

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



英皇文化產業集團有限公司
Emperor Culture Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 491)

**DISCLOSEABLE TRANSACTION
IN RELATION TO LETTER OF INTENT OF A TENANCY OF A CINEMA**

On 28 February 2023, Emperor Cinemas Beijing as Tenant entered into the Letter of Intent with the Landlord in relation to the tenancy of a cinema located in Shenzhen, PRC.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the aggregated value of the right-of-use assets of the Premises under the Letter of Intent exceed 5% but is less than 25%, the transaction contemplated thereunder constitutes a discloseable transaction for the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules but exempt from Shareholders' approval requirement under the Listing Rules.

The Board announces the execution of the Letter of Intent with the following particulars:

THE LETTER OF INTENT

Date: 28 February 2023

Landlord: Shenzhen Kezhigu Investment

Tenant: Emperor Cinemas Beijing

Premises: A cinema located at Shops M09 and 109 on M Floor and L1 Floor, Phase 1, UpperHills (South), No. 5001 Huanggang Road, Futian District, Shenzhen, PRC

Usage: Cinema operation and related business

Lease term: 71 months from the Lease Commencement Date

Rent: The annual rent (including management fee) payable shall consist of the higher of (i) the box office turnover rent; or (ii) the sum of the base rent and management fee

The aggregate amount of the base rent covering the whole of lease term under the Letter of Intent (inclusive of value added tax) is approximately RMB11.2 million (equivalent to approximately HK\$12.9 million). The box office turnover rent is calculated as 15% of the Box Office Turnover for the 1st to 36th month from the Lease Commencement Date and 16% of the Box Office Turnover for the 37th and 71st month from the Lease Commencement Date. The base rent shall be paid monthly in advance. In the event of the annual box office turnover rent exceeds the base rent and management fee paid, the Tenant shall pay the difference to the Landlord pursuant to the terms and conditions of the Letter of Intent

Deposit: Approximately RMB975,000 (equivalent to approximately HK\$1.1 million) payable no later than the Lease Commencement Date. The Deposit will be treated as deposit and the difference (if any) will be treated as advance payment for the rent under the formal tenancy agreement upon the signing of formal tenancy agreement

Right-of-use asset value: A total of approximately RMB10.1 million (equivalent to approximately HK\$11.6 million) covering whole of lease term

The value (unaudited) of the right-of-use asset to be recognised by the Group under the Letter of Intent is approximately RMB10.1 million (equivalent to approximately HK\$11.6 million) which is the present value of lease payments throughout the lease term under the Letter of Intent, discounted using the increment borrowing rate and adjustment to fair value at initial recognition of refundable rental deposit and provision for reinstatement costs in accordance with HKFRS 16. Incremental borrowing rate of the lease liability is determined with reference to the prevailing interest rate of the Group's external borrowings.

Subject to the terms and conditions of the Letter of Intent and mutually agreed by the parties, the parties shall enter into a tenancy agreement after the execution of the Letter of Intent.

INFORMATION ON THE LANDLORD

The Landlord is a company with limited liability enterprise registered under the PRC laws and is principally engaged in property development and property investment.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Landlord and its respective ultimate beneficial owners are Independent Third Parties.

REASONS AND BENEFITS FOR THE LETTER OF INTENT

The Company is an investment holding company and its subsidiaries are principally engaged in entertainment, media and cultural development businesses which include cinema operation and investments in films. Emperor Cinemas Beijing is an indirect wholly-owned subsidiary of the Company and is principally engaged in cinema related business in the PRC.

The Board is of the view that entering into the Letter of Intent is an opportunity for the Group to expand the cinema network of *Emperor Cinemas* in the PRC which is in line with the overall business development direction of the Group.

The terms and conditions of the Letter of Intent, including the base rent and turnover rent rate percentages, are arrived at after arm's length negotiation with reference to (i) the existing tenancies of other cinemas that the Group has entered into; and (ii) the attributes of the Premises such as geographical location, term of the tenancy, number of houses seats and the estimated attendance of the Premises. The Directors consider that the terms and conditions of the Letter of Intent are fair and reasonable and the transaction is on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 "Leases", the Group will recognise right-of-use assets in the consolidated financial statements of the Group in connection with the tenancy of the Premises. Accordingly, the lease transaction under the Letter of Intent will be regarded as acquisition of assets by the Group for the purpose of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the aggregated value of the right-of-use of the Premises under the Letter of Intent exceed 5% but is less than 25%, the transaction contemplated thereunder constitutes a discloseable transaction for the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules but exempt from Shareholders' approval requirement under the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise requires, capitalized terms used shall have the following meanings:-

"Board" or "Director(s)"	the board of directors of the Company
"Box Office Turnover"	the net amount of all sums received (after deducting discount, refund and other any related taxes and fees payable to the government) from box office throughout the Premises
"Company"	Emperor Culture Group Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Emperor Cinemas Beijing" or "Tenant"	Emperor Cinemas (Beijing) Company Limited* (英皇電影城(北京)有限公司), a company incorporated under the PRC laws and an indirect wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries from time to time
"HK\$"	Hong Kong dollar, the lawful currency of Hong Kong

“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Lease Commencement Date”	the actual delivery date of the Premises from the Landlord to the Tenant pursuant to the terms and conditions of the Letter of Intent
“Letter of Intent”	the letter of intent dated 28 February 2023 entered into between the Tenant and the Landlord in respect of the lease of the Premises
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Premises”	a cinema located at Shops M09 and 109 on M Floor and L1 Floor, Phase 1, UpperHills (South), No. 5001 Huanggang Road, Futian District, Shenzhen, PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the ordinary shares of the Company
“Shenzhen Kezhigu Investment” or “Landlord”	Shenzhen Kezhigu Investment Limited * (深圳市科之谷投資有限公司), a company with limited liability enterprise registered under the PRC laws and is a wholly-owned subsidiary of Shenzhen Investment Limited (Stock Code: 604), being an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

** English translation is directly translated from Chinese and for identification purpose only*

Note: for illustrative purpose of this announcement only, conversion of RMB into HK\$ is made at the rate of RMB1.0 = HK\$1.148

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

Hong Kong, 28 February 2023

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

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

Independent Non-executive Directors: Ms. Chan Sim Ling, Irene
Mr. Ho Tat Kuen
Ms. Tam Sau Ying