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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)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**  
**2024 MASTER LEASING AGREEMENT**

Reference is made to the announcement of the Company dated 3 December 2020 in relation to the 2020 MLAs.

As the Group intends to continue to lease properties (including but not limited to offices and retail shops) from Emperor International Group (including Emperor E Hotel Group), and with the upcoming expiration of the 2020 MLAs, the Company entered into the 2024 MLAs with Emperor International and Emperor E Hotel respectively on 23 March 2023 to govern arrangements for the Tenancy Transactions between the respective parties for a successive term of 3 years from 1 April 2024.

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

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.

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**2024 MLAs DATED 23 MARCH 2023**

	<b>2024 MLAs</b>	<b>Parties</b>	<b>Scope</b>
(1)	2024 EIHL MLA	the Company; and Emperor International	Governing the Tenancy Transactions between the Group and Emperor International Group
(2)	2024 EEH MLA	the Company; and Emperor E Hotel	Governing the Tenancy Transactions between the Group and Emperor E Hotel Group

***Term***

1 April 2024 – 31 March 2027

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 2024 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 2024 MLAs.

***Key terms and conditions***

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 Transactions upon, and subject to, the terms and conditions in compliance with the 2024 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, 2024 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 amount

Set out below are the historical amounts of right-of-use assets recognised and Variable Lease Payments and other short term lease payments paid under the Tenancy Transactions between the Group and Emperor International Group / Emperor E Hotel Group for the period of 2020 MLAs:

	<b>For the 9 months ended 31 December 2021 HK\$ '000 (Approx.)</b>	<b>For the 12 months ended 31 December 2022 HK\$ '000 (Approx.)</b>	<b>For the 2 months ended 28 February 2023 HK\$ '000 (Approx.)</b>
<b>Right-of-use assets</b>	31,037	106,862	3,631
<b>Variable Lease Payments and other short term lease payments</b>	1,705	1,352	411

The Existing Aggregate Right-of-Use Annual Cap under the 2020 MLAs are HK\$100 million, HK\$350 million, HK\$350 million and HK\$75 million for the 9 months ended 31 December 2021, the 12 months ended 31 December 2022 and 2023 and the 3 months ended 31 March 2024 respectively.

The Existing Aggregate Rental Expense Annual Cap under the 2020 MLAs are HK\$4 million and HK\$4.5 million, HK\$5 million and HK\$1.25 million for the 9 months ended 31 December 2021, the 12 months ended 31 December 2022 and 2023 and the 3 months ending 31 March 2024 respectively.

## Aggregate Tenancy Annual Caps

In accordance with HKFRS 16 “Leases”, the Group is required to recognise a right-of-use asset and a lease liability, which are measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate in the year of entering into the lease where the Group acts as a lessee. Correspondingly, the Group is required to set annual caps on the total value of right-of-use assets relating to leases expected to be entered into by the Group as a lessee in each period/year under the 2024 MLAs.

In addition, according to HKFRS 16 “Leases”, the Variable Lease Payments under Tenancy Transactions will be recognised as expenses incurred by the Group. The annual caps for Variable Lease Payments and other short term lease payments will be recognised as expenses which are determined with reference to the annual maximum amount of Variable Lease Payments and other short term lease payments payable by the Group in respect of Tenancy Transactions in each period/year under the 2024 MLAs.

Set out below are the proposed Aggregate Tenancy Annual Caps under the 2024 MLAs for each of the respective periods:

	<b>For the 9 months ending 31 December 2024 HK\$ '000</b>	<b>For the 12 months ending 31 December 2025 HK\$ '000</b>	<b>For the 12 months ending 31 December 2026 HK\$ '000</b>	<b>For the 3 months ending 31 March 2027 HK\$ '000</b>
Aggregate Right-of-Use Annual Cap <i>(Note)</i>	200,000	280,000	280,000	80,000
Aggregate Rental Expense Annual Cap <i>(Note)</i>	2,500	3,500	4,000	1,000

*Note:* For the Tenancy Transactions between Emperor International Group (including Emperor E Hotel Group) and the Group

Aggregate Tenancy Annual Caps represent the estimated respective maximum value of (i) the total value of 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 2024 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 2024 MLAs.

The Aggregate Tenancy Annual Caps 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 Hong Kong, Macau and Mainland China, mainly at the following locations:

### **Hong Kong**

#### **Locations**

- (1) Units 1806-07 & 25/F, Emperor Group Centre, No. 288 Hennessy Road, Wan Chai
- (2) Shops G01-G05, G/F, Emperor Group Centre, 288 Hennessy Road, Wan Chai
- (3) Nos.50-52, 54-56 Russell Street, Causeway Bay
- (4) Shops A, B, D2 & E2, G/F, Harilela Mansion, No.81 Nathan Road, Kowloon

### **Macau and Mainland China**

#### **Locations**

- (1) Shop 2, G/F, Emperor Nam Van Centre, No. 71-75, Avenida do Infante, D., Henrique and No.514-540, Avenida da Praia Grande, Macau
- (2) Shops 1 & 2A-2B & 2-4, G/F, Grand Emperor Hotel, 288 Avenida Commercial De Macau
- (3) Units 2802-2804, Emperor Group Centre (Beijing), D12 Jianwai Dajie, Chaoyang District, Beijing, PRC
- (4) Shop 101, Emperor Group Centre (Beijing), D12 Jianwai Dajie, Chaoyang District, Beijing, PRC

There are 19 existing tenancy / lease / licence agreements entered into between members of the Group and respective members of Emperor International Group and Emperor E Hotel Group. The earliest expiry date of the leases is in December 2023 and the latest one is in October 2025. The monthly rental ranges from a signboard space at HK\$1,700 to a retail shop with a gross floor area of 5,762 sq. ft. at HK\$1,750,000. The duration of the leases are usually 1 to 3 years.

- (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 Group under the 2024 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.

Based on the above, the Board is of the view that the proposed Aggregate Tenancy Annual Caps are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

#### **INTERNAL CONTROL PROCEDURES TO ASSESS TENANCY TRANSACTIONS**

The Group will follow a series of procedures in selecting the premises and determining the rentals and terms of the tenancies. When the management of the Group is about to renew existing tenancy or open a new retail shop which requires new premises, the operation team of the Group will conduct site visits and source available properties in the selected location. The Group will then collect rental quotations of not less than three shortlisted properties from different landlords if there are such number of available properties in the selected location. Furthermore, the Group will further assess the rental and obtain comparable information for the determination of terms of tenancy. In the event of the number of shortlisted properties in the selected location is less than three, the Company will assess the fairness and reasonableness of the rental with reference to the comparable information of similar properties in the vicinity such as rental rate per sq. ft. and location, which may include those did not fall into the selection criteria of the Group or was not available to the Group. Should there be no comparable information obtained, the Company will engage independent properties appraiser to prepare valuation reports. The Group may engage independent property appraiser to prepare valuation reports; conduct internal research to assess the valuation; and/or assess the valuation with reference to previous tenancy agreements for renewal cases. After the operation team gathers and analyses the aforesaid information of the proposed tenancy, the management will review and approve the tenancy. With such internal approval, the Definitive Leasing Agreement(s) will be entered into between relevant parties.

In addition, to ensure that the Definitive Leasing Agreement(s) will be entered into in accordance with the general terms of the 2024 MLAs and the requirements of Chapter 14A of the Listing Rules, (i) the management of the Company will assess each of the Definitive Leasing Agreements with the aforementioned procedures; (ii) the relevant departments of the Group will record the transaction amount(s) to ensure that the Aggregate Tenancy Annual Caps will not be exceeded; (iii) the Group will engage external auditor to conduct an annual review of the Tenancy Transactions to opine on whether the Aggregate Tenancy Annual Caps have been exceeded; and (iv) the

independent non-executive Directors will review the Tenancy Transactions contemplated under the 2024 MLAs annually.

Accordingly, the Board is of the view that (i) the Tenancy Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders; and (ii) the above internal control procedures are adequate to safeguard the interest of the Company and the Shareholders under the Tenancy Transactions.

## **REASONS FOR AND BENEFITS FOR THE 2024 MLAs**

The Company is an investment holding company and its subsidiaries are principally engaged in the sale of European-made internationally renowned watches and 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 2020 MLAs, and shall continue to lease the properties in the future. With the upcoming expiration of the 2020 MLAs, entering into the 2024 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 2024 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 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 respective private discretionary trusts which are all set up by Dr. 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 connected person of the Company and accordingly, the transactions contemplated under the 2024 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 a private discretionary trust set up by Dr. Yeung.

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 in view of their management role in the Company, 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 of the Company are more than 5% and exceed HK\$10,000,000, the 2024 MLAs and the Aggregate Tenancy Annual Caps are subject to the announcement, reporting and annual review requirements and Shareholders' approval under Chapter 14A of the Listing Rules.

## GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders as to (i) whether the terms of the 2024 MLAs and the Aggregate Tenancy Annual Caps are fair and reasonable; (ii) whether the transactions under the 2024 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.

A circular containing, among other things, (i) details of the 2024 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 AGM, is expected to be despatched to the Shareholders on or before 24 April 2023. The Company will seek approval from the Independent Shareholders in respect of the 2024 MLAs and the Aggregate Tenancy Annual Caps at the AGM, which is tentatively scheduled to be held in May 2023. A notice of the AGM, containing all resolutions to be proposed at the AGM (including the resolution to approve the Aggregate Tenancy Annual Caps) will be dispatched to the Shareholders on or before 24 April 2023.

## DEFINITIONS

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

“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 Company and Emperor E Hotel
“2020 MLAs”	2020 EIHL MLA and 2020 EEH MLA
“2024 EIHL MLA”	the master leasing agreement dated 23 March 2023 entered into between the Company and Emperor International
“2024 EEH MLA”	the master leasing agreement dated 23 March 2023 entered into between the Company and Emperor E Hotel
“2024 MLA(s)”	2024 EIHL MLA and 2024 EEH MLA and “2024 MLA” shall mean any one of them

“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 periods during the term under the 2024 MLAs
“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 2024 MLAs
“Aggregate Tenancy Annual Caps”	Aggregate Right-of-Use Annual Cap and Aggregate Rental Expense Annual Cap
“AGM”	the forthcoming annual general meeting of the Company, which is tentatively scheduled to be held in May 2023 (including any adjournment) to approve, inter alia, the Aggregate Tenancy Annual Caps
“Board” or “Directors”	the board of directors of the Company
“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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“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 2020 MLAs and 2024 MLAs
“Dr. 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 Hong Kong 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 investment, 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
“Existing Aggregate Rental Expense Annual Cap”	for the purpose of Chapter 14A of the Listing Rules and pursuant to HKFRS 16, the previously obtained 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 payable, to be or expected to be payable by the Group in respect of Tenancy Transactions for each of the respective periods during the term under the 2020 MLAs
“Existing Aggregate Right-of-Use Annual Cap”	for the purpose of Chapter 14A of the Listing Rules and pursuant to HKFRS 16, the previously obtained 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 entered into, to be or expected to be entered into for each of the respective periods during the term under the 2020 MLAs
“Existing Aggregate Tenancy Annual Caps”	Existing Aggregate Right-or-Use Annual Cap and Existing Aggregate Rental Expense Annual Cap
“Fixed Lease Payments”	fixed amount of periodic rental / licence fees paid or payable to Emperor International Group (including Emperor E Hotel Group) by the Group under the Definitive Leasing Agreements
“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 2024 MLAs
“Independent Shareholders”	Shareholders who do not have material interests in the transactions contemplated under the 2024 MLAs
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar
“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 members of Emperor International Group (including Emperor E Hotel Group) as landlords regarding the leasing of properties as contemplated under the 2020 MLAs or 2024 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, 23 March 2023

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

*Executive Directors:*

- Ms. Cindy Yeung
- Mr. Ng Koon Keung, Ricky
- 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