually agreed by the Vendor and Purchaser from time to time.

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 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 Target Group 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 to be accounted for the unaudited pro forma statement of assets and liabilities of the Enlarged Group and the calculations are as follows:

	Carrying amount as at 31 March 2022 HK\$'000	Fair value adjustment HK\$'000	Fair value HK\$'000
Investment property <i>(note 3.1)</i>	450,000	40,000	490,000
Trade and other receivables	381	—	381
Bank balances and cash	285	—	285
Trade and other payables	(21,220)	—	(21,220)
Amount due to a fellow subsidiary	(282,235)	—	(282,235)
Secured bank borrowings — due after one year	(149,000)	—	(149,000)
Net identifiable (liabilities) assets	<u>(1,789)</u>	<u>40,000</u>	<u>38,211</u>

	<i>HK\$'000</i>
Fair value of net identifiable assets	38,211
Add: Amount due to a fellow subsidiary <i>(note 3.2)</i>	282,235
Add: Total bank borrowings <i>(note 3.3)</i>	149,000
Net identifiable assets to be acquired and total consideration to be paid	469,446
Consideration to be satisfied by:	
Bank balances and cash	469,446

- 3.1 Pursuant to the SP Agreement, the Property shall be stated at a value of HK\$490.0 million as agreed by the Vendor and the Purchaser with reference to the preliminary fair market valuation of the Property as at 8 July 2022 as assessed by an independent professional valuer. As such, an upward fair value change of HK\$40.0 million is adjusted to the carrying amount of the investment property of the Target Group as at 31 March 2022.*
- 3.2 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 amount due to a fellow subsidiary as the Sale Loan before Completion.*
- 3.3 Pursuant to the SP Agreement, the Vendor and the Purchaser also agreed that the Property is 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.*
4. The adjustment represents the estimated acquisition-related costs of approximately HK\$1,060,000 (the “**Transaction Costs**”) assumed to be paid, including audit, financial advisory, valuation and other professional services relating to the Transaction, which would be settled by bank balances and cash of the Enlarged Group and are charged to profit or loss. This adjustment is not expected to have a continuing effect on the Enlarged Group.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF 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.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****Deloitte.****德勤****To the Directors of Emperor Entertainment Hotel Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Emperor Entertainment Hotel Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 March 2022 and related notes as set out on pages 1 to 5 of Appendix V to the circular issued by the Company dated 25 August 2022 (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 5 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 Ever Explore Holdings Limited (“**Ever Explore**”) and its subsidiaries (collectively referred to as “**Ever Explore Group**”), constituting a major acquisition and connected transaction (the “**Acquisition**”) on the Group’s financial position as at 31 March 2022 as if the Acquisition had taken place as at 31 March 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s consolidated financial statements for the year ended 31 March 2022, on which an auditor’s report has been published.

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.

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 31 March 2022 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 August 2022

APPENDIX VI MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The following management discussion and analysis should be read in conjunction with the accountants' report of the Target Group for the years ended 31 March 2020, 31 March 2021 and 31 March 2022 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 which are engaged in 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 2020, 2021 and 2022 (collectively, the “**Reporting Periods**”). All references to “FY2020”, “FY2021” and “FY2022” mean the financial year ended 31 March 2020, 31 March 2021 and 31 March 2022, respectively. The following financial information is based on the Accountants' Report on the Target Group as set out in Appendix IV to this circular.

FINANCIAL REVIEW

Revenue and cost of sales

As the Property was under construction during the Reporting Periods, no revenue and cost of sales were recognised for the Reporting Periods.

Other income

The Target Group recorded other income mainly representing sundry income of approximately HK\$2,000, nil, nil respectively in FY2020, FY2021, FY2022.

(Write-down)/reversal of write-down of property under development of sale

During FY2020, FY2021 and the period from April to December 2021, the Property was recorded as property under development for sale of which its carrying amount was measured at the lower of cost and net realised value. As a result, the Target Group recorded a (write-down)/reversal of write-down of the property under development for sale of approximately HK\$(64.4) million, HK\$37.5 million and HK\$26.9 million respectively in FY2020, FY2021 and FY2022 based on a valuation conducted by an independent firm of qualified professional property valuer and due to moderate recovery of Hong Kong property market.

Fair value change on investment property

In December 2021, the Target Group changed its intended use of the Property from a property under development for sale to an investment property which was initially measured at cost and subsequently measured at fair value. Subsequent change in the value of the Property was recorded as a fair value change of investment property. During FY2022, a fair value change of HK\$0.9 million was recognised in profit or loss.

Administrative expenses

The Target Group recorded administrative expenses of approximately HK\$25,000, HK\$7,000 and HK\$1.0 million respectively in FY2020, FY2021, FY2022. The administrative expenses for FY2020 and FY2021 was insignificant and minimal. For FY2022, the increase in administrative expense was mainly attributable to the legal and professional fees as well as the design fee for property sale brochure.

Finance costs

The finance costs incurred by the Target Group mainly represented interests on secured bank borrowings and advance from a fellow subsidiary. During FY2020, FY2021 and FY2022, the Target Group recorded total interests on secured bank borrowings and advance from a fellow subsidiary of approximately HK\$15.8 million, HK\$10.0 million and HK\$9.0 million respectively, out of which approximately HK\$15.8 million, HK\$10.0 million and HK\$6.3 million had been capitalized in the property under development for sale in the respective financial years. As a result, the Target Group recorded finance costs of nil, nil and approximately HK\$2.7 million in profit or loss respectively in FY2020, FY2021 and FY2022.

(Loss)/profit for the Reporting Periods

The Target Group recorded (loss)/profit for the Reporting Periods of approximately HK\$(64.4) million, HK\$37.5 million, HK\$24.2 million in FY2020, FY2021, FY2022 respectively.

Liquidity, financial resources and capital structure

During the Reporting Periods, the Target Group mainly financed its operation by (i) bank borrowings of approximately HK\$100.0 million, HK\$100.0 million and HK\$149.0 million as at 31 March 2020, 2021 and 2022 respectively which were secured by the Property for a term of maximum of 4.5 years and carried an interest of 1.35% over Hong Kong Interbank Offered Rate (“**HIBOR**”) per annum in the respective years; and (ii) advance from a fellow subsidiary of

APPENDIX VI MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

approximately HK\$273.1 million, HK\$266.1 million and HK\$282.2 million as at 31 March 2020, 2021 and 2022 respectively. As at the Latest Practicable Date, the bank borrowings were fully repaid and the pledge of the Property was discharged and released as well. The amount due to the fellow subsidiary was unsecured, repayable on demand and carried interest at 3.09% over HIBOR, at 3.21% over HIBOR and at 2.80% over HIBOR per annum respectively. As at the Latest Practicable Date, the secured bank borrowings and the cash and cash equivalent of the Target Group are denominated in HK dollars.

During the Reporting Periods, the Target Group did not have any formal (i) funding and treasury policy; and (ii) hedging policies and no financial instrument was used for hedging purpose.

As at 31 March 2020, 2021 and 2022, the Target Group recorded net current assets/(liabilities) of approximately HK\$36.5 million, HK\$74.1 million and HK\$(451.8) million respectively. The Target Group's gearing ratios at the end of the respective reporting periods ("**Gearing Ratio**", which is expressed as a percentage of net debt divided by total assets. Net debt is calculated the total borrowings less cash and cash equivalents) were approximately 120.4%, 107.5% and 95.6% respectively.

Future plans for material investments or capital assets

As at 31 March 2022, the Target Group did not have any future plans for material investments or capital assets.

Significant investments held

During the Reporting Periods, the Target Group held the Property which was to be converted into a 22-storey serviced apartments (including one retail shop on ground floor) situated at No. 22 Davis Street within the Kennedy Town and Mount Davis area of Hong Kong Island with a gross floor area of approximately 20,636 sq. ft.

Capital commitments

As at 31 March 2020, 2021 and 2022 the Target Group has commitments which was contracted but not provided in the financial statements, net of deposits paid, in respect of property under development for sale of approximately HK\$11.5 million, HK\$73.2 million and nil respectively.

Charges on assets

As at 31 March 2020, 2021 and 2022, the Target Group had pledged the property under development for sale/investment property with a carrying amount of approximately HK\$245.0 million, HK\$339.0 million and HK\$450.0 million respectively to secure bank loans granted to the Target Group.

Contingent liabilities

The Target Group had no material contingent liabilities as at 31 March 2020, 2021 and 2022.

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 HK dollars.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

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

(a) Long positions interests in the Company

(i) Ordinary 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 <i>(Note)</i>	71.11%

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 Albert Yeung Holdings Limited (“**AY Holdings**”) which is held by First Trust Services AG (“**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 Directors	Name of associated corporations	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 <i>(Note)</i>	74.71%
	Emperor Watch & Jewellery Limited ("Emperor W&J")	- Ditto -	4,298,610,000 <i>(Note)</i>	63.41%
	Emperor Culture Group Limited ("Emperor Culture")	- Ditto -	2,371,313,094 <i>(Note)</i>	73.80%
	Ulferts International Limited ("Ulferts")	- Ditto -	600,000,000 <i>(Note)</i>	75.00%
Ms. Fan Man Seung, Vanessa	Emperor International	Beneficial owner	10,500,000	0.29%

Note: Emperor International, Emperor W&J, Emperor Culture and Ulferts are companies with their shares listed on the Stock Exchange. The above shares were ultimately owned by the respective private discretionary trusts which are also founded by Dr. Albert Yeung. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk also 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, 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 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)	71.11%
AY Holdings	Interest in a controlled corporation	851,352,845 (L)	71.11%
First Trust	Trustee of the private discretionary trust	851,352,845 (L)	71.11%
Dr. Albert Yeung	Founder of the private discretionary trust	851,352,845 (L)	71.11%

(L) = Long Position

Note: These Shares were the same Shares of which Ms. Semon Luk had deemed interests as 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.

- The master leasing agreement dated 3 December 2020 entered into between the Company and Emperor W&J in relation to the tenancy transactions thereunder.
- The sale and purchase agreement dated 16 March 2021 entered into between Emperor Hotel Investment Limited (“**Emperor Hotel Investment**”), an indirect non-wholly owned subsidiary of the Company and Emperor Hotel Group Limited (“**Emperor Hotel Group**”), a direct wholly-owned subsidiary of Emperor International in relation to the acquisition of entire interest of Poly Keen International.

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 2022 (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 was engaged in any litigation or claims of material importance and no litigation or claims of material importance were pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

- (i) On 16 March 2021, Emperor Hotel Group, a direct wholly-owned subsidiary of Emperor International, entered into a sale and purchase agreement with Emperor Hotel Investment, an indirect non-wholly owned subsidiary of the Company, pursuant to which Emperor Hotel Group agreed to sell and Emperor Hotel Investment agreed to purchase (a) the entire equity interest of Poly Keen International, which was an indirect wholly-owned subsidiary of Emperor International which held (i) The Emperor Hotel; (ii) The Unit Serviced Apartments; and (iii) MORI MORI Serviced Apartments, and (b) the entire amount of the loan due and payable by Poly Keen International to Emperor Hotel Group as at the completion subject to the terms and conditions set out in the said agreement (the “**2021 Transaction**”). Details of the 2021 Transaction are contained in the Company’s circular dated 30 April 2021 and the 2021 Transaction was completed on 28 May 2021 and the consideration was approximately HK\$2,048.8 million; and
- (ii) the SP Agreement.

Save as disclosed above, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been 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 Accountant
Altus	A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Savills (Hong Kong) Limited	Market Consultant
Vincorn Consulting and Appraisal Limited	Independent qualified valuer

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

- (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group; or
- (b) did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 March 2022), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

11. DOCUMENTS ON DISPLAY

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

- (a) the SP Agreement;
- (b) the written consents referred to in the paragraph headed “Expert and Consent” in this Appendix;
- (c) the letter from the Board as set out from pages 9 to 22 in this circular;
- (d) the letter from the Independent Board Committee as set out from pages 23 to 24 in this circular;
- (e) the letter from Altus, the Independent Financial Adviser, as set out from pages 25 to 50 in this circular;
- (f) the property valuation report as set out in Appendix I of this circular;
- (g) the market consultant’s report as set out in Appendix II of this circular;
- (h) the accountants’ report of the Target Group prepared by Deloitte, the text of which is set out in Appendix IV to this circular;
- (i) the report on the unaudited pro forma financial information of the Enlarged Group illustrating the effect of the Transaction, the text of which is set out in Appendix V to this circular; and
- (j) 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 in the United Kingdom and The Hong Kong Chartered Governance Institute.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited.
- (c) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (d) The head office and principal place of business of the Company in Hong Kong is 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.
- (e) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text.

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 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, 19 September 2022 at 11:00 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** the SP Agreement (as defined in the circular dated 25 August 2022 (the “**Circular**”) and a copy of which was tabled before the meeting marked “A” and signed by the chairperson of the meeting for identification purpose) and the transaction contemplated thereunder be and are hereby ratified, confirmed and approved; and that any one director of the Company be and is hereby authorised to do all such acts and things which he/she may consider necessary, desirable or expedient to implement the transaction contemplated under the SP Agreement (with any amendments to the terms of such agreement which are not inconsistent with the purpose thereof as may be approved by such director of the Company).

By order of the board
Emperor Entertainment Hotel Limited
Liu Chui Ying
Company Secretary

Hong Kong, 25 August 2022

* *for identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

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.
- (ii) Considering the outbreak of COVID-19, certain measures will be implemented at the 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>) and the Stock Exchange (<http://www.hkexnews.hk>) 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 poll at the SGM. Where the chairperson in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted, such resolution will be decided by show of hands.
- (iv) A Shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies (if he/she is a holder of more than one share) to attend and vote in his/her stead. A proxy needs not be a Shareholder. The Company strongly encourage Shareholders to appoint the Chairperson of the SGM as their proxy to exercise their rights to vote at the SGM.
- (v) In order to be valid, the form of proxy must be in writing under the hand of the appointor or his/her attorney duly authorized in writing, or if the appointor is a corporation, either under its common seal, or under the hand of an officer or attorney duly authorized on that behalf, and must be deposited at the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, 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 meeting 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 meeting, 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.

NOTICE OF SPECIAL GENERAL MEETING

- (vii) Completion and delivery of the form of proxy will not preclude a Shareholder 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, Tricor Secretaries Limited at the above address before 4:30 p.m. on Wednesday, 14 September 2022.
- (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by email at is-enquiries@hk.tricorglobal.com.