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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 TRANSACTIONS
2020 MASTER LEASING AGREEMENTS

Reference is made to the announcement dated 24 May 2018 in relation to the 2018 MLAs. With the upcoming expiration of the 2018 MLAs, the Company entered into the 2020 MLAs with Emperor International and Emperor E Hotel respectively on 3 December 2020 to regulate arrangements for the Tenancy Transactions between the respective parties for a successive term of 3 years from 1 April 2021.

The Board shall seek approval from the Independent Shareholders on the Aggregate Tenancy Annual Caps.

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

2020 MLAs

Reference is made to the announcement dated 24 May 2018 in relation to the 2018 MLAs entered into by the Company with Emperor International and Emperor E Hotel respectively which set out a framework of the terms governing the Tenancy Transactions between the Group and Emperor International Group (including Emperor E Hotel Group).

The Group shall continue to lease properties (including offices, retail shops, warehouses, carparking spaces, signage or signboard spaces) from Emperor International Group (including Emperor E Hotel Group). In light of (1) the amendment to annual caps for the Group under the Listing Rules; and (2) the setting of a successive term of 3 years from 1 April 2021, the Board announces that with the upcoming expiration of the 2018 MLAs, the Company entered into the 2020 MLAs with the following respective counter-parties on 3 December 2020 to recite their agreement regarding the subject matter.

Master Leasing Agreements	Parties	Scope
(1) 2020 EIHL MLA	the Company and Emperor International	Governing the Tenancy Transactions between the Group and Emperor International Group
(2) 2020 EEH MLA	the Company and Emperor E Hotel	Governing the Tenancy Transactions between the Group and Emperor E Hotel Group

Term

1 April 2021 – 31 March 2024. Subject to compliance with the then relevant requirements of the Listing Rules, or any waiver obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the 2020 MLAs shall be automatically renewed for a successive period of 3 years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the 2020 MLAs.

Key terms and conditions

The 2020 MLAs mainly serves to amend certain definitive terms in light of the changes in the Listing Rules and to state the new term of 3 years from 1 April 2021.

Relevant members of the Group and the relevant members of Emperor International Group (including Emperor E Hotel 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 2020 MLAs, provides that:

- (a) all the Tenancy Transactions have been and shall be conducted in the usual and ordinary course of business of both the Group and Emperor International Group (including Emperor E Hotel Group) and are in the interest of their respective shareholders as a whole;
- (b) the terms of each Definitive Leasing Agreement have been and 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 of the Tenancy Transactions have been and shall be arrived at after arm's length negotiation and the amount of rental thereunder the respective Definitive Leasing Agreements shall be determined based on the condition of the properties and with reference to the then prevailing market rents on premises comparable in location, area and permitted use;
- (d) all the Tenancy Transactions have been and shall be concluded in compliance with all applicable provisions of the Listing Rules, the applicable laws, 2020 MLAs and relevant Definitive Leasing Agreements; and

(e) the Group has / shall have the option to consider third party landlords and premises other than the properties of Emperor International Group (including Emperor E Hotel Group).

Historical transactions amounts

Set out below are the historical amounts of rental/ licence fee paid under the Tenancy Transactions between the Group and Emperor International Group / Emperor E Hotel Group:

	For the year ended		From 1 January up
	31 December		to 30 September
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Emperor International Group	171,567	116,021	56,159
Emperor E Hotel Group	4,141	4,713	2,125
Total	175,708	120,734	58,284

The Existing Tenancy Annual Caps under the 2018 MLAs are HK\$222 million for each of the 3 years ended / ending 31 December 2018, 2019 and 2020, and HK\$55.5 million for the 3 months ending 31 March 2021.

Aggregate Tenancy Annual Caps

According to HKFRS 16 Leases which was adopted by the Group effective from 1 January 2019, the Group is required to recognize a right-of-use asset and a lease liability, which are measured at the present value of the Fixed Lease Payments, discounted using the lessee's incremental borrowing rate in the year of entering into the lease where the relevant member(s) of the Group acts as a lessee. Correspondingly, the Company is required to set annual caps for the maximum amount of the total value of right-of-use assets relating to leases to be or expected to be entered into by the relevant member(s) of the Group as a lessee for each of the respective period(s) in each year under the 2020 MLAs.

In addition, according to HKFRS 16, the Variable Lease Payments under Tenancy Transactions will be recognized as expenses incurred by the Group. The Company will set the annual caps for Variable Lease Payments and other short-term lease payments recognised as expenses which are determined with reference to the estimated annual maximum amount of the Variable Lease Payments and other short-term lease payments payable by the Group in respect of Tenancy Transactions for each of the respective period(s) in each year under the 2020 MLAs.

Set out below are the proposed Aggregate Tenancy Annual Caps under the 2020 MLAs for the each of respective periods:

	For the 9 months ending 31 December	For the year ending 31 December		For the 3 months ending 31 March
	2021	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate Right-of-Use Annual Cap (note)	100,000	350,000	350,000	75,000
Aggregate Rental Expense Annual Cap (note)	4,000	4,500	5,000	1,250

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

Aggregate Tenancy Annual Caps represent the estimated respective maximum value of (i) the right-of-use assets relating to leases to be or expected to be entered into by the Group in the respective period(s) of the term under the 2020 MLAs; and (ii) the Variable Lease Payments and other short-term lease payments payable by the Group in respect of Tenancy Transactions in the respective period(s) of the term under the 2020 MLAs.

The Aggregate Right-of-Use Annual Cap (i.e. aggregates all Tenancy Transactions to be or expected to be entered with Emperor International Group (including Emperor E Hotel Group) and the right-of-use assets to be recognized regardless of their location and usage) and the Aggregate Rental Expense Annual Cap (i.e. aggregates all short term Tenancy Transactions entered / to be or expected to be entered with Emperor International Group (including Emperor E Hotel Group) and the Variable Lease Payments to be paid by the Group regardless of their location and usage) 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, members of the Group are leasing properties from Emperor International Group (including Emperor E Hotel Group) in the following areas in Hong Kong, Macau and Mainland China:

Hong Kong

Location

- (1) Emperor Group Centre, No. 288 Hennessy Road, Wanchai
- (2) No.50-56 Russell Street, Causeway Bay
- (3) No.5 Canal Road East, Causeway Bay
- (4) Harilela Mansion, No.81 Nathan Road, Kowloon
- (5) No.4-8 of Canton Road, Tsim Sha Tsui, Kowloon

Macau and Mainland China

Location

- (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° 65-A, Macau
- (4) Emperor Group Centre, D12 Jianwai Dajie, Chaoyang District, Beijing, PRC

There are 20 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 is in December 2020 and the latest one is in January 2023. The monthly rental ranges from HK\$2,000 to HK\$2,900,000 and the size ranges from a signboard space to a retail shop with a gross floor area of 5,762 sq. ft. The duration of the leases are usually 2 to 3 years with the 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 taking into account the possible oncoming adjustment in rental rates;
- (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 2020 MLAs 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.

REASONS FOR AND BENEFITS FOR 2020 MLA

The Company is an investment holding company and its subsidiaries are principally engaged in the sale of European-made internationally renowned watches and self-designed fine jewellery products under its own brand “*Emperor Jewellery*”.

The Group currently leases properties from Emperor International Group (including Emperor E Hotel Group) pursuant to the 2018 MLAs, and shall continue to lease the properties in the future. With the upcoming expiration of the 2018 MLAs, entering into the 2020 MLAs will continue to govern the Tenancy Transactions between the Group and Emperor International Group (including Emperor E Hotel Group), and also serve to streamline the relevant process of reporting, announcement and Shareholders’ approval, if necessary, whenever there is new tenancy or renewal of the Tenancy Transactions between the Group and Emperor International Group (including Emperor E Hotel Group). Besides, the obtaining of the Aggregate Tenancy Annual Caps will help reduce the relevant administrative burden and costs on the Company in complying with the requirements under the Listing Rules. 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 as landlords.

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 2020 MLAs have been conducted in the ordinary and usual course of business of the Group and 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 Caps are fair and reasonable and in the interests of the Company 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 respective private discretionary trusts which were all set up by Dr. Albert Yeung, who is the deemed substantial shareholder of the Company. As such, under Chapter 14A of the Listing Rules, each of Emperor International and Emperor E Hotel is a deemed connected person of the Company and accordingly, the transactions contemplated under the 2020 MLAs 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 an eligible beneficiary of the aforesaid private discretionary trusts.

Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, being the executive Directors, did abstain from voting on the relevant Board resolution(s) of the Company as they also take up a management role in Emperor International and Emperor E Hotel.

As the highest applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Aggregate Tenancy Annual Caps are more than 5% and exceed HK\$10,000,000, the Aggregate Tenancy Annual Caps are subject to the announcement, reporting and annual review requirements and Independent 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 Aggregate Tenancy Annual Caps in respect of the transactions contemplated under the 2020 MLAs. The Independent Board Committee has been established to advise the Independent Shareholders as to (i) whether the Aggregate Tenancy Annual Caps are fair and reasonable; (ii) whether the transactions under the 2020 MLAs 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 proposed resolutions. 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, (i) further information on the 2020 MLAs and the Aggregate Tenancy Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice 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 24 December 2020.

DEFINITIONS

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

- “2018 EIHL MLA” the master leasing agreement dated 24 May 2018 entered into between the Company and Emperor International
- “2018 EEH MLA” the master leasing agreement dated 24 May 2018 entered into between Company and Emperor E Hotel
- “2018 MLA(s)” 2018 EIHL MLA and 2018 EEH MLA
- “2020 EIHL MLA” the master leasing agreement dated 3 December 2020 entered into between the Company and Emperor International
- “2020 EEH MLA” the master leasing agreement dated 3 December 2020 entered into between the Company and Emperor E Hotel
- “2020 MLA(s)” 2020 EIHL MLA and 2020 EEH MLA and “2020 MLA” shall mean any one of them

“Aggregate Right-of-Use Annual Cap”	for the purpose of Chapter 14A of the Listing Rules and pursuant to HKFRS 16, the annual caps for Fixed Lease Payments which are determined with reference to the annual maximum amount of the total value of right-of-use asset in respect of Tenancy Transactions to be or expected to be entered into for each of the respective periods during the term under the 2020 MLA
“Aggregate Rental Expense Annual Cap”	for the purpose of Chapter 14A of the Listing Rules and pursuant to HKFRS 16, the annual caps for Variable Lease Payments and other short-term lease payments recognised as expenses incurred by the Group which are determined with reference to the annual maximum amount of Variable Lease Payments and other short-term lease payments to be or expected to be payable by the Group in respect of Tenancy Transactions for each of the respective period(s) during the term under the 2020 MLA
“Aggregate Tenancy Annual Caps”	Aggregate Right-of-Use Annual Cap and Aggregate Rental Expense Annual Cap
“Board” or “Directors”	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 has / have been entered and may be entered into between any member(s) of the Group and any members of Emperor International Group (including Emperor E Hotel) from time to time in relation to any of the Tenancy Transactions (setting 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) subsisting as at the date hereof and at any time during the respective terms of the 2018 MLAs and 2020 MLAs
“Dr. Albert Yeung”	Dr. Yeung Sau Shing, Albert
“Emperor E Hotel”	Emperor Entertainment Hotel Limited, 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 International”	Emperor International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the subsidiaries of which are principally engaged in property investments, property development and hospitality in the Greater China and overseas 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
“Existing Tenancy Annual Caps”	the previously obtained annual caps of the transactions contemplated under the 2018 MLAs for each of the three financial years ended / ending 31 December 2018, 2019 and 2020 and the 3 months ending 31 March 2021
“EGM”	an extraordinary general meeting (or any adjournment thereof) of the Company to be held to consider and, if thought fit, approve the Aggregate Tenancy Annual Caps
“Fixed Lease Payments”	fixed amount of periodic rental / licence fees paid or payable to Emperor International Group by the Group under the Definitive Leasing Agreement
“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 Aggregate Tenancy Annual Caps and the transactions contemplated under the 2020 MLAs
“Independent Shareholders”	Shareholders who do not have material interests in the transactions contemplated under the 2020 MLAs
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“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 2018 MLAs or 2020 MLAs (as the case may be) and the Definitive Leasing Agreements
“Variable Lease Payments”	variable amount of payments linked to revenue generated from the leased properties paid or payable to Emperor International Group (including Emperor E Hotel Group) by the Group under the Definitive Leasing Agreements
“%”	per cent

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

Hong Kong, 3 December 2020

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