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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 board of directors of the Company announces that on 25 May 2011 Beauty Royal entered into the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement with Richorse in relation to the tenancies of the First Property, the Second Property and the Third Property and into the Fourth Tenancy Agreement with Planwing in relation to the tenancy of the Fourth Property.

Beauty Royal is an indirect wholly-owned subsidiary of the Company. Richorse and Planwing are indirect wholly-owned subsidiaries of EIHL. EIHL and the Company are indirectly owned as to 70.39% and 52.26% respectively by the AY Trust, a discretionary trust set up by Dr. Albert Yeung, a deemed substantial shareholder of EIHL and the Company. As such, Richorse and Planwing are the connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Tenancy Agreements constitute continuing connected transactions for the Company.

First Aggregate Annual Cap

As the applicable percentage ratios calculated with reference to the First Aggregate Annual Cap are more than 0.1% but less than 5% under Rule 14A.34 of the Listing Rules, the First Tenancy Agreement, the Second Tenancy Agreement, the Third Tenancy Agreement and the First Aggregate Annual Cap are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the approval of independent shareholders in accordance with Rule 14A.34 of the Listing Rules.

Since the exercise of the options to renew of the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement are at the Company's discretion, under Rule 14A.70(2) of the Listing Rules, the Company will comply with the continuing connected transaction requirements under Chapter 14A of the Listing Rules if it exercises such options.

Second Aggregate Annual Cap

As the applicable percentage ratios calculated with reference to the Second Aggregate Annual Cap are more than 0.1% but less than 5% under Rule 14A.34 of the Listing Rules, the Fourth Tenancy Agreement and the Second Aggregate Annual Caps of the Company are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the approval of independent shareholders in accordance with Rule 14A.34 of the Listing Rules.

Since the exercise of the option to renew of the Fourth Tenancy Agreement is at the Company's discretion, under Rule 14A.70(2) of the Listing Rules, the Company will comply with the continuing connected transaction requirements under Chapter 14A of the Listing Rules when it exercises such option.

The board of directors the Company announces that on 25 May 2011 Beauty Royal entered into the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement with Richorse in relation to the tenancies of the First Property, the Second Property and the Third Property and into the Fourth Tenancy Agreement with Planwing in relation to the tenancy of the Fourth Property.

FIRST TENANCY AGREEMENT DATED 25 MAY 2011

Landlord:	Richorse
Tenant:	Beauty Royal
Property:	Ground Floor (Shop B including the yard), Office B and the Balcony adjacent thereto on First Floor and Office B and the Balcony adjacent thereto on Second Floor, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong with gross floor area of 2,623 sq. ft.
Usage:	for the operation of retail shop
Term:	from 23 October 2011 to 22 October 2014, both days inclusive
Rent:	HK\$1,400,000 per month for the first year, HK\$1,550,000 per month for the second year, and HK\$1,650,000 per month for the third year, exclusive of rates, management fees and other outgoings
Option:	The tenant has an option to renew the tenancy for 3 years at the then open market rent which shall not be higher than 120% of the third year rent

Rent free period: three months to be designated in the 1st month; the 13th month and the 25th month of the aforementioned term

Effective rental: HK\$1,405,556 per month

Deposit: HK\$5,063,523 which is equivalent to three months' highest rent, management fee and rates

Condition: the commencement of rental payment is conditional upon the approval of the independent shareholders of EIHL. If such condition cannot be fulfilled, the First Tenancy Agreement will be terminated automatically.

SECOND TENANCY AGREEMENT DATED 25 MAY 2011

Landlord: Richorse

Tenant: Beauty Royal

Premises: Ground Floor, (Shop A including the yard), and Office A (No. 50 Russell Street) on First Floor, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong, with a total gross area of 1,807 sq. ft.

Usage: for the operation of retail shop

Term: from 1 July 2011 to 30 June 2014, both days inclusive

Rent: HK\$1,300,000 per month for the first year, HK\$1,450,000 per month for the second year, and HK\$1,550,000 per month for the third year, exclusive of rates, management fees and other outgoings

Option: The tenant has an option to renew the tenancy for 3 years at the then open market rent which shall not be higher than 120% of the third year rent

Rent free period: three months to be designated in the 1st month; the 13th month and the 25th month of the aforementioned term

Effective rental: HK\$1,313,889 per month

Deposit: HK\$4,747,185, which is equivalent to three months' highest rent, management fee and rates

Condition: the commencement of rental payment is conditional upon the approval of the independent shareholders of EIHL. If such condition cannot be fulfilled, the Second Tenancy Agreement will be terminated automatically.

THIRD TENANCY AGREEMENT DATED 25 MAY 2011

Landlord: Richorse

Tenant: Beauty Royal

Property: G/F, M/F and Flat A and Flat B on 1/F including the Flat Roof, 54 & 56 Russell Street together with the right to use a LED display on external wall from 1/F – 5/F facing Russell Street and an advertising signboards facing Russell Street and Tang Lung Street, Causeway Bay, Hong Kong with a total gross area of 5,138 sq. ft.

Usage: for the operation of retail shop

Term: from 23 October 2011 to 22 October 2014, both days inclusive

Rent: HK\$4,000,000 per month for the first year, HK\$4,400,000 per month for the second year, and HK\$5,000,000 per month for the third year, exclusive of rates, management fee and other outgoing charges.

Option: The tenant has an option to renew the tenancy for 3 years at the then open market rent which shall not be higher than 120% of the third year rent

Rent free period: three months to be designated in the 1st month; the 13th month and the 25th month of the aforementioned term

Effective rental: HK\$4,094,444 per month

Deposit: HK\$15,185,520, which is equivalent to three months' highest rent, management fee and rates

Condition: the commencement of rental payment is conditional upon the approval of the independent shareholders of EIHL. If such condition cannot be fulfilled, the Third Tenancy Agreement will be terminated automatically.

FOURTH TENANCY AGREEMENT DATED 25 MAY 2011

Landlord: Planwing

Tenant: Beauty Royal

Property: Shops 3 & 5, G/F., 8 Russell Street, Causeway Bay, Hong Kong with a total gross area of 3,068 sq. ft.

Usage: for the operation of retail shop

Term: from 30 November 2011 to 29 November 2014, both days inclusive

Rent: HK\$2,100,000 per month for the first year, HK\$2,200,000 per month for the second year, and HK\$2,300,000 per month for the third year, exclusive of rates, management fee and other outgoing charges.

Option: the tenant has an option to renew the tenancy for 3 years at the then open market rent which shall not be higher than 120% of the third year rent

Rent free period: three months to be designated in the 1st month; the 13th month and the 25th month of the aforementioned term

Effective rental: HK\$2,016,667 per month

Deposit: HK\$7,085,556, which is equivalent to three months' highest rent, management fee and rates

FIRST AGGREGATE ANNUAL CAP OF THE FIRST TENANCY AGREEMENT, THE SECOND TENANCY AGREEMENT AND THE THIRD TENANCY AGREEMENT

Since the exercise of the options to renew of the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement are at the Company's discretion, the First Aggregate Annual Cap for the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement (which are aggregated under Rule 14A.25 of the Listing Rules) which is calculated only based on the total annual rental payable with the adjustment of the rent free period under the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement for each of the years ending 31 December 2011, 2012, 2013 and 2014, will be as follows:

	2011 <i>HK\$</i>	2012 <i>HK\$</i>	2013 <i>HK\$</i>	2014 <i>HK\$</i>
First Tenancy Agreement <i>(Note 1)</i>	9,340,000	16,867,000	16,867,000	13,648,000
Second Tenancy Agreement <i>(Note 2)</i>	12,034,000	15,767,000	15,767,000	7,884,000
Third Tenancy Agreement <i>(Note 3)</i>	32,888,000	49,134,000	49,134,000	39,756,000
Total	<u>54,262,000</u>	<u>81,768,000</u>	<u>81,768,000</u>	<u>61,288,000</u>

Note:

1. The amount includes the rental paid/payable for the period from 1 January 2011 to 22 October 2011 under the current tenancy agreement dated 27 January 2010 between the same parties in respect of the First Property and for the period from 23 October 2011 to 31 December 2011 under the First Tenancy Agreement.
2. The amount includes the rental paid/payable for the period from 1 January 2011 to 30 June 2011 under the current tenancy agreement dated 16 May 2008 between the same parties in respect of the Second Property and for the period from 1 July 2011 to 31 December 2011 under the Second Tenancy Agreement.
3. The amount includes the rental paid/payable for the period from 1 January 2011 to 22 October 2011 under the current tenancy agreement dated 23 October 2008 between the same parties in respect of the Third Property and for the period from 23 October 2011 to 31 December 2011 under the Third Tenancy Agreement.

SECOND AGGREGATE ANNUAL CAP OF THE FOURTH TENANCY AGREEMENT AND THE PREVIOUS TENANCY AGREEMENT

Since the exercise of the option to renew of the Fourth Tenancy Agreement is at the Company's discretion, the Second Aggregate Annual Cap for the Fourth Tenancy Agreement and the Previous Tenancy Agreement (which are aggregated under Rule 14A.25 of the Listing Rules) which is calculated only based on the total annual rental payable with the adjustment of the rent free period under the Fourth Tenancy Agreement and the Previous Tenancy Agreement for each of the years ending 31 December 2011, 2012, 2013 and 2014, will be as follows:

	2011 <i>HK\$</i>	2012 <i>HK\$</i>	2013 <i>HK\$</i>	2014 <i>HK\$</i>
Fourth Tenancy Agreement	2,084,000	24,200,000	24,200,000	22,117,000
Previous Tenancy Agreement	<u>16,200,000</u>	<u>16,200,000</u>	<u>10,800,000</u>	<u>—</u>
Total	<u><u>18,284,000</u></u>	<u><u>40,400,000</u></u>	<u><u>35,000,000</u></u>	<u><u>22,117,000</u></u>

REASONS AND BENEFITS FOR THE TENANCY AGREEMENTS

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

EIHL is an investment holding company and its subsidiaries are principally engaged in property development and investment, and hotel operation. The Property is held by EIHL and its subsidiaries as investment property for rental income.

The terms of Tenancy Agreements are arrived at after arm's length negotiation and are on normal commercial terms. The rental of the Tenancy Agreements was determined with reference to the prevailing market rent of similar properties in the nearby locations. The directors (including the independent non-executive directors) of the Company considered that the Tenancy Agreements are on normal commercial terms, in the normal course of business, fair and reasonable and in the interests of the Company and its shareholders as a whole. Ms. Cindy Yeung, the managing director of the Company, has abstained from voting at the board meeting of the Company held on 19 May 2011 in view of her material interest in the transactions by virtue of being one of the eligible beneficiaries of the AY Trust.

GENERAL

Richorse and Planwing are an indirect wholly-owned subsidiaries of EIHL and principally engaged in property investment. Beauty Royal is an indirect wholly-owned subsidiary of the Company and principally engaged in the provision of nominee and group agent services for the Company and its subsidiaries.

EIHL and the Company are indirectly owned as to 70.39% and 52.26% respectively by the AY Trust, a discretionary trust set up by Dr. Albert Yeung, a deemed substantial shareholder of EIHL and the Company. As such, Richorse and Planwing are the connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Tenancy Agreements constitute continuing connected transactions for the Company.

First Aggregate Annual Cap

As the applicable percentage ratios calculated with reference to the First Aggregate Annual Cap are more than 0.1% but less than 5% under Rule 14A.34 of the Listing Rules. The First Tenancy Agreement, the Second Tenancy Agreement, the Third Tenancy Agreement and the First Aggregate Annual Cap are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the approval of independent shareholders in accordance with Rule 14A.34 of the Listing Rules.

Since the exercise of the options to renew of the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement are at the Company's discretion, under Rule 14A.70(2) of the Listing Rules, the Company will comply with the continuing connected transaction requirements under Chapter 14A of the Listing Rules if it exercises such options.

Second Aggregate Annual Cap

As the applicable percentage ratios calculated with reference to the Second Aggregate Annual Cap are more than 0.1% but less than 5% under Rule 14A.34 of the Listing Rules. The Fourth Tenancy Agreement and the Second Aggregate Annual Cap are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the approval of independent shareholders in accordance with Rule 14A.34 of the Listing Rules.

Since the exercise of the option to renew of the Fourth Tenancy Agreement is at the Company's discretion, under Rule 14A.70(2) of the Listing Rules, the Company will comply with the continuing connected transaction requirements under Chapter 14A of the Listing Rules if it exercises such option.

TERMS USED IN THIS ANNOUNCEMENT

“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 and an indirect wholly-owned subsidiary of the Company and principally engaged in the provision of tenancy agreement signing services to the Company and its subsidiaries
“Company”	Emperor Watch & Jewellery Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Dr. Albert Yeung”	Dr. Yeung Sau Shing, Albert
“EIHL”	Emperor International Holdings Limited, an exempt company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“First Aggregate Annual Cap”	the maximum amount of effective rental payable under the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement, based on the total annual effective rental payable under the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement for each of the years ending 31 December 2011, 2012, 2013 and 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, 50-52 Russell Street, Causeway Bay, Hong Kong with gross floor area of 2,623 sq. ft.
“First Tenancy Agreement”	a tenancy agreement dated 25 May 2011 entered into between Richorse and Beauty Royal in relation to the renewal of tenancy of the First Property
“Fourth Property”	Shops 3 & 5, G/F., 8 Russell Street, Causeway Bay, Hong Kong with a total gross area of 3,068 sq. ft.

“Fourth Tenancy Agreement”	a tenancy agreement dated 25 May 2011 entered into between Planwing and Beauty Royal in relation to the tenancy of the Fourth Property
“HK\$”	Hong Kong dollars
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Planwing”	Planwing Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of EIHL and principally engaged in property investment
“Previous Tenancy Agreement”	a tenancy agreement dated 25 June 2010 entered into between Planwing and Beauty Royal in relation to the tenancy of the Shops 1 & 2, G/F., 8 Russell Street, Causeway Bay, Hong Kong with a total gross area of 3,367 sq. ft. together with a right to use three outdoor advertising signs, details of which were set out in the joint announcement of EIHL and the Company dated 25 June 2010
“Richorse”	Richorse Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of EIHL and principally engaged in property investment
“Second Aggregate Annual Cap”	the maximum amount of effective rental payable under the Fourth Tenancy Agreement and the Previous Tenancy Agreement, based on the total annual effective rental payable under the Fourth Tenancy Agreement and the Previous Tenancy Agreement for each of the years ending 31 December 2011, 2012, 2013 and 2014
“Second Property”	Ground Floor, (Shop A including the yard), and Office A (No. 50 Russell Street) on First Floor, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong, with a total gross area of 1,807 sq. ft.
“Second Tenancy Agreement”	a tenancy agreement dated 25 May 2011 entered into between Richorse and Beauty Royal in relation to the renewal of tenancy of the Second Property
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tenancy Agreements”	the First Tenancy Agreement, the Second Tenancy Agreement, the Third Tenancy Agreement and the Fourth Tenancy Agreement
“Third Property”	G/F, M/F and Flat A and Flat B on 1/F including the Flat Roof, 54 & 56 Russell Street together with the right to use a LED display on external wall from 1/F – 5/F facing Russell Street and an advertising signboards facing Russell Street and Tang Lung Street, Causeway Bay, Hong Kong with a total gross area of 5,138 sq. ft.
“Third Tenancy Agreement”	a tenancy agreement dated 25 May 2011 entered into between Richorse and Beauty Royal in relation to the renewal of tenancy of the Third Property
“sq. ft.”	square feet

By order of the board
Emperor Watch & Jewellery Limited
Cindy Yeung
Managing Director

Hong Kong, 25 May, 2011

As at the date hereof, the board of directors of the Company comprised:

Executive Directors: Ms. Cindy Yeung (*Managing Director*)
Mr. Wong Chi Fai
Ms. Fan Man Seung, Vanessa
Mr. Chan Hung Ming

Non-Executive Directors: Mr. Hanji Huang

Independent Non-Executive Directors: Ms. Yip Kam Man
Mr. Chan Hon Piu
Ms. Lai Ka Fung, May

* *for identification purposes only*