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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
IN RELATION TO THE MASTER REFERRAL AGREEMENT**

ANNUAL CAPS IN REALTION TO THE MASTER REFERRAL AGREEMENT

On 3 May 2024, the Company entered into the master referral agreement (“MRA”) with Ms. Yeung and Other Listed Companies in relation to the provision of Referral Fees from the Group to the Associate Group Members for the period from 3 May 2024 to 31 December 2026 and determined the Annual Caps for the corresponding periods.

LISTING RULES IMPLICATIONS

Ms. Yeung and Other Listed Companies are connected persons of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the MRA constitute continuing connected transactions of the Company.

As applicable percentage ratios calculated with reference to the Annual Caps exceed 0.1% but are less than 5%, the MRA and the Annual Caps are subject to the announcement, annual review and reporting requirements, but exempt from the circular, independent financial advice and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

To leverage the advantages of synergies between the companies under Emperor Group and pursue revenue growth without incurring significant additional selling expenses, the Company proposed to implement a referral incentive scheme. Under this scheme, members of the Group (including the employees of the Group) and the Associate Group Members may be entitled to receive Referral Fees when they successfully refer clients or customers to the Group. In order to facilitate the provision of Referral Fees to the Associate Group Members, on 3 May 2024, the Company entered into the MRA for the period from 3 May 2024 to 31 December 2026 and determined the Annual Caps for the corresponding periods.

ABOUT THE MRA

Key terms and conditions of the MRA

Pursuant to the MRA, if any Associate Group Member introduces and refers any client or customer to the Group and such client or customer makes purchases of the eligible merchandise offered by the Group, the Group agrees to pay a Referral Fee to such Associate Group Member on a per-sale basis and on such terms as the relevant member of the Group and the relevant Associate Group Member may agree from time to time (such Referral Fee and other terms, such as sales amount threshold (if any) shall be subject to negotiation and agreement between the relevant member of the Group and the relevant Associate Group Member, and assessed on a case by case basis), and on normal commercial terms no less favourable than those offered by the Independent Third Parties.

Historical amounts of Referral Fees, Annual Caps and basis of determination

The historical amounts of Referral Fees paid to the Associate Group Members for the financial years ended 31 December 2021, 2022 and 2023 were approximately HK\$18,000, nil and HK\$5,000 respectively.

Set out below are the proposed Annual Caps:

	For the financial years ending 31 December		
	2024	2025	2026
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Referral Fees payable to the Associate Group Members	19,800	19,800	19,800

Referral Fees may be offered to the Associate Group Members when their referrals make purchases of the eligible merchandise offered by the Group subject to any requirement of sales amount thresholds as the Group and the relevant Associate Group Member(s) may agree in writing from time to time. The eligible merchandises are selected products offered by the Group which mainly include jewellery products covering diamond, jade, gold, colour stones and other precious metal products.

The rates of Referral Fees will be carefully evaluated by the Group, taking into account various financial metrics such as gross profit margin and inventory turnover ratio. In addition, tiers of Referral Fees may also be established based on the revenue generated by the referrals and the type of merchandise purchased by the referrals, encouraging the Associate Group Members to focus on higher-value transactions and the strategic product lines of the Group.

In determining the Annual Caps, the following principal factors have been taken into consideration:

1. the expected revenue to be generated by the referrals via referral incentive scheme which is projected to be slightly over 13% of the revenue of the financial year ended 31 December 2023;

2. the Referral Fees will normally range from 1% to 8% of the sales amount, depending on the sales amount tiers and the products which mainly include (i) gold bullions and gold products; and (ii) non-gold products. For instance, the gross profit margin of non-gold products typically exceeds that of gold products, therefore the rate of Referral Fees for them will be higher, subject to sales amount tiers, determined rates of Referral Fees for such products, as well as the terms and conditions of individual definitive agreement to be entered with counterparties;
3. the network of the Associate Group Members, and the purchasing power of their potential referrals; and
4. a contingency buffer to accommodate any unexpected transaction volumes which represents approximately 17% of the Annual Caps.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MRA

The Company is an investment holding company and its subsidiaries are principally engaged in the sales of European-made internationally renowned watches and fine jewellery products in Hong Kong, Macau, Mainland China, Singapore and Malaysia.

With the Company's implementation of the referral incentive scheme, the MRA facilitates the referral arrangements between the Group and the Associate Group Members, enabling the Group to leverage the synergies with the Associate Group Members, as they possess a huge network, including but not limited to high-net-worth individuals, celebrities, fashion icons, jewellery collectors, high or high-mid range spenders. The MRA provides the Associate Group Members incentives to promote merchandise offered by the Group and potentially expand the customer base of the Group, thereby increasing its market penetration without incurrance of significant additional selling expenses. Through the utilisation of the Associate Group Members' networks in promoting merchandise and generating referral-based sales, the Company can achieve more effective inventory level management.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the MRA are in the ordinary and usual course of business of the Group, and the terms of the MRA are fair and reasonable, and that they are on normal commercial terms determined on an arm's length basis, and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS IN RELATION TO THE MRA

As at the date of this announcement, Ms. Yeung is one of the counterparties under the MRA. The Other Listed Companies (being the other counterparties under the MRA) and the Company are all indirectly controlled by the respective private discretionary trusts set up by Dr. Yeung who is the deemed substantial shareholder of the Company. As such, under Chapter 14A of the Listing Rules, Ms. Yeung and Other Listed Companies are connected persons and accordingly, the transactions contemplated under the MRA constitute continuing connected transactions of the Company.

Ms. Yeung, the Chairperson of the Board, did abstain from voting on the relevant Board resolution(s) of the Company in view of her deemed interest in the transactions contemplated under the MRA by virtue of being a counterparty under the MRA and one of the eligible beneficiaries of the said trusts set up by Dr. Yeung. Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, being the executive Directors, did also abstain from voting on the relevant Board resolution(s) of the Company as they also take up a management role in Other Listed Companies.

As applicable percentage ratios calculated with reference to the Annual Caps exceed 0.1% but are less than 5%, the MRA and the Annual Caps are subject to the announcement, annual review and reporting requirements, but exempt from the circular, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

The referral arrangement is also available to Independent Third Parties (including employees of the Group), subject to definitive agreements to be entered with each individual with similar terms and conditions. As such, the Group has the flexibility to enter into arrangement with the Independent Third Parties.

Whether the referral transactions are contemplated with Independent Third Parties or with connected persons under the MRA, the Group will follow a series of procedures in relation to the determination of the Referral Fees. Each transaction shall be conducted on a non-exclusive basis. The Directors will (i) review the relevant definitive agreements and the terms and conditions therein before execution; and (ii) review the list of eligible merchandises, monitor the sales amounts, products and rates of Referral Fees to be offered to the counter-parties periodically. To ensure the fairness of the relevant transactions with connected persons under the MRA, the Directors will regularly compare the rates of Referral Fees offered to connected persons to make sure that they will not be more favourable than those offered to Independent Third Parties. Referral Fees will be paid upon obtaining of approval from the senior management regardless of Independent Third Parties or Associate Group Members. With the above control procedures, the Directors consider that the transactions in relation to the MRA are conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Further to the above, to ensure compliance with the terms and conditions of the MRA and adherence to the Listing Rules, the Company has implemented a comprehensive review process, including (i) the management of the Group will assess each of specific agreements with the aforementioned procedures; (ii) the finance department of the Group will record the transaction amounts to ensure that the transaction amounts under the MRA will not exceed the Annual Caps; (iii) the audit committee of the Company conducts an annual review of the transactions contemplated under the MRA to verify that the transaction amounts are within the Annual Caps and comply with the terms and pricing basis of the definitive agreements; (iv) the external auditor of the Company performs an annual review to opine on whether the Annual Caps have been exceeded; and (v) the independent non-executive Directors conduct an annual review of the status of the transactions contemplated under the MRA to ascertain that the Company has adhered to its internal approval process and complied the relevant requirements under the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Annual Caps”	the maximum amount of Referral Fees payable to the Associate Group Members for each of the respective financial years ending 31 December 2026 during the term under the MRA
“Associate Group Members”	Yeung Family and Other Listed Group Companies
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Directors”	the board of directors of the Company
“Company”	Emperor Watch & Jewellery Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 887)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Dr. Yeung”	Dr. Yeung Sau Shing, Albert
“Emperor Capital”	Emperor Capital Group Limited, an exempted company incorporated in Bermuda with limited liability, the subsidiaries of which are principally engaged in the provision of financial services, including (i) commercial and personal lending as well as margin and initial public offering financing; (ii) brokerage services, wealth management and asset management; (iii) placing and underwriting services for listed issuers; and (iv) corporate finance advisory services and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 717)
“Emperor Capital Group”	Emperor Capital and its subsidiaries from time to time
“Emperor Culture”	Emperor Culture Group Limited, an exempted company incorporated in Bermuda with limited liability, the subsidiaries of which are principally engaged in entertainment, media and cultural development business, which mainly include cinema operation and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 491)
“Emperor Culture Group”	Emperor Culture and its subsidiaries from time to time
“Emperor E Hotel”	Emperor Entertainment Hotel Limited, an exempted company incorporated in Bermuda with limited liability, the subsidiaries of

which are principally engaged in provision of hospitality and entertainment services in Hong Kong and Macau and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 296)

“Emperor E Hotel Group”	Emperor E Hotel and its subsidiaries from time to time
“Emperor Group”	all companies (including their respective associates) directly or indirectly controlled by various private discretionary trusts set up by Dr. Yeung (including but not limited to Emperor International Group, Emperor E Hotel Group, the Group, Emperor Capital Group, Emperor Culture Group, New Media Lab Group and Ulferts Group)
“Emperor International”	Emperor International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the subsidiaries of which are principally engaged in property investment, property development and hospitality businesses in Greater China and overseas and whose issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 163)
“Emperor International Group”	Emperor International and its subsidiaries from time to time
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholder(s)”	the Shareholder(s) who do not have material interest in the transactions contemplated under the MRA
“Independent Third Party(ies)”	person(s) or entity(ies) who is/are third party(ies) independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Yeung”	Ms. Cindy Yeung, the Chairperson and executive director of the Company who signs the MRA on behalf of the Yeung Family
“New Media Lab”	New Media Lab Limited, an exempted company incorporated in the Cayman Islands with limited liability, the subsidiaries of which are principally engaged in digital media and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 1284)
“New Media Lab Group”	New Media Lab and its subsidiaries from time to time

“Other Listed Companies”	Emperor International, Emperor E Hotel, Emperor Capital, Emperor Culture, New Media Lab and Ulferts, all being listed members of Emperor Group
“Other Listed Group Companies”	Emperor International Group, Emperor E Hotel Group, Emperor Capital Group, Emperor Culture Group, New Media Lab Group and Ulferts Group
“Referral Fee(s)”	the referral fee(s) payable to any Associate Group Member(s) when he introduces and refers any client or customer to the Group and such client or customer makes purchases of the eligible merchandise offered by the Group subject to individual definitive agreements to be entered with each Associate Group Member
“Shareholder(s)”	holder(s) of the ordinary share(s) 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)
“Ulferts”	Ulferts International Limited, a company incorporated in Hong Kong with limited liability, the subsidiaries of which are principally engaged in retail of home furniture and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 1711)
“Ulferts Group”	Ulferts and its subsidiaries from time to time
“Yeung Family”	Ms. Yeung and her associates, but excluding the Group and Other Listed Group Companies
“%”	per cent.

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

Hong Kong, 3 May 2024

As at the date of this announcement, 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 Mr. Law, Michael Ka Ming