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

CONTINUING CONNECTED TRANSACTIONS
THE 2020 CONSIGNMENT AGREEMENT

On 15 November 2019, the Company entered into the 2020 Consignment Agreement with Dr. Albert Yeung for the renewal of the continuing connected transactions under the 2017 Consignment Agreement (which is to expire on 31 December 2019) in relation to the consignment arrangements with the Yeung Family.

Dr. Albert Yeung and members of the Yeung Family are connected persons of the Company under Chapter 14A of the Listing Rules and accordingly, the Transactions constitute continuing connected transactions for the Company.

As the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the 2020 Consignment Annual Caps are more than 0.1% but less than 5%, the Transactions are subject to the announcement, reporting and annual review requirements, but exempt from the Shareholders' approval under Chapter 14A of the Listing Rules.

THE 2020 CONSIGNMENT AGREEMENT

The Board announces that, on 15 November 2019, the Company entered into the 2020 Consignment Agreement with Dr. Albert Yeung for the renewal of the continuing connected transactions under the 2017 Consignment Agreement (which is to expire on 31 December 2019) in relation to the consignment arrangements with the Yeung Family. Pursuant to the 2020 Consignment Agreement, the Group may at its discretion make consignment arrangements with members of the Yeung Family during the period from 1 January 2020 to 31 December 2022 and may consider accepting Consigned Items from members of the Yeung Family for sale as and when the Group considers the sale of such Consigned Items is profitable for the Group. Upon acceptance by the Group, members of the Yeung Family will consign Consigned Items to the Group at the Consignment Value and the Group will sell the Consigned Items at its retail shops. The Group is free to determine the retail prices of the Consigned Items and they are normally priced above the Consignment Value. When the Consigned Items are sold to its customers, the Group shall pay the consignors the Consignment Value and the Group shall make profit from the mark-up amount above the agreed Consignment Value. Upon the expiry or early termination of the 2020 Consignment Agreement, all the unsold Consigned Items, if any, can be returned to the relevant consignor(s) within 14 days.

The 2020 Consignment Agreement provides that the Consignment Value and other specific terms of each consignment shall be specified in each individual contract to be agreed between the Group and the individual member of the Yeung Family on case by case basis. The Consignment Value shall be determined based on normal commercial terms after arm's length negotiation and on such terms that are no less favourable to the Group than those applicable to Independent Third Parties in the ordinary course of business of the Group. The Consignment Value shall also be determined by both parties with reference to the market price and particular features of the relevant products (such as the rarity, the design and the popularity of a particular piece of jewellery) upon acceptance of the Consigned Items by the Group from any Yeung Family member(s).

Historical Consignment Value, 2017 and 2020 Consignment Annual Caps

Historical Consignment Value

During the period from 1 January 2017 to 31 December 2019 (the "Period"), a jewellery item with Consignment Value of HK\$10,000,000 consigned from Dr. Albert Yeung's associate was recorded and no sale of such item was made during the Period. Historical Consignment Value under the 2017 Consignment Agreement (with effect from 1 January 2017) recorded during each of the years ended 31 December 2017 and 2018 and the 10 months ended 31 October 2019 are set out below:

| | For the year ended 31 December | | 10 months ended |
|------------------------------|---------------------------------------|-------------|------------------------|
| | 2017 | 2018 | 31 October |
| | <i>HK\$</i> | <i>HK\$</i> | 2019 |
| | | | <i>HK\$</i> |
| Historical Consignment Value | 10,000,000 | 10,000,000 | 10,000,000 |

2017 Consignment Annual Caps

The 2017 Consignment Annual Caps for the transactions contemplated under the 2017 Consignment Agreement for each of the financial years ended / ending 31 December 2017, 2018 and 2019 are set out below:

| | For the years ended / ending 31 December | | |
|------------------------------|---|-------------|-------------|
| | 2017 | 2018 | 2019 |
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| 2017 Consignment Annual Caps | 65,000,000 | 65,000,000 | 65,000,000 |

The Directors have been monitoring the transaction amounts contemplated under the 2017 Consignment Agreement for the years ended 31 December 2017 and 2018 and the 10 months ended 31 October 2019 and the annual caps for each respective year / period has not been exceeded. The 2017 Consignment Annual Cap under the 2017 Consignment Agreement for the year ending 31 December 2019 is not expected to be exceeded.

2020 Consignment Annual Caps

The 2020 Consignment Annual Caps for the Transactions for each of the financial years ending 31 December 2020, 2021 and 2022 are set out below:

| | For the years ending 31 December | | |
|------------------------------|---|-------------|-------------|
| | 2020 | 2021 | 2022 |
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| 2020 Consignment Annual Caps | 50,000,000 | 50,000,000 | 50,000,000 |

In determining the 2020 Consignment Annual Caps, the Directors have considered the following factors:

- (i) the total Consignment Value of the Consigned Items estimated to be consigned to the Group by members of the Yeung Family for each of the financial years ending 31 December 2020, 2021 and 2022, regardless the Consigned Items will be sold or not during the relevant year;
- (ii) the internal control policy of the Group governing the aggregated value of the products under consignment arrangements during the normal course of business to be no more than 35% of the then inventory level of the Group for each of the financial years ending 31 December 2020, 2021 and 2022;
- (iii) the consignment from all consignors given that the consignment arrangement is profitable to the Group and the 35% policy set out in item (ii) above is observed; and
- (iv) the latest published inventory level of the Group and its scale of business as at 30 June 2019 expecting that the inventory level shall remain stable after the consignment.

REASONS AND BENEFITS FOR THE 2020 CONSIGNMENT AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in the sale of European-made internationally renowned watches and self-designed fine jewellery products in Hong Kong, Macau, the PRC, Singapore and Malaysia, as well as an online shopping platform.

As part of the normal and ordinary course of business of the Group, the Group had been accepting limited consignment from consignors who were Independent Third Parties and also from Dr. Albert Yeung and members of the Yeung Family under the 2017 Consignment Agreement. The 2020 Consignment Agreement shall continue to maintain flexibility for the Group to include consignment from connected consignors as and when the Group thinks fit, especially considering the quality of the Consigned Items from members of the Yeung Family are expected to be of high sophistication, rare and unique styles. The showcase of the Yeung Family's collection not only can attract customers but also enrich the Group's collection of fine jewellery without placing undue burden on the resources of the Group.

The Directors (including the independent non-executive directors) are of the view that 2020 Consignment Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, 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 at the board meeting of the Company in view of her deemed interests in the Transactions by virtue of being the daughter of Dr. Albert Yeung and a member of the Yeung Family.

LISTING RULES IMPLICATIONS

Dr. Albert Yeung and members of the Yeung Family are connected persons of the Company under Chapter 14A of the Listing Rules and accordingly, the Transactions constitute continuing connected transactions for the Company.

As the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the 2020 Consignment Annual Caps (which is the total Consignment Value of the Consigned Items estimated to be consigned to the Group by members of the Yeung Family for each of the financial years ending 31 December 2020, 2021 and 2022) are more than 0.1% but less than 5%, the Transactions are subject to the announcement, reporting and annual review requirements, but exempt from the Shareholders' approval under Chapter 14A of the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

| | |
|----------------------------------|---|
| “2017 Consignment Agreement” | the agreement dated 4 November 2016 entered into between the Company and Dr. Albert Yeung (as amended on 19 June 2017) governing the consignment arrangements between the Company and members of the Yeung Family during the period from 1 January 2017 to 31 December 2019, details of which were set out in the announcement of the Company dated 4 November 2016 |
| “2017 Consignment Annual Cap(s)” | the agreed maximum aggregate amount of the Consignment Value for the consignment transactions contemplated under the 2017 Consignment Agreement for each of the financial years ended / ending 31 December 2017, 2018 and 2019 |
| “2020 Consignment Agreement” | the agreement dated 15 November 2019 entered into between the Company and Dr. Albert Yeung governing the consignment arrangements between the Company and members of the Yeung Family during the period from 1 January 2020 to 31 December 2022 |
| “2020 Consignment Annual Cap(s)” | the agreed maximum aggregate amount of the Consignment Value for the Transactions for each of the financial years ending 31 December 2020, 2021 and 2022 |
| “associates” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “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(s)” | has the meaning ascribed to it under the Listing Rules |
| “Consigned Item(s)” | jewellery, watch and accessory items that may be placed by Dr. Albert Yeung and/or the Yeung Family with the Company as consignment under the 2020 Consignment Agreement |

| | |
|--------------------------------|--|
| “Consignment Value” | the price of the Consigned Item(s) to be agreed between the Group and the relevant member(s) of the Yeung Family and to be paid by the Group to the consignor(s) upon the selling of the relevant Consigned Item(s) to customer(s) |
| “Director(s)” | the director(s) of the Company |
| “Dr. Albert Yeung” | Dr. Yeung Sau Shing, Albert, the father of Ms. Cindy Yeung who is the Chairperson of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Independent Third Party(ies)” | independent third party(ies) who are not connected persons of the Company as defined in the Listing Rules and are independent of the Company and the connected persons of the Company |
| “Shareholder(s)” | holder(s) of ordinary share(s) of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Transaction(s)” | the transaction(s) contemplated under the 2020 Consignment Agreement |
| “Yeung Family” | Dr. Albert Yeung and his associates |
| “%” | per cent |

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

Hong Kong, 15 November 2019

As at the date hereof, the Board comprises:

| | |
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| <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 Ms. Liu Hing Hung Ms. Chan Wiling, Yvonne |