

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.



英皇鐘錶珠寶有限公司
EMPEROR WATCH & JEWELLERY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code : 887)

CONTINUING CONNECTED TRANSACTION
THE MASTER LEASING AGREEMENTS

The Board announces that on 24 May 2018, the Company, Emperor International and Emperor E Hotel entered into the Master Leasing Agreements which set out a framework of the terms governing the Tenancy Transactions between the Group and Emperor International Group. The Master Leasing Agreements shall commence on 24 May 2018 and expire on 31 March 2021.

As at the date of this announcement, the Company, Emperor International and Emperor E Hotel are all indirectly controlled by the AY Trust, under Chapter 14A of the Listing Rules, each of Emperor International and Emperor E Hotel is a connected person of the Company and accordingly, the Master Leasing Agreements constitute continuing connected transactions of the Company.

As the highest applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Aggregate Tenancy Annual Cap of the Company are more than 5% and exceed HK\$10,000,000, the Master Leasing Agreements and the Aggregate Tenancy Annual Cap are subject to the announcement, reporting and annual review requirements and shareholders' approval under Chapter 14A of the Listing Rules.

The Company will convene an EGM for the purpose of seeking approval from the Independent Shareholders on the Master Leasing Agreements and the Aggregate Tenancy Annual Cap. The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Master Leasing Agreements and the Aggregate Tenancy Annual Cap. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

As additional time is required to prepare the circular of the Company containing, amongst others, (i) further information on the Master Leasing Agreements and the Aggregate Tenancy Annual Cap; (ii) a letter from the Independent Board Committee; (iii) a letter from an independent financial adviser; and (iv) the notice of the EGM, the circular is expected to be despatched to the Shareholders on or before 10 July 2018.

The Board announces that on 24 May 2018, the Company, Emperor International and Emperor E Hotel entered into the Master Leasing Agreements which set out the framework terms governing the Tenancy Transactions between the Group and Emperor International Group.

The principal terms of the Master Leasing Agreements are set out below :

THE MASTER LEASING AGREEMENTS

Background

The Group has from time to time entered into Tenancy Transactions for leasing certain office properties or other properties (including retail shop, signage or signboard space) from Emperor International Group (including Emperor E Hotel Group). By entering into the following Master Leasing Agreements, the Group shall continue to lease properties from the Emperor International Group (including Emperor E Hotel Group) subject to the terms of the Master Leasing Agreements and the terms and rental specified in each Definitive Leasing Agreement which will be entered into from time to time.

Date

24 May 2018

Parties

<i>Agreements</i>	<i>Parties</i>	<i>Scope</i>
(1) Emperor International Master Leasing Agreement	The Company and Emperor International	Governing the Tenancy Transactions between members of the Group as tenants and members of Emperor International Group as landlords
(2) Emperor E Hotel Master Leasing Agreement	The Company and Emperor E Hotel	Governing the Tenancy Transactions between members of the Group as tenants and a member of Emperor E Hotel Group as landlords

Term

Subject to the conditions set out in the Master Leasing Agreements, the Master Leasing Agreements shall commence on 24 May 2018 and expire on 31 March 2021 or such other date (subject to a maximum period of 3 years) as agreed by the Company and Emperor International or Emperor E Hotel (as appropriate).

General terms of the Master Leasing Agreements

The relevant members of the Group and the relevant members of Emperor International Group may from time to time enter into Definitive Leasing Agreement(s) in relation to any Tenancy Transaction upon, and subject to, the terms and conditions in compliance with the Master Leasing Agreements. Each of the Definitive Leasing Agreements shall set out the terms of the tenancy, including the parties, detailed description of the properties, usage, duration, rental and specific terms such as rent free period, early termination, deposits, fees and charges.

The Master Leasing Agreements provide that:

- (a) the Tenancy Transactions shall be in the usual and ordinary course of business of the Company and Emperor International Group (including Emperor E Hotel Group);
- (b) the terms of each Definitive Leasing Agreement shall be on normal commercial terms or on terms which are no less favourable to the Group than terms offered by independent third parties;
- (c) the terms and rental shall be subject to arm's length negotiation and be determined based on the condition of the properties and with reference to the then prevailing market rents on property(ies) comparable in location, area and permitted use;
- (d) the Tenancy Transactions shall be in compliance with all applicable provisions of the Listing Rules, the applicable laws, the Master Leasing Agreements and the relevant Definitive Leasing Agreements; and
- (e) the Group has the option to consider third party landlords and premises other than the properties of the Emperor International Group (including Emperor E Hotel Group).

Conditions

The Master Leasing Agreements are conditional upon:

- (1) the approval by the independent shareholders of Emperor International on the Master Leasing

Agreements and the relevant annual cap;

- (2) the passing of the resolution(s) by the Independent Shareholders at the EGM in relation to the Master Leasing Agreements and the Aggregate Tenancy Annual Cap; and
- (3) the approval by the board of directors of Emperor E Hotel of the Emperor E Hotel Master Leasing Agreement.

If the conditions precedent of any of the Master Leasing Agreement(s) set out in the above paragraph are not satisfied within 6 months of the date of the Master Leasing Agreement(s), it shall cease to be any effect and the Aggregate Tenancy Annual Cap shall lapse.

Historical transaction amounts

Set out below are the historical amounts of the Tenancy Transactions between the Group and the Emperor International Group and Emperor E Hotel Group:

	For the year ended 31 December		
	2015	2016	2017
	HK\$	HK\$	HK\$
Emperor International Group	250,243,000	162,085,000	152,282,000
Emperor E Hotel Group	6,202,000	4,642,000	4,141,000
Total	<u>256,445,000</u>	<u>166,727,000</u>	<u>156,423,000</u>

The Proposed Aggregate Tenancy Annual Cap

Set out below is the proposed Aggregate Tenancy Annual Cap under the Master Leasing Agreements:

	For the year ending 31 December			For the 3 months ending 31 March
	2018	2019	2020	2021
	HK\$	HK\$	HK\$	HK\$
Aggregate Tenancy Annual Cap (note)	222,000,000	222,000,000	222,000,000	55,500,000

Note: Including the Tenancy Transactions between Emperor E Hotel and the Company

The Aggregate Tenancy Annual Cap aggregates all Tenancy Transactions entered / to be entered with Emperor International Group (including Emperor E Hotel Group) regardless of their location and usage and have been determined after taking into account:

- (i) the historical transaction amounts of rental, management fee (if any) and charges paid by the Group to Emperor International Group (including Emperor E Hotel Group) under all Tenancy Transactions;
- (ii) the number of existing Tenancy Transactions :

As at the date of this announcement, the Group is leasing properties from Emperor International Group (including Emperor E Hotel Group) in the following areas in Hong Kong, Macau and PRC, mainly:

Hong Kong Island

Address

- (1) Emperor Group Centre, No. 288 Hennessy Road, Wanchai
- (2) Emperor Watch and Jewellery Centre, No.8 Russell Street, Causeway Bay
- (3) No.50-56 Russell Street, Causeway Bay
- (4) No.5 Canal Road East, Causeway Bay

Kowloon and New Territories

Address

- (1) Harilela Mansion, No.81 Nathan Road, Kowloon
- (2) No.4-8 of Canton Road, Tsim Sha Tsui, Kowloon
- (3) No.155 Castle Peak Road, Yuen Long, New Territories

PRC and Macau

Address

- (1) Emperor Nam Van Centre, No. 71-75, Avenida do Infante, D., Henrique and No.514-540, Avenida da Praia Grande, Macau
- (2) Grand Emperor Hotel, 288 Avenida Commercial De Macau
- (3) EM Macau, Avenida Do Infante D., Henrique N°S. 67-69, Res-Do-Chao B, Macau
- (4) EM Macau, Avenida Do Infante D., Henrique N° 65-A, Macau
- (5) Emperor Group Centre, D12 Jianwai Dajie, Chaoyang District, Beijing, PRC

There are 21 existing tenancy / lease / licence agreements entered into between members of the Group and members of Emperor International Group and Emperor E Hotel Group. The earliest expiry date of the leases will be in March 2019 and the latest one will be in October 2022. The monthly rental ranges from HK\$44,600 to HK\$3,635,000 and the size ranges from a car parking space to a retail shop with a gross floor area of 6,564 sq. ft. The duration of the leases are usually 2 to 3 years with exception of office complex in Emperor Group Centre located in Beijing with market practices of 5 years lease term.

- (iii) assuming all the above tenancies will be renewed upon expiry and there may be an increase in rental comparable to the market rate;
- (iv) the business development and expansion of the Group and the possibility of entering into new Tenancy Transactions with Emperor International Group and Emperor E Hotel under the Master Leasing Agreement in the forthcoming years;
- (v) the location and usage of the properties of the existing portfolio of Emperor International Group (including Emperor E Hotel Group) and potential acquisition of properties by Emperor International Group which can be available for leasing to the members of the Group in the future; and
- (vi) the prevailing market rents of the properties as compared with similar properties in the vicinity.

Termination of the Current Tenancy Annual Caps

Subject to the conditions of the Master Leasing Agreements having been fulfilled, the Aggregate Tenancy Annual Cap shall replace all the current annual caps obtained by the Company for the Tenancy Transactions entered by the Group and Emperor International Group (including Emperor E Hotel) before the date of fulfillment of the conditions of the Master Leasing Agreements.

REASONS FOR AND BENEFITS FOR THE MASTER LEASING AGREEMENTS

The Company is an investment holding company and its subsidiaries are principally engaged in the sales of European-made internationally renowned watches and self-designed fine jewellery products in Hong Kong, Macau, the PRC and Singapore.

The Master Leasing Agreements set out a framework of the terms governing the Tenancy Transactions between the Group and Emperor International Group (including Emperor E Hotel Group) and also serve to streamline the reporting, announcement and, if necessary, Shareholders' approval process whenever there is new tenancy or renewal of the Tenancy Transactions between the Group and Emperor International Group (including Emperor E Hotel Group). The obtaining of the Aggregate Tenancy Annual Cap can help to reduce the administrative burden and costs on the Company in complying with the requirements under the Listing Rules as from time to time. The Definitive Leasing Agreements will be agreed on an arm's length basis, on normal commercial terms or on terms no less favourable to the Group than those terms offered by independent third parties.

The Directors (excluding the independent non-executive Directors who will provide their views after considering the opinion of an independent financial adviser) consider that the Master Leasing Agreements have been negotiated on an arm's length basis, on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole, and that the Aggregate Tenancy Annual Cap is fair and reasonable and in the interests of the Group and the Shareholders as a whole

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company, Emperor International and Emperor E Hotel are all indirectly controlled by the AY Trust. As such, under Chapter 14A of the Listing Rules, each of Emperor International and Emperor E Hotel is a connected person of the Company and accordingly, the Master Leasing Agreements constitute continuing connected transactions of the Company.

Ms. Cindy Yeung, the Chairperson of the Company, did abstain from voting on the relevant Board resolution(s) of the Company in view of her deemed interest in the transactions by virtue of being one of the eligible beneficiaries of the AY Trust.

As the highest applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Aggregate Tenancy Annual Cap of the Company are more than 5% and exceed HK\$10,000,000, the Master Leasing Agreements and the Aggregate Tenancy Annual Cap are subject to the announcement, reporting and annual review requirements and Shareholders' approval under Chapter 14A of the Listing Rules.

GENERAL

The Company will convene an EGM for the purpose of seeking approval from the Independent Shareholders on the Master Leasing Agreements and the Aggregate Tenancy Annual Cap. The Independent Board Committee has been established to advise the Independent Shareholders as to (i) whether the terms of the Master Leasing Agreements and the Aggregate Tenancy Annual Cap are fair and reasonable; (ii) whether the transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the transactions are in the interests of the Company and the Shareholders as a whole; and (iv) how to vote on the transactions. An independent financial advisor will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

As additional time is required to prepare the circular of the Company containing, amongst others, further information on (i) the Master Leasing Agreements and the Aggregate Tenancy Annual Cap; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM, the circular is expected to be despatched to the Shareholders on or before 10 July 2018.

DEFINITIONS

The following terms have the following meanings in this announcement, unless the context otherwise requires:

“Aggregate Tenancy Annual Cap”	the maximum amount of rental / licence fee paid / payable by the Company under the Master Leasing Agreements for each of the financial years ending 31 December 2018, 2019 and 2020 and the 3 months ending 31 March 2021
“AY Trust”	The Albert Yeung Discretionary Trust, a discretionary trust set up by Dr. Yeung Sau Shing, Albert
“Board”	The board of directors of the Company
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	Emperor Watch & Jewellery Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Definitive Leasing Agreement(s)”	definitive agreement(s) which have been entered and may be entered into between any member(s) of the Group and any member(s) of the Emperor International Group and Emperor E Hotel Group (as appropriate) from time to time in relation to any of the Tenancy Transactions subsisting as at the date hereof and any time during the term of the Master Leasing Agreements
“Directors”	the directors of the Company

“Emperor E Hotel”	Emperor Entertainment Hotel Limited, a company indirectly owned as to approximately 65.46% by Emperor International as at the date of this announcement, an exempted company incorporated in Bermuda with limited liability, the subsidiaries of which are principally engaged in provision of entertainment and hospitality services in Macau and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 296)
“Emperor E Hotel Group”	Emperor E Hotel and its subsidiaries from time to time
“Emperor E Hotel Master Leasing Agreement”	the agreement dated 24 May 2018 entered into between the Company and Emperor E Hotel in relation to the Tenancy Transactions
“Emperor International”	Emperor International Holdings Limited, a company indirectly owned as to approximately 74.71% by the AY Trust as at the date of this announcement, an exempted company incorporated in Bermuda with limited liability, the subsidiaries of which are principally engaged in property investments, property development and hospitality and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 163)
“Emperor International Group”	Emperor International and its subsidiaries from time to time, including Emperor E Hotel Group
“Emperor International Master Leasing Agreement”	the agreement dated 24 May 2018 entered into between the Company and Emperor International in relation to the Tenancy Transactions
“EGM”	an extraordinary general meeting (or any adjournment thereof) of the Company to be held to consider and, if thought fit, approve, among other things, the Master Leasing Agreements and the Aggregate Tenancy Annual Cap

“Independent Board Committee”	an independent committee of the board of the Directors, comprising all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Master Leasing Agreements, and the Aggregate Tenancy Annual Cap
“Independent Shareholders”	the Shareholders other than the AY Trust and its associates who have material interests in the Master Leasing Agreements
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Master Leasing Agreement(s)”	the Emperor International Master Leasing Agreement and the Emperor E Hotel Master Leasing Agreement, and “Master Leasing Agreement” shall mean any one of them
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the shares of the Company
“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)
“sq. ft.”	square feet
“Tenancy Transaction(s)”	all existing and future tenancy / licence transaction(s) between members of the Group as tenants and Emperor International Group (including Emperor E Hotel Group) as landlords regarding the leasing of properties as contemplated under the Master Leasing Agreements and the Definitive Leasing Agreements

“%”

per cent

By order of the Board
Emperor Watch & Jewellery Limited
Cindy Yeung
Chairperson

Hong Kong, 24 May 2018

As at the date hereof, the Board comprises:

Executive Directors:

Ms. Cindy Yeung
Mr. Wong Chi Fai
Ms. Fan Man Seung, Vanessa

Independent Non-Executive Directors: Ms. Chan Sim Ling, Irene

Mr. Liu Hing Hung
Ms. Chan Wiling, Yvonne