

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 CONCERNING THE
ACCEPTANCE OF OFFER LETTER FOR TENANCY**

The Board of the Company announces that on 31 March 2014, Beauty Royal as tenant had accepted the Offer Letter upon exercise of the Option by Beauty Royal to renew the Second Tenancy Agreement with Richorse as landlord.

Beauty Royal is an indirect wholly-owned subsidiary of the Company. Richorse is an indirect wholly-owned subsidiary of Emperor International. Emperor International and the Company are indirectly owned as to 74.83% and 52.57% respectively by the AY Trust. As such, Richorse is a connected person of the Company under Chapter 14A of the Listing Rules. Since the exercise of the Option is at the Company's discretion involving a connected person, pursuant to Rule 14A.70(2) of the Listing Rules, the rental value under the Offer Letter shall be used to calculate the percentage ratio (as defined under the Listing Rules).

Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the Offer Letter and the Tenancy Agreements are required to be aggregated. As the applicable percentage ratios (as defined under the Listing rules) on an annual basis (after aggregation of the rental to be paid under the Offer Letter) calculated with reference to the Aggregate Annual Cap is more than 0.1% but less than 5%, the transactions contemplated under the Option and the Offer Letter are subject to announcement, reporting and annual review requirements, but are exempt from the approval of the independent shareholders of the Company under Chapter 14A of the Listing Rules.

Reference is made to announcement of the Company dated 25 May 2011. Beauty Royal as tenant entered into the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement with Richorse as landlord in relation to the tenancies of the First Property, the Second Property and the Third Property respectively. Richorse had granted Beauty Royal the options to renew the Tenancy Agreements for three years at the then open market rent which shall not be higher than 120% of the respective third year rent. Capitalized terms used herein shall have the same meanings as defined in the aforesaid announcement unless the context otherwise requires.

The Board of the Company announces that on 31 March 2014, Beauty Royal had accepted the Offer Letter upon exercise of the Option by Beauty Royal to renew the Second Tenancy Agreement with Richorse.

ACCEPTANCE OF OFFER LETTER ON 31 MARCH 2014

Landlord:	Richorse
Tenant:	Beauty Royal
Second Property:	Ground Floor, (Shop A including the yard), and Office A (No. 50 Russell Street) on First Floor, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong, with a total gross area of 1,807 sq. ft.
Usage:	for the operation of retail shop
Term:	3 years from 1 July 2014 to 30 June 2017, both days inclusive
Rent:	HK\$1,860,000.00 per month, exclusive of rates, management fees and other outgoings
Deposit:	HK\$5,791,026.00 which is equivalent to three months' rent, management fees and rates

Beauty Royal and Richorse will enter into a formal tenancy agreement setting out the detailed terms of this tenancy and no separate announcement will then be made by the Company.

AGGREGATE ANNUAL CAP OF THE OFFER LETTER AND THE TENANCY AGREEMENTS

The Aggregate Annual Cap under the Offer Letter and the Tenancy Agreements (which are aggregated under Rule 14A.25 of the Listing Rules) based on the total annual effective rental paid / payable thereunder for each of the years ending 31 December 2014, 2015, 2016 and 2017 will be as follows:

	2014	2015	2016	2017
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
The Offer Letter	11,160,000	22,320,000	22,320,000	11,160,000
First Tenancy Agreement	13,648,000	-	-	-
Second Tenancy Agreement	7,884,000	-	-	-
Third Tenancy Agreement	39,756,000	-	-	-
Total	<u>72,448,000</u>	<u>22,320,000</u>	<u>22,320,000</u>	<u>11,160,000</u>

REASONS AND BENEFITS FOR THE RENEWAL OF THE SECOND TENANCY AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in the sales of luxurious branded watches, and the design and sales of jewellery products in Hong Kong, Macau, the PRC and Singapore.

Emperor International is an investment holding company and its subsidiaries are principally engaged in property investments, property development and hospitality in Hong Kong, Macau and the PRC. The Second Property is held by Richorse as investment property for rental income.

The new rent was determined at after arm's length negotiation between both parties with reference to the prevailing market rent of similar properties in the nearby locations which is not higher than 120% of the third year rent, i.e. HK\$1,550,000.00. The Directors (including the Independent Non-executive Directors) considered that the transaction is on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and its shareholders as a whole. Ms. Cindy Yeung, the Chairperson of the Company, did abstain from voting on the relevant board resolution(s) in view of her deemed interest in the transaction by virtue of being one of the eligible beneficiaries of the AY Trust. Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, being the common directors of both the Company and Emperor International, also abstained from voting on the relevant board resolution(s).

GENERAL

Richorse is an indirect wholly-owned subsidiary of Emperor International and principally engaged in property investment. Beauty Royal is an indirect wholly-owned subsidiary of the Company and principally engaged in the provision of group tenancy agent services for the Group.

Emperor International and the Company are indirectly owned as to 74.83% and 52.57% respectively by the AY Trust. As such, Richorse is a connected person of the Company under Chapter 14A of the Listing Rules. Since the exercise of the Option is at the Company's discretion involving a connected person, pursuant to Rule 14A.70(2) of the Listing Rules, the rental value under the Offer Letter shall be used to calculate the percentage ratio (as defined under the Listing Rules).

Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the Offer Letter and the Tenancy Agreements are required to be aggregated. As the applicable percentage ratios (as defined under the Listing Rules) on an annual basis (after aggregation of the rental to be paid under the Offer Letter) calculated with reference to the Aggregate Annual Cap is more than 0.1% but less than 5%, the transactions contemplated under the Option and the Offer Letter are subject to announcement, reporting and annual review requirements, but is exempt from the approval of the independent shareholders of the Company under Chapter 14A of the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

“Aggregate Annual Cap”	the maximum amount of effective rental paid / payable by the Group under the Offer Letter and the Tenancy Agreements for each of the years ending 31 December 2014, 2015, 2016 and 2017
“AY Trust”	The Albert Yeung Discretionary Trust, a discretionary trust set up by Dr. Albert Yeung, a deemed substantial shareholder of Emperor International and the Company

“Beauty Royal”	Beauty Royal Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary 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 Stock Exchange
“Board” or “Directors”	the board of Directors of the Company
“Dr. Albert Yeung”	Dr. Yeung Sau Shing, Albert
“Emperor International”	Emperor International Holdings Limited, an exempt company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“First Property”	Ground Floor (Shop B including the yard), Office B and the Balcony adjacent thereto on First Floor and Office B and the Balcony adjacent thereto on Second Floor, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong with gross floor area of 2,623 sq. ft.
“First Tenancy Agreement”	a tenancy agreement dated 25 May 2011 entered into between Richorse and Beauty Royal in relation to the First Property for the period from 23 October 2011 to 22 October 2014 (both days inclusive), details were set out in the announcement of the Company dated 25 May 2011
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Option”	the option granted by Richorse on 25 May 2011 to Beauty Royal under the Second Tenancy Agreement to renew the tenancy of the Second Property for a term of three years at the then open market rent which shall not be higher than 120% of the third year rent
“Offer Letter”	the offer letter signed by Beauty Royal to Richorse on 31 March 2014 for accepting renewed terms offered by Richorse upon exercise of the Option by Beauty Royal
“PRC”	The People’s Republic of China
“Richorse”	Richorse Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Emperor International

“Second Property”	Ground Floor, (Shop A including the yard), and Office A (No. 50 Russell Street) on First Floor, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong, with a total gross area of 1,807 sq. ft.
“Second Tenancy Agreement”	a tenancy agreement dated 25 May 2011 entered into between Richorse and Beauty Royal in relation to Second Property for the period from 1 July 2011 to 30 June 2014 (both days inclusive), details were set out in the announcement of the Company dated 25 May 2011
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreements”	the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement
“Third Property”	G/F, M/F and Flat A and Flat B on 1/F including the Flat Roof, 54 & 56 Russell Street together with the right to use a LED display on external wall from 1/F - 5/F facing Russell Street and an advertising signboards facing Russell Street and Tang Lung Street, Causeway Bay, Hong Kong with a total gross area of 5,138 sq. ft.
“Third Tenancy Agreement”	a tenancy agreement dated 25 May 2011 entered into between Richorse and Beauty Royal in relation the Third Property for the period from 23 October 2011 to 22 October 2014 (both days inclusive), details were set out in the announcement of the Company dated 25 May 2011
"sq. ft."	square feet
“%”	per cent

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

Hong Kong, 31 March 2014

As at the date hereof, the Board comprises:

Executive Directors:

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

Independent Non-Executive Directors:

Ms. Yip Kam Man
Mr. Chan Hon Piu
Ms. Lai Ka Fung, May