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

MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF ENTIRE EQUITY INTEREST IN
PERFECT RAISE HOLDINGS LIMITED

- On 27 August 2018, the Purchaser entered into the Sale and Purchase Agreement with the Vendor in relation to the sale and purchase of (a) the entire equity interest of the Target Company; and (b) the Sale Loan.
- Under Chapter 14A of the Listing Rules, the Vendor is a connected person of the Company and accordingly, the Sale and Purchase Agreement constitutes a connected transaction for the Company.
- As one or more of the applicable percentage ratios (as defined in Listing Rules) in respect of the Acquisition are greater than 25% but all of them are less than 100% and the total consideration exceeds HK\$10 million, the Acquisition constitutes a major and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules and is subject to announcement, the Independent Shareholders' approval and reporting requirements under the Listing Rules.
- An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.
- A circular containing, amongst other things, (i) further information on the Acquisition; (ii) a letter from the Independent Board Committee in respect of the Acquisition; (iii) a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition; (iv) the valuation report of the Property; and (v) a notice convening the EGM will be sent to the Shareholders. Based on the information currently available, as the Company will require more than 15 Business Days to prepare the relevant information to be included in the circular, it is expected that the circular will be despatched on or before 28 September 2018.

INTRODUCTION

The Board announces that on 27 August 2018, the Vendor entered into the Sale and Purchase Agreement with the Purchaser, in relation to the sale and purchase of (a) the entire equity interest of the Target Company; and (b) the Sale Loan.

THE SALE AND PURCHASE AGREEMENT DATED 27 AUGUST 2018

The Vendor: Emperor Property, a direct wholly-owned subsidiary of Emperor International

The Purchaser: Emperor W&J (HK & Macau), a direct wholly-owned subsidiary of the Company

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase (a) the entire equity interest (1 ordinary share) of the Target Company; and (b) the Sale Loan due and payable by the Target Company to the Vendor.

The Target Company is an indirect holding company of Gold Pleasure which directly holds the Property. The Property is currently rented to a wholly-owned subsidiary of the Company under the Tenancy.

Consideration and payment terms

The consideration for the Acquisition payable by the Purchaser to the Vendor is HK\$1,800 million and shall be payable in the following manner:

- deposit in the sum of HK\$360 million shall be paid by the Purchaser to the Vendor within 15 Business Days from the date of the Sale and Purchase Agreement;
- the remaining balance of HK\$1,440 million subject to adjustments set out below, shall be paid by the Purchaser to the Vendor upon Completion.

The consideration shall be settled by the Purchaser by cash transfer into the bank account of the Vendor or in such other manner as the Vendor and the Purchaser may otherwise agree.

The consideration is subject to the following adjustments by reference to the Completion Accounts:

- (a) reduced by the amount of any and all liabilities, including but not limited to, all outstanding amounts payable under the mortgages, accrued expenses and deferred tax but excluding the Sale Loan of the Target Group as shown in the Completion Accounts; and
- (b) increased by the aggregate amount (if any) of the following assets (which for the avoidance of doubt excludes the Property, fittings and equipment) of the Target Group shown in the Completion Accounts:
 - (i) prepaid management fees, rates, government rent (if any), insurance premium (if any) and other outgoings in respect of the Property covering the period from but excluding the Completion Date;

- (ii) refundable and subsisting management fee deposits and utility deposits placed with relevant authorities or suppliers for the supply of any utilities or services to the Property; and
- (iii) other receivables (excluding rental incentives), tax recoverable, any bank or cash balance of the Target Group as at the Completion Date.

The consideration was arrived at after arm's length negotiations between the Company and the Vendor on normal commercial terms with reference to (i) the value of the Property of HK\$1,800 million as at 10 August 2018 as indicated by an independent professional valuer; (ii) the amount of the loan due from the Target Company to the Vendor of approximately HK\$564.5 million as at 10 August 2018, and (iii) the unaudited consolidated net asset value of the Target Group as at 10 August 2018 of approximately HK\$593.4 million after the adjustment on book value of the Property from HK\$1,194.3 million to HK\$1,800 million.

The Directors (save for the independent non-executive Directors whose views shall be set out in the circular to be despatched) considered that the transaction under the Sale and Purchase Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion shall be conditional upon the following conditions precedent:

- (a) the Purchaser having completed its due diligence investigation on the business, financial, legal and other aspects of the Target Group (other than with respect to the title of the Property) and reasonably satisfied with the results thereof;
- (b) the Vendor having proved good title to the Property in accordance with Section 13 of the Conveyancing and Property Ordinance (Cap.219 of the Laws of Hong Kong) and delivered to the Purchaser title deeds and documents in accordance with Section 13A of the Conveyancing and Property Ordinance (Cap.219 of the Laws of Hong Kong);
- (c) the approval by the Independent Shareholders of the transactions contemplated under the Sale and Purchase Agreement at the EGM; and
- (d) the approval by the independent shareholders of Emperor International of the transactions contemplated under the Sale and Purchase Agreement at the SGM.

In the event that any of the conditions is not fulfilled (or waived by the Purchaser, except conditions (c) and (d) above) in accordance with the Sale and Purchase Agreement within 9 months from the date of the Sale and Purchase Agreement, the Purchaser shall be entitled to terminate the Sale and Purchase Agreement by notice in writing to the Vendor whereupon, subject to the terms of the Sale and Purchase Agreement, the Vendor shall return to the Purchaser the deposit paid by the Purchaser to the Vendor forthwith without costs, compensation and interest and neither party shall have any claim against the other hereon save and except for any antecedent breach.

Completion

Subject to the fulfillment of all the above conditions precedent (or waived by the Purchaser, except conditions (c) and (d) above), Completion shall take place at or before 12:00 noon on the Completion Date or at such time as may be agreed by the Vendor and Purchaser in writing pursuant to the Sale and Purchase Agreement.

Immediately after Completion, the Target Company and its subsidiaries will become wholly owned subsidiaries of the Company.

INFORMATION OF THE COMPANY AND THE PURCHASER

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 Mainland China and Singapore.

The Purchaser is a direct wholly-owned subsidiary of the Company and its principal business is investment holding.

INFORMATION OF EMPEROR INTERNATIONAL AND THE VENDOR

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.

The Vendor is a direct wholly-owned subsidiary of the Emperor International with principal business of investment holding.

INFORMATION OF THE TARGET GROUP AND THE PROPERTY

Information of the Target Company

The Target Company is a company incorporated in the BVI and indirectly wholly-owned by Emperor International. Its principal business is investment holding and it is, through its subsidiaries, the indirect beneficial owner of the Property.

Gold Pleasure is a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Target Company. Gold Pleasure engages in the business of property investment and it directly holds the Property.

After taking into account the value of the Property of approximately HK\$1,800 million as at 10 August 2018 as indicated by an independent professional valuer, the unaudited consolidated net asset value of the Target Group as at 10 August 2018 was approximately HK\$593.4 million after the adjustment on the book value of the Property from HK\$1,194.3 million to HK\$1,800 million.

As the Target Company was incorporated on 8 June 2018, there is no financial information of the Target Company for the two years ended 31 March 2017 and 2018. The audited net losses (before and after taxation) of Gold Pleasure for the two years ended 31 March 2017 and 2018 are as below:

	For the year ended 31 March 2018	For the year ended 31 March 2017
	HK\$	HK\$
	(audited)	(audited)
Net loss before taxation	118,368,670	235,680,367
Net loss after taxation	117,938,358	235,698,256

Gold Pleasure recorded audited revenue of approximately HK\$40.5 million and HK\$36.9 million for the two years ended 31 March 2017 and 2018 respectively, which was mainly generated from rental income of the Property and other properties then held by Gold Pleasure. The loss was mainly attributable to the fair value change in investment properties and finance costs.

The audited combined financial information of the Target Group for the three years ended 31 March 2018 will be presented in the circular to be issued to the Shareholders in respect of the Acquisition.

Information of the Property

The Property consists of Shops on the G/F, Shop on the 1/F (including the staircases leading thereto from the G/F) and the Advertising Space B of No. 4-8 Canton Road, Kowloon, Hong Kong. The Property is wholly owned by Gold Pleasure as investment property for rental income.

Original acquisition costs of the Property

Based on the information provided by the Vendor, the original acquisition cost of the Property paid by the Vendor was approximately HK\$1,158 million (excluding tax, agency fee and any other costs).

REASONS AND BENEFITS FOR THE ACQUISITION

The Property is located at Canton Road in Tsim Sha Tsui, one of the prominent shopping areas in the world, which receives the best traffic of Chinese shoppers. Being one of the long established and one of the most revenue-generating point-of-sales of the Group, it is regarded as a flagship store with brand enhancement. The Group considers that it is favourable to secure permanent ownership of the crucial retail space in prime location. The Acquisition can save the rental expense and maximize the use of existing resources. It can also reduce the risk of significant rental increments during a peak cycle of the retail market. The Group intends to keep the Property as self-used property in the long-run and continues to enjoy its unique advantages of high visitations and brand appeal, given that the Group expects such point-of-sales operating at the Property will continue to make positive contributions to the Group based on track record. Upon completion of the Acquisition, the Group will continue to use the Property as one of the flagship stores.

TENANCY ARRANGEMENT IN RELATION TO THE PROPERTY

With effect from the Completion Date, the Tenancy in relation to the Property shall cease to be continuing connected transaction (as defined under the Listing Rules) of the Company.

IMPLICATIONS UNDER THE LISTING RULES

The Vendor is a direct wholly-owned subsidiary of Emperor International. The Purchaser is a direct wholly-owned subsidiary of the Company. The Company and Emperor International are both indirectly controlled by the AY Trust. As such, under Chapter 14A of the Listing Rules, the Vendor is a connected person of the Company and accordingly, the Sale and Purchase Agreement constitutes a connected transaction for the Company. As one or more of the applicable percentage ratios (as defined in Listing Rules) in respect of the Acquisition are greater than 25% but all of them are less than 100% and the total consideration exceeds HK\$10 million, the Acquisition constitutes a major and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules and is subject to announcement, the Independent Shareholders' approval and reporting requirements under the Listing Rules.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

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

GENERAL

A circular containing, amongst other things, (i) further information on the Acquisition; (ii) a letter from the Independent Board Committee in respect of the Acquisition; (iii) a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition; (iv) the valuation report of the Property; and (v) a notice convening the EGM will be sent to the Shareholders. Based on the information currently available, as the Company will require more than 15 Business Days to prepare the relevant information to be included in the circular, it is expected that the circular will be despatched on or before 28 September 2018.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“associates”	has the meaning ascribed to it in the Listing Rules
“Acquisition”	the acquisition of the entire equity interest of the Target Company and the Sale Loan by the Vendor to the Purchaser under the Sale and Purchase Agreement
“AY Holdings”	Albert Yeung Holdings Limited, an investment holding company incorporated in the BVI and held by STC International Limited acting as trustee of the AY Trust
“AY Trust”	The Albert Yeung Discretionary Trust, a discretionary trust set up by Dr. Yeung Sau Shing, Albert

“Beauty Royal”	Beauty Royal Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Board” or “Directors”	the board of directors of the Company
“Business Day(s)”	a day other than a Saturday, Sunday or public holiday (or a day on which a tropical cyclone No.8 or above or a “black” rainstorm warning is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. on weekdays) on which banks are open in Hong Kong to the general public for business
“BVI”	the British Virgin Islands
“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 (Stock Code: 887)
“Completion”	the Completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Accounts”	the accounts of the Target Group (on a consolidated basis) comprising an income statement for the period from 1 April 2018 to the Completion Date and a balance sheet as at the Completion Date
“Completion Date”	within 5 Business Days following satisfaction (or waived by the Purchaser as appropriate) of all the conditions precedent to Completion pursuant to the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“EGM”	an extraordinary general meeting (or any adjournment thereof) of the Company to be convened to consider and, if think fit, approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Emperor International”	Emperor International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 163)
“Emperor International Group”	Emperor International and its subsidiaries
“Emperor Property” or “Vendor”	Emperor Property Investment Limited, a company incorporated in the BVI and directly wholly-owned by Emperor International
“Emperor W&J (HK & Macau)” or “Purchaser”	Emperor Watch & Jewellery (HK & Macau) Holdings Limited, a company incorporated in the BVI and a directly wholly-owned by the Company

“Gold Pleasure”	Gold Pleasure Investment Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Target Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders other than AY Holdings and its associates who have material interest in the Acquisition
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Property”	All Those 7 equal undivided 15th parts or shares of and in Kowloon Inland Lot No.9547 and of and in the messuages erections and buildings thereon now known as Nos.4/8 Canton Road (“the Estate”) together with the exclusive right and privilege to hold use occupy and enjoy Firstly All Those Shop on the Ground Floor of No.4 Canton Road, Shop on the Ground Floor of No.6 Canton Road and Shop on the Ground Floor of No.8 Canton Road of the Estate Secondly All That Shop on the First Floor (including the staircases leading thereto from the Ground Floor of the Estate) and Thirdly All That the Advertising Space B as shown in the deed of mutual covenant and management agreement of the Estate
“Sale and Purchase Agreement”	the sale and purchase agreement dated 27 August 2018 entered into between the Vendor and Purchaser in relation to the Acquisition
“Sale Loan”	all loan, interest and all other sums owing by Perfect Raise to the Vendor as at Completion
“SGM”	a special general meeting (or an adjournment thereof) of Emperor International to be convened to consider and, if think fit, approve among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Shareholders”	holder(s) of the ordinary 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)
“Target Company” or “Perfect Raise”	Perfect Raise Holdings Limited, a company incorporated in the BVI and indirectly wholly-owned by Emperor International
“Target Group”	Target Company and its subsidiaries
“Tenancy”	the tenancy entered into between Gold Pleasure as landlord and Beauty Royal as tenant in respect of, inter alia, the Property for the period from 1 August 2017 to 31 July 2020 under the tenancy agreement dated 27 July 2017 as amended on 9 August 2018, details of the transaction were set out in the announcement jointly published by the Company and Emperor International on 27 July 2017
“%”	per cent

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

Hong Kong, 27 August 2018

As at the date hereof, the Board comprises:

<i>Executive Directors:</i>	Ms. Cindy Yeung Mr. Wong Chi Fai Ms. Fan Man Seung, Vanessa
<i>Independent Non-Executive Directors:</i>	Ms. Chan Sim Ling, Irene Mr. Liu Hing Hung Ms. Chan Wiling, Yvonne