
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Emperor Watch & Jewellery Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

(1) CONTINUING CONNECTED TRANSACTIONS
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

Beijing Securities
Beijing Securities Limited
北京證券有限公司

A letter from the Board is set out on pages 7 to 12 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on page 13 of this circular. A letter from Beijing Securities, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street) is set out on pages 14 to 23 of this circular.

A notice convening the EGM to be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Wednesday, 29 June 2016 at 11:00 a.m. is set out on pages 31 to 33 of this circular. Whether or not you intend to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

14 June 2016

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Aggregate Annual Cap (50-56 Russell Street)”	the maximum amount of effective rental paid and payable by Beauty Royal under the First Previous Supplemental Tenancy Agreement, the First Supplemental Tenancy Agreement, the Second Previous Supplemental Tenancy Agreement, the Second Supplemental Tenancy Agreement, the Third Previous Supplemental Tenancy Agreement, the Third Supplemental Tenancy Agreement and the Tenancy Agreement for a financial year
“Announcement”	the announcement of the Company jointly published with Emperor International on 27 May 2016 in relation to, among other things, the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street)
“associate(s)”	has/have the meaning ascribed thereto under the Listing Rules
“AY Holdings”	Albert Yeung Holdings Limited, an investment holding company incorporated in the British Virgin Islands and is the controlling shareholder (as defined under the Listing Rules) of the Company by virtue of its interests in the Shares through Emperor W&J Holdings
“AY Trust”	The Albert Yeung Discretionary Trust, a discretionary trust set up by Dr. Albert Yeung
“Beauty Royal”	Beauty Royal Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Beijing Securities” or “Independent Financial Adviser”	Beijing Securities Limited, a licensed corporation to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street)

DEFINITIONS

“Board”	the board of Directors
“Cape Point”	Cape Point Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Emperor International
“Company”	Emperor Watch & Jewellery Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, passing the Ordinary Resolution
“Emperor International”	Emperor International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Emperor W&J Holdings”	Emperor Watch & Jewellery Group Holdings Limited, a company directly wholly-owned by AY Holdings and is interested in 52.57% of the issued Shares of the Company as at the Latest Practicable Date
“Existing (50-56 Russell Street) Tenancy Agreements”	The First Previous Tenancy Agreement and as supplemented by the First Previous Supplemental Tenancy Agreement, the Second Previous Tenancy Agreement and as supplemented by the Second Previous Supplemental Tenancy Agreement and the Third Previous Tenancy Agreement and as supplemented by the Third Previous Supplemental Tenancy Agreement
“First Previous Supplemental Tenancy Agreement”	a supplemental tenancy agreement dated 31 August 2015 entered into between Richorse as landlord and Beauty Royal as tenant in relation to the tenancy of the First Property for the period from 1 October 2015 to 22 October 2017 (both days inclusive), details of which were set out in the joint announcement of Emperor International and the Company dated 31 August 2015

DEFINITIONS

“First Previous Tenancy Agreement”	a tenancy agreement dated 22 October 2014 entered into between Richorse as landlord and Beauty Royal as tenant in relation to the renewal of tenancy of the First Property for the period from 23 October 2014 to 22 October 2017 (both days inclusive), details of which were set out in the announcement of the Company dated 22 October 2014
“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, Nos. 50 – 52 Russell Street, Causeway Bay, Hong Kong, with gross floor area of 2,673 sq. ft.
“First Supplemental Tenancy Agreement”	a supplemental tenancy agreement dated 27 May 2016 entered into between Richorse as landlord and Beauty Royal as tenant in relation to the tenancy of the First Property, details of which were set out in the Announcement
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent board committee of the Company comprising all the INEDs, established to advise the Independent Shareholders with regard to the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street)
“Independent Shareholders”	Shareholders other than Ms. Cindy Yeung, Emperor W&J Holdings and their respective associates
“INEDs”	independent non-executive directors of the Company
“Latest Practicable Date”	10 June 2016, being the latest practicable date prior to printing of this circular of the purpose of ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Ordinary Resolution”	the ordinary resolution set out in the notice of the EGM for approving the 50-56 Russell Street Supplemental Agreements and the transactions contemplated thereunder including the Aggregate Annual Cap (50-56 Russell Street)

DEFINITIONS

“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 Previous Supplemental Tenancy Agreement”	a supplemental tenancy agreement dated 31 August 2015 entered into between Richorse as landlord and Beauty Royal as tenant in relation to the tenancy of the Second Property for the period from 1 October 2015 to 30 June 2017 (both days inclusive), details of which were set out in the joint announcement of Emperor International and the Company dated 31 August 2015
“Second Previous Tenancy Agreement”	a tenancy agreement dated 28 May 2014 entered into between Richorse and Beauty Royal in relation to the renewal of tenancy of the Second Property for the period from 1 July 2014 to 30 June 2017 (both days inclusive), details of which were set out in the announcement of the Company dated 31 March 2014
“Second Property”	Shop A on Ground Floor including the Yard and Office A 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 Supplemental Tenancy Agreement”	a supplemental tenancy agreement dated 27 May 2016 entered into between Richorse as landlord and Beauty Royal as tenant in relation to the tenancy of the Second Property, details of which were set out in the Announcement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	a tenancy agreement dated 29 May 2014 entered into between Cape Point as landlord and Beauty Royal as tenant in relation to the tenancy of the property located at Flat B and the adjacent flat roofs on 4/F, Tak Fat Building, Nos. 50-52 Russell Street, Causeway Bay, Hong Kong for the period from 1 June 2014 to 31 May 2016 (both days inclusive), details of which were set out in the joint announcement of Emperor International and the Company dated 29 May 2014
“Third Previous Supplemental Tenancy Agreement”	a supplemental tenancy agreement dated 31 August 2015 entered into between Richorse as landlord and Beauty Royal as tenant in relation to the Third Property for the period from 1 October 2015 to 22 October 2017 (both days inclusive), details of which were set out in the joint announcement of Emperor International and the Company dated 31 August 2015
“Third Previous Tenancy Agreement”	a tenancy agreement dated 22 October 2014 entered into between Richorse and Beauty Royal in relation to the renewal of tenancy of the Third Property for the period from 23 October 2014 to 22 October 2017 (both days inclusive), details of which were set out in the announcement of the Company dated 22 October 2014
“Third Property”	the whole of Nos. 54-56 Russell Street together with the right to use a LED Display on external wall on 1st-5th Floors and 9 advertising signboards, Nos. 54-56 Russell Street, Causeway Bay, Hong Kong (formerly known as Ground Floor, Mezzanine Floor and Flat A and Flat B on First Floor including the flat roof together with the right to use a LED display on external wall from 1st to 5th Floors facing Russell Street and advertising signboards facing Russell Street and Tang Lung Street, Nos. 54-56 Russell Street, Causeway Bay, Hong Kong), with a total gross area of 5,138 sq. ft.

DEFINITIONS

“Third Supplemental Tenancy Agreement”	a supplemental tenancy agreement dated 27 May 2016 entered into between Richorse as landlord and Beauty Royal as tenant in relation to the tenancy of the Third Property, details of which were set out in the Announcement
“50-56 Russell Street Supplemental Agreements”	the First Supplemental Tenancy Agreement, the Second Supplemental Tenancy Agreement and the Third Supplemental Tenancy Agreement
“%”	per cent

LETTER FROM THE BOARD



英皇鐘錶珠寶有限公司
EMPEROR WATCH & JEWELLERY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 887)

Executive Directors:

Ms. Cindy Yeung (*Chairperson*)

Mr. Chan Hung Ming

Mr. Wong Chi Fai

Ms. Fan Man Seung, Vanessa

Registered office:

25th Floor

Emperor Group Centre

288 Hennessy Road

Wanchai

Hong Kong

Independent Non-Executive Directors:

Ms. Yip Kam Man

Ms. Lai Ka Fung, May

Ms. Chan Sim Ling, Irene

14 June 2016

To the Shareholders

Dear Sir/Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement whereby the Company announced that Richorse as landlord entered into the 50-56 Russell Street Supplemental Agreements with Beauty Royal as tenant in relation to the tenancies of the First Property, the Second Property and the Third Property.

The purpose of this circular is to provide you with, inter alia, (i) further information in respect of the 50-56 Russell Street Supplemental Agreements; (ii) the recommendation from the Independent Board Committee in respect of the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street); (iii) the advice from Beijing Securities to the Independent Board Committee and the Independent Shareholders regarding the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street); (iv) other

LETTER FROM THE BOARD

information as required under Listing Rules; and (vi) the notice of EGM at which the Ordinary Resolution will be proposed to seek Independent Shareholders' approval for the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street).

50-56 RUSSELL STREET SUPPLEMENTAL AGREEMENTS

On 27 May 2016 (after trading hours), Beauty Royal as tenant entered into the 50-56 Russell Street Supplemental Agreements with Richorse as landlord relating to the tenancies of the First Property, the Second Property and the Third Property:

- (i) Under the First Supplemental Tenancy Agreement, the monthly rental of the First Property is revised from HK\$1,386,000.00 to HK\$1,039,500.00 for the period from 1 June 2016 to 31 January 2017 and that of the remaining term from 1 February 2017 to 22 October 2017 will remain unchanged. The effective monthly rental is revised from HK\$1,386,000.00 to HK\$1,220,108.11 for the remaining term from 1 June 2016 to 22 October 2017;
- (ii) Under the Second Supplemental Tenancy Agreement, the monthly rental of the Second Property is revised from HK\$1,302,000.00 to HK\$976,500.00 for the period from 1 June 2016 to 31 January 2017 and that of the remaining term from 1 February 2017 to 30 June 2017 will remain unchanged. The effective monthly rental is revised from HK\$1,302,000.00 to HK\$1,101,692.31 for the remaining term from 1 June 2016 to 30 June 2017; and
- (iii) Under the Third Supplemental Tenancy Agreement, the monthly rental of the Third Property is revised (a) from HK\$3,675,000.00 to HK\$2,756,250.00 for the period from 1 June 2016 to 22 October 2016; and (b) from HK\$3,850,000.00 to HK\$2,887,500.00 for period from 23 October 2016 to 31 January 2017; and that of the remaining term from 1 February 2017 to 22 October 2017 will remain unchanged. The effective monthly rental is revised from HK\$3,754,960.84 to HK\$3,352,195.95 for the remaining term from 1 June 2016 to 22 October 2017.

The 50-56 Russell Street Supplemental Agreements are conditional upon the approval of the Independent Shareholders at the EGM. If such condition cannot be fulfilled, the 50-56 Russell Street Supplemental Agreements shall cease to have any effect and become null and void; accordingly, the rental of the First Property, the Second Property and the Third Property as set out in the First Previous Supplemental Tenancy Agreement, the Second Previous Supplemental Tenancy Agreement and the Third Previous Supplemental Tenancy Agreement will remain unchanged.

Save as disclosed above, all other terms under each of the Existing (50-56) Russell Street Tenancy Agreements remain unchanged.

LETTER FROM THE BOARD

REVISED AGGREGATE ANNUAL CAPS

Taking into account the aforesaid rental reduction, the Aggregate Annual Cap (50-56 Russell Street) under the 50-56 Russell Street Supplemental Agreements together with their respective previous supplemental tenancy agreements and the Tenancy Agreement (which are aggregated under Rule 14A.81 of the Listing Rules) based on the total annual effective rental paid/payable thereunder by the Company for each of the years ending 31 December 2016 and 2017 will be revised as follows:

	2016	2017
	<i>HK\$</i>	<i>HK\$</i>
First Supplemental Tenancy Agreement	8,541,000	11,847,000
First Previous Supplemental Tenancy Agreement	6,930,000	–
Second Supplemental Tenancy Agreement	7,712,000	6,611,000
Second Previous Supplemental Tenancy Agreement	6,510,000	–
Third Supplemental Tenancy Agreement	23,466,000	32,549,000
Third Previous Supplemental Tenancy Agreement	18,775,000	–
Tenancy Agreement	<u>48,000</u>	<u>–</u>
Total	<u><u>71,982,000</u></u>	<u><u>51,007,000</u></u>

REASONS AND BENEFITS FOR THE 50-56 RUSSELL STREET SUPPLEMENTAL 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 negotiation of the terms of the 50-56 Russell Street Supplemental Agreements was conducted by the parties on an arm's length basis and the rental was determined with reference to the prevailing market rental of similar properties in the nearby locations which has reflected the prolonged sluggish retail environment due to the strong Hong Kong dollar and the recent weakened consumer sentiment in response to the continued austerity initiatives.

Having considered the prevailing market condition and recent business performance of the Group, the Directors are of the view that the 50-56 Russell Street Supplemental Agreements could reduce the rental expense of the Company and hence will benefit the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

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 controlled by the AY Trust. As such, Beauty Royal is a connected person of Emperor International whilst Richorse is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the 50-56 Russell Street Supplemental Agreements constitute continuing connected transactions for both Emperor International and the Company.

As one of the applicable percentage ratios calculated with reference to the Aggregate Annual Cap (50-56 Russell Street) exceeds 5% and the annual amount exceeds HK\$10 million, the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street) are subject to announcement, reporting, annual review and the Independent Shareholders' approval requirements under the Listing Rules.

The EGM is being convened for the Independent Shareholders to approve the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street). As Emperor W&J Holdings is a company indirectly owned by the AY Trust of which Ms. Cindy Yeung is one of the eligible beneficiaries, Emperor W&J Holdings, Ms. Cindy Yeung and their respective associates (together controlling or are entitled to control over the voting right in respect of 3,617,860,000 Shares, representing approximately 52.57% of the issued Shares of the Company as at the Latest Practicable Date), will abstain from voting in respect of the Ordinary Resolution. Ms. Cindy Yeung has abstained from voting at the board meeting of the Company on the relevant resolution(s) in relation to the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street).

INDEPENDENT BOARD COMMITTEE

The Company has established an Independent Board Committee comprising all the INEDs, namely, Ms. Yip Kam Man, Ms. Lai Ka Fung, May and Ms. Chan Sim Ling, Irene to advise the Independent Shareholders in respect of the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street). The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM THE BOARD

EGM

A notice convening the EGM is set out from pages 31 to 33 of this circular. The Ordinary Resolution will be proposed at the EGM for the Independent Shareholders to approve the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street). In compliance with Rule 13.39(4) of the Listing Rules, the Ordinary Resolution will be voted by way of poll at the EGM and the results of the EGM will be published after the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend at the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time of the EGM or any adjournment thereof (as the case may be).

RECOMMENDATION

The Board (with the opinion of the Independent Board Committee set out below) considers that the terms of the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Beijing Capital has been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders with regard to the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street).

The Independent Board Committee, having taken into account of the advice of Beijing Securities, is of the opinion that the terms of the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Therefore, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the Ordinary Resolution.

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 13 of this circular and the letter from Beijing Securities on pages 14 to 23 regarding the 50-56 Russell Street Supplemental Agreements and the transactions contemplated thereunder as well as the principal factors and reasons taken into consideration in arriving at their advice.

You are advised to read the letter from the Independent Board Committee and the letter from Beijing Securities mentioned above before deciding how to vote on the Ordinary Resolution.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



英皇鐘錶珠寶有限公司
EMPEROR WATCH & JEWELLERY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 887)

14 June 2016

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 14 June 2016 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street). Beijing Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the advice of Beijing Securities, together with the principal factors and reasons it has taken into consideration in giving such advice, are set out on pages 14 to 23 of this Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendix thereto.

Having taken into account the advice of Beijing Securities, in particular the principal factors, reasons and recommendation as set out in its letter, we consider that the terms of the 50-56 Russell Street Supplemental Agreements and the Aggregate Annual Cap (50-56 Russell Street) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the Ordinary Resolution to be proposed at the EGM.

Yours faithfully,

EMPEROR WATCH & JEWELLERY LIMITED

Yip Kam Man

Lai Ka Fung, May

Chan Sim Ling, Irene

Independent Board Committee

LETTER FROM BEIJING SECURITIES

Beijing Securities
Beijing Securities Limited
北京證券有限公司

BEIJING SECURITIES LIMITED

14th Floor, Shanghai Industrial Investment Building, 48 Hennessy Road, Wanchai, Hong Kong

14 June 2016

*To the Independent Board Committee and the Independent Shareholders of
Emperor Watch & Jewellery Limited (the “Company”)*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS – 50-56 RUSSELL STREET SUPPLEMENTAL AGREEMENTS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 50-56 Russell Street Supplemental Agreements, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 14 June 2016 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 27 May 2016, the Company announced that Richorse as landlord entered into the 50-56 Russell Street Supplemental Agreements with Beauty Royal as tenant in relation to the tenancies of the First Property, the Second Property, and the Third Property (the “**Russell Street Properties**”).

Beauty Royal is an indirect wholly-owned subsidiary of the Company. Richorse is an indirect wholly-owned subsidiary of Emperor International. Both Emperor International and the Company are indirectly controlled by the AY Trust, a discretionary trust set up by Dr. Albert Yeung, a deemed substantial shareholder of Emperor International and the Company. As such, Richorse is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the 50-56 Russell Street Supplemental Agreements constitute continuing connected transactions for the Company.

LETTER FROM BEIJING SECURITIES

As one of the applicable percentage ratios on an annual basis calculated with reference to the proposed Aggregate Annual Cap (50-56 Russell Street) of the Company exceeds 5% and the annual amount exceeds HK\$10 million, the 50-56 Russell Street Supplemental Agreements are subject to the announcement, reporting, annual review and the approval of the Independent Shareholders requirements under Chapter 14A of the Listing Rules.

The Board currently comprises four executive Directors and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, Ms. Yip Kam Man, Ms. Lai Ka Fung, May and Ms. Chan Sim Ling, Irene, has been established to advise the Independent Shareholders in respect of the terms of the 50-56 Russell Street Supplemental Agreements and the proposed Aggregate Annual Cap (50-56 Russell Street). We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Beijing Securities is not connected with the Directors, chief executive or substantial shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Beijing Securities will receive any fees or benefits from the Company or the directors, chief executive or substantial shareholders of the Company or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the 50-56 Russell Street Supplemental Agreements and the transactions contemplated thereunder including the proposed Aggregate Annual Caps (50-56 Russell Street) are entered in the ordinary and usual course of business and on normal commercial terms and whether they are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the Ordinary Resolution to approve the 50-56 Russell Street Supplemental Agreements and the proposed Aggregate Annual Caps (50-56 Russell Street) at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors, the Company and its management.

We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be

LETTER FROM BEIJING SECURITIES

notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the 50-56 Russell Street Supplemental Agreements, we have considered the following principal factors and reasons:

1. Background of the 50-56 Russell Street Supplemental Agreements

We refer to the joint announcement of the Company and Emperor International dated 27 May 2016, in which it was announced that Richorse, an indirect wholly-owned subsidiary of Emperor International, as landlord entered into the 50-56 Russell Street Supplemental Agreements with Beauty Royal, an indirect wholly-owned subsidiary of the Company, as tenant in relation to the tenancies of the Russell Street Properties.

2. Background information of the Company

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.

LETTER FROM BEIJING SECURITIES

Set out below is a summary financial information of the Group for the two years ended 31 December 2015 as extracted from the Company's annual report for the year ended 31 December 2015 (the "2015 Annual Report"):

	For the year ended	
	31 December	
	2015	2014
	(HK\$'000)	(HK\$'000)
	(audited)	(audited)
– Watch	3,541,065	4,824,200
– Jewellery	<u>889,781</u>	<u>1,100,747</u>
Total revenue	<u>4,430,846</u>	<u>5,924,947</u>
(Loss)/profit for the year	<u>(120,082)</u>	<u>138,142</u>

The Group's revenue decreased by approximately 25.2% from approximately HK\$5,924.9 million for the year ended 31 December 2014 to approximately HK\$4,430.8 million for the year ended 31 December 2015 which was primarily due to weak consumption sentiment in Hong Kong resulting from a strong local currency and an unfavourable tourism environment. The Group also recorded a net loss of approximately HK\$120.1 million for the year ended 31 December 2015 as compared with a net profit of approximately HK\$138.1 million for the year ended 31 December 2014. Such losses were mainly attributable to high rental expenses as well as decrease in revenue of the Group.

3. Background information of Emperor International

Emperor International is an investment holding company and its subsidiaries are principally engaged in property investments, property development and hospitality in the Greater China and overseas.

4. Information of the Russell Street Properties

The Russell Street Properties are located at Russell Street, Causeway Bay, Hong Kong, being one of the busiest districts in Hong Kong. We considered that the location of the Russell Street Properties are easily accessible and with heavy pedestrian traffic. The following are information of the Russell Street Properties:

LETTER FROM BEIJING SECURITIES

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, Nos. 50-52 Russell Street, Causeway Bay, Hong Kong, with gross floor area of 2,673 sq. ft.

Second Property

Shop A on Ground Floor including the Yard and Office A on First Floor, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong, with a total gross area of 1,807 sq. ft.

Third Property

The whole of Nos. 54-56 Russell Street together with the right to use a LED Display on external wall on 1st-5th Floor and 9 advertising signboards, Nos. 54-56 Russell Street, Causeway Bay, Hong Kong (formerly known as Ground Floor, Mezzanine Floor and Flat A and Flat B on First Floor including the flat roof together with the right to use a LED display on external wall from 1st to 5th Floor facing Russell Street and advertising signboards facing Russell Street and Tang Lung Street, Nos. 54-56 Russell Street, Causeway Bay, Hong Kong), with a total gross area of 5,138 sq. ft.

5. Principal terms of the 50-56 Russell Supplemental Agreements

On 27 May 2016, Beauty Royal as tenant has entered into the 50-56 Russell Street Supplemental Agreements with Richorse as landlord. The following sets out the principal terms of the 50-56 Russell Street Supplemental Agreements:

- (i) Under the First Supplemental Tenancy Agreement, the monthly rental of the First Property is revised from HK\$1,386,000.00 to HK\$1,039,500.00 for the period from 1 June 2016 to 31 January 2017 and that of the remaining term from 1 February 2017 to 22 October 2017 will remain unchanged. The effective monthly rental rate is revised from HK\$1,386,000.00 to HK\$1,220,108.11 for the remaining term from 1 June 2016 to 22 October 2017. Based on the saleable floor area of the retail area of the First Property under the First Supplemental Tenancy Agreement, the effective monthly rental is estimated to be approximately HK\$1,360 per sq. ft;

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- (ii) Under the Second Supplemental Tenancy Agreement, the monthly rental of the Second Property is revised from HK\$1,302,000.00 to HK\$976,500.00 for the period from 1 June 2016 to 31 January 2017 and that of the remaining term from 1 February 2017 to 30 June 2017 will remain unchanged. The effective monthly rental rate is revised from HK\$1,302,000.00 to HK\$1,101,692.31 for the remaining term from 1 June 2016 to 30 June 2017. Based on the saleable floor area of the retail area of the Second Property under the Second Supplemental Tenancy Agreement, the effective monthly rental is estimated to be approximately HK\$1,200 per sq. ft; and
- (iii) Under the Third Supplemental Tenancy Agreement, the monthly rental of the Third Property is revised (a) from HK\$3,675,000.00 to HK\$2,756,250.00 for the period from 1 June 2016 to 22 October 2016; and (b) from HK\$3,850,000.00 to HK\$2,887,500.00 for period from 23 October 2016 to 31 January 2017; and that of the remaining term from 1 February 2017 to 22 October 2017 will remain unchanged. The effective monthly rental rate is revised from HK\$3,754,960.84 to HK\$3,352,195.95 for the remaining term from 1 June 2016 to 22 October 2017. Based on the saleable floor area of the retail area of the Third Property under the Third Supplemental Tenancy Agreement, the effective monthly rental is estimated to be approximately HK\$1,540 per sq. ft.

The 50-56 Russell Street Supplemental Agreements are conditional upon the approval of the Independent Shareholders at the EGM. If such condition cannot be fulfilled, the 50-56 Russell Street Supplemental Agreements shall cease to have any effect and become null and void; accordingly, the rental of the First Property, the Second Property and the Third Property as set out in the First Previous Supplemental Tenancy Agreement, the Second Previous Supplemental Tenancy Agreement and the Third Previous Supplemental Tenancy Agreement will remain unchanged.

As set out in the Letter from the Board, the terms of the 50-56 Russell Street Supplemental Agreements were entered into after arm's length negotiations with reference to the prevailing market rental of similar properties in the nearby locations which has reflected the prolonged sluggish retail environment due to the strong Hong Kong dollar and the recent weakened consumer sentiment in response to the continued austerity initiatives.

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Under the terms of the 50-56 Russell Street Supplemental Agreements, the effective monthly rental rates of the Russell Street Properties would decrease by approximately 11% to 15% as compared with the current existing effective monthly rental rates of the Russell Street Properties. The table below sets out a comparison of the effective monthly rental rates of the Russell Street Properties under the 50-56 Russell Street Supplemental Agreements as compared with the current existing effective monthly rental rates of the Russell Street Properties. The Group would be able to enjoy such rental saving only if the 50-56 Russell Street Supplemental Agreements are approved by the Independent Shareholders at the EGM.

	Effective monthly rental rates of the Russell Street Properties under the 50-56 Russell Street Supplemental Agreements (Approximate HK\$)	Existing effective monthly rental rates of the Russell Street Properties (Approximate HK\$)	The percentage decrease in effective monthly rental rate under 50-56 Russell Street Supplemental Agreements as compared with the existing effective monthly rental rates (Approximate %)
First Property	1,220,108	1,386,000	12.0
Second Property	1,101,692	1,302,000	15.4
Third Property	3,352,196	3,754,961	10.7

As set out above, the effective monthly rental rate based on per saleable floor area of the retail area of the Russell Street Properties ranged from approximately HK\$1,200 per sq. ft. to HK\$1,540 per sq. ft. We have compared them with two recent rental transactions of similar retail properties along Russell Street of Causeway Bay, Hong Kong that took place in May 2016 which ranged between approximately HK\$1,120 to HK\$1,560 per sq. ft. (the “**Market Rental Rates**”). Based on our findings, the effective monthly rental rates of the retail area of the Russell Street Properties under the 50-56 Russell Street Supplemental Agreements are in line with the Market Rental Rates.

LETTER FROM BEIJING SECURITIES

Further, we have compared each of the 50-56 Russell Supplemental Agreements and their respective original tenancy agreements and their relevant supplemental agreements and noted that save for the decrease in the rental rates as set out above, the other terms of the tenancies in the Russell Street Properties shall remain unchanged.

Given that (i) the 50-56 Russell Supplemental Agreements are entered into after arm's length negotiations; (ii) the effective monthly rental rates of the Russell Street Properties would be reduced by approximately 11% to 15% as compared with the current existing effective monthly rental rates of the Russell Street Properties; (iii) the effective monthly rental rates of the retail area of the Russell Street Properties under the 50-56 Russell Street Supplemental Agreements are in line with the Market Rental Rates; (iv) there is no change to the terms of the original tenancy agreements and their subsequent relevant supplemental agreements of the Russell Street Properties except for the decrease in the rental rates as stipulated in the 50-56 Russell Supplemental Agreements; and (v) if the 50-56 Russell Street Supplemental Agreements are not approved, the Group shall continue to pay the current existing rental rates for the Russell Street Properties which have effective monthly rental rates higher than that under the 50-56 Russell Street Supplemental Agreements, we are of the view that the terms of 50-56 Russell Supplemental Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

6. Reasons for entering into the 50-56 Russell Street Supplemental Agreements

As set out in the Letter from the Board, the 50-56 Russell Street Supplemental Agreements were entered into with the view that the rental expense of the Russell Street Properties could be reduced due to the sluggish retail environment as a result of the strong Hong Kong dollar and the recent weakened consumer sentiment in response to the continued austerity initiatives.

As set out in this letter above, the Group has recorded a loss for the year ended 31 December 2015 as compared with a net profit for the year ended 31 December 2014 as a result of high rental expenses as well as decrease in revenue due to weak consumption sentiment in Hong Kong resulting from a strong local currency and an unfavourable tourism environment. According to Report on Monthly Survey of Retail Sales conducted by Census and Statistics Department of Hong Kong, the value of sales of jewellery, watches and clocks, and valuable gifts for the year 2015 was approximately HK\$86,213 million, representing a decrease of approximately 15.6% from the year 2014. Further, the value of sales of jewellery, watches and clocks, and valuable gifts from the period January 2016 to March 2016 was approximately HK\$18,602 million, representing a decrease of approximately 23.2% from the corresponding prior period in 2015.

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In addition, the Group's effective monthly rental rates of the Russell Street Properties would decrease by approximately 11% to 15% by entering into the 50-56 Russell Street Supplemental Agreements as illustrated in the table set out in the section above.

Having considered that (i) the prevailing retail environment in Hong Kong is having a temporary negative effect to the profitability of the Group; and (ii) the entering of the 50-56 Russell Street Supplemental Agreements would reduce the rental expenses of the Group, we are of the view that entering into the 50-56 Russell Street Supplemental Agreements is in the ordinary and usual course of business of the Group and is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

7. Proposed Aggregate Annual Cap (50-56 Russell Street)

Set out below is the Aggregate Annual Cap (50-56 Russell Street) based on the total annual effective rental paid/payable by the Company under the 50-56 Russell Street Supplemental Agreements together with their respective previous supplemental tenancy agreements and the Tenancy Agreement (which are aggregated under Rule 14A.81 of the Listing Rules) for each of the years ending 31 December 2016 and 2017:

	2016	2017
	<i>HK\$</i>	<i>HK\$</i>
First Supplemental Tenancy Agreement	8,541,000	11,847,000
First Previous Supplemental Tenancy Agreement	6,930,000	–
Second Supplemental Tenancy Agreement	7,712,000	6,611,000
Second Previous Supplemental Tenancy Agreement	6,510,000	–
Third Supplemental Tenancy Agreement	23,466,000	32,549,000
Third Previous Supplemental Tenancy Agreement	18,775,000	–
Tenancy Agreement	48,000	–
Total	71,982,000	51,007,000

LETTER FROM BEIJING SECURITIES

As the Aggregate Annual Cap (50-56 Russell Street) is determined based on the total annual effective rental paid/payable by the Group to Emperor International under the 50-56 Russell Street Supplemental Agreements together with their respective previous supplemental tenancy agreements and the Tenancy Agreement for each of the years ending 31 December 2016 and 2017, we consider that the proposed Aggregate Annual Cap (50-56 Russell Street) is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the terms of the 50-56 Russell Street Supplemental Agreements and the transactions contemplated thereunder including the proposed Aggregate Annual Cap (50-56 Russell Street) are entered in the ordinary and usual course of business and on normal commercial terms and they are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Ordinary Resolution at the EGM. We also recommend the Independent Shareholders to vote in favour of the Ordinary Resolution at the EGM.

Yours faithfully,
For and on behalf of
Beijing Securities Limited
Charles Li
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules on the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers, or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares interested	Approximate percentage holding
Ms. Cindy Yeung	Beneficiary of a trust	3,617,860,000	52.57%

Note: These shares were held by Emperor W&J Holdings, a wholly-owned subsidiary of AY Holdings. AY Holdings was held by STC International Limited (“STC International”) in trust for the AY Trust, a discretionary trust under which Ms. Cindy Yeung is one of the eligible beneficiaries and hence had deemed interests in such Shares.

(b) Long position interests in associated corporations of the Company*Ordinary Shares*

Name of Director	Name of associated corporations	Capacity/Nature of interests	Number of shares held	Approximate percentage holding
Ms. Cindy Yeung	Emperor International	Beneficiary of a trust	2,747,610,489 (Note 1)	74.7%
Ms. Cindy Yeung	Emperor Entertainment Hotel Limited ("Emperor E Hotel")	-ditto-	824,622,845 (Note 1)	63.3%
Ms. Vanessa Fan	Emperor International	Beneficial Owner	11,600,000	0.3%

Debentures

Name of Director	Name of associated corporations	Capacity/Nature of interests	Amount of debentures held
Ms. Cindy Yeung	Emperor International	Beneficiary of a trust	HK\$558,000,000 (Note 2)

Notes:

- (1) Emperor International and Emperor E Hotel are companies with their shares listed in Hong Kong. These respective shares were ultimately owned by AY Holdings which was in turn held by STC International in trust for the AY Trust. Ms. Cindy Yeung, by virtue of being one of the eligible beneficiaries of the AY Trust, had deemed interests in the same shares.
- (2) These debentures were ultimately owned by the AY Trust of which Ms. Cindy Yeung was one of the eligible beneficiaries. As such, Ms. Cindy Yeung had deemed interests in the debentures.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers, or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO.

(b) Interests of other persons

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register maintained by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long position in the Shares

Name of shareholders	Capacity/Nature of interest	Number of Shares interested	Approximate percentage holding
Emperor W&J Holdings	Beneficial owner	3,617,860,000 <i>(Note)</i>	52.57%
AY Holdings	Interest in a controlled corporation	3,617,860,000 <i>(Note)</i>	52.57%
STC International	Trustee	3,617,860,000 <i>(Note)</i>	52.57%
Dr. Yeung Sau Shing, Albert	Founder of a discretionary trust	3,617,860,000 <i>(Note)</i>	52.57%
Ms. Luk Siu Man, Semon	Interest of spouse	3,617,860,000 <i>(Note)</i>	52.57%
Brandes Investment Partners, L.P.	Investment Manager	552,924,620	8.03%

Note: These Shares are the same Shares which Ms. Cindy Yeung has deemed interests (being one of the eligible beneficiaries of the AY Trust) as disclosed under Section (a) (i) of “Interest of Directors – Long position in the Shares” above.

Save as disclosed above, the Directors or the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) has any interest in business which is considered to compete or are likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

5. DIRECTORS' INTEREST IN CONTRACTS, ARRANGEMENTS AND ASSETS

There were subsisted at the Latest Practicable Date various tenancy agreements (including their respective supplemental tenancy agreements) or licence agreements entered into between a subsidiary of the Company as tenant and companies controlled by the AY Trust as landlords in respect of the following premises:

1. 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, Nos. 50 – 52 Russell Street, Causeway Bay, Hong Kong, with gross floor area of 2,673 sq. ft. at monthly rental of HK\$1,039,500.00 for the period from 1 June 2016 to 31 January 2017 and HK\$1,386,000.00 for the period from 1 February 2017 to 22 October 2017;
2. Shop A on Ground Floor including the Yard and Office A on First Floor, Tak Fat Building, 50 – 52 Russell Street, Causeway Bay, Hong Kong, with a total gross area of 1,807 sq. ft. at monthly rental of HK\$976,500.00 for the period from 1 June 2016 to 31 January 2017 and HK\$1,302,000.00 for the period from 1 February 2017 to 30 June 2017;

3. The whole of Nos. 54 – 56 Russell Street together with the right to use a LED Display on external wall on 1st- 5th Floor and 9 advertising signboards, Nos. 54 – 56 Russell Street, Causeway Bay, Hong Kong (formerly known as Ground Floor, Mezzanine Floor and Flat A and Flat B on First Floor including the flat roof together with the right to use a LED display on external wall from 1st to 5th Floor facing Russell Street and advertising signboards facing Russell Street and Tang Lung Street, Nos. 54 – 56 Russell Street, Causeway Bay, Hong Kong), with a total gross area of 5,138 sq. ft. at monthly rental of HK\$2,756,250.00 for the period from 1 June 2016 to 22 October 2016, HK\$2,887,500.00 for the period from 23 October 2016 to 31 January 2017 and HK\$ 3,850,000.00 for the period from 1 February 2017 to 22 October 2017;
4. Shops 1 & 2 on Ground Floor with a total gross area of 3,367 sq. ft. together with a right to use (i) external wall unit 1 on 1st Floor; (ii) external wall Unit 2 on 6th-29th Floors and roof; (iii) a LED Display on the external wall on 5th Floor; (iv) 2 Signboards on external wall on 1st-3rd Floors; (v) 2 Signboards on external wall on 5th Floor; and (vi) signage Space A on 1st Floor, Emperor Watch and Jewellery Centre (formerly known as No. 8 Russell Street), No. 8 Russell Street, Causeway Bay, Hong Kong at monthly rental of HK\$1,837,500.00 for the period from 1 June 2016 to 18 March 2017 and HK\$2,450,000.00 for the period from 19 March 2017 to 11 September 2017;
5. All of that Ground Floor and 1st Floor, Units A & B on 3/F, Portion A of Unit A on 4/F and roof together with a right to use of four outdoor advertising signs on the external walls to the building of Nos. 4-8 Canton Road, Kowloon, Hong Kong with a total gross floor area of 6,261 sq. ft. at monthly rental of HK\$3,244,500.00 for the period from 1 June 2016 to 31 January 2017 and HK\$4,326,000.00 for the period from 1 February 2017 to 3 January 2018;
6. Shops A, D2 & E2 on Ground Floor and the projected signage on external wall, Harilela Mansion, 81 Nathan Road, Hong Kong with gross floor area of 3,061 sq. ft. at monthly rental of HK\$937,500.00 for the period from 1 June 2016 to 31 January 2017 and HK\$1,250,000.00 for the period from 1 February 2017 to 31 March 2017;
7. Projected signage of 4-8 Canton Road, Tsimshatsui, Kowloon, Hong Kong with approximate area of 76.4 sq. m. at licence fee of (a) HK\$330,000.00 for May and August of 2016; (b) HK\$500,000.00 for October and December of 2016;
8. The whole of 25/F & Car Parking Space No. 27, B2/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong with gross floor area of 9,323 sq. ft. at monthly rental of HK\$307,659.00 for the period from 1 April 2016 to 31 March 2019;

9. Shop Nos. 2A-2B on G/F, EM Macau, Travessa Central Da Praia Grande NoS 11-41, Hotel Animacao Imperial (also known as Shop Nos. 2A-2B on G/F., Grand Emperor Hotel, 251-292D Avenida Comercial De Macau) with gross floor area of 1,129 sq. ft. at monthly rental of HK\$82,950.00 for the period from 1 April 2016 to 31 March 2019;
10. Shop Nos. 1-4 on G/F, EM Macau, Travessa Central Da Praia Grande NoS 11-41, Hotel Animacao Imperial (also known as Shop Nos. 1-4 on G/F, Grand Emperor Hotel, 251-292D Avenida Comercial De Macau) with gross floor area of 4,391 sq. ft. at monthly rental of HK\$307,400.00 for the period from 1 April 2016 to 31 March 2019;
11. Shop Units G01 to G05 on G/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong with gross floor area of 5,762 sq. ft. at a monthly rental of HK\$660,000.00 for the period from 17 November 2014 to 16 November 2015, HK\$680,000.00 for the period from 17 November 2015 to 16 November 2016 and HK\$700,000.00 for the period from 17 November 2016 to 16 November 2017;
12. EM Macau, Avenida Do Infante D., Henrique N°S 67-69, Res-Do-Chao B & EM Macau, Rua Do Dr., Pedro Jose Lobo N°5, Res-Do-Chao C2, Macau with gross floor area of 1,600 sq. ft. at monthly rental of HK\$500,000.00 for the period from 1 July 2014 to 30 June 2017;
13. EM Macau, Avenida Do Infante D., Henrique N°65-A, 1° Andar B with gross floor area of 1,575 sq. ft. at monthly rental of HK\$8,500.00 for the period from 1 July 2014 to 30 June 2017.

Details of the above agreements have been set out in the announcements of the Company dated, as the case may be, 30 June 2014, 14 November 2014, 31 March 2016, 29 April 2016 and 27 May 2016. By virtue of being one of the eligible beneficiaries of the AY Trust, Ms. Cindy Yeung has deemed interest in the above agreements which are significant in relation to the business of the Group.

Save as disclosed above, none of the Directors had any interests, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015 (being the date to which the latest published audited consolidated accounts of the Group were made up).

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given an opinion or advice which are contained in this circular:

Name	Qualification
Beijing Securities	a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

Beijing Securities has given and has not withdrawn its written consent to the issue of this circular with reference to its name and its letter in the form and context in which it appears.

As at the Latest Practicable Date, Beijing Securities does not have any shareholding, directly or indirectly in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Beijing Securities does not have any interest, direct or indirect, in any assets which since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the following documents are available for inspection during 9:00 a.m. to 5:00 p.m. on any weekday (except for Saturdays and public holidays) at 25/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong for a period of 14 days from the date of this circular:

- (a) the 50-56 Russell Street Supplemental Agreements;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (c) the letter of advice from Beijing Securities, the text of which is set out on pages 14 to 23 of this circular; and
- (d) written consent of Beijing Securities referred to in the paragraph headed “Expert and Consent”.

9. MISCELLANEOUS

The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



英皇鐘錶珠寶有限公司 EMPEROR WATCH & JEWELLERY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 887)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Emperor Watch & Jewellery Limited (the “**Company**”) will be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Wednesday, 29 June 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the supplemental tenancy agreement dated 27 May 2016 made between Richorse Limited (“**Richorse**”), an indirect wholly-owned subsidiary of Emperor International Holdings Limited, as landlord and Beauty Royal Limited (“**Beauty Royal**”), an indirect wholly-owned subsidiary of the Company, as tenant in relation to the tenancy of 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, Nos. 50-52 Russell Street, Causeway Bay, Hong Kong (a copy of which is marked “A” and has been produced to the meeting and signed by the Chairperson of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;
- (b) the supplemental tenancy agreement dated 27 May 2016 made between Richorse as landlord and Beauty Royal as tenant in relation to the tenancy of Shop A on Ground Floor including the Yard and Office A on First Floor, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong (a copy of which is marked “B” and has been produced to the meeting and signed by the Chairperson of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the supplemental tenancy agreement dated 27 May 2016 made between Richorse as landlord and Beauty Royal as tenant in relation to the tenancy of the whole of Nos. 54-56 Russell Street together with the right to use a LED Display on external wall on 1st-5th Floors and 9 advertising signboards, Nos. 54-56 Russell Street, Causeway Bay, Hong Kong (formerly known as Ground Floor, Mezzanine Floor and Flat A and Flat B on First Floor including the flat roof together with the right to use a LED display on external wall from 1st to 5th Floors facing Russell Street and advertising signboards facing Russell Street and Tang Lung Street, Nos. 54-56 Russell Street, Causeway Bay, Hong Kong) (a copy of which is marked “C” and has been produced to the meeting and signed by the Chairperson of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;
- (d) the Aggregate Annual Cap (50-56 Russell Street) (as defined and more particularly described in the circular of the Company to its shareholders dated 14 June 2016) be and is hereby approved; and
- (e) any director of the Company be and is hereby authorized on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as he/she may in his/her discretion consider necessary or desirable for the purpose of or in connection with (a) to (d) above.”

By order of the Board
Emperor Watch & Jewellery Limited
Chung Ho Ying, Frina
Company Secretary

Hong Kong, 14 June 2016

Registered Office:
25th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies (if he/she is a holder of more than one share) to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be in writing under the hand of the appointor or his/her attorney duly authorized in writing, or if the appointor is a corporation, either under its common seal, or under the hand of an officer or attorney duly authorized on that behalf, and must be deposited at the share registrar of the Company, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney, not less than 48 hours before the time for holding the meeting or any adjourned meeting.
3. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s), and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding of such share.
4. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting.
5. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution as set out in this notice will be decided by poll at the above meeting. Where the Chairperson in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted, such resolution will be decided by a show of hands.
6. If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 9:00 a.m. and before the above meeting time, the meeting will be postponed. The Company will post an announcement on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.emperorwatchjewellery.com>) to notify shareholders of the date, time and place of the rescheduled meeting.

This circular (in both English and Chinese versions) is available to any Shareholder either in printed form or on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.emperorwatchjewellery.com>). In order to protect the environment, the Company highly recommends Shareholders to elect to receive electronic copy of this circular. Upon written request, a free printed version of this circular will be sent to the Shareholders who have elected to receive electronic copy but for any reason have difficulty in receiving or gaining access to this circular through the Company's website. Shareholders may have the right to change their choice of receipt of all future corporate communications at any time by reasonable notice in writing to the Company or the share registrar of the Company, Tricor Secretaries Limited, by post at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at is-enquiries@hk.tricorglobal.com.