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 with the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

英 皇 鐘 錶 珠 寶 有 限 公 司
EMPEROR WATCH & JEWELLERY LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 887)

(I) MAJOR AND CONNECTED TRANSACTION — ACQUISITION OF ENTIRE EQUITY INTEREST IN PERFECT RAISE HOLDINGS LIMITED AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

MESSIS 大有融資

A letter from the Board is set out from pages 5 to 21 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on page 22 of this circular. A letter from Messis Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and Independent Shareholders in relation to the Acquisition is set out from pages 23 to 47 of this circular.

A notice convening the EGM to be held at 2nd Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on 5 December 2018 (Wednesday) at 3:30 p.m. is set out from pages EGM-1 to EGM-2 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 adjournment thereof.

12 November 2018

CONTENTS

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

"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
"associates"	has the meaning ascribed to it in the Listing Rules
"AY Holdings"	Albert Yeung Holdings Limited, an investment holding company incorporated in the BVI and held by STC International acting as trustee of the AY Trust
"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
"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
"close associates"	has the meaning ascribed to in the Listing Rules
"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

"Dr. Albert Yeung"	Dr. Yeung Sau Shing, Albert
"EGM"	an extraordinary general meeting (or any adjournment thereof) of the Company to be held at 2nd Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on 5 December 2018 (Wednesday) at 3:30 p.m. 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 directly wholly-owned by the Company
"Emperor W&J Holdings"	Emperor Watch & Jewellery Group Holdings Limited, a company directly wholly-owned by AY Holdings and is interested in 53.56% of the issued Shares as at the Latest Practicable Date
"Enlarged Group"	the Group and the Target Group
"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 Financial Adviser" or "Messis Capital"	Messis Capital Limited, a licensed corporation to carry out Type 1 (dealing in 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 Acquisition
"Independent Shareholders"	Shareholders other than AY Holdings and its associates who have material interest in the Acquisition
"Latest Practicable Date"	8 November 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	The People's Republic of China
"Property"	the shops on G/F, shop of 1/F (including the staircases leading thereto from the G/F) with aggregate saleable area of 2,776 sq.ft. together with the right to use the advertising space on the external wall of 1/F to the building of 4–8 Canton Road, Kowloon, Hong Kong
"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
"Savills"	Savills Valuation and Professional Services Limited, independent firm of qualified valuers engaged by the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting (or any 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
"Share(s)"	ordinary share(s) of the Company
"Shareholders"	holder(s) of the ordinary shares of the Company
"sq.ft."	square feet

"STC International"	STC International Limited, a company incorporated in the BVI, the trustee of the AY Trust
"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

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. Wong Chi Fai
Ms. Fan Man Seung, Vanessa

Independent Non-executive Directors:
Ms. Chan Sim Ling, Irene
Mr. Liu Hing Hung
Ms. Chan Wiling, Yvonne

Registered office & Principal Place of Business:
25th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

12 November 2018

To the Shareholders

Dear Sir/Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated 27 August 2018 whereby the Board announced that Emperor Property as the Vendor entered into the Sale and Purchase Agreement with Emperor W&J (HK & Macau) as Purchaser, pursuant to which, 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 consideration for the Acquisition shall be HK$1,800 million, subject to the terms and conditions set out in the Sale and Purchase Agreement.

The purpose of this circular is to provide you with (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 to be convened for the purpose of considering and, if think fit, approving, by way of poll the Sale and Purchase Agreement and the transactions contemplated thereunder.

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

(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 it 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 based on the valuation report as set out in Appendix IV of this circular.

The consideration is payable in the following manner:

- deposit in the sum of HK$360 million has been 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) (the "Completion Assets") 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.

According to the Valuation Report of the Property prepared by Savills, the market value of the Property was HK$1,800 million as at 10 September 2018. Please refer to Appendix IV of this circular for more details on the Valuation Report of the Property. Considering that there is no material changes in the assumptions and market condition as referred to the Valuation Report of the Property, the Company considers that there is no material change in the value of the Property since 10 August 2018 up to the Latest Practicable Date.

For illustration purpose, assuming there is no difference of financial figures upon Completion, based on the accountant's report of the Target Group as at 31 August 2018 and pursuant to the adjustment mechanism to the consideration as provided in the Sale and Purchase Agreement as disclosed above, the adjusted consideration for the Acquisition was approximately HK$1,140.3 million which is adjusted by (i) the current assets value of the Target Group in the amount of approximately HK$4.5 million (excluding rental incentives of approximately HK$16.4 million); and (ii) the total liabilities of the Target Group (except the Sale Loan recorded in the accountant's report of the Target Group as at 31 August 2018) in the amount of approximately HK$664.2 million.

The adjusted consideration as at 31 August 2018 is calculated as follow:

	Approximately HK$(million)
Consideration	1,800.0
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	(664.2)
increased by the aggregate amount (if any) of the Completion Assets of the Target Group	4.5
Adjusted consideration	1,140.3

Shareholders are reminded that the actual consideration shall be adjusted subject to Completion Accounts upon Completion.

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 Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM; and

(d) the approval by the independent shareholders of Emperor International of the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

As at the Latest Practical Date, condition (a) and (b) have been fulfilled. In the event that any of the conditions is not fulfilled prior to 27 May 2019, 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, Completion shall take place within five Business Days after the last outstanding condition precedent above shall have been fulfilled.

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 Group

The Target Company is a company incorporated in the BVI on 8 June 2018 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.

Dynamic Bliss Limited is a company incorporated in the BVI and directly wholly-owned by the Target Company. Its principal business is investment holding and owns 99.9% of the total issued shares of Gold Pleasure.

Skill Vantage Limited is a company incorporated in the BVI and directly wholly-owned by the Target Company. Its principal business is investment holding and owns 0.1% of the total issued shares of Gold Pleasure.

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

In the valuation of the Property by independent valuer as at 31 March 2018 and Savills as at 10 September 2018, the income capitalisation approach was adopted and vacant possession basis was applied.

The audited consolidated net asset value of the Target Group as at 31 August 2018 was approximately HK$586.9 million taking into account the book value of the Property of HK$1,800 million after revaluation.

The following table sets out the financial information of the Target Group:

	For the year ended 31 March			For the five months ended 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Revenue	55,794	40,476	36,939	17,887
Direct operating expenses in respect of leasing of investment properties	(5,222)	(5,364)	(2,516)	(193)
Gross profit	50,572	35,112	34,423	17,694
Changes in fair value of investment properties	(592,240)	(236,000)	(110,058)	621,242
Administrative expenses	(7,246)	(354)	(228)	(35)
Finance costs	(31,103)	(34,444)	(42,510)	(21,182)
(Loss)/Profit before taxation	(580,017)	(235,686)	(118,373)	617,719
(Loss)/Profit after taxation	(582,029)	(235,704)	(117,943)	617,719

The Target Group recorded audited revenue of approximately HK$55.8 million, HK$40.5 million, HK$36.9 million and HK$17.9 million for the three years ended 31 March 2016, 2017, 2018 and the five months ended 31 August 2018 respectively, which was mainly generated from rental income of the Property and other properties then held by Gold Pleasure. The loss before taxation for the three years ended 31 March 2016, 2017 and 2018 was mainly attributable to the fair value change in investment properties and finance costs. The loss on the fair value change in investment properties indicated that the market value of the Property and other properties held by Gold Pleasure trended downward amid the down cycle of the retail market in Hong Kong.

As at 31 March 2018, the audited consolidated net liability value of the Target Group was approximately HK$30.8 million. As at 31 August 2018, the audited consolidated net asset value of the Target Group was approximately HK$586.9 million.

Further details on the financial information of the Target Group for the three years ended 31 March 2018 and the five months ended 31 August 2018 are set out in Appendix III of this circular.

The overall performance of the Target Group has been declining and suffering loss during 2016 to 2018 and the profit after taxation for the five months ended 31 August 2018 was solely due to the change in fair value of investment properties. The Board would like to highlight that the Acquisition is acquiring the Property through the Target Group that the historical revenue mainly consisted of the rent income from Beauty Royal to Gold Pleasure. The Board considered the Target Group's historical financial performance to be irrelevant to the Enlarged Group as the Property is to be acquired by the Group for its own use. The Board understands that valuation of asset reflects the microscopic and macroscopic factors which are reacting with the environment dynamically as it aims to quantifying information and formulate them into a quantitative result with professional judgment. The Board considers the basis and methodology adopted by Savills is fairly reflecting the realistic situation. The result concluded in the Valuation Report is concluded by professionals in the industry and the Directors are satisfied with the profession and experience of the key personnels of the professional valuer who are responsible for the engagement as they have over 33 years' experience in valuation of properties in Hong Kong. The Directors consider that the basis and assumption stated in the Appendix IV — Valuation Report of the Property is expressed fairly and objectively.

Information of the Property

The Property consists of Shops on the G/F and Shop on the 1/F (including the staircases leading thereto from the G/F) with aggregate saleable area of 2,776 sq.ft. together with the right to use the advertising space on the external wall on the 1/F to the building of No. 4–8 Canton Road, Kowloon, Hong Kong. The Property is wholly owned by Gold Pleasure as investment property for rental income. The Property is currently rented to Beauty Royal, an indirect wholly-owned subsidiary of the Company, under the Tenancy. The Building Authority has withdrawn the first superseding order and pending to withdraw the second superseding order in relation to the a demolition, removal, or alteration of building, building works (other than minor works commenced under simplified requirements) or street works of the Property.

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 Listing Rules) of the Company as Gold Pleasure (the landlord) will become a fellow subsidiary of Beauty Royal (the tenant) under the Group.

Set out below is a summary of the terms of the Tenancy between Gold Pleasure as landlord and Beauty Royal as tenant in relation to the tenancy of the Property:

Date:	27 July 2017 (as amended on 9 August 2018)
Landlord:	Gold Pleasure
Tenant:	Beauty Royal

Property:	G/F, 1/F, (with aggregate saleable area of 2,776 sq.ft.) together with a right of use a wall-mount advertising signage on the external wall of 4–8 Canton Road, Kowloon, Hong Kong
Usage:	As retail shop
Term:	3 years from 1 August 2017 to 31 July 2020 (both days inclusive)
Rent Free Period:	6 months (1 August 2017 to 31 January 2018)
Rent:	HK$4,272,000.00 per month, exclusive of rates and all other outgoings

Original acquisition costs of the Property

Based on the information on the Land Registry, the Property consists of 4 separate units: 1) Ground Floor, 4 Canton Road ("4G"); 2) Ground Floor, 6 Canton Road ("6G"); 3) Ground Floor, 8 Canton Road ("8G"); and 4) whole of First Floor, 4–8 Canton Road ("First Floor").

Gold Pleasure acquired: 1) 4G on 7 September 2007 at a consideration of HK$170 million; 2) 6G and 8G together on 30 March 2010 at a consideration of HK$843 million; and 3) First Floor on 31 August 2010 at a consideration of HK$145 million. Collectively, the Property was acquired by Gold Pleasure at a total cost of HK$1,158 million (excluding tax, agency fee and any other costs) during the period from 7 September 2007 to 31 August 2010.

VALUATION OF THE PROPERTY

The Property is occupied by Group under the Tenancy. Upon Completion, both the landlord and the tenant of such tenancy will be under the Group, and the monthly rental will cease to be payable on the Group level. Therefore, Savills has disregarded the tenancy and valued the Property on vacant possession basis. The Company considers it is quite prudent for Savills to conduct valuation on a vacant basis due to the following reasons: (i) the value of the retail store operated at the Property ("**Store**") is considerably independent of the value of the Property; and (ii) the Acquisition originates with the Property and that the value of the Property should be considered in an isolated way. Moreover, upon Completion, the Property will be for self-use by the Group to operate the Store, the Company considers it is reasonable that the valuation was conducted on a vacant possession basis.

The original monthly face rent of the Tenancy was HK$4,362,000. Taking into account a rent-free period of 6 months from 1 August 2017 to 31 January 2018, the effective monthly rental during the term is HK$3,635,000. The 6 months rent-free period was given mainly due to the following reasons: (i) the rent-free period of previous tenancy agreement was forfeited due to an early termination as requested by Emperor International Group. Such forfeited rent-free period was then transferred to the Tenancy; and (ii) certain alteration and addition works for the Property had been undertaken by Emperor International Group till January 2018 which had adversely affected the occupation of the Property. The 6 months rent-free period was already passed and the alteration and addition works for the Property was already completed. The monthly rent for the remaining term of the Tenancy was adjusted to HK$4,272,000 as amended on 9 August 2018.

In adopting the income capitalisation approach, Savills has capitalised the monthly market rent (i.e. HK$4,050,000) of the Property as at the date of valuation without taking into account any incidental rent-free period and incompletion of alteration and addition works. The Company agrees with Savills that the incidental rent-free period and incompletion of alteration and addition works should not be taken into account when conducting the valuation.

Capitalisation rate of the Property

In determining the capitalisation rate of 2.7%, Savills has gathered and analysed the yield of various recent sales and/or comparable rental values of similar premises.

Market rent of the Property

In determining the market rent, Savills has gathered and analysed various rental comparables in the vicinity of the Property. As confirmed by Savills, there was no transaction of ground level properties on Canton Road for recent years, the Company is of the view that it is reasonable for Savills to analyse various rental comparables in the vicinity of the Property.

The Company considers it is quite prudent for Savills to conduct valuation on a vacant possession basis due to the following reasons: (i) the value of the Store is considerably independent of the value of the Property; and (ii) the Acquisition originates with the Property and that the value of the Property should be considered in an isolated way.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, the Target Group will become indirect wholly-owned subsidiaries of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the accounts of the Group. The unaudited pro forma financial information of the Enlarged Group was prepared to illustrate the effect of the Acquisition as if the Acquisition had taken place on 30 June 2018 is set out in Appendix III of this circular. Shareholders should note that the actual financial impact from the Acquisition will be subject to final audit.

Effect on Net Asset Value and effect on Earnings

According to the interim report of the Company for the six months ended 30 June 2018, the unaudited net asset value of the Group was approximately HK$4,440.4 million as at 30 June 2018. Based on the accountant's report of the Target Group as at 31 August 2018, the Company intends to finance the entire consideration of HK$1,140.3 million in cash by internal resources. Upon Completion, the increase in property, plant and equipment (being the value of the Property of $1,800.0 million) and increase in net current assets of

$4.5 million will be partially offset by the increase in bank borrowings of $664.2 million. As a result, the Acquisition will not have any adverse effect on the Group's net assets value upon Completion.

Upon Completion, the annual depreciation charge will be increased by approximately $90.0 million and will be partially offset by the decrease in annual rental of approximately $43.7 million; and the annual finance costs will be approximately $25.0 million per annum based on the prevailing interest rates. The effects on Company's earnings will be compensated by the saving in cash outflow since the depreciation charge is a non-cash flow item.

Effect on Gearing and Working Capital

The Group's gearing position (which is calculated as total borrowings divided by net asset value) will increase upon Completion. The working capital will be reduced by HK$1,800.0 million (subject to adjustments as stated above) being the total amount of the consideration for the Acquisition. After the Acquisition, though the Group's total current assets will be reduced as a result of the payment of the remaining balance of the consideration, the Directors believe that the Group still has sufficient funds to settle its current debts.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group considers it as a favourable opportunity to secure permanent ownership of this crucial retail space in a prime location. The Acquisition is expected to result in specific benefits as outlined below:

(1) Ensure continuity of a significant financial contributor and eliminate risk of substantial rental increments or lease termination

The Group has operated the Store at the Property over the past decade. The Property is located in a multi-storey building subdivided into various units. Since the commencement of lease of the Property by the Group in 2011, the monthly rent as stated in the tenancy agreements ranged between approximately HK$3.2 million and approximately HK$6.2 million. In terms of sales per square foot, the Store has been the best performer among all stores operated by the Group in Hong Kong for the financial years ended 31 December 2016 and 31 December 2017, and the six months ended 30 June 2018 — when the revenue generated from the Store accounted for 14.2%, 10.4% and 19.4% of the Group's total Hong Kong sales, respectively.

Historical financial performance of the Store

(Rounded down to thousands)	For the financial year ended 2012 (HKD'000)	2014 (HKD'000)	2016 (HKD'000)	2017 (Renovation period from 15 May to 31 August) (HKD'000)	For the six months ended 30 June 2018 (HKD'000)
Segmental profit per annual report of the Company	626,715	298,184	106,171	237,750	215,691
Store contribution of the Store to the Hong Kong segmental profit %	29.4%	27.5%	32.3%	11.5%	26.3%

Segmental profit incurred from store operation is a key parameter in evaluating the importance of individual store. For the financial years ended 31 December 2016 and 31 December 2017 and the six months ended 30 June 2018, the Store contributed 32.3%, 11.5% and 26.3% of the Group's Hong Kong segmental profit, respectively. Even though the Store suspended operation between 15 May 2017 and 31 August 2017 due to an extensive renovation, it still generated the highest revenue and profit among all stores in Hong Kong during 2017. In 2016, the Store also managed to make lucrative profits when the Group was reporting a net loss, reflecting its resilience against down-cycles.

Given the Store's significant financial implications, the long-term strategic holding of the Property will ensure the long-term viability of this key revenue and profit contributor. Ownership of the Property will also eliminate the risk of suffering substantial rental increments during a peak cycle of the retail market, or having the lease contract terminated in the event that the Property is leased or even sold to other parties, which would greatly disrupt the Group's overall business. Based on the Store's historical financial performance, the Group is of the view that the Store is indispensable to the Group's continued operation.

Based on the Store's proven track record, the Group expects that it will continue to make influential and positive contributions, and therefore intends to retain it as a self-used property in the long term, and will continue to use the Property as the flagship store upon Completion.

The Group has all along dedicated to its retail business and relatively keen to lease the retail spaces until the opportunity of acquiring the Property arises. The proven track record of the Store's financial contribution, together with the potential business growth driven by an anticipated increase in visitation to Canton Road after the commissioning of Guangzhou-Shenzhen-Hong Kong High Speed Rail, are considered as indisputable assurance for the benefit adhered to the Acquisition. For other retail space which the Group has not ever operated before, the Group considers that there is at a great risk to acquire such property as the evaluation of actual store performance was not feasible.

(2) Achieve rental savings and maximise use of available financial resources

With reference to the latest tenancy agreement, the effective monthly rental for the Property is approximately HK$3.6 million, translating to approximately HK$43.6 million per annum. The Acquisition enables the Group to achieve rental savings regarding the Property.

The Group has maintained strong cash reserves to satisfy its working capital and operating demands. According to the Group's 2017 Annual Report, the cash balance was approximately HK$1.3 billion and HK$1.6 billion as at 31 December 2016 and 31 December 2017, respectively; whereas the interest income derived from cash deposits during the financial year ended 31 December 2017 was merely HK$5.9 million. The Group considers that the Acquisition will enable the Group to better utilise its surplus cash position, especially when cash is deposited at minimal rates of interest. In addition, owning a store at a prime location can truly realise the business potential by taking unique advantage of maintaining high visitations and brand appeal without the risk of discontinuance of operating the Store. The Group considers that the aggregate monetary contribution from the operation of the Store and the non-monetary benefits associated with brand appeal, will outweigh the bank interest income earned from cash deposits.

As at 30 June 2018, the Group held approximately HK$1.4 billion in cash. The Group expects slightly less than HK$1.2 billion of cash will be deployed for this Acquisition. The Group considers that it will possess sufficient working capital for its operations and future development plans upon Completion.

Based on historical financial performance, the Group is of the view that segmental profit generated from the Store will well cover depreciation arising from possessing the Property upon Completion.

In addition, after taking into account the expected Completion, the internal resources available, including bank balances, the existing available facilities of the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements for at least twelve months from the date of publication of this circular in the absence of unforeseen circumstances. Moreover, as at the Latest Practicable Date, the Directors had no concrete plan for fund raising and borrowing loan for any plans out of ordinary course of business.

(3) Enhance brand equity with international standing

Brand equity is a crucial element for the sustainability of luxury retailers. The operation at the Property enables the Group to enjoy high brand visibility and brand appeal, as it is located on Canton Road, which abounds with international flagship stores — such as Hermès, Chanel, Louis Vuitton, Fendi, Dior, Gucci, Salvatore Ferragamo, Bulgari and Burberry, alongside luxury boutiques, apparel stores and jewellers.

Leading luxury brands command their presence in prime locations in order to match their prominent market positioning. In view of this, having a solid presence in the prime location is of paramount importance for an authorised watch retailer to foster its leading position in Hong Kong. Currently, the Group maintains strong presence in several prime shopping destinations in Hong Kong such as Canton Road, Russell Street and Queen's Road Central. Among these locations, Canton Road always receives the spectacular pedestrian flow to draw patrons into the Store. According to the Market Consultant's Report as set out in the Appendix V of this circular, in 2017, the average visitor traffic of Harbour City along Canton Road year-over-year increased by 10% to 220,000. The ownership of the Property will reinforce the Group's dedication in operating retailing of watches over a long-term, which in turn further enhance the relationship with the watch brands.

(4) Leverage the advantage of potential growth in traffic flow with convenient access

Canton Road is one of the world's prominent shopping areas, receiving substantial traffic of Chinese shoppers. Being one of the busiest shopping streets in Hong Kong, Canton Road is surrounded by a comprehensive local public transportation network comprising mass transit railways, buses and ferries. The China Ferry Pier on Canton Road also facilitates travel between the key cities of the Pearl River Delta and Kowloon.

In addition, the Hong Kong section of Guangzhou-Shenzhen-Hong Kong High Speed Rail became operational in late September this year. The train ride from Guangzhou South Railway Station to West Kowloon Station in Hong Kong takes a mere 47 minutes, while a trip from Shenzhen Futian Station takes 14 minutes. This link greatly reduces the travelling time from key cities in the Pearl River Delta region and beyond, hence facilitating the inflow of Chinese tourists. Since Canton Road is within walking distance of this express rail station, business at the Property is poised to benefit from anticipated growth in visitation.

The potential increase in traffic will also underpin the long-term demand for retail spaces and further drive up rent levels. The Acquisition will therefore help to eliminate the risk of exposure to potential future rental hikes for the Property.

(5) Sustain a strategic sales network

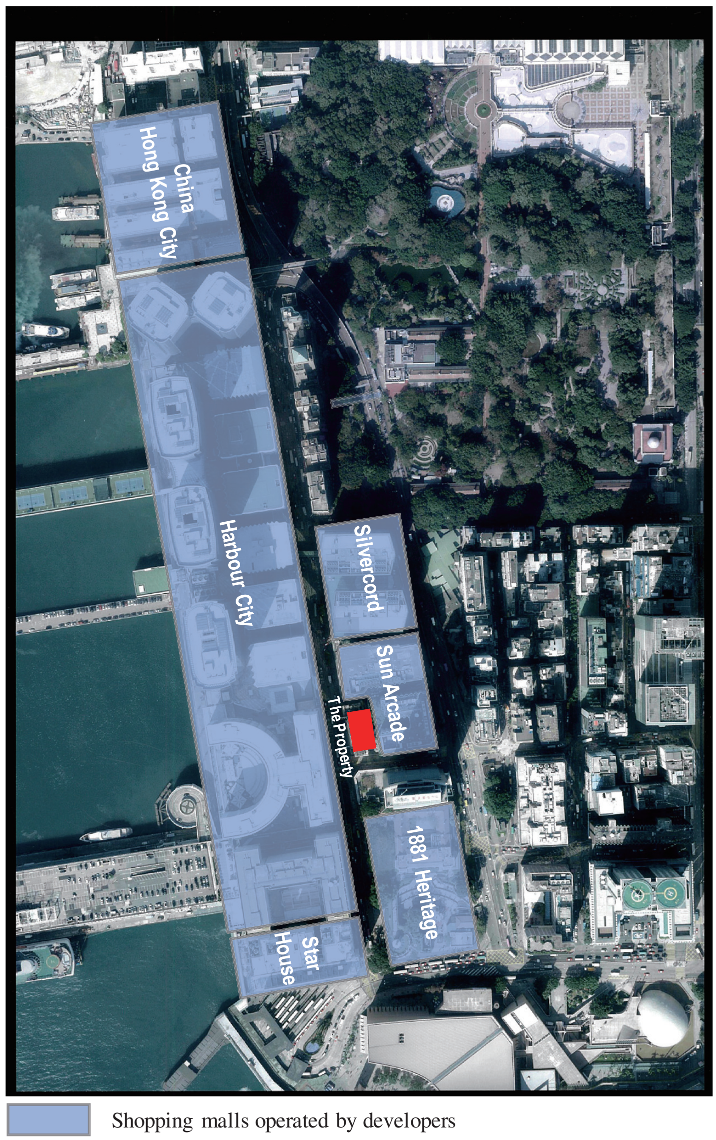
The Group has strategically established a strong foothold of point-of-sales at street level along Canton Road. Being the Group's first point-of-sale on Canton Road, the Store has enjoyed frequent visits by return customers.

Thereafter, the Group further extended its presence to the ground floor shops of 1881 Heritage and China Hong Kong City, at both ends of Canton Road. Located at the mid-point of Canton Road, the Store constitutes a core part of the comprehensive sales network and serves as the most important determinant of success. The Group considers that the points-of-sales at both ends of Canton Road may be adversely affected if the Store at the mid-point is eliminated. Further, the existing foothold on

Canton Road enables the Group to benefit from cross-selling opportunities between the points-of-sales carrying different brands and product mixes. The Store plays a crucial role in driving sales of the other stores of the Group, enhancing overall sales capacity and reinforcing its brand familiarity.

Other than the above-mentioned benefits, the Acquisition of the Property presents a rare opportunity and will enable the Group to:

(6) Procure a rare, sought after property



Adopted from part of the aerial photo taken by the Survey and Mapping Office of Lands Department at a flying height of 6,000 feet, photo no. E030751C, dated 27 December 2017.

The aerial photo reproduced with permission of the Director of Lands.

The estimated distance between Star House and China Hong Kong City is approximately 800 metres, implying the total length of both pathways along the core shopping areas of Canton Road is approximately 1,600 metres. Based on rough estimation on the above map, more than 80% of both sides of pathways are currently occupied by shopping malls including Harbour City, China Hong Kong City, Silvercord, The Sun Arcade and 1881 Heritage, which are operated by large-scale developers. While it is highly unlikely that the street-level retail spaces of shopping malls will be offered for sale, other individual retail space owners intend to retain their properties for long-term returns. This also explained why there were no comparable transactions in the past five years. As there is a scarcity of retail space available for sale on Canton Road, the Group regards the Acquisition as a precious opportunity.

SUPPLEMENTARY INFORMATION ON THE PROPERTY MARKET

To enrich Shareholders' understanding on macroscopic statistics and relevant information in relation to the Property and its surrounding property market, the Board would like to provide extensive and discreet information by an alternative professional in this aspect. The Market Consultant's Report contains, including but not limited to, price and rental trends on the overall market, specific market data and analysis of properties at Canton Road, along with analysis on macroscopic business environment, conducted by an independent professional on macroscopic business environment is set out in Appendix V of this circular.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Vendor is a direct wholly-owned subsidiary of Emperor International and 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.

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. Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa were involved in the management of the counter-party to the Sale and Purchase Agreement, both of them also abstained from voting on the Board resolutions approving the Acquisition and the transactions under the Sale and Purchase Agreement. Save for the aforesaid, no other Director has a material interest or conflict of role in the transaction and was required to abstain from voting.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISOR

The Company has established an Independent Board Committee comprising Ms. Chan Sim Ling, Irene, Mr. Liu Hing Hung and Ms. Chan Wiling, Yvonne (all of whom are independent non-executive Directors) to advise the Independent Shareholders as to (i) whether the terms of the Sale and Purchase Agreement are fair and reasonable; (ii) whether the transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the transactions are in the interests of the Company and the Shareholders as a whole; and (iv) how to vote on the transaction. Messis Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

EGM

A notice convening the EGM to be held at 2nd Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on 5 December 2018 (Wednesday) at 3:30 p.m. is set out from pages EGM-1 to EGM-2 of this circular. An ordinary resolution ("Resolution") will be proposed at the EGM for the Independent Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, AY Holdings was directly wholly owned by the AY Trust which is beneficially interested in 3,630,950,000 Shares entitling it to exercise control over the voting rights of such Shares, representing approximately 53.56% of the issued Shares. AY Holdings and its associates will abstain from voting on the Resolution. In compliance with the Listing Rules, the Resolution will be voted by way of poll 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 and vote 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 adjourned meeting. 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).

In accordance with Rule 13.39(4) of the Listing Rules, all votes of the Independent Shareholders to be taken at the EGM shall be taken by poll.

In order to qualify for the right to attend and vote at the above meeting, all relevant share certificates and properly completed transfer forms must be lodged for registration with the Company's Share Registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 29 November 2018 (Thursday).

RECOMMENDATION

The Board is of the view that the terms of Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the Resolution to be proposed at the EGM. Before deciding how to vote on the Resolution at the EGM, you are advised to read (i) the letter from the Independent Board Committee on page 22 of this circular; and (ii) the letter from Messis Capital from pages 23 to 47 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder as well as the principal factors and reasons considered by it in arriving its opinions.

ADDITIONAL INFORMATION

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

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

The following is the text of the letter of recommendation from Independent Board Committee to Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder for the purpose of incorporation in this circular.

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

12 November 2018

To the Independent Shareholders of
Emperor Watch & Jewellery Limited

Dear Sir/Madam,

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

We refer to the circular of the Company to the Shareholders dated 12 November 2018 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to, among others, advise you in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. Messis Capital has been appointed to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving their advice, are set out from pages 23 to 47 of the Circular. Your attention is also drawn to the "Letter from the Board" in the Circular and the additional information set out in the appendices thereto.

Having considered, among others, the factors and reasons considered by, and the advice given by Messis Capital on the Sale and Purchase Agreement and the transactions contemplated thereunder, we consider that the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder 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. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
for an on behalf of
Independent Board Committee
Emperor Watch & Jewellery Limited

Chan Sim Ling, Irene | **Liu Hing Hung** | **Chan Wiling, Yvonne**
Independent non-executive Directors

The following is the full text of the letter from Messis Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committee and the Independent Shareholders in respect to the Sale and Purchase Agreement and the transactions contemplated thereunder.

MESSIS 大有融資

12 November 2018

To: The Independent Board Committee and the Independent Shareholders of Emperor Watch & Jewellery Limited

Dear Sir or Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 12 November 2018 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 27 August 2018, the Purchaser entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase (a) the entire equity interests (1 ordinary share) of the Target Company; and (b) the Sale Loan due and payable by the Target Company to the Vendor at a consideration of HK$1,800 million. The Target Company is an indirect holding company of Gold Pleasure which directly holds the Property. The Property is currently used by an indirect wholly-owned subsidiary of the Company as a retail outlet of the Group.

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.

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. Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa were involved in the management of the counter-party to the Sale and Purchase Agreement, both of them also abstained from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder. Save for the aforesaid, no other Director has a material interest or conflict of role in the transaction and was required to abstain from voting.

The Independent Board Committee comprising all independent non-executive Directors (namely, Ms. Chan Sim Ling, Irene, Mr. Liu Hing Hung and Ms. Chan Wiling, Yvonne) has been established in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards and such appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we were appointed as an independent financial adviser for the Company for one occasion, details of which are set out in the Company's circular dated 17 July 2018. Notwithstanding the above, the previous engagement with the Company would not affect our independence from the Company. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules 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 the 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 therein or the document misleading.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the Acquisition.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition and the transactions contemplated under the Sale and Purchase Agreement. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

1. Information of the Company and the Purchaser

Information of the Company

The Company is an investment holding company. The Company together with its subsidiaries is a leading retailer of European-made internationally renowned watches, together with self-designed fine jewellery products under its own brand, "***Emperor Jewellery***".

The Group has extensive retail networks in Hong Kong, Macau, mainland China and Singapore, as well as an online shopping platform, with over 900 staff. With a history of over 75 years, the Company carries a balanced and comprehensive watch dealership list. The target customers range from middle to high income groups worldwide. The Group's core strategy focuses on maintain its position as the leading watch and jewellery retailing group in Greater China, coupled with an eye on expansion beyond the region.

Set out below is a summary of the financial information of the Group for the each of the two years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, which is extracted from the Company's annual report for the year ended 31 December 2017 (the "**2017 Annual Report**") and the Company's interim report for the six months ended 30 June 2018 (the "**2018 Interim Report**").

Consolidated statement of profit or loss

	For the year ended 31 December		For the six months ended 30 June	
	2017	2016	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	4,075,124	3,641,845	2,453,978	1,827,220
Gross profit	1,089,244	908,973	677,270	487,265
Profit/(Loss) for the year	159,691	(64,821)	157,184	39,117

	As at 30 June	As at 31 December	
	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)
Bank balances and cash	1,430,189	1,613,080	1,324,419
Current assets	4,480,404	4,450,339	4,176,818
Non-current assets	261,183	223,145	231,214
Total assets	4,741,587	4,673,484	4,408,032
Current liabilities	300,189	305,749	233,879
Non-current liabilities	1,034	1,050	43
Total liabilities	301,223	306,799	233,922
Net assets	4,440,364	4,366,685	4,174,110

According to the 2017 Annual Report, the Group's total revenue increased by 11.9% to HK$4,075.1 million (2016: HK$3,641.8 million) for the year ended 31 December 2017, driven by the recovery in consumption sentiment. As set out in the 2017 Annual Report, the luxury consumption market in Greater China showed signs of strong recovery during the year ended 31 December 2017. The pick-up in consumption was propelled by the positive market sentiment arising from the favourable economic conditions, along with increased consumer confidence driven by capital gains from the stock market boom and rising property prices. Furthermore, during 2017, the mainland Chinese visitor arrivals began to pick up on a recovery in consumer sentiment. The increase in tourist arrivals was also attributable to an enhanced price competitiveness of Hong Kong among major tourism countries as a result of a weaker United States Dollar/Hong Kong Dollar, as well as the government's tourism campaigns in celebration of

20th anniversary of the handover. Driven by the revival of inbound tourism and improvement in local consumption demand, Hong Kong retail sales rebounded in 2017. Revenue from the watch segment increased by 13.4% to HK$3,238.6 million (2016: HK$2,856.7 million) while the revenue from the jewellery segment increased by 6.5% to HK$836.5 million (2016: HK$785.1 million). 74.8% (2016: 76.8%) of the Group's total revenue was contributed by the Hong Kong market.

Gross profit grew by 19.8% to HK$1,089.2 million (2016: HK$909.0 million). The gross profit margin was lifted by 1.7 percentage points to 26.7% (2016: 25.0%) which was mainly attributable to stronger market demand for luxury watches.

Due to an improvement in sales momentum, enhanced gross profit margin and rental savings, the financial performance of the Group turned around and the Group recorded a net profit of HK$159.7 million for the year ended 31 December 2017 (2016: net loss of HK$64.8 million).

According to the 2018 Interim Report, the Group's total revenue increased by 34.3% to HK$2,454.0 million (1H2017: HK$1,827.2 million) for the six months ended 30 June 2018. Amidst the revival of inbound tourism and the strong recovery in retail sales, revenue from Hong Kong achieved a growth of 42.8% to HK$1,908.4 million (1H2017: HK$1,335.7 million), accounting for 77.8% (1H2017: 73.1%) of the Group's total revenue. The improvement in consumption sentiment has supported robust demand of watches. Hence, revenue of the watch segment, the Group's largest revenue contributor, rose 32.1% to HK$1,941.5 million (1H2017: HK$1,470.3 million), accounting for 79.1% (1H2017: 80.5%) of the total revenue. Revenue from the jewellery segment increased by 43.6% to HK$512.5 million (1H2017: HK$356.9 million).

Gross profit grew by 39.0% to HK$677.3 million (1H2017: HK$487.3 million). The gross profit margin further enhanced to 27.6% (1H2017: 26.7%), due to stronger market demand for luxury watches.

These factors, coupled with enhanced operating efficiency, led to a significant rise in the Group's net profit, to HK$157.2 million (1H2017: HK$39.1 million) for the six months ended 30 June 2018 — more than fourfold as the same period last year.

Bank balances and cash on hand of the Group as at 30 June 2018 amounted to HK$1,430.2 million (31 December 2017: HK$1,613.1 million), which were mainly denominated in Hong Kong dollars ("HKD") and Renminbi ("RMB"). As at 30 June 2018, the Group had no bank borrowings (31 December 2017: Nil). The Group also had available unutilised banking facilities of approximately HK$848.5 million. The strong liquidity with debt-free position and considerable unutilised banking facilities enable the Group to retain high flexibility for future development.

As at 30 June 2018, the Group's current assets and current liabilities were approximately HK$4,480.4 million (31 December 2017: HK$4,450.3 million) and HK$300.2 million (31 December 2017: HK$305.7 million), respectively. In view of the Group's financial position as at 30 June 2018, the Board considered that the Group had sufficient working capital for its operations and future development plans.

Information of the Purchaser

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

2. Information of Emperor International and the Vendor

Information of Emperor International

Emperor International is an investment holding company and its subsidiaries are principally engaged in property investments, property development and hospitality, owning properties with a total area of over 5 million sq. ft. in the Greater China and Overseas. The issued shares of Emperor International are listed on the Main Board of the Stock Exchange (Stock Code: 163). Emperor International's investment property portfolio primarily focuses on quality street-level retail spaces and commercial buildings in prominent locations. In recent years, Emperor International has strived to enhance the proportion of retail and commercial buildings, on a whole block basis, among its existing property investment portfolio, aiming to diversify its rental income streams.

As set out in the annual report of Emperor International for the year ended 31 March 2018, the key investment properties owned by Emperor International Group in Hong Kong include the retail shops and shopping malls in Causeway Bay, Tsim Sha Tsui, North Point, Tuen Mun, Repulse Bay and Mid-levels. It also owns office, commercial and industrial complexes in Wan Chai, Central, Kwai Chung, Kwun Tong, Tuen Mun and Sha Tin.

Information of the Vendor

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

3. Information of the Target Group and the Property

Information of the Target Group

The Target Company is a company incorporated in the BVI on June 2018 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.

Dynamic Bliss limited is a company incorporated in the BVI and directly wholly-owned by the Target Company. Its principal business is investment holding and owns 99.9% of the total issued shares of Gold Pleasure.

Skill Vantage Limited is a company incorporated in the BVI and directly wholly-owned by the Target Company. Its principal business is investment holding and owns 0.1% of the total issued shares of Gold Pleasure.

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

The unaudited consolidated net asset value of the Target Group as at 31 August 2018 was approximately HK$586.9 million taking into account the book value of the Property of HK$1,800 million after revaluation.

The following table sets out the financial information of the Target Group:

	For the year ended 31 March			For the five months ended 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Revenue	55,794	40,476	36,939	17,887
Direct operating expenses in respect of leasing of investment properties	(5,222)	(5,364)	(2,516)	(193)
Gross profit	50,572	35,112	34,423	17,694
Changes in fair value of investment properties	(592,240)	(236,000)	(110,058)	621,242
Administrative expenses	(7,246)	(354)	(228)	(35)
Finance costs	(31,103)	(34,444)	(42,510)	(21,182)
(Loss)/Profit before taxation	(580,017)	(235,686)	(118,373)	617,719
(Loss)/Profit after taxation	(582,029)	(235,704)	(117,943)	617,719

The Target Group recorded revenue of approximately HK$55.8 million, HK$40.8 million, HK$36.9 million and HK$17.9 million for the three years ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018, respectively, which was mainly generated from rental income of the Property and other properties then held by Gold Pleasure. The Target Group recorded a loss of approximately HK$582.0 million, HK$235.7 million and HK$117.9 million for the three years ended 31 March 2016, 2017 and 2018, respectively, and recorded a profit of approximately HK$617.7 million for the five months ended 31 August 2018. The overall performance of the Target Group has been declining and suffering loss during 2016 to 2018 and the profit after taxation for the five months ended 31 August 2018 was solely due to the change in fair value change of investment properties. As stated in the Letter from the Board, the Acquisition is acquiring the Property through the Target Group that the historical revenue mainly consisted of the rent income from Beauty Royal to Gold Pleasure. In view of this, the Target Group's historical financial performance is considered to be irrelevant to the Enlarged Group as the Property is to be acquired by the Group for its own use. In addition, we have reviewed the Valuation Report and discussed with Savills, details of which are set out in the paragraph headed "Fairness and reasonableness of the Consideration" below, and satisfied with the bases, assumptions and methodologies adopted by Savills and the qualifications and experience of the responsible persons in charge of the Valuation, we have no reasons to doubt the fairness and reasonableness of the Valuation.

As at 31 March 2018, the audited consolidated net liability value of the Target Group was approximately HK$30.8 million. As at 31 August 2018, the audited net asset value of the Target Group was approximately HK$586.9 million.

Further details on the financial information of the Target Group for the three years ended 31 March 2018 and the five months ended 31 August 2018 are set out in Appendix II of this Circular.

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) with aggregate saleable area of 2,776 sq.ft. together with the right to use the advertising space on the external wall on the 1/F to the building of No. 4–8 Canton Road, Kowloon, Hong Kong. The Property is wholly owned by Gold Pleasure as investment property for rental income. The Property is currently rented to Beauty Royal, an indirect wholly-owned subsidiary of the Group, under the Tenancy. The Building Authority has withdrawn the first superseding order and pending to withdraw the second superseding order in relation to the demolition, removal, or alteration of building, building works (other than minor works commenced under simplified requirements) or street works of the Property.

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 Listing Rules) of the Company as Gold Pleasure (the landlord) will become a fellow subsidiary of Beauty Royal (the tenant) under the Group.

Set out below is a summary of the terms of the Tenancy between Gold Pleasure as landlord and Beauty Royal as tenant and in relation to the tenancy of the Property:

Date:	27 July 2017 (as amended on 9 August 2018)
Landlord:	Gold Pleasure
Tenant:	Beauty Royal
Property:	G/F, 1/F, (with aggregate saleable area of 2,776 sq. ft.) together with a right of use a wall-mount advertising signage on the external wall of 4–8 Canton Road, Kowloon, Hong Kong
Usage:	As retail shop
Term:	3 years from 1 August 2017 to 31 July 2020 (both days inclusive)
Rent Free Period:	6 months (1 August 2017 to 31 January 2018)
Rent:	HK$4,272,000.00 per month, exclusive of rates and all other outgoings.

Original acquisition costs of the Property

Based on the information on the Land Registry, the Property consists of 4 separate units: 1) Ground Floor, 4 Canton Road ("**4G**"); 2) Ground Floor, 6 Canton Road ("**6G**"); 3) Ground Floor, 8 Canton Road ("**8G**"); and 4) whole of First Floor, 4–8 Canton Road ("**First Floor**").

Gold Pleasure acquired: 1) 4G on 7 September 2007 at a consideration of HK$170 million; 2) 6G and 8G together on 30 March 2010 at a consideration of HK$843 million; and 3) First Floor on 31 August 2010 at a consideration of HK$145 million. Collectively, the Property was acquired by Gold Pleasure for a total cost of HK$1,158 million (excluding tax, agency fee and any other costs) during the period from 7 September 2007 to 31 August 2010.

4. Reasons and benefits for the Acquisition

As set out in the Letter from the Board, the reasons for and benefits of the Acquisition are as follows:

(i) Ensure continuity of a significant financial contributor and eliminate risk of substantial rental increments or leasing termination

The Group has operated the Store at the Property over the past decade. The Property is located in a multi-storey building subdivided into various units. Since the commencement of lease of the Property by the Group in 2011, the monthly rent as stated in the tenancy agreement ranged between approximately HK$3.2 million and approximately HK$6.2 million. It has been one of the imperative stores in terms of store contribution level. The revenue generated from the Store accounted for 14.2%, 10.4% and 19.4% of the Group's total Hong Kong sales for the years ended 31 December 2016, 31 December 2017 and the six months ended 30 June 2018 respectively. For the financial years ended 31 December 2016, 31 December 2017 and the six months ended 30 June 2018, the Store contributed 32.3%, 11.5% and 26.3% of the Group's Hong Kong segmental profit respectively. In addition, the sale per sq.ft. of the Store remained top position among all other stores operating by the Group in Hong Kong for the financial years ended 31 December 2016, 31 December 2017 and the six months ended 30 June 2018. The Store has been demonstrating steady and positive contribution over a period of time. Even when the Store was suspended operation in the period between 15 May 2017 and 31 August 2017 due to an extensive renovation, it generated the highest revenue and profit among all stores in Hong Kong for the financial year ended 31 December 2017. In 2016, the Store also managed to make lucrative profit when the Group was reporting a net loss, reflecting the resilience against the downcycle. Based on the Store's proven track record, the Group expects it will continue to make influential and positive contribution, and therefore intends to retain the Property as self-used property in the long run, and will continues to use the Property as the flagship store upon Completion.

The Group has all along dedicated to its retail business and relatively keen to lease the retail spaces until the opportunity of acquiring the Property arises. Among the existing stores in Hong Kong, the proven track record of the Store's financial contribution, together with the potential business growth driven by an anticipated increase in visitation to Canton Road after the commissioning of Guangzhou-Shenzhen-Hong Kong High Speed Rail, are considered as indisputable assurance for the benefit adhered to the Acquisition. For other retail space which the Group has not ever operated before, the Group considers that there is at a great risk to acquire such property as the evaluation of actual store performance was not feasible.

In view of (i) the intention of the disposal of the Property by the Vendor; (ii) the significance of the Store and its historical contributions to the Group; and (iii) the current tenancy will expire in less than 2 years (i.e. in July 2020), we concur with the views of the Directors that the Acquisition as an opportunity to own the Property in order to (i) secure the material revenue and profits derived from the Store; (ii) to minimise the potential disturbance to its existing establishment in the long run if it is unable to renew tenancy agreement or source new shop in location as desirable and strategic as the Property is; and (iii) to eliminate the risk of bearing rental increments during a peak cycle of the retail market.

(ii) Achieve rental savings and maximise use of available financial resources

As set out in the Letter from the Board, with reference to the latest tenancy agreement, the effective monthly rental for the Property is approximately HK$3.6 million (after taking into account a rent-free period of 6 months from 1 August 2017 to 31 January 2018), translating to approximately HK$43.6 million per annum. The Acquisition enables the Group to achieve rental savings regarding the Property. We have considered the figures of the prime street shop rental indices in Hong Kong provided by Savills for the periods from Q1 2017 to Q2 2018 as below.

Prime street shops — Rental Indices (Q1 2003 = 100)

	Q1 2017	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Q1 2018**	**Q2 2018**
Overall	200.6	200.0	200.0	198.8	198.2	204.8
Central	169.9	167.8	167.8	167.8	167.8	174.0
Causeway Bay	191.9	191.9	191.9	191.9	191.9	196.6
Tsim Sha Tsui	255.5	255.5	255.5	250.4	248.0	255.9
Mongkok	167.1	167.1	167.1	167.1	167.1	173.8

Source: Savills

Based on the above figures, we noted that the rental indices in Tsim Sha Tsui outperformed the rental indices in other prime areas in Hong Kong. The Acquisition enables the Group to achieve rental savings at the area with the highest rents. According to the Market Consultant's Report as set out in Appendix V to this Circular, overall high street rents in 2018 and 2019 are expected to rise by 1% to 3% and 3% to 5% year-on-year respectively. The Directors consider that the Acquisition will therefore help to eliminate the risk of exposure to potential future rental hike of the Property.

The Group has maintained strong cash reserves to satisfy its working capital and operating demands. According to 2017 Annual Report, the cash balance recorded approximately HK$1.3 billion and HK$1.6 billion as at 31 December 2016 and 31 December 2017 respectively; whereas the interest income derived from cash deposit during the financial year ended 31 December 2017 merely recorded HK$5.9 million. The 2017 Annual Report disclosed the bank balances as at 31 December 2017 included time deposits of HK$81.0 million with maturity over three months that carried interest at prevailing interest rate which ranged from 1.0000% to 1.7550% per annum, and the remaining bank balances carried interest at market rates which ranged from 0.0098% to 1.7550% per annum with maturity three months or less. It is considered that the existing cash resource of the Group should be utilised to facilitate the scale of business in an even more pragmatic way. In addition, owning a store at prime location can truly realise the business potential by taking unique advantages of maintaining high visitations and brand appeal without bidding rent with competitors for the Property or alternative properties available in this prime location. We concur with the views of the Directors that the aggregate monetary contribution from the operation of the Store and the non-monetary benefits associated with brand appeal, outweigh the bank interest income earned from cash deposits.

As set out in the Letter from the Board, after taking into account the expected Completion, the internal resources available, including bank balances, the existing available facilities of the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements for at least twelve months from the date of publication of this circular in the absence of unforeseen circumstances. We have also reviewed the gearing ratios and current ratios of 10 companies (one company was removed from the analysis due to extremity of value) in the luxury jewellery and/or watches retail industry listed in the main board of the Stock Exchange, for which the gearing ratios ranged from nil to 68.3%, with an average of 18.9% and the current ratios ranged from 0.5 to 13.7, with an average of 4.81. Having considered the gearing ratio (approximately 14.5%) and the current ratio (approximately 5.7) of the Enlarged Group, as discussed in the paragraph headed "Possible financial effects of the Acquisition" below, are within the range of the market comparables, we concur with the Directors' view that the Enlarged Group will remain in a healthy financial position in terms of gearing and liquidity upon Completion.

(iii) Enhance brand equity with association of international brands

Brand equity is a crucial element for the sustainability of luxury retailers. The operation at the Property enables the Group to enjoy high brand visibility and brand appeal, as it is located on Canton Road, which abounds with internationally flagship stores such as Hermès, Chanel, Louis Vuitton, Fendi, Dior, Gucci, Salvatore Ferragamo, Bulgari and Burberry, alongside luxury boutiques, apparel stores and jewellers.

Leading luxury brands command their presence in the prime locations in order to match their prominent market positioning. In view of this, having a solid presence in the prime location is of paramount importance for an authorised watch retailer to foster its leading position in Hong Kong. Currently, the Group maintains strong presence in several prime shopping destinations in Hong Kong such as Canton Road, Russell Street and Queen's Road Central. Among these locations, Canton Road always receives the spectacular pedestrian flow to draw patrons into the Store. According to the Market Consultant's Report as set out in the Appendix V of this circular, in 2017, the average visitor traffic of Harbour City along Canton Road year-on-year increased by 10% to 220,000. The ownership of the Property will reinforce the Group's dedication in operating retailing of watches over a long-term, which in turn further enhance the relationship with the watch brands.

(iv) Take the advantage from potential growth in traffic flow with convenient access

The Property is located at Canton Road in Tsim Sha Tsui, one of the prominent shopping areas in the world and one of the busiest shopping streets in Hong Kong, which receives the best traffic of Chinese shoppers. According to "A Statistical Review of Hong Kong Tourism 2017"; published by Hong Kong Tourism Board, Tsim Sha Tsui is regarded as the most popular shopping district among overnight visitors in 2016 and 2017. Canton Road is surrounded by a comprehensive local public transportation network of the mass transit railways, buses and ferries. The China Ferry Pier at the Canton Road also facilitates the travel between the key cities of Pearl River Delta and Peninsula Kowloon of Hong Kong.

In addition, the Hong Kong section of Guangzhou-Shenzhen-Hong Kong High Speed Rail became operational in late-September this year. The train ride from Guangzhou South Railway Station to West Kowloon Station in Hong Kong takes a mere 47 minutes, while a trip from Shenzhen Futian Station takes 14 minutes. This link greatly reduces the travelling time from key cities in the Pearl River Delta region and beyond, hence, facilitating the inflow of Chinese tourists. Since Canton Road is located within a walking distance away this express rail station, the business at the Property is poised to benefit from a further increasing number of travelers.

The Directors consider the strategic location of the Property is beneficial to the business prospects of the flagship store operating at the Property. We consider that the positive outlook of tourism industry and luxury goods consumption market in Hong Kong could be evidenced by (i) the increase in number of visitors to Hong Kong by 10.4% (in particular the PRC visitors by 13.8%) for the first eight months of 2018 as compared to the same period in 2017 according to the "Visitor Arrival Statistics — August 2018" published by Hong Kong Tourism Board; (ii) the value index of retail sales in Hong Kong by type of jewellery, watches and clocks, and valuable gifts was increased by 22.4% for the first eight months of 2018 as compared to same period in 2017 according to "Report on Monthly Survey of Retail Sales — August 2018" published by the Census and Statistics Department of Hong Kong; and (iii) according to the Market Consultant's Report as set out in Appendix V to this Circular, it is noted that Tsim Sha Tsui will particularly benefit from the completion of large-scale tourism and infrastructure projects including the opening of Western Kowloon Culture District, completion of Hong Kong-Zhuhai-Macau Bridge, which will be operational in the second half of 2018, and the Guangzhou-Shenzhen-Hong Kong High Speed Rail. They will serve to support increased tourist visits, especially mainland tourists to Hong Kong. The Hong Kong Tourism Board expects more than 60 million visitors — around nine times the city's population — to pour into Hong Kong in 2018, about 3.6% increment over 2017.

On the other hand, the aforesaid increase in the number of traffic is expected to underpin the long-term demand for retail spaces and further drive up the rent levels. The Directors consider the Acquisition will therefore eliminate the risk of exposure to potential future rental hike of the Property.

(v) Sustain a strategic sales network

The Group strategically established the foothold of point-of-sales at the street-level along Canton Road. Being the Group's first point-of-sale on Canton Road, the Store has enjoyed frequent visit of repetitive customers. Thereafter, the Group further extended its presence to the ground floor shops of 1881 Heritage and China Hong Kong City at the both ends of Canton Road. Located at the mid-point of Canton Road, the Store constitutes a core part of the comprehensive sales network and serves as the most important determinant of success. The Group considers that the point-of-sales at both ends may be adversely affected if the Store at the mid-point of Canton Road is eliminated. Further, the existing foothold at Canton Road enables the Group to benefit from cross-selling opportunities between the point-of-sales carrying different brand and product mix. The Store plays a crucial role in driving sales of the other stores of the Group, enhancing overall sales capacity and reinforcing its brand familiarity.

(vi) Procure a rare sought-after property

As set out in the Letter from the Board, more than 80% of both sides of pathways along the core shopping areas of Canton Road are currently occupied by shopping malls including Star House, Harbour City, China Hong Kong City, Silvercord, The Sun Arcade and 1881 Heritage, which are operated by large-scale developers. While it is highly unlikely that the street-level retail spaces of shopping malls will be offered for sale, other individual retail spaces owners intend to retain their properties for long-term return. As advised by Savills, no comparable transactions was recorded in proximity in the past five years, which demonstrates the scarcity of retail premises that are similar to the Property.

We have considered the figures of the prime street shop prices indices in Hong Kong provided by Savills as below.

Source: *Savills*

According to the graph above, the price indices of prime street shops in Tsim Sha Tsui peaked at 1,047.1 in Q4 2013 and started its decreasing trend and reached its lowest point at 644.6 in Q2 2018 during the previous five years. It was also shown that the price of prime street shop became stabilised since Q1 2017. Based on the above information, it indicates that the current prime street shop price is at a relatively low level. Based on the information provided by the Company, the value of the Property reached approximately HK$2.36 billion in 2014.

According to the Market Consultant's Report as set out in Appendix V to this Circular, the following table sets forth the market outlook in relation to the scaled shopping malls in Tsim Sha Tsui for the years from 2017 up to 2025:

	2017	**2019**	**2021**	**2023**	**2025**
Net Unit Rent					
(HK$/square feet (N))	259.4	272.5	301.0	335.4	376.1
y-o-y Growth	—	2.0%	5.2%	5.7%	6.0%
Yield	3.1%	2.9%	2.9%	2.9%	2.9%
Net Capital Value					
(HK$/square feet (N))	100,413	112,769	124,565	141,210	158,364
y-o-y Growth	—	2.0%	5.2%	5.7%	6.0%

Source: Colliers Research

We noted from the above table that the year-to-year growth of the net unit rent and net capital value are anticipated to record same range of 2.0%-6.0% for the years from 2017 up to 2025, which indicated a continuous expected growth in property value of the scaled shopping malls in Tsim Sha Tsui in coming years.

Independent Shareholders may refer to the Market Consultant's Report set out in Appendix V for further details about Canton Road and facilities and landmarks nearby and market outlook of retail property market in Tsim Sha Tsui.

Conclusion

Having considered (i) the importance of this flagship store; (ii) the potential disturbance derived from rental increments or termination of leasing relationship if the Property is leased or even sold to other parties; (iii) the rental savings and the better use of the available financial resources; (iv) the brand equity enhancement with association of international brands; (v) the prime location of the Store and the expectation of further increase of traffic flow; and (vi) the strategic location of the Store and the scarcity of similar retail spaces in Canton Road, we concur with the view of Directors that the Acquisition is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of 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

(A) the entire equity interests (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 it 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 based on the Valuation Report as set out in Appendix IV of this Circular.

The Consideration is payable in the following manner:

- deposit in the sum of HK$360 million has been 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.

According to the Valuation Report, the market value of the Property was HK$1,800 million as at 10 September 2018. Please refer to Appendix IV of this circular for more details on the Valuation Report. Considering that there is no material changes in the assumptions and market condition as referred to the Valuation Report, the Company considers that there is no material change in the value of the Property since 10 August 2018 up to the Latest Practicable Date.

For illustrative purpose, assuming there is no difference of financial figures upon Completion, based on the accountant's report of the Target Group as at 31 August 2018 and pursuant to the adjustment mechanism to the consideration as provided in the Sale and Purchase Agreement as disclosed above, the adjusted consideration for the Acquisition was approximately HK$1,140.3 million which is adjusted by (i) the current assets value of the Target Group in the amount of approximately HK$4.5 million (excluding rental incentives of approximately HK$16.4 million) of the Target Group; and (ii) the total liabilities of the Target Group (except the Sale Loan recorded in the accountant's report of the Target Group as at 31 August 2018) in the amount of approximately HK$664.2 million.

The adjusted consideration as at 31 August 2018 is calculated as follows:

	Approximately HK$ (million)
Consideration	1,800.00
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	(664.24)
increased by the aggregate amount (if any) of the Completion Assets of the Target Group	4.50
Adjusted consideration	1,140.26

Shareholders are reminded that the actual consideration shall be subject to Completion Accounts upon Completion.

Fairness and reasonableness on the Consideration

As stated in the Letter from the Board, 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 based on the Valuation Report.

We note that the Savills has been appointed to assess the value of the Property as at 10 September 2018, details of which are set out in the Appendix IV to the Circular. According to the Valuation Report, the value of the Property is HK$1,800 million as at 10 September 2018. In assessing the fairness and the reasonableness of the Consideration, we have therefore, reviewed the Valuation Report and discussed with the Savills, regarding, among other things, the bases, assumptions and methodologies adopted therein.

According to our discussion with Savills, in arriving at the Valuation of HK$1,800 million for the Property, Savills has adopted the income capitalisation approach which has taken into account the rental income of the Property derived from its potential rental income available in the existing market by making reference to the current rental rates of other properties of similar nature and category and in close proximity to the Property and then capitalised to arrive at the present market value of the Property at a capitalisation rate. The capitalisation rate was determined with reference to recent sales of similar properties. We understand from Savills that the Valuation was prepared in compliance with HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors ("**HKIS**"), which incorporates the International Valuation Standards ("**IVS**"), and, where appropriate, the relevant HKIS or jurisdictional supplement, and Chapter 5 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**").

As per our discussion with Savills, in adopting the income capitalisation approach, Savills has capitalised the current market rental income without taking into account any costs and expenses relating to the Property, which is considered a normal market practice. We also noted that the income capitalisation approach adopted by Savills is used by other listed companies. Taken into consideration of the factors discussed above, we concur with Savills that the income capitalisation approach Savills has adopted is fair and reasonable and reflects the value of the Property and is in line with market practice.

The Property is occupied by the Group under the Tenancy. Upon Completion, both the landlord and the tenant of such tenancy will be under the Group, and the monthly rental will cease to be payable on the Group level. Therefore, Savills has disregarded the Tenancy and valued the Property on vacant possession basis. We consider it is quite prudent for Savills to conduct valuation on a vacant possession basis due to the following reasons: (i) the value of the retail store operated at the Property ("**Store**") is considerably independent of the value of the Property; and (ii) the Acquisition originates with the Property and that the value of the Property should be considered in an isolated way. Moreover, upon Completion, the Property will be for self-use by the Group to operate the Store, we concur with the Company's view that it is reasonable that the valuation was conducted on a vacant possession basis.

The original monthly face rent of the Tenancy was HK$4,362,000. Taking into account a rent-free period of 6 months from 1 August 2017 to 31 January 2018, the effective monthly rental during the term is HK$3,635,000. We understand from the Company that the 6 months rent-free period was given mainly due to the following reasons: (i) the rent-free period of previous tenancy agreement was forfeited due to an early termination as requested by Emperor International Group. Such forfeited rent-free period was then transferred to the Tenancy; and (ii) certain alteration and addition works for the Property had been undertaken by Emperor International Group till January 2018 which had adversely affected the occupation of the Property. The 6 months rent-free period was already passed and the alteration and addition works for the Property was already completed. The monthly rent for the remaining term of the Tenancy was adjusted to HK$4,272,000 as amended on 9 August 2018.

In adopting the income capitalisation approach, Savills has capitalised the monthly market rent (i.e. HK$4,050,000) of the Property as at the date of valuation without taking into account any incidental rent-free period and incompletion of alteration and addition works. Having considered the above, in particular: (i) the rent-free period was already passed and it was one-off in nature under commercial negotiation; and (ii) the monthly rent for the remaining term of the Tenancy was adjusted to HK$4,272,000 as amended on 9 August 2018, we are of the view that it is reasonable for not taking into account the incidental rent-free period and incompletion of alteration and addition works when conducting the valuation.

Under the income capitalisation approach, the major assumptions adopted by Savills were (i) the achievable market rental in existing market as at the valuation date; and (ii) the capitalisation rate. Under this approach, the value of the Property is derived by capitalising the market rental of a property. There are similar rental comparables available in the relevant market for the calculation of the market rental levels of those market comparables range from HK$1,409 to HK$2,278 per sq. ft. per month (i.e. the analysed ground floor unit rent after adjustment). The unit rent as determined by Savills is HK$1,900 per sq.ft. per month for the ground floor portion. We have also reviewed such market comparables selected by Savills and as the market comparables are recent lettings and listings located nearby of and/or similar to the Property, we are of the view that the market comparables selected by Savills are fair and reasonable. As for the capitalisation rate, Savills has gathered and analysed various recent sales of similar premises and we noted that the yields implied in those transactions are generally within the range of around 2.5% to 3.0%. The capitalisation rate as determined by Savills is 2.7% which we noted is within the range of the implied yields and is also determined after Savills has taken into account of factors such as location, quality of the property, commercial atmosphere, etc. Taken into the factors discussed above, we are of the view that the major assumptions adopted by Savills are fair and reasonable.

We are also advised by Savills that, apart from the income capitalisation approach, direct comparison approach is also commonly used for the valuation of properties by reference to comparable market transactions of similar properties in proximity. However, as advised by Savills, limited market comparables of similar properties in proximity to the Property were located by Savills in the past five years, and thus direct comparison approach is not preferred for the valuation of the Property. On the other hand, Savills considered that the discounted cash flow approach which takes into account of the forecast and estimation of the future cash flow of a company, requires various assumptions and judgments to determine the future cash flow of a company and is also considered the less conservative valuation approach.

Furthermore, we have been furnished with the qualifications and experience of Savills in relation to the conduct of valuation of the Property, and note that it possesses experience in property valuations. The responsible persons in charge of the Valuation Report, who are professional surveyors with 34 and 33 years' experience in valuation of properties in Hong Kong, respectively. Based on our review of the Valuation Report and discuss with Savills as aforesaid, including but not limited to the valuation methodologies and assumptions in preparing the Valuation Report and the qualifications and experience of Savills in valuations, nothing has come to our attention that causes us to doubt the fairness and reasonableness of the preparation of the Valuation Report. We have also reviewed Savills's terms of engagement with the Company (including its scope of work) and are not aware of any irregularities during our discussion with Savills and in our review of their work. In view of this, we consider that the procedures of the valuation carried out by Savills as well as the bases, assumptions and methodologies adopted for the Valuation Report are appropriate. The Valuer also confirmed that it is independent of and not connected with the Group, Emperor International, the Target Group and their respective associates. The value of the Property as set out in the Valuation Report is therefore considered indicative to the consideration of the Property. As such, we consider the Valuation is a fair reference for the Consideration.

Accordingly, we are of the view that the consideration for the Acquisition, which has been determined based on the valuation of the Property under the Valuation Report, 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.

5. Possible financial effects of the Acquisition

Upon Completion, the Target Company and its subsidiaries will become indirect wholly-owned subsidiaries of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the accounts of the Group. It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group would be upon Completion.

Effect on net asset value

According to the 2018 Interim Report, the unaudited net asset value of the Group was approximately HK$4,440.4 million as at 30 June 2018. As advised by the Directors, the Company intends to finance the entire amount of consideration in cash by internal resources. Upon Completion, the increase in non-current assets of the Group (being the asset value of the Property) will be partially offset by the decrease in current assets (being the bank balances and cash) and the increase in bank borrowings. As a result, the Acquisition would have no material adverse effect on the Group's net asset value upon Completion.

Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this Circular, which is prepared as if the Acquisition had completed on 30 June 2018 to illustrate the effect of the Acquisition, the unaudited consolidated pro forma assets and liabilities of the Enlarged Group would be increased from approximately HK$4,741.6 million and HK$301.2 million, respectively, to approximately HK$5,391.4 million and HK$935.5 million, respectively. The details of the financial effect of the Acquisitions on the financial position together with the bases and assumptions which were taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix III to this Circular.

Effect on gearing and working capital

As advised by the Directors, the working capital will be reduced mainly due to the payment of consideration of the Acquisition (subject to adjustments as stated above). The Directors, after take into account the financial resources available to the Enlarged Group, including internally generated funds and available banking facilities of the Enlarged Group, considered that slightly less than HK$1.2 billion of cash will be deployed for this Acquisition and the Group will have sufficient funds to finance the Acquisition and settle its current debts. In addition, the Director, after due and careful considerations, are of the opinion that, taking into account the expected completion of the Acquisition the internal resources available, including bank balances, sales of the listed shares of the Enlarged Group or by realising their marketable securities being pledged and the existing available facilities of the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements for at least twelve months from the date of publication of this Circular in the absence of unforeseen circumstances.

According to the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III, the Group's gearing position (which is calculated as total borrowings divided by net asset value) will increase upon Completion, which is mainly due to increase in bank borrowings of the Enlarged Group with amount of approximately HK$646.8 million. The gearing ratio of the Enlarged Group is expected to increase from nil to 14.5% as at 30 June 2018. The current ratio of the Enlarged Group is expected to decrease from 14.9 to 5.7 as at 30 June 2018. We have reviewed the gearing ratios and current ratios of 10 companies (one company was removed from the analysis due to extremity of value) in the luxury jewellery and/or watches retail industry listed in the main board of the Stock Exchange, for which the gearing ratios ranged from nil to 68.3%, with an average of 18.9% and the current ratios ranged from 0.5 to 13.7, with an average of 4.81. Having considered the gearing ratio and the current ratio of the Enlarged Group are within the range of the market comparables, we concur with the Directors' view that the Enlarged Group will remain in a healthy financial position in terms of gearing and liquidity upon Completion.

Effect on earnings

As advised by the Directors, the Group will continue to use the Property for its retail outlet upon Completion. It is expected that the Group will achieve savings in future rental expenses in respect of the use of the Property. However, according to the HKFRS, the Group will record depreciation expense and finance costs arising from bank borrowings in respect of the Property. Based on information provided by the Group, the effective rental for the Property is approximately HK$43.6 million per annum. As advised by the Directors, it is expected that value of the Property of HK$1,800 million will be depreciated on a straight-line basis over 20 years according to the accounting policy of the Group. In addition, finance cost in relation to the bank borrowing in the amount of HK$646.8 million attached to the Property will be incurred. Although the depreciation expense and the finance cost in aggregate probably exceed the relevant saving in rental expense after the Acquisition, the Acquisition would bring along with long-term advantageous effect on operating cash flow. We concur that the depreciation charge is a non-cash expenses to be incurred in annual basis and that net profit per statutory account will not be able to demonstrate the actual earnings capacity of the Group.

As advised by the Directors, having considered the reasons for and benefits of the Acquisition as stated in the paragraph headed "Reasons for and benefits of the Acquisition", in particular (i) ensure continuity of a significant financial contributor and eliminate risk of rental increments or leasing termination; (ii) achieve rental savings and maximise use of available financial resources; (iii) enhance brand equity with international standing; (iv) take the advantage from potential growth in traffic flow with convenient access; (v) sustain a strategic sales network; and (vi) procure a rare sought-after property, the Directors are of the view that the possible financial effect to the Group upon completion of the Acquisition is still justifiable.

RECOMMENDATION

Having taken into account the principal factors discussed above, in particular that (i) ensure continuity of a significant financial contributor and eliminate risk of rental increments or leasing termination; (ii) achieve rental savings and maximise use of available financial resources; (iii) enhance brand equity with international standing; (iv) take the advantage from potential growth in traffic flow with convenient access; (v) sustain a strategic sales network; and (vi) procure a rare sought-after property, although the Group may have financial impacts as set out in the paragraph headed "Possible financial effects of the Acquisition, we are of the view that (i) the Acquisition is in the ordinary and usual course of the business of the Group; (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) the Sales and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the

Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Vincent Cheung
Managing Director

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Messis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry.

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the past three years ended 31 December 2015, 2016 and 2017 together with the six months ended 30 June 2018 are disclosed in the following documents which have been published on the respective websites of the Stock Exchange at (http://www.hkexnews.hk) and the Company at (https://www.emperorwatchjewellery.com):

(a) the audited financial statements included in the annual report of the Company for the year ended 31 December 2015:

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0415/LTN20160415351.pdf

(b) the audited financial statements included in the annual report of the Company for the year ended 31 December 2016:

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0405/LTN20170405995.pdf

(c) the audited financial statements included in the annual report of the Company for the year ended 31 December 2017:

http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0406/LTN201804061164.pdf

(d) the unaudited financial statements included in the interim report of the Company for the six months ended 30 June 2018:

http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0910/LTN20180910710.pdf

2. WORKING CAPITAL STATEMENT

The Directors, after due and careful considerations, are of the opinion that, taking into account the expected completion of the Acquisition, the internal resources available, including bank balances, sales of the listed shares of the Enlarged Group or by realising their marketable securities being pledged and the existing available facilities of the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements for at least twelve months from the date of publication of this circular in the absence of unforeseen circumstances.

3. INDEBTEDNESS STATEMENT

At the close of business on 30 September 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Group had outstanding bank borrowings of unsecured import and trust receipt loans totalling approximately HK$55.8 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 September 2018 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

4. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, up to and including the Latest Practicable Date, the Directors have not been aware of any material adverse change in the financial or trading position of the Group since 30 June 2018, being the date to which the latest published audited financial statements of the Group were made up to.

5. FINANCIAL AND TRADING PROSPECTS

Facing the market volatility arisen from the recent falling stock market of Hong Kong and the weakening Renminbi currency triggered by the escalating trade dispute between the United States and China, the Group will closely monitor the market situation. Looking beyond these uncertainties, the Group believes the luxury sector is poised for a healthy growth in the long-term perspective, on the back of an expanding middle-class and rising income level in China. With convenient access supported by better infrastructure, comprehensive assortment of luxury products, increasing awareness of product credibility and excellent customer services, Hong Kong remains top shopping destination for Chinese. As a leading watch and jewellery retailer in Hong Kong, the Group will continue to react proactively to the market dynamics and leverage on its core competencies.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF PERFECT RAISE HOLDINGS LIMITED AND ITS SUBSIDIARIES TO THE DIRECTORS OF EMPEROR WATCH & JEWELLERY LIMITED

INTRODUCTION

We report on the historical financial information of Perfect Raise Holdings Limited ("Perfect Raise") and its subsidiaries (together, "Perfect Raise Group") set out on pages 53 to 84, which comprises the consolidated statements of financial position of Perfect Raise Group as at 31 March 2016, 2017, 2018 and 31 August 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Perfect Raise Group for each of the three years ended 31 March 2018 and the five months ended 31 August 2018 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 53 to 84 forms an integral part of this report, which has been prepared for inclusion in the circular of Emperor Watch & Jewellery Limited (the "Company") dated 12 November 2018 (the "Circular") in connection with the proposed Acquisition of entire issued equity interest in Perfect Raise and the Sale Loan due and payable by Perfect Raise to a fellow subsidiary by Emperor Watch & Jewellery (HK & Macau) Holdings Limited, a company incorporated in the BVI and a direct wholly-owned subsidiary of the Company (the "proposed acquisition").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of Perfect Raise are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of Perfect Raise determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The Directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of Perfect Raise Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Perfect Raise, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Perfect Raise Group's financial position as at 31 March 2016, 2017, 2018, and 31 August 2018, and of Perfect Raise Group's performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Perfect Raise Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended 31 August 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of Perfect Raise are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing (the "HKSAs") and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements of the Perfect Raise Group as defined on page 53 have been made.

Dividend

We refer to note 10 to the Historical Financial Information which contains information about the dividends paid by entities comprising Perfect Raise Group in respect of the Relevant Periods and states that no dividend was declared or paid by Perfect Raise since the date of its incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 November 2018

HISTORICAL FINANCIAL INFORMATION OF PERFECT RAISE

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us, in accordance with HKSAs issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Five months ended 31 August	
		2016	**2017**	**2018**	**2017**	**2018**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	6	55,794	40,476	36,939	11,362	17,887
Direct operating expenses in respect of leasing of investment properties		(5,222)	(5,364)	(2,516)	(2,100)	(193)
Gross profit		50,572	35,112	34,423	9,262	17,694
Changes in fair value of investment properties		(592,240)	(236,000)	(110,058)	(42,058)	621,242
Administrative expenses		(7,246)	(354)	(228)	(178)	(35)
Finance costs	7	(31,103)	(34,444)	(42,510)	(16,367)	(21,182)
(Loss) profit before tax	8	(580,017)	(235,686)	(118,373)	(49,341)	617,719
Taxation (charge) credit	9	(2,012)	(18)	430	—	—
(Loss) profit and total comprehensive (expense) income for the year/period		(582,029)	(235,704)	(117,943)	(49,341)	617,719

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 31 August
		2016	2017	2018	2018
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investment properties	11	1,531,000	1,295,000	1,301,000	1,800,000
Deposit paid for renovation work of investment properties		—	—	13,338	—
		1,531,000	1,295,000	1,314,338	1,800,000
Current assets					
Receivables, deposits and prepayments	12	6,447	1,269	20,817	16,828
Taxation recoverable		—	1,253	1,253	1,253
Bank balances and cash	13	7,706	3,026	2,146	2,792
		14,153	5,548	24,216	20,873
Current liabilities					
Deposits received and accrued charges	15	380	22,232	438	3,882
Amount due to a fellow subsidiary	16	459,445	488,591	691,579	569,696
Secured bank borrowings — due within one year	17	39,076	39,076	39,076	316,338
Taxation payable		315	—	—	—
		499,216	549,899	731,093	889,916
Net current liabilities		(485,063)	(544,351)	(706,877)	(869,043)
Non-current liabilities					
Deposits received	15	20,560	—	14,261	13,581
Secured bank borrowings — due after one year	17	702,132	663,056	623,980	330,437
Deferred taxation	18	378	430	—	—
		723,070	663,486	638,241	344,018
Net assets (liabilities)		322,867	87,163	(30,780)	586,939
Capital and reserves					
Share capital	19	—	—	—	—
Retained profits (accumulated losses)		322,867	87,163	(30,780)	586,939
Total equity		322,867	87,163	(30,780)	586,939

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained profits (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Note 19)		
At 1 April 2015	—	971,736	971,736
Loss and total comprehensive expense for the year	—	(582,029)	(582,029)
Dividend recognised as distribution *(note 10)*	—	(66,840)	(66,840)
At 31 March 2016	—	322,867	322,867
Loss and total comprehensive expense for the year	—	(235,704)	(235,704)
At 31 March 2017	—	87,163	87,163
Loss and total comprehensive expense for the year	—	(117,943)	(117,943)
At 31 March 2018	—	(30,780)	(30,780)
Profit and total comprehensive income for the period	—	617,719	617,719
At 31 August 2018	—	586,939	586,939
At 1 April 2017	—	87,163	87,163
Loss and total comprehensive expense for the period (unaudited)	—	(49,341)	(49,341)
At 31 August 2017 (unaudited)	—	37,822	37,822

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
OPERATING ACTIVITIES					
(Loss) profit before tax	(580,017)	(235,686)	(118,373)	(49,341)	617,719
Adjustments for:					
Interest expenses	30,242	34,090	42,510	16,367	21,182
Fair value changes of investment properties	592,240	236,000	110,058	42,058	(621,242)
Operating cash flows before movements in working capital	42,465	34,404	34,195	9,084	17,659
Decrease (increase) in deposits and prepayments	10,020	5,178	(19,548)	109	3,989
(Decrease) increase in deposits received and accrued charges	(900)	1,296	(7,626)	(7,831)	2,798
Cash generated from operations	51,585	40,878	7,021	1,362	24,446
Income tax paid	(648)	(1,534)	—	—	—
NET CASH FROM OPERATING ACTIVITIES	50,937	39,344	7,021	1,362	24,446
INVESTING ACTIVITIES					
Additions to investment properties	(240)	—	—	—	(3,420)
Deposit paid for renovation work of investment properties	—	—	(13,338)	(13,338)	—
CASH USED IN INVESTING ACTIVITIES	(240)	—	(13,338)	(13,338)	(3,420)
FINANCING ACTIVITIES					
Interest paid	(13,097)	(13,147)	(14,252)	(5,443)	(7,911)
New bank borrowings raised	64,000	—	—	—	—
Repayment of bank borrowings	(38,703)	(39,076)	(39,076)	(16,281)	(16,281)
Repayment to a fellow subsidiary	(63,400)	—	—	—	—
Advances from a fellow subsidiary	—	8,199	58,765	31,979	3,812
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(51,200)	(44,024)	5,437	10,255	(20,380)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(503)	(4,680)	(880)	(1,721)	646
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	8,209	7,706	3,026	3,026	2,146
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	7,706	3,026	2,146	1,305	2,792

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF PERFECT RAISE GROUP

1. GENERAL INFORMATION

Perfect Raise is a private limited company incorporated in the British Virgin Islands (the "BVI") on 8 June 2018. Its immediate holding company is Emperor Property Investment Limited ("EPIL"), a company incorporated in the BVI, and its intermediate holding company is Emperor International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The ultimate holding company of Perfect Raise is Albert Yeung Holdings Limited, a limited liability company incorporated in the BVI, which is in turn held by STC International being the trustee of The Albert Yeung Discretionary Trust ("AY Trust"), the settlor and founder of which is Dr. Yeung Sau Shing, Albert. The registered office of Perfect Raise is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI.

Perfect Raise is an investment holding company. Perfect Raise Group is principally engaged in property investment in Hong Kong. Details of the principal activities of the subsidiaries of Perfect Raise are set out in note 14.

The functional currency of Perfect Raise is Hong Kong dollars ("HK$") which is also the presentation currency of Perfect Raise.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA and the conventions applicable for group reorganisations (details are set out below).

In connection with the proposed acquisition, EPIL underwent a group reorganisation in forming Perfect Raise Group, which included Dynamic Bliss Limited ("Dynamic Bliss"), Skill Vantage Limited ("Skill Vantage") and Gold Pleasure Investment Limited ("Gold Pleasure"). As part of the group reorganisation, investment holding companies, namely Perfect Raise, Dynamic Bliss and Skill Vantage were interspersed between EPIL and Gold Pleasure.

The principal steps of the group reorganisation were:

1) Perfect Raise was incorporated in the BVI on 8 June 2018, and the only share in Perfect Raise was allotted and issued to EPIL at a consideration of US dollar ("USD") 1 (approximately HK$8);

2) Dynamic Bliss was incorporated in the BVI on 12 June 2018, and the only share in Dynamic Bliss was allotted and issued to Perfect Raise at a consideration of USD1 (approximately HK$8);

3) Bansmith Investments Limited, a fellow subsidiary of Perfect Raise and an indirect wholly owned subsidiary of EPIL, transferred the only share in Skill Vantage on 27 July 2018, at a consideration of USD1 (approximately HK$8) to Perfect Raise; and

4) 9,998 new ordinary shares in Gold Pleasure were issued and allotted to Dynamic Bliss (representing 99.9% equity interest in Gold Pleasure) on 27 July 2018 at a consideration of HK$9,998 and 2 shares in Gold Pleasure (representing 0.1% equity interest in Gold Pleasure) were transferred by EPIL to Skill Vantage by EPIL at a consideration of HK$2 on 10 August 2018.

Upon completion of group reorganisation on 10 August 2018, Perfect Raise become the holding company of the entities now comprising Perfect Raise Group. Perfect Raise Group is under the common control of EPIL prior to and after the group reorganisation. Perfect Raise Group comprising Perfect Raise and its subsidiaries resulting from the group reorganisation is regarded as a continuing entity. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows include the results, changes in equity and cash flows of the entities comprising Perfect Raise Group have been prepared as if Perfect Raise had always been the holding company of Perfect Raise Group and the current group structure upon completion of the reorganisation had been in existence throughout the Relevant Periods, or since their respective date of incorporation, where this is a shorter period. The consolidated statements of financial position of Perfect Raise Group as at 31 March 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the entities now comprising Perfect Raise Group as if the current group structure upon completion of the group reorganisation has been in existence as at those dates, taking into account of the respective dates of incorporation.

In preparing the Historical Financial Information, the directors of Perfect Raise have given careful consideration to the future liquidity of Perfect Raise Group, in view of the fact that current liabilities exceed its current assets by HK$869,043,000 at 31 August 2018. The directors of Perfect Raise are satisfied that Perfect Raise Group will have sufficient funds to meet in full its financial obligations as they fall due for the foreseeable future, after taking into consideration that Emperor International Holdings Limited has agreed to provide adequate funds to Perfect Raise Group to meet in full its financial obligations up to the date of the completion of the proposed acquisition. Moreover, upon completion of the proposed Acquisition, the Company will provide financial support to Perfect Raise Group, to meet in full its financial obligations as they fall due in the foreseeable future. The directors of Perfect Raise considered that it is appropriate to prepare Historical Financial Information on the going concern basis.

The Historical Financial Information has been prepared for inclusion in the Circular of the Company in connection with the proposed Acquisition.

3. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Perfect Raise Group has consistently adopted accounting policies which conform with the HKFRSs effective for annual periods beginning on or after 1 April 2018 throughout the Relevant Periods except that Perfect Raise Group adopted HKFRS 9 *Financial Instruments* on since 1 April 2018 and HKAS 39 *Financial Instruments: Recognition and Measurements* during the three years ended 31 March 2018.

HKFRS 9 Financial instruments

During the five months ended 31 August 2018, Perfect Raise has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for the financial assets and 3) general hedge accounting.

Perfect Raise Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied to requirements to instruments that have already been derecognised as at 1 April 2018.

Classification and measurement

All recognised financial assets and financial liabilities that are within scope of HKFRS 9 continue to be measured on the same bases as are measured under HKAS 39.

Impairment

The directors of Perfect Raise reviewed and assessed Perfect Raise Group's financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The directors of Perfect Raise considered that the impairment allowance as at 1 April 2018 was immaterial.

Perfect Raise Group has not early adopted the following new and amendments to HKFRSs and interpretations that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021

Except for the new HKFRS 16 mentioned below, the directors of Perfect Raise anticipate that the application of all other new and amendments to HKFRSs and interpretation will have no material impact on the consolidated financial statements of Perfect Raise Group in the future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by Perfect Raise Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

The directors of Perfect Raise considered that the application of HKFRS 16 will not have material impact on the consolidated financial statements of Perfect Raise Group in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Perfect Raise Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information of Perfect Raise Group incorporates the financial statements of Perfect Raise and entities controlled by Perfect Raise. Control is achieved where Perfect Raise:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Perfect Raise Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Perfect Raise Group obtains control over the subsidiary and ceases when the Perfect Raise Group loses control of the entity or business. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date of the Perfect Raise Group gains control until the date when the Perfect Raise Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Perfect Raise Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Perfect Raise Group are eliminated in full on consolidation.

Merger accounting for business combination involving businesses under common control

The Historical Financial Information incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been consolidated from the date when the combining businesses first came under the control of the controlling party.

The net assets of the consolidated entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the consolidated entities from the earliest date presented or since the date when the consolidated entities first came under the common control, where this is a shorter period.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Perfect Raise as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

Borrowing costs

Borrowing costs that are not directly attributable to the Acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "(loss) profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Perfect Raise Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Perfect Raise Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Perfect Raise Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statement of each individual group entity transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties is measured at their fair values. All of Perfect Raise's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Impairment losses on tangible assets

At the end of each reporting period, Perfect Raise Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when Perfect Raise Group has a present obligation (legal or constructive) as a result of a past event, it is probable that Perfect Raise Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount on initial recognition.

Under HKAS 39 (before 1 April 2018)

Perfect Raise Group classifies its financial assets into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including bank balances and cash) are carried at amortised cost using the effective interest method less impairment loss.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period and are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include Perfect Raise Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Under HKFRS 9 (on or after 1 April 2018)

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All recognised financial assets of Perfect Raise Group (including bank balances and cash) are subsequently measured at amortised costs.

Impairment of financial assets under ECL model

Perfect Raise Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on Perfect Raise Group's historical credit loss experiences, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all financial instruments, Perfect Raise Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Perfect Raise Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Perfect Raise Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, Perfect Raise Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Perfect Raise Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless Perfect Raise Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, Perfect Raise Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default (i.e. no default history), ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

Perfect Raise Group also considers that default has occurred when the instrument is more than 90 days past due unless Perfect Raise Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to Perfect Raise Group in accordance with the contract and all the cash flows that Perfect Raise Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of Perfect Raise after deducting all of its liabilities. Equity instruments issued by Perfect Raise are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities at amortised cost

Financial liabilities (including amount due to a fellow subsidiary and secured bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Perfect Raise Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Perfect Raise Group's accounting policies, which are described in note 4, the directors of Perfect Raise are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of Perfect Raise have made in the process of applying Perfect Raise Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors have reviewed Perfect Raise Group's investment property portfolio and concluded that the Perfect Raise Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Perfect Raise Group's deferred taxation on investment properties, the directors have determined the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. Perfect Raise Group has not recognised any deferred taxes on changes in fair value of investment properties as Perfect Raise Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Fair value measurements and valuation processes of investment properties

The investment properties of HK$1,531,000,000, HK$1,295,000,000, HK$1,301,000,000 and HK$1,800,000,000 as at 31 March 2016, 2017 and 2018, and 31 August 2018, respectively are measured at fair value. The amount was based on a valuation on these properties conducted by independent firms of qualified professional property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions.

The basis of valuation is disclosed in note 11. Changes to these assumptions and inputs would result in changes in the fair value of Perfect Raise Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the profit or loss.

In estimating the fair value of Perfect Raise Group's investment properties, Perfect Raise Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Perfect Raise engages independent firms of qualified professional property valuers to perform the valuation of Perfect Raise Group's investment properties. At the end of each reporting period, the designated team works closely with the independent firms of qualified professional property valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. Perfect Raise Group will first consider and adopt Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, Perfect Raise Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of Perfect Raise.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the rental income received and receivable from leasing of investment properties and subletting of advertising signboards.

Perfect Raise Group's operating activities are attributable to a single operating and reportable segment focusing on property investment. This operating segment has been identified on the basis of internal management reports, that are regularly reviewed by the chief operating decision maker ("CODM"), being the directors of Perfect Raise, for the purpose of allocating resources and assessing its performance. The CODM reviews Perfect Raise Group's loss (profit) for the year/period as a whole for performance assessment. No analysis of segment results, assets or liabilities is presented as they are not regularly provided to CODM.

Geographical information

No geographical segment analysis is prepared as all of Perfect Raise Group's revenue are derived from activities in and from tenants located in Hong Kong and Perfect Raise Group's non-current asset is situated in Hong Kong.

Information about major tenants

One single tenant contributed 97%, 98%, 100%, 100% (unaudited) and 100% of total revenue of Perfect Raise Group for each of the three years ended 31 March 2016, 2017 and 2018, and the five months ended 31 August 2017 and 2018, respectively.

7. FINANCE COSTS

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Interests on borrowings	13,120	13,143	14,345	5,470	7,877
Interests on amount due to a fellow subsidiary	17,122	20,947	28,165	10,897	13,305
	30,242	34,090	42,510	16,367	21,182
Bank charges	861	354	—	—	—
	31,103	34,444	42,510	16,367	21,182

8. (LOSS) PROFIT BEFORE TAX

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
(Loss) profit before tax has been arrived at after charging:					
Auditor's remuneration	65	60	60	25	25
Directors' emoluments	—	—	—	—	—

The staff cost was borne by the immediate holding company during the Relevant Periods without recharge to the Group.

9. TAXATION CHARGE (CREDIT)

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
The taxation charge (credit) comprises:					
Hong Kong Profits Tax calculated at 16.5% of the estimated assessable profit					
— current year	1,965	—	—	—	—
— overprovision in prior years	(20)	(34)	—	—	—
	1,945	(34)	—	—	—
Deferred taxation *(note 18)*	67	52	(430)	—	—
	2,012	18	(430)	—	—

The taxation charge (credit) for the Relevant Periods can be reconciled to the (loss) profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss) profit before tax	(580,017)	(235,686)	(118,373)	(49,341)	617,719
Tax (credit) charge at Hong Kong Profits Tax rate of 16.5%	(95,703)	(38,888)	(19,532)	(8,141)	101,924
Tax effect of expense not deductible for tax purposes	97,735	38,940	18,160	6,940	—
Tax effect of income not taxable for tax purposes	—	—	—	1,201	(102,505)
Tax effect of tax loss not recognised	—	—	942	—	581
Overprovision in prior years	(20)	(34)	—	—	—
Tax charge (credit) for the year	2,012	18	(430)	—	—

10. DIVIDEND

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Dividend recognised as distribution	66,840	—	—	—	—

During the year ended 31 March 2016, Gold Pleasure declared and paid an interim dividend of HK$33,420,000 per share, amounting to HK$66,840,000 in aggregate, in respect of the year ended 31 March 2016 to EPIL. The amount was credited as paid through the current account with a fellow subsidiary as instructed by EPIL. No other dividend was declared or paid by Perfect Raise since the date of its incorporation or by other companies comprising Perfect Raise Group in respect of the Relevant Periods.

11. INVESTMENT PROPERTIES

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April	2,123,000	1,531,000	1,295,000	1,301,000
Additions	240	—	116,058	16,758
Disposal	—	—	—	(139,000)
Fair value changes for the year/period				
— Unrealised	(592,240)	(236,000)	(110,058)	601,942
— Realised	—	—	—	19,300
At 31 March	1,531,000	1,295,000	1,301,000	1,800,000

The investment properties are situated in Hong Kong.

Investment properties are held under operating leases to earn rentals or for capital appreciation purpose and are measured using fair value model.

Valuation process and methodologies

The fair values of the investment properties at 31 March 2016, 2017 and 2018 have been arrived at on the basis of a valuation carried out by Memfus Wong Surveyors Limited, independent qualified professional valuers not connected with the Perfect Raise Group in accordance with the HKIS Valuation Standards issued by Hong Kong Institute of Surveyors. The address of Memfus Wong Surveyors Limited is 15/F Kaiseng Commercial Centre, 4–6 Hankow Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The fair values of the investment properties as at 31 August 2018 have been arrived at on the basis of a valuation as at 10 September 2018 carried out and confirmed by Savills Valuation and Professional Services Limited, independent firm of qualified professional valuers not connected with Perfect Raise Group in accordance with the HKIS Valuation Standards issued by Hong Kong Institute of Surveyors. The address of Savills Valuation and Professional Services Limited is 23/F Two Exchange Square, Central, Hong Kong.

Investment properties were valued using the income capitalisation method by capitalising the net income from the existing tenancy with due allowance for reversionary income potential at appropriate capitalisation rates for the property. The capitalisation rate adopted, which varies according to the type and class of property concerned, its location and position and the type of tenant in occupation, is derived by reference to the yields achieved from analysis of recent comparable property investment transactions and encapsulates future expectations of the investors regarding income and capital growth and perceive risks.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There has been no change to the valuation technique during the Relevant Periods. The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation technique and key inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the key inputs to the fair value measurements is observable.

Investment properties held by Perfect Raise Group	Fair value 2016	2017	2018	31 August 2018	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity/relationship of unobservable inputs to fair value
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*				
Retail shops/ complexes	1,531,000	1,295,000	1,301,000	1,800,000	Level 3	Direct capitalisation method with market unit rent and capitalisation rate as the key inputs	Monthly rent, based on net floor area using direct market comparables and taking into account of time, location, frontage and size of the properties at HK$1,700, HK$1,400, HK$1,300 and HK$1,900 per square foot as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.	A significant increase in the market unit rate used would result in a significant increase in the fair value of the investment property, and vice versa.
							Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the properties, prevailing market condition of 2.9%, 3.0%, 3.0% and 2.7% as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.	The higher the capitalisation rate, the lower the fair value, and vice versa.

Investment properties of HK$1,514,000,000, HK$1,280,500,000, HK$1,181,300,000 and HK$1,800,000,000 were pledged to banks to secure the general banking facilities granted to the Perfect Raise Group at 31 March 2016, 2017 and 2018, and 31 August 2018, respectively.

12. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Rental receivables *(note (i))*	5,266	—	20,356	16,376
Utilities deposits	1,181	1,269	461	452
	6,447	1,269	20,817	16,828

Note:

(i) The rental receivables represents the difference between the operating lease payment recognised as an income on a straight-line basis over the lease term, and the receipt of rental income from a related party according to the tenancy agreements.

13. BANK BALANCES AND CASH

Bank balances and cash comprises cash and short-term bank deposits, with original maturity date less than three months as at 31 March 2016, 2017 and 2018, and 31 August 2018, respectively.

Perfect Raise Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks. The expected credit loss is negligible.

14. PARTICULARS OF SUBSIDIARIES

At the date of this report, Perfect Raise has direct and indirect equity interest in the following subsidiaries:

	Place and date of incorporation	Issued and paid up capital	Attributable equity interest held by Perfect Raise as at					Principal activity	Legal Form	Notes
			31 March			31 August	Date of			
			2016	2017	2018	2018	Report			
Direct										
Dynamic Bliss	BVI 12 June 2018	USD1	N/A	N/A	N/A	100%	100%	Investment holding	Limited liability company	(i)
Skill Vantage	BVI 22 November 2016	USD1	N/A	100%	100%	100%	100%	Investment holding	Limited liability company	(i)
Indirect										
Gold Pleasure	Hong Kong 20 April 1993	HK$2 (HK$10,000 with effective from 27 July 2018)	100%	100%	100%	100%	100%	Investment property holding	Limited liability company	(ii)

Notes:

(i) No audited financial statements have been issued since the date of incorporation as they are incorporated in the jurisdiction where there is no statutory audit requirement.

(ii) The statutory financial statements of Gold Pleasure for each of three years ended 31 March 2016, 2017 and 2018, were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.

15. RENTAL RECEIVED IN ADVANCE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Rental receipt in advance *(note (i))*	—	1,342	—	—
Rental deposits received *(note (ii))*	20,560	20,440	14,261	13,581
Accrued expenses	380	450	438	3,882
	20,940	22,232	14,699	17,463
Less rental deposits received under non-current liabilities *(note (ii))*	(20,560)	—	(14,261)	(13,581)
	380	22,232	438	3,882

Notes:

(i) The amount represents the difference between the receipt of rental income according to the tenancy agreements entered into with a related party, and the operating lease payment recognised as an income on a straight-line basis over the lease term.

(ii) Rental deposits are received from a related party as at 31 March 2016, 2017 and 2018, and 31 August 2018, respectively.

16. AMOUNTS DUE TO A FELLOW SUBSIDIARY

The amount was non-traded, unsecured, repayable on demand and carried interest at 3.52%, 3.71%, 3.34% and 2.55% over Hong Kong Interbank Offered Rate ("HIBOR") to 5.53%, 5.49%, 4.44% and 3.75% over HIBOR per annum for the years ended 31 March 2016, 2017 and 2018, and 31 August 2018, respectively.

17. SECURED BANK BORROWINGS

The bank borrowings are secured by investment properties of Perfect Raise Group and corporate guarantee from Emperor International Holdings Limited, Perfect Raise's intermediate holding company, and carried interest at 0.9% over HIBOR to 1.9% over HIBOR per annum as at 31 March 2016, 2017 and 2018, and 31 August 2018, respectively, and are repayable as follows:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	39,076	39,076	39,076	39,076
Between one to two years	39,076	39,076	39,076	39,076
Between two to five years	154,721	150,241	145,761	143,894
Over five years	508,335	473,739	439,143	424,729
	741,208	702,132	663,056	646,775
Less: Amount due within one year shown under current liabilities	(39,076)	(39,076)	(39,076)	316,338
	702,132	663,056	623,980	330,437

As at 31 August 2018, Perfect Raise Group's secured bank borrowings of HK$316,338,000 contain a repayable on demand clause and therefore are presented as current.

18. DEFERRED TAXATION

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2015	311	—	311
Charge to profit or loss *(note 9)*	67	—	67
At 31 March 2016	378	—	378
Charge (credit) to profit or loss *(note 9)*	67	(15)	52
At 31 March 2017	445	(15)	430
Charge (credit) to profit or loss *(note 9)*	74	(504)	(430)
At 31 March 2018 and 31 August 2018	519	(519)	—

Perfect Raise Group had no unused tax losses as at 31 March 2016.

Perfect Raise Group had unused tax losses of approximately HK$90,000, HK$5,700,000 and HK$9,220,000 as at 31 March 2017, 2018 and 31 August 2018, respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to approximately HK$90,000 as at 31 March 2017, and HK$3,145,000 as at 31 March 2018 and 31 August 2018. No further deferred taxation asset has been recognised in respect of tax losses due to unpredictability of future profit streams. The unused tax loses can be carried forward indefinitely.

19. SHARE CAPITAL

Share capital of Perfect Raise Group as at 31 March 2016, 2017 and 2018 represents the aggregated of share capital of the entities comprising Perfect Raise Group issued and fully paid prior to completion of the reorganisation. Share capital of Perfect Raise Group as at 31 August 2018 represents the share capital of Perfect Raise.

Authorised

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	USD	*USD*	*USD*	*USD*
Perfect Raise 50,000 ordinary shares of USD 1 each	N/A	N/A	N/A	50,000

Issued and fully paid

	As at 31 March			As at 31 August
Name of companies	**2016**	**2017**	**2018**	**2018**
	HK$	*HK$*	*HK$*	*HK$*
Perfect Raise	N/A	N/A	N/A	8
Dynamic Bliss	N/A	N/A	N/A	N/A
Skill Vantage	N/A	8	8	N/A
Gold Pleasure	2	2	2	N/A
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Presented in consolidated statement of financial position	—	—	—	—

20. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

The table below details changes in liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Perfect Raise Group's consolidated statements of cash flows as cash flows from financing activities.

	Interest payable (included in accrued expenses)	Secured bank borrowings	Amount due to a fellow subsidiary	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	33	715,911	438,883	1,154,827
Financing cash flows	(13,097)	25,297	(63,400)	(51,200)
Finance costs	13,120	—	17,122	30,242
Non-cash transaction *(note 26)*	—	—	66,840	66,840
At 31 March 2016	56	741,208	459,445	1,200,709
Financing cash flows	(13,147)	(39,076)	8,199	(44,024)
Finance costs	13,143	—	20,947	34,090
At 31 March 2017	52	702,132	488,591	1,190,775
Financing cash flows	(14,252)	(39,076)	58,765	5,437
Finance costs	14,345	—	28,165	42,510
Non-cash transaction *(note 26)*	—	—	116,058	116,058
At 31 March 2018	145	663,056	691,579	1,354,780
Financing cash flows	(7,911)	(16,281)	3,812	(20,380)
Finance costs	7,877	—	13,305	21,182
Non-cash transaction *(note 26)*	—	—	(139,000)	(139,000)
At 31 August 2018	111	646,775	569,696	1,216,582
At 1 April 2017	52	702,132	488,591	1,190,775
Financing cash flows	(5,443)	(16,281)	31,979	10,255
Finance costs	5,470	—	10,897	16,367
Non-cash transaction *(note 26)*	—	—	116,058	116,058
At 31 August 2017 (unaudited)	79	685,851	647,525	1,333,455

21. RELATED PARTY TRANSACTIONS

Other than disclosed in notes 12, 15, 16, 17 and elsewhere in the Historical Financial Information, Perfect Raise Group has the following related party transactions during the Relevant Periods:

		Year ended 31 March			Five months ended 31 August	
		2016	**2017**	**2018**	**2017**	**2018**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(a)	Management fee expenses charged by a fellow subsidiary	7,019	245	—	—	—
(b)	Rental income from a related company *(note a)*	54,294	39,558	36,939	11,362	17,887
(c)	License fee expenses charged by fellow subsidiaries	1,920	1,920	1,440	480	—
(d)	Corporate guarantee given to banks by an intermediate holding company for banking facilities granted to Perfect Raise	916,000	916,000	916,000	916,000	916,000
(e)	Interest expenses charged by a fellow subsidiary	17,122	20,947	28,165	10,897	13,305
(f)	Acquisitions of investment properties from fellow subsidiaries	240	—	116,058	116,058	—
(g)	Disposal of investment properties to a fellow subsidiary	—	—	—	—	139,000

Note a: The related company is controlled by the AY Trust of which STC International is the trustee.

The remunerations of directors and other members of key management personnel were borne by the immediate holding company during the Relevant Periods without recharge to the Group.

22. CAPITAL RISK MANAGEMENT

Perfect Raise Group manages its capital to ensure that the entities comprising Perfect Raise Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Perfect Raise Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of Perfect Raise Group consists of debt, which includes amounts due to a fellow subsidiary and secured bank borrowings as disclosed in notes 16 and 17 respectively, net of cash and cash equivalents, and equity attributable to the owners of Perfect Raise, comprising issued share capital and retained profits (accumulated losses).

The directors of Perfect Raise review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risk associated with the capital, and will take appropriate actions to balance its overall capital structure.

23. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Amortised cost				
— Bank balances and cash	7,706	3,026	2,146	2,792
Financial liabilities				
Amortised cost	1,200,653	1,190,723	1,354,635	1,216,471

Financial risk management objectives and policies

Financial instruments of Perfect Raise Group include bank balances and cash, due to a fellow subsidiary and secured bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The capital structure of Perfect Raise consists of equity attributable to owners of Perfect Raise, comprising issued share capital. No external debt is raised by Perfect Raise.

Market risk

Cash flow interest rate risk

Perfect Raise Group's cash flow interest rate risk relates primarily to variable-rate bank balances, amount due to a fellow subsidiary and secured bank borrowings. Perfect Raise Group currently does not have policy on cash flow hedges of interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Perfect Raise Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for the variable-rate bank balances, amount due to a fellow subsidiary and secured bank borrowings at the end of each reporting period and the reasonably possible change taking place at the beginning of each year/period and held constant throughout the respective years/periods.

Except for bank balances using 10 basis points for three years ended 31 March 2018 and the five months ended 31 August 2018, if interest rates had been 100 basis points for each of the three years ended 31 March 2018 and the five months ended 31 August 2018, higher and all other variables were held constant, the potential effect on loss/profit for the year is as follows:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease (increase) in loss for the year/period				
Increase (decrease) in profit for the year/period				
— Bank balances	7	3	2	3
— Amount due to a fellow subsidiary	(3,836)	(4,080)	(5,775)	(4,757)
— Secured bank borrowings	(6,189)	(5,863)	(5,537)	(5,401)
	(10,018)	(9,940)	(11,310)	(10,155)

If interest rates had been 10% or 100% basis points lower and all other variables held constant, there would be equal and opposite potential effect on the results.

Credit risk

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, Perfect Raise Group has no significant concentration of credit risk.

Liquidity risk

In managing the liquidity risk, Perfect Raise Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance Perfect Raise Group's operations and mitigate the effects of unexpected fluctuations in cash flows with reference to the available banking facilities and financial support from Emperor International Holdings Limited which has agreed to provide adequate funds to Perfect Raise Group to meet in full its financial obligations up to the date of the completion of the proposed Acquisition and by Emperor Watch & Jewellery (HK & Macau) Holdings Limited, a company incorporated in the BVI and a directly wholly-owned by the Company after the completion of the proposed Acquisition to meet in full financial obligations of Perfect Raise Group as they fall due in the foreseeable future.

The following table details the remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Perfect Raise Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	Less than 1 year or on demand	1-5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2016						
Non-derivative financial liabilities						
Amount due to a fellow subsidiary	4.10	459,445	—	—	459,445	459,445
Secured bank borrowings	1.74	52,076	212,168	543,335	807,579	741,208
		511,521	212,168	543,335	1,267,024	1,200,653
As at 31 March 2017						
Non-derivative financial liabilities						
Amount due to a fellow subsidiary	4.58	488,591	—	—	488,591	488,591
Secured bank borrowings	2.10	52,076	206,080	508,739	766,895	702,132
		540,667	206,080	508,739	1,255,486	1,190,723
As at 31 March 2018						
Non-derivative financial liabilities						
Amount due to a fellow subsidiary	4.47	691,579	—	—	691,579	691,579
Secured bank borrowings	1.82	52,076	206,047	474,143	732,266	663,056
		743,655	206,047	474,143	1,423,845	1,354,635
As at 31 August 2018						
Non-derivative financial liabilities						
Amount due to a fellow subsidiary	4.30	569,696	—	—	569,696	569,696
Secured bank borrowings	1.95	316,338	160,380	221,060	697,778	646,775
		886,034	160,380	221,060	1,267,474	1,216,471

As at 31 August 2018, Perfect Raise Group's secured bank borrowings with a repayable on demand clause is classified under "less than 1 year or on demand" time band in the maturity analysis. Taking into account the Perfect Raise position, the directors of Perfect Raise believe that is it probable that the bank will exercise its discretionary right to demand immediate repayment and such term loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement. On this basis, the interest and principal cash flows for the bank loan would be as follows:

	Weighted average effective interest rate	Less than 1 year or on demand	1-5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 August 2018						
Non-derivative financial liabilities						
Secured bank borrowings	1.95	52,076	206,032	459,729	717,837	646,775

Fair value of financial instruments

The fair values of financial asset and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of Perfect Raise consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information of Perfect Raise Group approximate their fair values.

24. CAPITAL COMMITMENTS

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted for but not provided in the Historical Financial Information net of deposits paid, in respect of investment properties	—	—	3,618	—

25. OPERATING LEASE COMMITMENTS

Perfect Raise Group as lessor

At the end of the reporting period, Perfect Raise Group had contracted with tenants for the following future minimum lease payments as follows:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	51,770	26,594	52,916	52,718
In the second to fifth year inclusive	26,234	—	69,792	47,982
	78,004	26,594	122,708	100,700

Leases are negotiated for an average term of two years and rentals are fixed during the lease period.

26. MAJOR NON-CASH TRANSACTIONS

Perfect Raise Group settled interest expenses charged by a fellow subsidiary amounting to HK$17,122,000, HK$20,947,000, HK$28,165,000, HK$10,897,000 (unaudited) and HK$13,305,000 through current account with that fellow subsidiary during the year ended 31 March 2016, 2017 and 2018, and the five months ended 31 August 2017 and 2018, respectively.

During the year ended 31 March 2016, Gold Pleasure declared and paid an interim dividend of HK$33,420,000 per share, amounting to HK$66,840,000 in aggregate, in respect of the year ended 31 March 2016. The amount was credited as paid through the current account with a fellow subsidiary as instructed by EPIL.

During the five months ended 31 August 2017 (unaudited) and the year ended 31 March 2018, Gold Pleasure acquired investment properties amounting to HK$116,058,000 which was settled through current account with a fellow subsidiary.

During the five months ended 31 August 2018, Gold Pleasure disposed of investment properties amounting to HK$139,000,000 which was settled through current account with a fellow subsidiary.

27. STATEMENT OF FINANCIAL POSITION AND RESERVES OF PERFECT RAISE

As at 31 August 2018, Perfect Raise has investments in subsidiaries of HK$16, amount due to the intermediate holding company of HK$8 and share capital of HK$8 as disclosed in note 19. There was no profit or loss recorded by Perfect Raise since its incorporation.

28. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Perfect Raise Group have been prepared in respect of any period subsequent to 31 August 2018.

The information set out in this appendix does not form part of the Accountants' Report on the financial information of Perfect Raise Holdings Limited for each of the three years ended 31 March 2018 and the five months ended 31 August 2018 (the "Accountants' Report of Perfect Raise Group") received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company as set out in Appendix I to the prospectus and is included herein for information only.

The unaudited pro forma financial information set out below should be read in conjunction with the sections headed "Financial Information" and "Appendix I — Accountants' Report of the Group" in this prospectus.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") set out in below section has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules and is solely for the purpose to illustrate the effect of the proposed Acquisition on the Enlarged Group's financial position as at 30 June 2018 as if the proposed Acquisition had been completed on 30 June 2018.

The Unaudited Pro Forma Financial Information is prepared based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018 which has been extracted from the published interim report of the Group for the six months ended 30 June 2018; and (ii) the audited consolidated statement of financial position of Perfect Raise Group as at 31 August 2018 which have been extracted from the accountants' reports thereon set out in Appendix II to this circular, after making certain pro forma adjustments that are (i) directly attributable to the Acquisition; and (ii) factually supportable, as further described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. As a result of the hypothetical nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the proposed Acquisition been completed on 30 June 2018. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position. The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix I to this circular, and that of Perfect Raise Group, as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

Unaudited Pro Forma Financial Information

	The Group as at 30 June 2018	Target Group as at 31 March 2018	Pro forma adjustments			Unaudited Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	*(note 5)*	
Non-current Assets						
Property, plant and equipment	104,264	—	—	1,800,000	—	1,904,264
Investment properties	—	1,800,000	—	(1,800,000)	—	—
Deferred tax asset	6,189	—	—	—	—	6,189
Rental deposits	138,168	—	—	(13,581)	—	124,587
Deposits paid for acquisition of property, plant and equipment	12,562	—	—	—	—	12,562
	261,183	1,800,000	—	(13,581)	—	2,047,602
Current Assets						
Inventories	2,874,594	—	—	—	—	2,874,594
Receivables, deposits and prepayments	175,621	16,828	—	(16,376)	—	176,073
Amounts due from a subsidiary	—	—	569,696	(569,696)	—	—
Tax recoverable	—	1,253	—	—	—	1,253
Bank balances and cash	1,430,189	2,792	(1,140,259)	—	(850)	291,872
	4,480,404	20,873	(570,563)	(586,072)	(850)	3,343,792
Current Liabilities						
Payables, deposits received and accrued charges	254,806	3,882	—	(29,957)	—	228,731
Amounts due to related companies	4,126	—	—	—	—	4,126
Amounts due to a fellow subsidiary	—	569,696	(569,696)	—	—	—
Bank borrowings	—	316,338	—	—	—	316,338
Taxation payable	41,257	—	—	—	—	41,257
	300,189	889,916	(569,696)	(29,957)	—	590,452
Net Current Assets (liabilities)	4,180,215	(869,043)	(867)	(556,115)	(850)	2,753,340
Total Assets Less Current Liabilities	4,441,398	930,957	(867)	(569,696)	(850)	4,800,942
Non-current Liabilities						
Deposits received	—	13,581	—	—	—	13,581
Bank borrowings	—	330,437	—	—	—	330,437
Deferred tax liabilities	1,034	—	—	—	—	1,034
	1,034	344,018	—	—	—	345,052
Net assets	4,440,364	586,939	(867)	(569,696)	(850)	4,455,890

Notes to the Unaudited Pro Forma Financial Information

1. The figures are extracted from the unaudited condensed consolidated statement of financial position of the Group as set out in the published interim report of the Company for the six months ended 30 June 2018.

2. The figures are extracted from the consolidated statement of financial position and the Accountants' Report of Perfect Raise Group as set out in Appendix II to this circular.

3. On 27 August 2018, the Group entered into a sale and purchase agreement with the Vendor, in relation to the proposed Acquisition at a cash consideration to acquire the entire equity interest of Perfect Raise and the Sale Loan due and payable by Perfect Raise Group to a fellow subsidiary.

   Pursuant to the sale and purchase agreement, a deposit in the sum of HK$360,000,000 has been paid by the Purchaser to the Vendor within 15 business days from the date of the sale and purchase agreement, and the remaining balance of HK$1,440,000,000 subject to certain adjustments, shall be paid by the Purchaser to the Vendor upon Completion.

   For the purpose of the Unaudited Pro Forma Financial Information, the total consideration of HK$1,800,000,000 is deducted by the adjustments of approximately HK$659,741,000 which results in a net cash payment of HK$1,140,259,000. Details of the adjustments of HK$659,741,000 by reference to the assets and liabilities of Perfect Raise Holdings Limited as at 31 August 2018 are as follows:

   (i) reduced by the amount of any and all liabilities, including but not limited to, all outstanding bank borrowings and accrued expenses; and

   (ii) increased by the aggregate amount (if any) of the assets (which for the avoidance of doubt excludes the property, plant and equipment), including prepaid management fees, rates, government rent (if any), insurance premium (if any) and other outgoings in respect of the investment properties, 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 investment properties; and other receivables (excluding rental incentives), tax recoverable, any bank or cash balance of Perfect Raise Group.

   For the purpose of the Unaudited Pro Forma Financial Information, the total consideration also includes the acquisition of the Sale Loan of approximately HK$569,696,000 due and payable by Perfect Raise to a fellow subsidiary.

   The above adjustments are based on the figures of the Accountants' Report as at 31 August 2018 and the figures may be subjected to change based on the Completion Account.

4. For the purpose of the Unaudited Pro Forma Financial Information, the Directors consider that the transaction is an acquisition of assets and liabilities through acquisition of subsidiaries and thus, the Group allocated total consideration of HK$1,800,000,000 to individual identifiable assets and liabilities acquired based on their relative fair value at the date of acquisition. The adjustment of HK$1,800,000,000 represents the re-classification from investment properties to the property, plant and equipment since the Group acquires it for own use and the adjustment of HK$29,957,000 represents the elimination of rental deposits of HK$13,581,000 and rental receivables/payables of HK$16,376,000 as at 30 June 2018 upon the completion of transaction.

   The adjustment of HK$569,696,000 represents the elimination of the loan due by Perfect Raise Group to the Group as at 30 June 2018 upon the completion of transaction.

5. The adjustment represents the estimated acquisition-related costs of approximately HK$850,000, including accountancy, legal, valuation and other professional services related to the proposed Acquisition, which would be recognised in profit or loss.

6. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2018.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Section A of Appendix III to this Circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Emperor Watch & Jewellery Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Emperor Watch & Jewellery Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2018 and related notes as set out on pages 85 to 88 of the circular issued by the Company dated 12 November 2018 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 85 to 88 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of entire equity interest in Perfect Raise Holdings Limited and the Sale Loan due and payable by Perfect Raise to a fellow subsidiary (the "Acquisition") on the Group's financial position as at 30 June 2018 as if the transaction had taken place at 30 June 2018. As part of this process, information about the Group's consolidated financial position has been extracted by the Directors from the Group's consolidated financial statements for the six months ended 30 June 2018, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 12 November 2018

The following is the text of a letter and a valuation report prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with its valuation as at 10 September 2018 of the property.

The Directors
Emperor International Holdings Limited
28th Floor
Emperor Group Centre
288 Hennessy Road
Wan Chai
Hong Kong

The Directors
Emperor Watch & Jewellery Limited
25th Floor
Emperor Group Centre
288 Hennessy Road
Wan Chai
Hong Kong

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T: (852) 2801 6100
F: (852) 2530 0756

EA Licence: C-023750
savills.com

12 November 2018

Dear Sirs,

RE: Shop on the Ground Floor of No. 4 Canton Road, Shop on the Ground Floor of No. 6 Canton Road, Shop on the Ground Floor of No. 8 Canton Road, Shop on the First Floor (including the staircases leading thereto from the Ground Floor of Nos. 4/8 Canton Road) and the Advertising Space B on the First Floor, Nos. 4/8 Canton Road, Tsim Sha Tsui, Kowloon (the "Property")

We are jointly instructed by Emperor International Holdings Limited and its subsidiaries ("Emperor International Group") and Emperor Watch & Jewellery Limited and its subsidiaries ("Emperor W&J Group") to assess the Market Value of the Property as at 10 September 2018 (the "Valuation Date") for the purposes of inclusion in the public circulars to be issued by Emperor International Group and Emperor W&J Group respectively in relation to the sale and purchase of the Property.

The Property is held by Emperor International Group as at the Valuation Date for investment purpose and to be acquired by Emperor W&J Group for owner occupation purpose.

We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our assessment of such value as at the Valuation Date.

Basis of Valuation

Our valuation is our opinion of the Market Value of the Property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Moreover, Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors ("HKIS"), which incorporates the International Valuation Standards, and (where applicable) the relevant HKIS or jurisdictional supplement. We have also complied with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

Identification and Status of the Valuer

The subject valuation exercise is handled by Mr. Charles Chan and Mr. Freddie Ling. Mr. Charles Chan is the Managing Director of Savills Valuation and Professional Services Limited ("SVPSL") and a Fellow of HKIS with over 34 years' experience in valuation of properties in Hong Kong. Mr. Freddie Ling is the Senior Director of SVPSL and a Member of HKIS with over 33 years' experience in valuation of properties in Hong Kong. Both of them have sufficient knowledge of the relevant market, skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the Property, SVPSL had not been involved in valuation of the Property in the past 12 months.

We are independent of Emperor International Group and Emperor W&J Group. We are not aware of any instances, which would give rise to potential conflict of interest from SVPSL or Mr. Charles Chan or Mr. Freddie Ling in the subject exercise. We confirm SVPSL, Mr. Charles Chan and Mr. Freddie Ling are in the position to provide objective and unbiased valuation for the Property.

Valuation Methodology

In accordance with your specific instruction, we have valued the Property on vacant possession basis.

As there is lack of relevant sales comparable transaction in the market over the past few years, we consider direct comparison approach cannot be adopted to reach an objective view of the market value of the Property. In preparing our valuation of the Property, we have adopted the income capitalization approach whereby the market rent of the Property is capitalized.

Title Investigations

We have not been provided with copies of title documents relating to the Property but we have caused searches of the Property at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. As advised by Emperor International Group and Emperor W&J Group and to the best of their knowledge, there are no significant investigations, notices, pending litigation, breaches of law or title defects against the Property. In the course of our valuation, we have assumed that the Property has good legal title and is freely transferable in the market. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

Valuation Consideration and Assumptions

We have relied to a very considerable extent on information given by Emperor International Group and Emperor W&J Group and have accepted information given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, floor plans, alterations and additions works plans, floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by Emperor International Group and Emperor W&J Group, and have been advised by Emperor International Group and Emperor W&J Group that no material facts have been omitted from the information provided.

We have not carried out on-site measurements to verify the correctness of the floor areas in respect of the Property. Dimensions, measurements and areas included in this report are based on information contained in the documents provided to us and are therefore only approximations.

We have inspected the exterior of the Property. Our inspection was carried out by Mr. Chris Lee, *MHKIS, MRICS* in August 2018. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Property is free of rot, infestation or any other structural defect. No tests were carried out to any of the services. No environmental study for the Property has been made. In undertaking our valuation, we have assumed that the interior of the Property is finished and maintained in reasonable conditions commensurate with its age and use and the Property is in its original/approved layouts without any unauthorized structures, extensions and alterations. We have also assumed in our valuation that the Property is provided with normal and satisfactory building services for its existing uses as at the Valuation Date.

As advised by Emperor International Group and Emperor W&J Group and to the best of their knowledge, there were no plans for substantial construction, renovation, improvement, development or change of uses of the Property as at the Valuation Date.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Except for the purpose of disclosure in the public circulars to be issued by Emperor International Group and Emperor W&J Group in connection with the sale and purchase of the Property, neither the whole nor any part of the valuation report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it may appear.

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited

Charles C K Chan	**Freddie Ling**
MSc FRICS FHKIS MCIArb RPS(GP)	*MRICS MHKIS RPS(GP)*
Managing Director	*Senior Director*

Note: Mr. Charles C K Chan is a professional surveyor who has over 34 years' experience in valuation of properties in Hong Kong.

Mr. Freddie Ling is a professional surveyor who has over 33 years' experience in valuation of properties in Hong Kong.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 10 September 2018
Shop on the Ground Floor of No. 4 Canton Road, Shop on the Ground Floor of No. 6 Canton Road, Shop on the Ground Floor of No. 8 Canton Road, Shop on the First Floor (including the staircases leading thereto from the Ground Floor of Nos. 4/8 Canton Road) and the Advertising Space B on the First Floor, Nos. 4/8 Canton Road, Tsim Sha Tsui, Kowloon. 7/15th parts or shares of Kowloon Inland Lot No. 9547.	Nos. 4, 6 and 8 Canton Road is a 5-storey tenement building completed in 1969. The building is situated on the northeastern side of Canton Road in Tsim Sha Tsui District, which is a prime commercial, shopping, and tourist area. Pursuant of a set of alteration and addition works plan approved by the Building Authority on 27 February 2018 and a Deed of Mutual Covenant and Management Agreement dated 9 August 2018, the Property comprises a duplex shop unit on the Ground Floor and 1st Floor of the building and an advertising space on the external wall of the 1st Floor of the building facing Canton Road.	As advised by the instructing parties, Emperor International Group currently leases the Property to Emperor W&J Group under a tenancy for a term of 3 years from 1 August 2017 to 31 July 2020 at a monthly rent of HK$4,272,000 exclusive of management fees, rates and other outgoing charges with a rent-free period of 6 months from 1 August 2017 to 31 January 2018.	HK$1,800,000,000 (Hong Kong Dollars One Billion Eight Hundred Million)

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 10 September 2018
	According to the information provided by the instructing parties, the saleable areas of the Property are set out below:		

	Saleable Area	
	sq ft	*sq m*
Shop on G/F	2,094	194.52
Shop on 1/F	682	63.35
Total	2,776	257.87

Kowloon Inland Lot No. 9547 is held from the Government under Conditions of Exchange No. 9322 for a term of 150 years commencing on 25 June 1888.

The annual Government rent payable for Kowloon Inland Lot No. 9547 is HK$248.

Notes:

(1) Pursuant to the recent land register records, the current registered owner of the Property is Gold Pleasure Investment Limited which is a company indirectly wholly owned by Emperor International Holdings Limited.

(2) The Property, *inter alia*, as at the Valuation Date is subject to the following encumbrances:

i) Mortgage and Assignment of Rental both dated 30 March 2010 in favour of The Hongkong and Shanghai Banking Corporation Limited, and registered vide memorial nos. 10042200260051 and 10042200260063 respectively (for Ground Floor of Nos. 6 and 8 Canton Road only);

ii) Mortgage and Assignment of Rental and Sale Proceeds both dated 31 August 2010 in favour of Hang Seng Bank Limited, and registered vide memorial nos. 10091700250129 and 10091700250138 (for 1st Floor only);

iii) Mortgage and Assignment of Rental and Sale Proceeds both dated 2 November 2010 in favour of Hang Seng Bank Limited, and registered vide memorial nos. 10113001250078 and 10113001250081 respectively (for Ground Floor of No. 4 Canton Road only);

iv) Superseding Order No. C/TF/001549/13/K under Section 24(1) of the Buildings Ordinance by the Building Authority dated 30 April 2013, and registered vide memorial no. 13051601110595 (for Ground Floor of Nos. 4, 6 and 8 Canton Road only); and

v) Deed of Mutual Covenant and Management Agreement dated on 9 August 2018 in respect of Nos. 4, 6 and 8 Canton Road, and registered vide memorial no. 18090301820038.

(3) As advised by the instructing parties, Emperor International Group had carried out the necessary rectification works in relation to the abovementioned superseding order. In this regard, we have assumed that the abovementioned superseding order had been complied with to the satisfaction of the Building Authority as at the Valuation Date and no remedial cost has been allowed for in our valuation.

(4) The Property lies within an area zoned "Commercial" under Tsim Sha Tsui Outline Zoning Plan No. S/K1/28 dated 3 December 2013.

(5) The key parameters of our valuation are set out below:

Capitalization Rate	**Market Rent of the Property**
Approximately 2.7%	HK$4,050,000 per month

The following is the reproduction of the text of a letter received from Colliers International (Hong Kong) Limited, the Market Consultant, for the purpose of incorporation in this circular.

Colliers International (Hong Kong) Limited
Valuation & Advisory Services
Company Licence No: C-006052

Suite 5701 Central Plaza
18 Harbour Road Wanchai
Hong Kong

The Directors
Emperor Watch & Jewellery Limited
25th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

12 November 2018

Dear Sirs,

Retail Property Market Study of Canton Road, Tsim Sha Tsui, Hong Kong

We have prepared a report reviewing the retail property market in Canton Road, Tsim Sha Tsui for Emperor Watch & Jewellery Limited for public document purposes.

1. INTRODUCTION

Hong Kong has witnessed strong economic growth in 2017, with a record-high Gross Domestic Product ("GDP") of HK$2,662 billion and a six-year high year-on-year ("y-o-y") real growth of 3.8%.[1] The economy of the private sector continues to expand, with Hong Kong's Purchasing Managers' Index picking up momentum and staying above 50 in the second half of 2017. Oxford Economics predicts real GDP growth of 2.8% for Hong Kong in 2018, backed by a currently robust global economy.

A strengthening economy and further increasing tourist arrivals have allowed retail sales in prime malls to recover, showing growth in 2017 after three consecutive years of decline. Malls are innovating different ways of engaging customers, transforming into lifestyle hubs and providing unique shopping experiences. Retail sales grew 12.4% y-o-y in the second quarter of 2018, with overall retail sales hitting HK$117.77 billion.[2] This was driven by jewellery and watch, cosmetics and fashion sales. Retail sales is projected to improve upwards to 8% to 10% y-o-y for 2018[3] with high single digit annual growth

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[1] *Source: The Census and Statistics Department, https://www.censtatd.gov.hk/home.html*

[2] *Source: Colliers Research*

[3] *Source: Colliers Research*

through 2020 and further positive outlook for 2022. Robust demand for prime locations and improving retail sales should contribute to a robust recovery in overall high-street rents this year.

2. SUPPLY

The total stock of private commercial premises in Hong Kong saw only a small increase in the past five years according to the Rating and Valuation Department. The percentage increase in stock in the past 5 years was merely 2%, whilst there was a 3% increment between 2007 and 2011. At the end of 2017, the stock was 11,274,200 square metres, with 29% of the total spaces on Hong Kong Island, 41% in Kowloon and 30% in the New Territories. However, new completions in 2017 dropped to 1.13 million square feet compared to 1.32 million square feet in 2016. The total private commercial stock in Yau Tsim Mong amounted to 22.8 million square feet by the end of 2017, in Kowloon amounted to 46% of total stock and in Hong Kong 19% of total stock. In 2018 and 2019, the Rating and Valuation Department has predicted completions of 1.82 million square feet and 1.1 million square feet respectively.

For the private retail sector, Hong Kong's completions averaged around 864,697 square feet per annum in 2012 to 2017, compared with 619,576 square feet average in the period between 2007 to 2011. Completions in 2017 has dropped by 15% to 113,021 square feet, with Kowloon providing 40% of the completions. In the five years from 2018 to 2022, it is expected that private retail supply will increase to approximately 1.1 million square feet per annum. Supply in 2018 will be concentrated in Tsuen Wan (27%), Yau Tsim Mong (21%) and Sai Kung (15%). These main districts will provide 63% of the estimated completions. Supply in 2019 will be concentrated in Yau Tsim Mong (22%), Tsuen Wan (21%), and Wan Chai (18%).[4]

Notable private retail projects to be completed in the next two years include H Code in Central, the New World Centre redevelopment and the 15 Middle Road development in Tsim Sha Tsui. In total they will provide 1 million square feet of space. Nevertheless, the prime area of Canton Road will have a limited supply of retail shops for sale.

3. TAKE-UP AND VACANCY

In the last ten years (2008 to 2017), take-up was largely positive averaging 541,600 square feet per annum. Vacancy rates averaged at approximately 8% of stock over the same period.[5]

Amid a steady retail demand, average vacancy rates in the last ten years (2008 to 2017) generally remained stable. Vacancy rates dropped from an average 8.3% between 2008 to 2011 to 7.9% between 2012 to 2017. Vacancy rates have been slightly pushed up to 9% in 2016 from 7.7% in 2015 due to a softened retail market sentiment. Take-up in 2017 turned positive to 824,515 square feet in the year and vacancy rates remained unchanged at 9% of its total stock at 10.9 million square feet.[6]

[4] *Source: The Rating and Valuation Department, "Hong Kong Property Review (2018)"*

[5] *Source: The Rating and Valuation Department, "Hong Kong Property Review (2018)"*

[6] *Source: The Rating and Valuation Department, "Hong Kong Property Review (2018)"*

Smaller sized shops not exceeding 3,000 square feet to 5,000 square feet (279 square metres to 465 square metres) in prime locations continue to be favoured. To capture rising potential from shoppers, jewellery and watch brands are seeking opportunities to expand in selected neighbourhoods with resilient foot traffic.

International fashion brands are continuing to expand their coverage. Foot Locker, a global sportswear retailer, has just opened their first store in Hong Kong, located in Tsim Sha Tsui with a Gross Floor Area ("GFA") of 26,836 square feet. The leading sportswear retailer's flagship three-story store incorporates experiential retail features and engaging presentations. Fila has also opened another shop in Hong Kong Mansion, Causeway Bay.

4. RENTAL TRENDS

Driven by the strong revival of the Mainland market, overall visitor arrivals rebounded by 3.2% to 58.5 million in 2017 after declining for two consecutive years.[7] The ever-growing income condition fuelled the local demand amidst improving local economic performance and the virtually full-employment situation. Private consumption expenditure continued to expand in the year. According to the Rating and Valuation Department, the private retail rent indices rose by 3.2% between quarter one of 2016 and quarter four of 2017, and the growth continued in the first half of 2018. Market yield edged down marginally. The rental of prime street-shops continues to recover in 2018, whilst prime shopping malls maintained positive rental growth and outpaced the general market. According to Colliers Research, overall high street rents in 2018 and 2019 are expected to rise by 1% to 3% and 3% to 5% y-o-y respectively.

The leasing market in the first quarter of 2018 has shown positive market signals such as rebounding sales figures across retail sectors. This is likely driven by improved consumer confidence and a positive outlook on tourist arrivals.

5. PRICE TRENDS

After the Global Financial Crisis, average retail property prices in Hong Kong saw a surge backed by a positive retail market sentiment and an influx of mainland visitors. Average private retail prices rose at a rate much faster than the growth in private retail rents between 2012 to 2013 at 21%. After seeing a 7.3% growth in 2014 and 2015, the growth of retail prices dropped to 5.8% in 2016. The performance of the leasing market resembled the sales market in 2017, as both rents and prices grew by 3.1% and 10.8% respectively in the fourth quarter of 2017 over the same period in 2016.[8] The retail market has been rebounding since January 2016, with a growth of 11.7% based on the Rating & Valuation Department's retail price index. Month-on-month growth has been positive since April 2017 but with fluctuations. Given that retail property prices continue to rebound, the peak is yet to come, and the prices will continue to grow in the coming years.

[7] *Source: Hong Kong Tourism Board, "A Statistical Review of Hong Kong Tourism 2017"*

[8] *Source: The Rating and Valuation Department, "Private Retail — Rental and Price Indices (from 1978)"*

6. TOURISM MARKET OVERVIEW

Tourism in Hong Kong has always been the driving engine of Hong Kong's economic growth. The upsurge in the inbound visitor arrivals, especially followed by the launch of Individual Visit Scheme ("IVS") in 2003, led to the buoyancy of the tourism industry in Hong Kong. The introduction of IVS allowed residents of mainland Chinese cities to independently visit Hong Kong, who quickly overtook all other source markets to become the largest feeder market in Hong Kong with 76% share of the total visitor arrivals as of 2017.[9] Up to the second quarter of 2018, Hong Kong recorded 5.46 million tourist arrivals[10], representing a 5.7% y-o-y growth and a strong rebound with the revival of visitor arrivals from mainland China after two consecutive years of decline in 2015 and 2016.

Tsim Sha Tsui is one of the major visitor destinations in Hong Kong due to its supreme location and the existence of famous tourist attractions. It enjoys convenient connection with Tsim Sha Tsui and East Tsim Sha Tsui MTR stations, public bus terminus, China Hong Kong Harbour Ferry and the newly-opened Express Rail Line. With together more than 300 shops and restaurants in the prime retail streets (Nathan Road, Canton Road, Cameron Road, Haiphong Road, Granville Road and Peking Road), the area specifically caters for the traveling habits of mainland tourists-focusing on shopping and trying out delicacies. In 2017, Tsim Sha Tsui is ranked as number one most popular shopping district among overnight visitors with 47% of them visiting the area.[11]

In terms of tourism expenditure, the total shopping spending in 2017 has reached HK$145,327 million, representing a 3.7% decrease from 2016 as HK$150,888 million.[12] Comparing overnight visitors with same-day in-town visitors, the former spent almost double than the latter in total, with the figures being HK$91,251 million and HK$54,076 million respectively in 2017.[13] Visitors from mainland China have the highest spending on shopping at HK$78,201 million in 2017. With total mainland Chinese visitors of 18,526,210 in 2017, their average spending per visitor amounts to HK$4,221 last year.[14] According to a study by Nielsen Holdings PLC, a leading global information and measurement company, in 2018 key purchasing categories of mainland tourists include luxury-branded fashion, jewellery, cosmetics and electronics. Areas with abundance of brands favourable to mainland visitors, like Tsim Sha Tsui, further attract more visitors from mainland China to come to the city, especially visitors from 2nd tier and 3rd tier cities. These visitors are becoming more prosperous and are travelling more frequently to Hong Kong.

9 *Source: Hong Kong Tourism Board, "A Statistical Review of Hong Kong Tourism 2017"*

10 *Source: Hong Kong Tourism Board, http://www.discoverhongkong.com/*

11 *Source: Hong Kong Tourism Board, "A Statistical Review of Hong Kong Tourism 2017"*

12 *Source: Hong Kong Tourism Board, "A Statistical Review of Hong Kong Tourism 2017"*

13 *Source: Hong Kong Tourism Board, "A Statistical Review of Hong Kong Tourism 2017"*

14 *Source: Hong Kong Tourism Board, "A Statistical Review of Hong Kong Tourism 2017"*

In general, jewellery and watch, gourmets and fabrics, cosmetics and skin care are the major shopping items for overnight tourists. As the largest feeder market in Hong Kong, mainland tourists contributed to more than 60% of the total shopping expenditure in 2017.[15] Jewellery and watch and cosmetics are always the predominant buying items.

Illustration 1: Spending profile (HK$, million) by overnight tourists in 2017

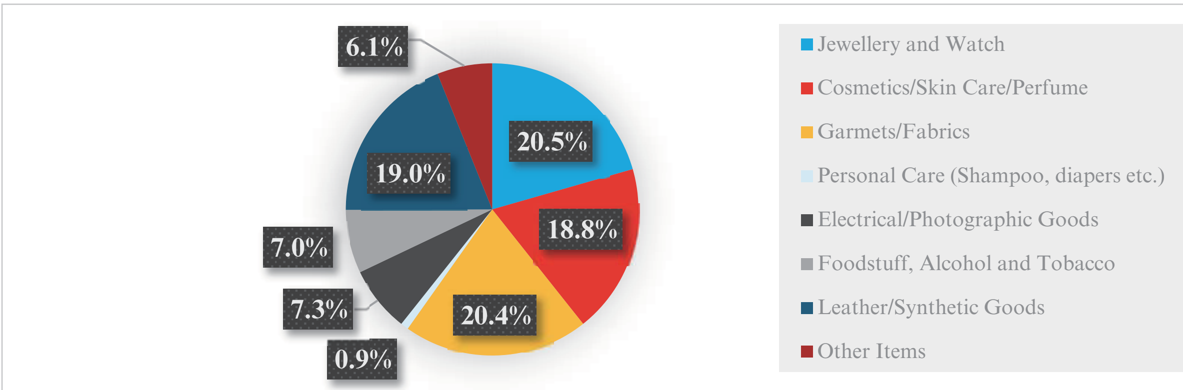
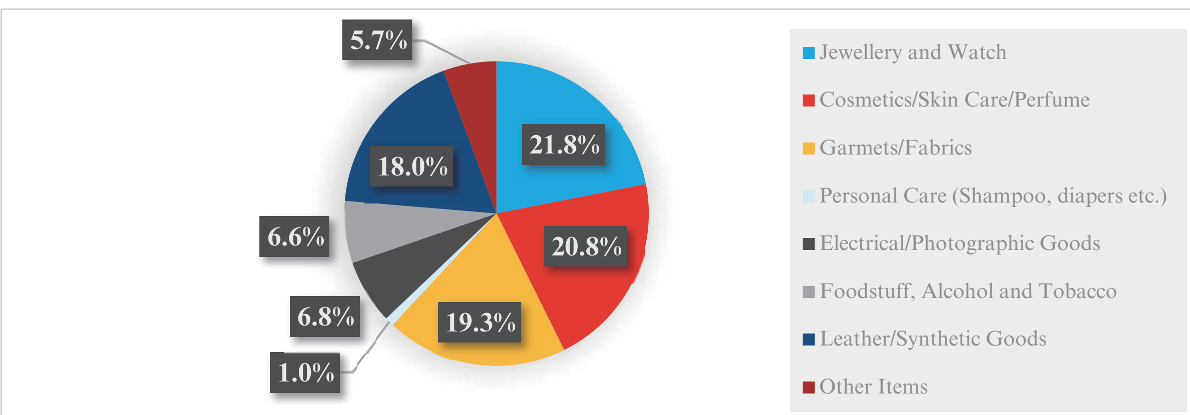


Illustration 2: Spending profile (HK$, million) by mainland overnight tourists in 2017



2018 has marked a turnaround for prime shopping malls in Hong Kong. Operators of prime malls in major retail districts have recently published their annual financial results, showing a positive development of their retail sales in 2018. Based on an article by Mpfinance (2018), Wharf Real Estate Investment Company's flagship malls including Harbour City in Tsim Sha Tsui and Times Square in Causeway Bay etc. recorded 36% y-o-y growth in the first half of 2018. With a sales volume of HK$18.6 billion in the first half of 2018, Harbour City alone accounted for 7.5% of Hong Kong total retail sales in the same period.

[15] *Source: Hong Kong Tourism Board, "A Statistical Review of Hong Kong Tourism 2017"*

Looking forward, the outlook for retail sales growth remains positive at 4% to 5% y-o-y in 2018, as consumer confidence is expected to be further enhanced by the favourable employment and income situation. Tsim Sha Tsui will particularly benefit from the completion of large-scale tourism and infrastructure projects including the opening of Western Kowloon Culture District, completion of Hong Kong-Zhuhai-Macau Bridge ("HZMB"), which will be operational in the second half of 2018, and the Express Rail Link ("XRL"), which is operational since 23 September 2018. They will serve to support increased tourist visits, especially mainland tourists to Hong Kong. The Hong Kong Tourism Board expects more than 60 million visitors — around nine times the city's population — to pour into Hong Kong in 2018, about 3.6% increment over 2017.

7. CANTON ROAD

7.1 Background

Canton Road starts from the junction with Salisbury Road in the south to the junction with Lai Chi Kok Road in the north, spanning a total of 3.5 kilometres. Being a major road in Hong Kong, Canton Road connects Tsim Sha Tsui, Jordan, Yau Ma Tei, Mong Kok and Prince Edward. The section between its junction with Salisbury Road and Kowloon Park Drive is one of the busiest retail streets in Hong Kong, attracting a huge mainland market for the world's biggest global brands. The southern part of Canton Road holds many high street retail shops, business establishments, and shopping centers, altogether creating one of Hong Kong's most dynamic retail market.

7.2 Premium retail section of Canton Road

The Canton Road section starts at its intersection with Salisbury Road where Star House and 1881 Heritage sit along both sides of the road and ending at its intersection with Kowloon Park Drive where the China Hong Kong City situated nearby is regarded as the premium retail section of Canton Road. This premium retail section of Canton Road accommodates the luxury designer brands, such as Hermès, Louis Vuitton, Chanel, Valentino etc. and the premium digital products flagship store, such as Apple Shop. In addition, the Hong Kong's largest shopping mall, Harbour City and a rejuvenated historical architecture, 1881 Heritage are also along the road and offered a versatile shopping experience for the shoppers.

1881 Heritage is located at No. 2A Canton Road which is one of the Hong Kong's landmarks as it preserves the beauty of the Former Marine Police Headquarters and hosts various luxury stores, such as Blancpain, Piaget, Emperor Jewellery, Patek Philippe and Chopard etc., which the last two brands are running by Emperor Watch & Jewellery Limited. Harbour City across Nos. 3 to 27 Canton Road houses numerous world-famous fashion brands, such as Giorgio Armani, Dolce & Gabbana and Bottega Veneta. The Toy House on No. 100 Canton Road houses several fine dining restaurants and the Apple flagship is located on the ground floor along the Canton Road. China Hong Kong City is located at No. 33 Canton Road, many renowned jewellery and watch brands, such as Rolex and Tudor (both run by Emperor Watch & Jewellery Limited), and Emperor Watch & Jewellery are located on the ground floor of the China Hong Kong City with superior visibility and exposure to the pedestrian.

7.3 Connectivity

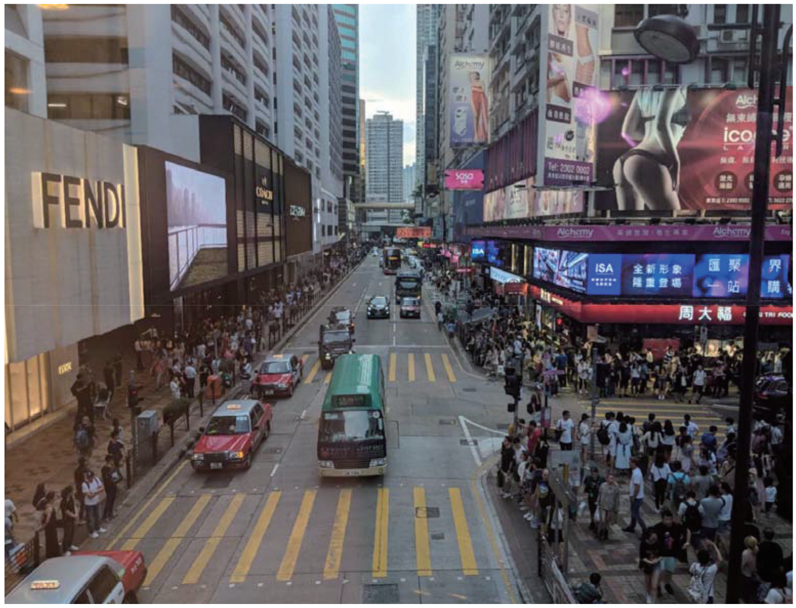
Canton Road is easily accessible via various means of transportation as it is located at one of the major transportation hubs in Hong Kong. With a public bus terminus and Tsim Sha Tsui Star Ferry Pier located at the southern end of Canton Road, as well as China Hong Kong Ferry Terminal located to the west of the premium retail section of Canton Road, it makes Canton Road one of the busiest streets in Hong Kong. In addition, Canton Road is conveniently linked to both Tsim Sha Tsui and East Tsim Sha Tsui MTR Stations via the underground pedestrian system. This pedestrian system connects Canton Road with the major high streets in Tsim Sha Tsui, such as Nathan Road and Peking Road as well as those second main streets in the area, such as Cameron Road and Carnarvon Road where more shopping and leisure options are available.

7.4 Pedestrian Flow

Tsim Sha Tsui is one of the most visited areas in Hong Kong. Canton Road and Nathan Road are the principal pedestrian corridors in the area linked by Haiphong Road and Peking Road. Based on the survey of Transportation Department, the peak pedestrian flow of the above major roads are about 10,000 pedestrians per hour. Based on Mpfinance (2018), in 2017 the average visitor traffic of Harbour City along Canton Road increased by 10% y-o-y to 220,000, and at the beginning of 2018, Harbour City recorded 210,000 visitors during the Chinese New Year holidays, representing a 9% increase y-o-y.

According to a press release dated 26 September 2018 by MTR, since the opening of West Kowloon Terminus of the XRL on 23 September 2018, the Hong Kong West Kowloon Station has accommodated more than 160,000 passengers in three days. Now with the XRL in operation, West Kowloon is expected to be the most accessible business node and gateway from and to mainland. With the benefit of the proximity to the XRL Western Kowloon Station, it is anticipated that the pedestrian flow of Canton Road will keep on growing at a steady rate in the future near the shop of Emperor Watch & Jewellery.

Illustration 3: Pedestrians walking along the premium retail section of Canton Road



7.5 Tenant Mix

The tenants on the premium retail section of Canton Road are predominantly luxury fashion, jewellery and watch brands. Out of 37 brands along Canton Road, 22 and 12 brands belong to the luxury fashion and jewellery and watch respectively. World-famous luxury fashion brands like Louis Vuitton, Salvatore Ferragamo and Hermès continue to set their foot here, despite the retail market downturn in the previous years. In Harbour City, we have seen the trend of tenant-mix reshuffling in the past decade in order to tap into millennial consumers.

Illustration 4: Tenant mix by trade along the premium retail section of Canton Road

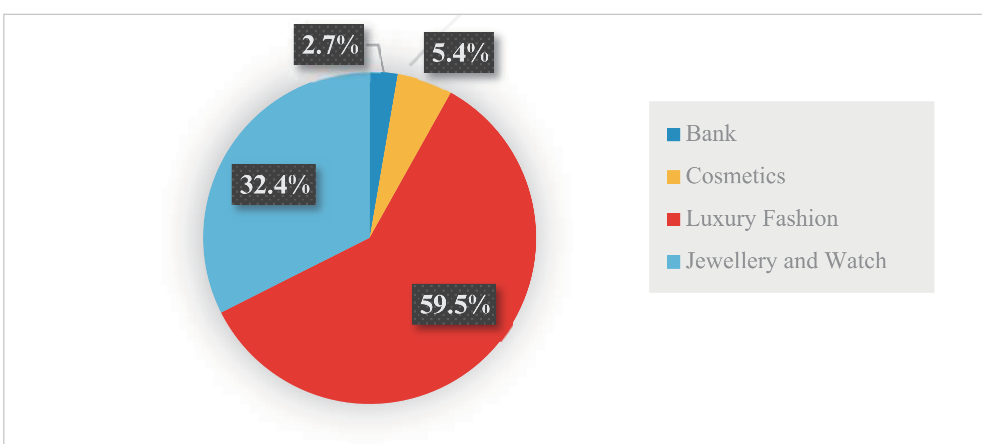


Illustration 5: Premium luxury brands along the premium retail section of Canton Road

Illustration 6: Jewellery and watch brands along the premium retail section of Canton Road

7.6 Retail Frontage

The measurement of frontage excludes atriums and car park entrances, with both sides of Canton Road being measured. 86% of the total retail frontage along Canton Road is single owned developments including Harbour City, 1881 Heritage, Silvercord (retail portion), The Toy House, and Lippo Sun Plaza (retail portion). Harbour City has the longest retail frontage along both sides of the premium retail section of Canton Road, with a frontage of 462 metres occupying around 50% of the total frontage. It is followed by 1881 Heritage with 120 metres frontage and Silvercord with 92 metres frontage, taking up 13% and 10% of the total frontage respectively. Other single owned retail shops along Canton Road altogether make up 13% of the total frontage.

14% of the total retail frontage along Canton Road is strata-title developments, including Imperial Building, Hanley House, Manley House, VIP Commercial Centre and China HK Centre. Imperial Building, Hanley House and Manley House average at approximately 32 metres of frontage each, while the remaining strata-title developments have less than 14 metres of frontage each.

Table 1: Summary of shop frontage in the premium retail section of Canton Road

Development	**Frontage** *(approx. metres)*
Harbour City	462
1881 Heritage	120
Silvercord (retail portion only)	92
Lippo Sun Plaza (retail portion only)	30
Other single ownership developments on Canton Road	95
Other strata-title ownership developments on Canton Road	131
Total retail frontage along Canton Road	930

As only 14% of buildings along Canton Road are strata-title developments, this implies that there is a scarce supply of retail properties available for sale on Canton Road.

Illustration 7: A map of the premium retail section of Canton Road

* *Run by Emperor Watch & Jewellery Limited*

7.7 Rental and Price

The net unit rent of the overall scaled shopping malls in the key submarkets have registered a Compound Annual Growth Rate ("CAGR") of 7.5% between 2008 and 2017, driven by the unit rent of Tsim Sha Tsui, which have registered a CAGR of 12.8%. As of 2017, the overall scaled shopping malls witnessed a 4.3% y-o-y growth in the net unit rent to HK$224 per square feet per month, in line with the modest recovery of retail sales in 2017. The highest net unit rent was achieved by the Harbour City at about HK$430 per square feet, which was approximately 22.9% or HK$80 per square feet higher than the IFC mall, the second highest net unit rent at HK$350 per square feet as of 2017.[16]

With consideration to the supportive global economic environment and the recent recovery of retail sales volume, the net unit rent for the scaled shopping malls in the key submarkets is anticipated to increase about 3.2% in 2018.[17] In particular, Tsim Sha Tsui is expected to post the highest CAGR at about 5% between 2018 and 2025, supported by vigorous domestic and mainland Chinese demand with enhanced accessibility upon completion of the HZMB and the XRL. The following figures and tables outline the forecasts for the scaled shopping malls in Tsim Sha Tsui.

Table 2. Tsim Sha Tsui scaled shopping mall market outlook[18]

	2017	**2019**	**2021**	**2023**	**2025**
Net Unit Rent *(HK$/square feet (N))*	259.4	272.5	301.0	335.4	376.1
y-o-y Growth	—	2.0%	5.2%	5.7%	6.0%
Yield	3.1%	2.9%	2.9%	2.9%	2.9%
Net Capital Value *(HK$/square feet (N))*	100,413	112,769	124,565	141,210	158,364
y-o-y Growth	—	2.0%	5.2%	5.7%	6.0%

The retail sales performance along the high streets of Tsim Sha Tsui have been backed by the presence of famous tourist attractions and the superior accessibility. Domestic and mainland China retail demand is expected to increase at a steady rate as XRL has recently started operation. This will support the growth of capital value and rental of retail properties. Subject to the similar growing momentum of the capital value and rental, the yield is expected to stay at a stable level until 2025.

16 *Source: Colliers Research*
17 *Source: Colliers Research*
18 *Source: Colliers Research*

Table 3. Sales transactions along different high streets

	1	**2**	**3**
Address	No. 46 Haiphong Road G/F	Alpha House Nos. 27–33 Nathan Road G/F Shop E1	No. 71 Argyle Street G/F
Districts	Tsim Sha Tsui	Tsim Sha Tsui	Mong Kok
Completion Year	1958	1964	1959
Saleable Area *(square feet)*	653	555	730
Transaction date	28 April 2017	23 December 2016	6 December 2016
Transaction price *(HK$'M)*	416	176	215
Unit price on Saleable Area *(HK$/square feet)*	637,060	317,117	294,521

8. OUTLOOK

Backed by improving market conditions since the first half of 2017, retail sales in prime malls continue to grow in 2018.The retail market in Hong Kong appears to be leaving the negative sentiment over the previous years, with both retail sales, overall retail property price and rents growing steadily in the second quarter of 2018. Due to continuous recovery in visitor arrivals, the overall retail environment is expected to turn less challenging in the short term, which in turn will support the retail rental and price. Retail market performance is closely related to the commercial and economic development of Hong Kong. Financial Services and the Treasury Bureau projects the Hong Kong's economy is expected to expand at an average of 3.5% between 2019 and 2021.

With the completion of the mega infrastructure project, HZMB, in the second half of 2018 and enhanced connectivity to the major cities in the mainland China, the commercial demand is expected to continue its growth momentum in the short- to medium-term. Especially, West Kowloon and high streets in Tsim Sha Tsui are expected to benefit from increased demand from travellers between Hong Kong and the mainland China.

Yours faithfully,
For and on behalf of
Colliers International (Hong Kong) Ltd.

Stella Ho
BSc(Hons) MSc MRICS MHKIS RPS(GP) MCIREA
Registered Real Estate Appraiser PRC
Director
Valuation & Advisory Services

Note:

Stella Ho is a Registered Professional Surveyor with over 18 years' experiences in real estate industry and assets valuations sector. Her experience on valuations covers Hong Kong, Macau, Mainland China and Asia Pacific region. She is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a member of China Institute of Real Estate Appraisers and Agents and a Registered Real Estate Appraiser PRC.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules 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 OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the following Directors and chief executives of the Company were interested, or were deemed or taken to be interest in the following long and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company ("**Model Code**") to be notified to the Company and the Stock Exchange:

(a) Long positions interest in the Company

Ordinary Shares

Name of Director	Capacity/Nature of interests	Number of issued shares	Approximate % holding
Ms. Cindy Yeung	Beneficiary of the AY Trust	3,630,950,000	53.56%

Note: These Shares were held by Emperor W&J Holdings, a wholly-owned subsidiary of AY Holdings. AY Holdings was held by STC International in trust for the AY Trust, a discretionary trust under which Ms. Cindy Yeung is one of the eligible beneficiaries.

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

Ordinary Shares

Name of Director	Name of associated corporation	Capacity/Nature of interests	Number of issued shares	Approximate % holding
Ms. Cindy Yeung	Emperor International	Beneficiary of the AY Trust	2,747,610,489 *(Note)*	74.71%
Ms. Cindy Yeung	Emperor Entertainment Hotel Limited ("**Emperor E Hotel**")	Beneficiary of the AY Trust	851,352,845 *(Note)*	66.26%
Ms. Cindy Yeung	Ulferts International Limited ("**Ulferts**")	Beneficiary of the AY Trust	600,000,000 *(Note)*	75.00%
Ms. Fan Man Seung, Vanessa	Emperor International	Beneficial owner	10,500,000	0.29%

Note: Emperor International, Emperor E Hotel and Ulferts are companies with their shares listed on the Stock Exchange. These respective shares were ultimately owned by 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.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors and the 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 corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to any Director or chief executives of the Company, the following persons or corporations (other than a Director or a chief executive of the Company) who had, or were deemed or taken to have an interest and short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any option in respect of such securities:

Name	Capacity/Nature of Interests	Number of Shares interested in or deemed to be interested	Approximate % holding
Emperor W&J Holdings	Beneficial owner	3,630,950,000 (L) *(Note)*	53.56
AY Holdings	Interest in a controlled corporation	3,630,950,000 (L) *(Note)*	53.56
STC International	Trustee of the AY Trust	3,630,950,000 (L) *(Note)*	53.56
Dr. Albert Yeung	Founder of the AY Trust	3,630,950,000 (L) *(Note)*	53.56
Ms. Luk Siu Man, Semon	Interest of spouse	3,630,950,000 (L) *(Note)*	53.56
Citigroup Inc.	Interest in a controlled corporation	401,254,991 (L) 202,454,991 (P)	5.91% 2.98%

(L) = Long Position
(P) = Lending Pool

Note: These Shares were the same shares of which Ms. Cindy Yeung had deemed interests as set out under Section (a) of "DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES" above.

Save as disclosed above, as at the Latest Practicable Date, so far is known to the Directors or chief executives of the Company, no other person or corporation (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any option in respect of such securities.

4. DIRECTORS' 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).

5. COMPETING INTERESTS

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

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

7. PROPERTY VALUATION

The Valuation Report indicated the market value of the Property, details of which are set out in Appendix IV to this circular, was HK$1,800 million as at 10 September 2018.

8. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, save as the agreement listed below, there was no other contract or arrangement subsisting in which any Director (excluding Ms. Cindy Yeung who have deemed interest) was materially interested and which was significant in relation to the business of the Group:

(1) The master leasing agreement dated 24 May 2018 entered into between the Company and Emperor International in relation to the tenancy transactions and the definitive leasing agreements thereunder; and

(2) The master leasing agreement dated 24 May 2018 entered into between the Company and Emperor E Hotel in relation to the tenancy transactions and the definitive leasing agreements thereunder.

9. MATERIAL CONTRACTS

No contract out of ordinary course of business has been entered into by members of the Group within the two years immediately preceding the date of this circular.

10. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interests, either directly or indirectly, in any assets which have been, since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up), acquired by or disposed of or leased to any member of the Group, or are proposed to be acquired by or disposed of or leased to any member of the Group.

11. MATERIAL ADVERSE CHANGE

The Directors have confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up to.

12. EXPERTS QUALIFICATIONS AND CONSENTS

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualifications
Colliers International (Hong Kong) Limited ("**Colliers**")	Market Consultant
Deloitte Touche Tohmatsu ("**Deloitte**")	Certified Public Accountant
Messis Capital	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Savills Valuation and Professional Services Limited ("**Savills**")	Independent qualified valuer

As at the Latest Practicable Date, the above experts:

(a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group; or

(b) did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 30 June 2018), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Colliers, Deloitte, Messis Capital and Savills has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters and/or reports (as the case may be) and references to its name, in the form and context in which it respectively appears.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 5:00 p.m. on any weekday (except for Saturday and public holidays) at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the Article of Association of the Company;

(b) the annual reports of the Company for the year ended 31 December 2015, 2016 and 2017 and the interim report of the Company for the six months ended 30 June 2018;

(c) the letter of advice from Messis Capital, the text of which is set out on pages 23 to 47 of this circular;

(d) The accountants' report prepared by Deloitte on the financial information of the Target Group, the text of which is set out in Appendix II of this circular;

(e) The report issued by Deloitte in relating to the unaudited proforma financial information of the Enlarged Group the text of which set out in Appendix III to this circular;

(f) the valuation report of Savills as set out in Appendix IV of this circular;

(g) the market consultant's report of Colliers as set out in Appendix V of this circular;

(h) copy of the Material Contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(i) the consent letters referred to in the paragraph headed "Experts' qualifications and consents" in this appendix;

(j) the Sale and Purchase Agreement; and

(k) this circular.

14. MISCELLANEOUS

(a) The Company Secretary of the Company is Ms. Chung Ho Ying, Frina, a fellow member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

(b) The registered office and principal place of business of the Company are 25/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.

(c) The Company's Share registrar is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queens' Road East, Hong Kong.

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

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 2nd Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on 5 December 2018 (Wednesday) at 3:30 p.m., for the purpose of considering and, if thought fit, passing with or without modification the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the Sale and Purchase Agreement dated 27 August 2018 between (1) Emperor Property Investment Limited as vendor and (2) Emperor Watch & Jewellery (HK & Macau) Holdings Limited as purchaser, for the sale and purchase of (a) the entire equity interest of Perfect Raise Holdings Limited and (b) all loan, interest and all other sums owing by Perfect Raise Holdings Limited to Emperor Property Investment Limited as at the completion of the aforesaid agreement (a copy of which was tabled at the meeting marked "**A**" 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; and

(b) any one or more directors of the Company be and is/are hereby authorized to do all such acts and things which he/she/they may consider necessary, desirable or expedient to implement the transactions contemplated thereunder (with any amendments to the terms of such agreement which are not inconsistent with the purpose thereof as may be approved by the directors of the Company)."

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

Hong Kong, 12 November 2018

Registered Office & Principal Place of Business:
25th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Notes:

(i) A member of the Company entitled to attend and vote at the meeting convened by the above 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 needs not be a member of the Company.

(ii) 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 Company's Share Registrar, Tricor Secretaries Limited ("**Share Registrar**") 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 adjourned meeting.

(iii) Where there are joint holders of any share, any one of such joint holder 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 holders, 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.

(iv) Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting.

(v) In order to qualify for the right to attend and vote at the above meeting, all relevant share certificates and properly completed transfer forms must be lodged for registration with the Company's Share Registrar before 4:30 p.m. on 29 November 2018 (Thursday).

(vi) The resolution shall be voted by the Independent Shareholders (as defined in the circular dated 12 November 2018). Pursuant to Rule 13.39(4) of the Listing Rules, the resolution set out in this notice will be decided by poll at the above meeting. Where the Chairperson, in good faith, decides to allow any resolution which relates purely to a procedural or administrative matter to be voted, such resolution will be decided by a show of hands.

(vii) If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 1:30 p.m. and before the above meeting time, the meeting will be postponed. The Company will post an announcement on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company's website (https://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 (https://www.emperorwatchjewellery.com). In order to protect the environment, the Company highly recommends Shareholders to receive electronic copy of this Circular. Shareholders may have the right to change their choice of receipt of our future Corporate Communications at any time by reasonable notice in writing to the Share Registrar, by post or by email at is-enquiries@hk.tricorglobal.com.