

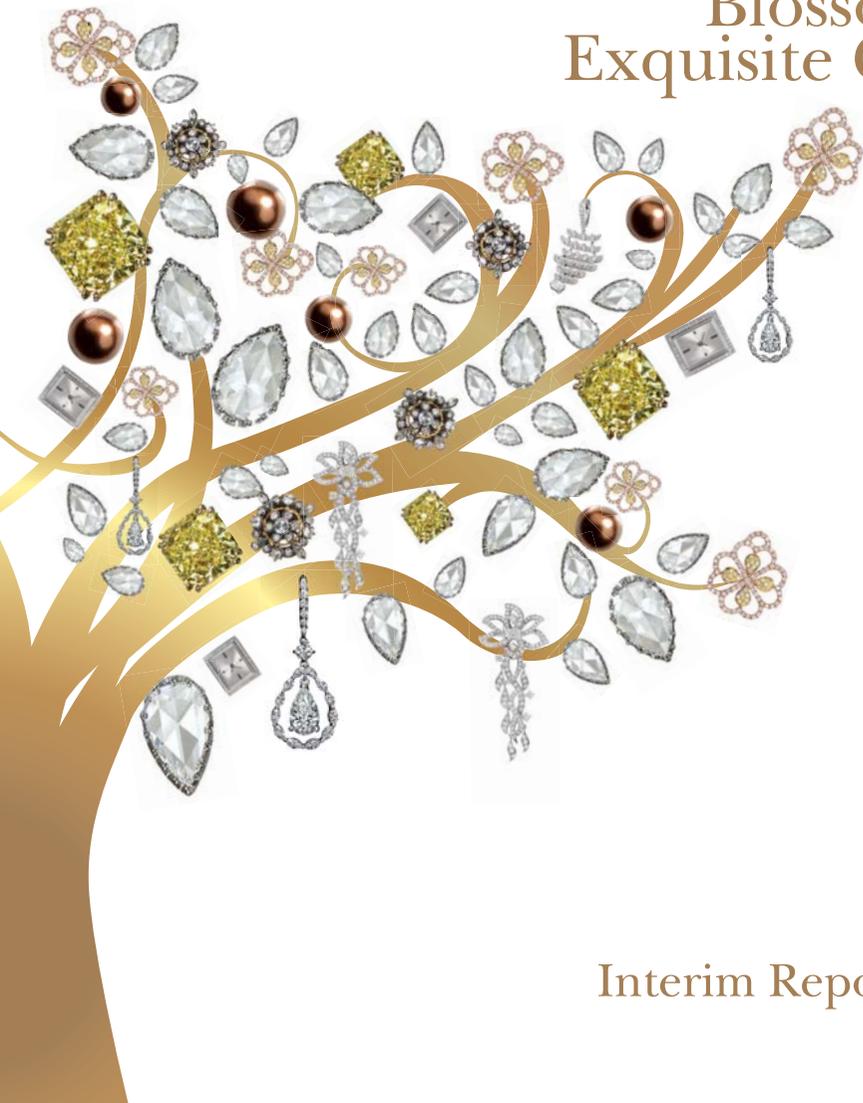


英皇鐘錶珠寶有限公司  
EMPEROR WATCH & JEWELLERY LIMITED

70<sup>th</sup> Anniversary  
EMPEROR GROUP  
SINCE 1942

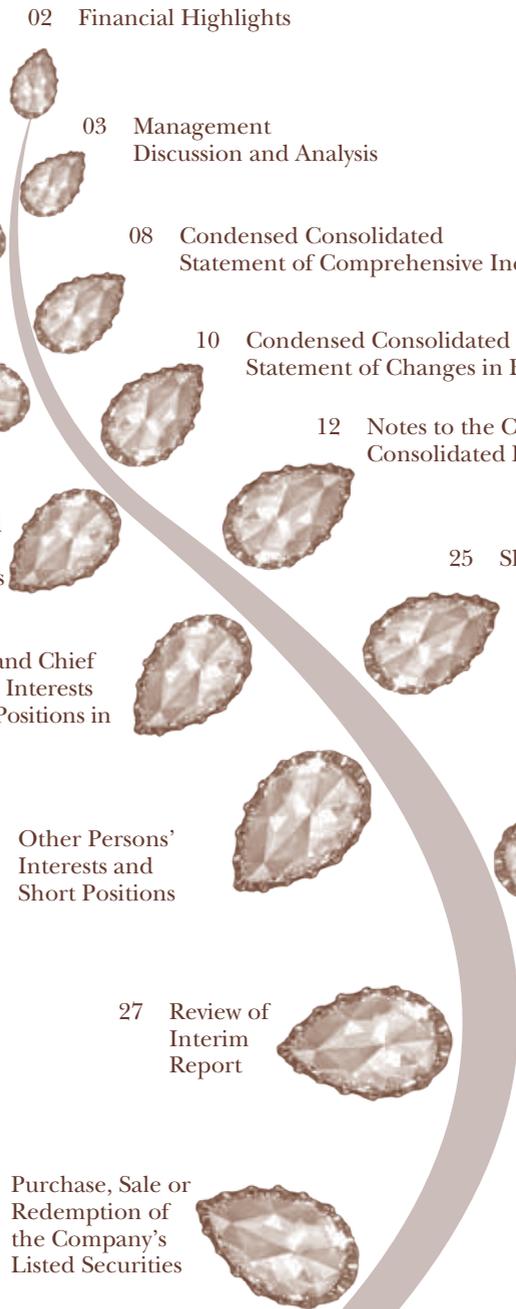
Incorporated in Hong Kong with limited liability (Stock Code: 887)

# Blossom of Exquisite Grace



Interim Report 2012

# Contents



02 Financial Highlights

03 Management Discussion and Analysis

07 Interim Dividend

08 Condensed Consolidated Statement of Comprehensive Income

09 Condensed Consolidated Statement of Financial Position

10 Condensed Consolidated Statement of Changes in Equity

11 Condensed Consolidated Statement of Cash Flows

12 Notes to the Condensed Consolidated Financial Statements

23 Directors' and Chief Executives' Interests and Short Positions in Securities

25 Share Options

26 Other Persons' Interests and Short Positions

27 Corporate Governance

27 Review of Interim Report

30 Purchase, Sale or Redemption of the Company's Listed Securities

28 Changes in Information of Directors

# Financial Highlights (Unaudited)

HK\$'million	1H2011 Per Reported	1H2011 Excluding the net loss on derivative financial instruments <sup>1</sup>	1H2012 Per Reported	Changes
Revenue	2,629.1	2,629.1	<b>3,163.7</b>	20.3%
Gross Profit	752.0	752.0	<b>843.8</b>	12.2%
Gross Profit Margin	28.6%	28.6%	<b>26.7%</b>	-1.9% pts
EBITDA <sup>2</sup>	345.1	354.4	<b>306.9</b>	-13.4%
EBITDA <sup>2</sup> Margin	13.1%	13.5%	<b>9.7%</b>	-3.8% pts
Profit for the period attributable to owners of the Company	255.3	264.6	<b>219.5</b>	-17%
Net Profit Margin	9.7%	10.1%	<b>6.9%</b>	-3.2% pts
Basic earnings per share	HK4.2 cents	HK4.3 cents	<b>HK3.3 cents</b>	-23.3%

1 *Net loss on derivative financial instruments was a non-cash item recognised in consolidated statement of comprehensive income which related to fair value loss on derivative financial instruments upon conversion of the convertible bonds.*

2 *EBITDA represents earnings before interest, taxation, depreciation and amortisation of the Group.*

# Management Discussion and Analysis

Emperor Watch & Jewellery Limited (the “Company”) together with its subsidiaries (collectively referred to as the “Group”) is a leading retailer of European-made luxurious and internationally branded watches, together with self-designed fine jewellery products under its own brand, “**Emperor**”, through its extensive retail networks in Hong Kong, Macau and The People’s Republic of China (the “PRC”). The target customers range from middle to high income groups from all over the world. With a long history of 70 years since its establishment, the Company owns a balanced and comprehensive watches’ dealership list.

## Financial Review

For the six months ended 30 June 2012 (the “Period”), the Group reported a revenue of HK\$3,163.7 million (1H2011: HK\$2,629.1 million), representing a growth of 20.3% from the same period last year. The Hong Kong market remained the Group’s major revenue contributor, with its revenue increased by 23.2% to HK\$2,649.3 million (1H2011: HK\$2,150.4 million) in the Period, accounting for 83.7% (1H2011: 81.8%) of the total revenue. During the Period, 82.1% (1H2011: 82.5%) of the Group’s total revenue is generated from watch segment. Gross profit amounted to HK\$843.8 million (1H2011: HK\$752.0 million). Gross profit margin was 26.7% (1H2011: 28.6%).

Noteworthy, the Group faced a high base when compared with the same period last year. This was driven by two factors: (1) revenue boosted in Hong Kong market in the same period last year triggered by a shift of luxury shopping destination from Tokyo to other Asian regions (including Hong Kong) following the Great East Japan Earthquake in March 2011; and (2) gross profit margin was relatively high in the same period last year due to the substantial and frequent price hikes implemented by watch suppliers as a result of Swiss Franc’s appreciation and rising raw material costs.

EBITDA and net profit were HK\$306.9 million and HK\$219.5 million respectively, as compared to HK\$354.4 million and HK\$264.6 million for the same period last year excluding the net loss on derivative financial instruments. The decreased EBIDTA and net profit performance were owing to the decrease in gross profit margin and rising rental expenses. Basic earnings per share was HK3.3 cents (1H2011: HK4.3 cents).

## Liquidity and Financial Resources

Bank balances and cash on hand of the Group as at 30 June 2012 amounted to HK\$180.9 million (31 December 2011: HK\$803.8 million), which were mainly denominated in Hong Kong dollars and Renminbi. As at 30 June 2012, the Group had total bank borrowings of HK\$184.8 million (31 December 2011: HK\$340.2 million). These bank borrowings were denominated in Hong Kong dollar, interest bearing, repayable with fixed terms and secured by corporate guarantees of the Company.

# Management Discussion and Analysis (Continued)

## Liquidity and Financial Resources (Continued)

The Group's gearing ratio (calculated on the basis of the total borrowings over total assets) decreased to 4.1% (31 December 2011: 7.3%) as at 30 June 2012. The Group had available unutilised banking facilities of HK\$531.7 million. The low gearing ratio and considerable unutilised banking facilities enables the Group to retain high flexibility for future development.

As at 30 June 2012, the Group's current assets and current liabilities were approximately HK\$4,203.8 million (31 December 2011: HK\$4,407.4 million) and HK\$512.4 million (31 December 2011: HK\$808.6 million) respectively. Current ratio and quick ratio of the Group were 8.2 (31 December 2011: 5.5) and 0.8 (31 December 2011: 1.2) respectively.

## Business Review

Given that Hong Kong is a shopping heaven without luxury tax charges, Hong Kong is still a preferable shopping destination for mainland tourists. During the Period, visitor arrivals from mainland to Hong Kong amounted to 15.6 million, representing 22.7% growth year-on-year. The growth momentum of luxury consumption market in the Great China Region, however, had softened due to global economic uncertainties. Taking advantage of the Group's presence on prime locations with high pedestrian traffic flow, the Group was still able to capture stable revenue growth when compared to a high base in the same period last year.

### **Expanding Retail Network**

The Group has an extensive network of retail outlets at prime locations in Hong Kong, Macau and the PRC. These include jewellery shops, multi-brand shops (with or without jewellery counters) as well as specialty outlets for specific watch brands. As at 30 June 2012, the Group had 86 stores (31 December 2011: 80 stores) in Hong Kong, Macau and the PRC. Details of which are listed below:

	<b>Number of stores</b>
Hong Kong	21
Macau	5
The PRC	60
Total	<hr/> 86 <hr/>

# Management Discussion and Analysis (Continued)

## Business Review (Continued)

The Group's retail stores in Hong Kong are strategically located at the major high-end shopping places, including Russell Street in Causeway Bay, Canton Road and Nathan Road in Tsim Sha Tsui. Russell Street and Canton Road are now recognised as renowned shopping areas in the world. With the lead of iconic flagship store located in 1881 Heritage, Canton Road, Tsim Sha Tsui, the Group can capture both local shoppers and mainland visitors.

In January 2012, the Group opened a double storey mega store in Queen's Road Central, marched with a number of high-end watch brands and full collections of "**Emperor**" jewellery. In the same month, a Cartier boutique was opened in Russell Street, Causeway Bay, where it offers elegant and fine timepiece collections. Such collaboration demonstrates management's dedication to foster solid relationships with leading watch brand suppliers, thereby achieving "win-win" situations where both leading watch brands and the Group could enjoy brand enhancement through their presences in extreme prime areas.

### **Solidifying Brand Image**

Originated from a watch boutique in 1942, the Group has been devoted to create values through enhancing customers' experience. To celebrate the 70th anniversary of Emperor Group this year, intra-group companies within Emperor Group had initiated a series of promotional campaigns. Benefited from the enhanced "**Emperor**" brand exposure, the Group had enjoyed extensive media coverage and strengthened brand image at low cost. As one of the synergies brought by Emperor Entertainment Group, the Group had invited VIP guests to movie premieres and sponsored jewellery for the artistes. Such exposure opportunities in association with renowned artistes and celebrities, serve as an important tool to enhance the reputation of "**Emperor**" brand, particularly in the PRC market.

The Group continued to effectively market and promote the brand through a range of joint promotions, sponsorships and exhibitions during the Period. All of them received remarkable results. The Group had also sharpened its marketing efforts towards niche market segments. During the Period, the Group launched **Emperor Jewellery Bridal Collection**, showcasing engagement rings, wedding bands and bridal jewellery for engaged couples and brides-to-be. Subsequent to the Period, the Group had launched a new series of TV commercial programs, focusing on the stylish and prestigious fine jewellery.

# Management Discussion and Analysis (Continued)

## Prospects

Supported by the rising spending power and expansion of middle income group in the PRC, luxury consumption market in the Greater China region remains optimistic. As a retailer offering luxury watches and self-designed fine jewellery, the Group will seek to achieve a desired product and geographic mix in order to promote sustainable profit.

Hong Kong has long been a favourable shopping destination for mainland visitors as evidenced by the strong growth in mainland visitors' arrival. Significant price differential, authenticity assurance and better assortments provide high incentives for travellers to purchase high ticket luxury watches in Hong Kong. Coupled with the appetite for prestigious brands and increased awareness of social status and personal identification, the Group is poised to capture such market opportunities. To maximise interactive cross-selling initiatives, the Group will continue to enrich its watch brand portfolio to cater different needs and preferences of consumer with varied demographics.

In the PRC market, the Group will take a moderate and prudent approach on store expansion plan. Moreover, the Group is seeking to expand its market coverage in the tourist spots of other Asian countries, to fully capture the luxury consumption growth momentum among the Chinese speaking communities.

In the long-run, the Group will strive to improve profitability and overall margin performance through stepping up the portion of higher-margin jewellery segment. Given the more intensified demand towards diamond by affluent consumers coupled with a declining diamond mineral reserve, the Group is looking forward to the promising diamond jewellery market in the PRC. The growing economic independency and westernised lifestyle of working female in the PRC will also accelerate jewellery goods consumption. Riding on the Group's consistent dedication to exquisite craftsmanship on jewellery and the prestige "**Emperor**" brand endorsement, the Group is confident that jewellery segment will be the key growth driver to fuel long term development.

## Foreign Exchange Exposure

The Group's transactions are mainly denominated in HKD, MOP, RMB and USD. During the Period, the Group did not have any material foreign exchange exposure.

## Contingent Liabilities

As at 30 June 2012, the Group did not have any material contingent liabilities.

# Management Discussion and Analysis (Continued)

## Employee and Remuneration Policy

As at 30 June 2012, the Group has 921 salespersons (2011: 825) and 229 office staff (2011: 206). Total staff costs (including Directors' remuneration) were HK\$117.0 million (2011: HK\$101.6 million). Employees' remuneration was determined in accordance with individual's responsibility, performance and experience. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefit.

## Interim Dividend

The board of directors of the Company (the "Board" or "Directors") is pleased to declare an interim dividend of HK0.98 cent per share ("Interim Dividend") for the financial year ending 31 December 2012 (2011: HK1.2 cents), amounting to HK\$65,841,000 (2011: HK\$80,622,000). The Interim Dividend will be payable on 28 September 2012 (Friday) to shareholders whose names appear on the register of members of the Company on 21 September 2012 (Friday).

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to the Interim Dividend, from 20 September 2012 (Thursday) to 21 September 2012 (Friday), during which period no share transfer will be effected.

In order to qualify for the Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 19 September 2012 (Wednesday).

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the Period together with the comparative figures for the corresponding period 2011 as set out below.

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Revenue	3	3,163,691	2,629,114
Cost of sales		(2,319,859)	(1,877,102)
Gross profit		843,832	752,012
Other income		2,266	3,499
Selling and distribution expenses		(451,005)	(315,710)
Administrative expenses		(122,513)	(115,686)
Net loss on derivative financial instruments		-	(9,300)
Finance costs		(2,697)	(559)
Profit before taxation	4	269,883	314,256
Taxation	5	(50,362)	(59,021)
Profit for the period		219,521	255,235
Other comprehensive income (expense) for the period:			
Exchange differences arising from translation of foreign operations		(318)	16,798
Total comprehensive income for the period		219,203	272,033
Profit (loss) for the period attributable to:			
Owners of the Company		219,521	255,261
Non-controlling interests		-	(26)
		219,521	255,235
Total comprehensive income (expense) attributable to:			
Owners of the Company		219,203	272,312
Non-controlling interests		-	(279)
		219,203	272,033
Earnings per share	6		
- Basic		HK3.3 cents	HK4.2 cents
- Diluted		HK3.2 cents	HK4.1 cents

# Condensed Consolidated Statement of Financial Position

At 30 June 2012

		As at	
		30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		112,192	96,667
Deferred tax asset		4,776	5,927
Rental Deposit		157,228	154,624
Deposits paid for acquisition of property, plant and equipment		4,581	2,571
		<b>278,777</b>	<b>259,789</b>
<b>Current assets</b>			
Inventories		3,800,906	3,404,176
Receivables, deposits and prepayments	8	222,030	199,439
Bank balances and cash		180,906	803,777
		<b>4,203,842</b>	<b>4,407,392</b>
<b>Current liabilities</b>			
Payables, deposits received and accrued charges	9	201,246	396,426
Amounts due to related companies	10	10,007	4,040
Taxation payable		116,294	67,967
Bank borrowings	11	184,822	340,205
		<b>512,369</b>	<b>808,638</b>
<b>Net current assets</b>		<b>3,691,473</b>	<b>3,598,754</b>
<b>Net assets</b>		<b>3,970,250</b>	<b>3,858,543</b>
<b>Capital and reserves</b>			
Share capital		67,185	67,185
Reserves		3,903,065	3,791,358
<b>Total equity</b>		<b>3,970,250</b>	<b>3,858,543</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the Company								Total	Non-controlling Interests	Total
	Share capital	Share premium	Merger reserve	Other reserve	Capital reserve	Translation reserve	Warrants equity reserve	Accumulated profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 1 January 2011 (audited)</b>	56,593	2,188,273	(373,003)	(25,867)	2,529	6,725	53,100	359,296	2,267,646	2,597	2,270,243
Exchange differences arising on translation of foreign operations						17,051		-	17,051	(253)	16,798
Profit (loss) for the period								255,261	255,261	(26)	255,235
Total comprehensive income for the period	-	-	-	-	-	17,051	-	255,261	272,312	(279)	272,033
Shares issued	8,000	792,000							800,000	-	800,000
Expenses incurred in connection with issue of new shares		(12,973)							(12,973)	-	(12,973)
Share issued upon conversion of a convertible bond	2,592	296,567							299,159	-	299,159
Payment of final dividend for 2010								(68,529)	(68,529)	-	(68,529)
<b>As at 30 June 2011 (unaudited)</b>	67,185	3,263,867	(373,003)	(25,867)	2,529	23,776	53,100	546,028	3,557,615	2,318	3,559,933
<b>As at 1 January 2012 (audited)</b>	67,185	3,263,867	(373,003)	(26,162)	2,529	33,798	53,100	837,229	3,858,543	-	3,858,543
Exchange differences arising on translation of foreign operations						(318)			(318)		(318)
Profit (loss) for the period								219,521	219,521		219,521
Total comprehensive income for the period	-	-	-	-	-	(318)	-	219,521	219,203	-	219,203
Payment of final dividend for 2011								(107,496)	(107,496)	-	(107,496)
<b>As at 30 June 2012 (unaudited)</b>	67,185	3,263,867	(373,003)	(26,162)	2,529	33,480	53,100	949,254	3,970,250	-	3,970,250

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Net cash used in operating activities	<b>(306,220)</b>	(335,988)
Net cash used in investing activities	<b>(50,757)</b>	(30,662)
Net cash (used in) from financing activities	<b>(265,576)</b>	612,477
Net increase (decrease) in cash and cash equivalents	<b>(622,553)</b>	245,827
Cash and cash equivalents at the beginning of the period	<b>803,777</b>	601,482
Effect of foreign exchange rate changes	<b>(318)</b>	3,503
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<b>180,906</b>	850,812

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities (the “Listing Rules”) on the The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The accounting policies and basis of presentation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s audited consolidated financial statements for the year ended 31 December 2011, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) effective from 1 January 2012, as below.

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets;
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets.

The adoption of the above new and revised HKFRSs has had no significant financial impact on these unaudited condensed consolidated interim financial statements.

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle <sup>1</sup>
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>3</sup>
HKAS 19 (Revised 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (Revised 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures <sup>1</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>4</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2014

The Directors anticipate that the application of the new and revised HKFRSs are unlikely to have a material impact on the results and the financial position of the Group.

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

## 3. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold less returns and net of trade discounts.

Information reported to the chief operating decision maker of the Group, for the purposes of resource allocation and assessment of segment performance focuses on the locations of the operations. This is also the basis upon which the Group is arranged and organised. The Group's operating and reportable segments under HKFRS 8 are operations located in Hong Kong, Macau and other regions in the PRC. The revenue generated by each of the operating segments is mainly derived from sales of watch and jewellery.

The following is an analysis of the Group's revenue and results by reportable segment.

### For the six months ended 30 June 2012

	Hong Kong (unaudited) HK\$'000	Macau (unaudited) HK\$'000	Other regions in the PRC (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Revenue					
External sales	2,649,260	181,410	333,021	-	3,163,691
Inter-segment sales*	34,509	21,777	-	(56,286)	-
	<b>2,683,769</b>	<b>203,187</b>	<b>333,021</b>	<b>(56,286)</b>	<b>3,163,691</b>

\* Inter-segment sales are charged at cost

Segment profit	<b>345,493</b>	<b>39,280</b>	<b>9,050</b>		<b>393,823</b>
Unallocated administrative expenses					(122,513)
Interest income					1,270
Finance costs					(2,697)
Profit before taxation					<b>269,883</b>

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2011

	Hong Kong (unaudited) HK\$'000	Macau (unaudited) HK\$'000	Other regions in the PRC (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Revenue					
External sales	2,150,423	182,943	295,748	-	2,629,114
Inter-segment sales*	119,840	72,459	-	(192,299)	-
	2,270,263	255,402	295,748	(192,299)	2,629,114

\* Inter-segment sales are charged at cost

Segment profit	374,172	42,111	21,777		438,060
Unallocated administrative expenses					(115,734)
Interest income					1,789
Net loss on derivative financial instruments					(9,300)
Finance costs					(559)
Profit before taxation					314,256

The accounting policies of the reportable segments are the same as the Group's accounting policies used in the condensed consolidated financial statements. Segment profit represents the gross profit generated from each segment including other income directly attributable to each segment and net of selling and distribution expenses and administrative expenses directly attributable to each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

## 4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Allowance for inventories	1,905	7,223
Cost of inventories included in cost of sales	2,312,297	1,864,512
Depreciation of property, plant and equipment	34,285	30,301
Loss on disposal of property, plant and equipment	206	693
Net exchange (gain) loss	(1,581)	3,387
Operating lease payments in respect of rented premises		
– minimum lease payments	252,312	140,940
– contingent rent	44,604	37,198
Write off of inventories	53	1,244
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	110,349	95,598
– retirement benefits scheme contributions	6,640	6,027

## 5. TAXATION

	Six months ended 30 June	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
The charge comprises:		
Current period:		
Hong Kong	44,061	52,614
PRC	888	1,651
Macau	4,262	4,788
	49,211	59,053
Deferred taxation	1,151	(32)
	50,362	59,021

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company's subsidiaries in the PRC is 25% from 1 January 2008 onwards.

The Macau Complimentary Income Tax is calculated progressively at rates ranging from 3% to 12% of the estimated assessable profit for both periods.

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

## 6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2012 (unaudited) HK\$'000</b>	2011 (unaudited) HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<b>219,521</b>	255,261
<b>Number of shares</b>	<b>2012 (unaudited)</b>	2011 (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>6,718,513,703</b>	6,147,079,285
Effect of dilutive potential ordinary shares:		
Warrants	<b>63,251,107</b>	71,700,510
Convertible bond	-	52,997,749
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>6,781,764,810</b>	6,271,777,544

## 7. DIVIDEND

	<b>Six months ended 30 June</b>	
	<b>2012 (unaudited) HK\$'000</b>	2011 (unaudited) HK\$'000
Final dividend of HK1.6 cents per share for the year ended 31 December 2011 paid during the interim period (year ended 31 December 2010: HK1.02 cents per share)	<b>107,496</b>	68,529

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

## 8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	<b>30 June 2012 (unaudited) HK\$'000</b>	31 December 2011 (audited) HK\$'000
Trade receivables	89,475	88,819
Other PRC Tax recoverable	63,305	47,828
Other receivables, deposits and prepayments	69,250	62,792
	<b>222,030</b>	199,439

Retails sales are normally settled in cash or by credit card with the settlement from the corresponding financial institutions within 7 days. Receivables from retail sales in department stores are collected within one month from invoice issuing day. Wholesale customers are granted an average credit periods from 7 days to 90 days.

The aged analysis of trade receivables presented based on the invoice date at the end of the reporting period are as follows:

	As at	
	<b>30 June 2012 (unaudited) HK\$'000</b>	31 December 2011 (audited) HK\$'000
Within 30 days	77,174	77,845
31 – 60 days	10,898	6,920
61 – 90 days	455	4,054
Over 90 days	948	–
	<b>89,475</b>	88,819

Before accepting any new customer, the Group would assess the potential wholesale customer's credit quality and defines credit limits for each wholesale customer.

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

## 8. RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Receivables that are neither past due nor impaired relate to receivables from credit card sales, department stores sales and wholesale customers for whom there were no history of default.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$12,301,000 (2011: HK\$3,009,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over nor charge any interest on these balances.

Ageing of trade receivables which are past due but not impaired:

	<b>30 June 2012 (unaudited) HK\$'000</b>	31 December 2011 (audited) HK\$'000
Overdue 1 – 30 days	<b>10,898</b>	2,648
Overdue 31– 60 days	<b>455</b>	361
Overdue 61 – 90 days	<b>948</b>	–
	<b>12,301</b>	3,009

Receivables that were past due but not impaired relate to department stores sales and wholesale customers that have continuous settlements subsequent to reporting date. The Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balance is still considered fully receivable.

## 9. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	<b>As at</b>	
	<b>30 June 2012 (unaudited) HK\$'000</b>	31 December 2011 (audited) HK\$'000
Trade payables	<b>99,259</b>	310,574
Other payables, deposits received and accrued charges	<b>101,987</b>	85,852
	<b>201,246</b>	396,426

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

## 9. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES (Continued)

The aged analysis of trade payables presented based on the invoice date at the end of the reporting period are as follows:

	As at	
	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Within 30 days	91,973	284,189
31 – 60 days	6,255	9,752
61 – 90 days	706	15,221
Over 90 days	325	1,412
	<b>99,259</b>	310,574

The Group normally receives credit terms of 30 to 60 days.

## 10. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies, mainly represent the rental, electricity and air-conditioning expenses payable and service charge payable to related companies, are unsecured, interest-free and repayable on demand. The related companies represent companies controlled by a deemed substantial shareholder of the Company.

## 11. BANK BORROWINGS

	As at	
	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Unsecured bank loans – repayable within one year	<b>184,822</b>	340,205

The weighted effective interest rates on the Group's borrowings range from 1.71% to 3.25% (2011: 1.54% to 8.97%).

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

## 12. CAPITAL COMMITMENTS

	As at	
	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	545	20,728

## 13. OPERATING LEASE ARRANGEMENTS

The Group as lessee

As at 30 June 2012, the future lease payments under non-cancellable operating leases in respect of rented premises which fall due are as follows:

	As at	
	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Within one year	481,177	409,636
In the second to fifth year inclusive	827,902	851,168
	<b>1,309,079</b>	<b>1,260,804</b>

Operating lease payments represent rentals payable by the Group for its offices and shops. Leases are negotiated for terms ranging from one month to three years with fixed monthly rentals and certain operating leases are subject to contingent rents based on a fixed percentage of the monthly gross turnover in excess of the monthly minimum lease payments.

Included in the above is future lease payments with related companies of approximately HK\$567,909,000 (31 December 2011: 671,751,000) which fall due as follows:

	As at	
	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
Within one year	236,455	224,298
In the second to fifth year inclusive	331,454	447,453
	<b>567,909</b>	<b>671,751</b>

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2012

## 14. RELATED PARTY TRANSACTIONS

- (a) During the Period, other than disclosed in Notes 10 and 13, the Group had the following transactions with related parties:

	<b>Six months ended 30 June</b>	
	<b>2012 (unaudited) HK\$'000</b>	<b>2011 (unaudited) HK\$'000</b>
(i) Sales of goods to Directors and their close family members	1,235	2,597
(ii) Rental, electricity and air-conditioning expenses paid to related companies	124,445	55,857
(iii) Service charges in respect of information system and administrative work paid to related companies	15,348	16,518
(iv) Advertising expenses paid to related companies	814	743
(v) Financial advisory fee paid to a related company	180	180
(vi) Placing commission fee paid to a related company	-	12,000
	<b>142,022</b>	<b>87,895</b>

Note: The related companies represent companies controlled by a substantial shareholder of the Company.

- (b) The key management personnel of the Company are the Directors of the Company. The remuneration paid to them during the Period was as follows:

	<b>Six months ended 30 June</b>	
	<b>2012 (unaudited) HK\$'000</b>	<b>2011 (unaudited) HK\$'000</b>
Salaries and other short-term employee benefit	6,925	5,021
Retirement benefits costs	13	12
	<b>6,938</b>	<b>5,033</b>

- (c) As at 30 June 2012, rental deposits paid to related companies amounted to HK\$71,079,000 (31 December 2011: HK\$65,488,000) were included in receivables, deposits and prepayments.

# Directors' and Chief Executives' Interests and Short Positions in Securities

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules were as follows:

## (a) Long Position Interests in the Company

*Ordinary shares of HK\$0.01 each of the Company ("Ordinary Shares")*

<b>Name of Director</b>	<b>Capacity/Nature of interests</b>	<b>Number of issued Ordinary Shares held</b>	<b>Approximate percentage holding</b>
Ms. Cindy Yeung	Beneficiary of a trust	3,608,050,000	53.70%

*Note:* The above shares were held by Emperor Watch & Jewellery Group Holdings Limited (formerly known as Allmighty Group Limited) ("Emperor W&J Holdings"), a wholly-owned subsidiary of Albert Yeung Holdings Limited (formerly known as Million Way Holdings Limited) ("AY Holdings"). AY Holdings was held by STC International Limited ("STC International") acting as trustee of The Albert Yeung Discretionary Trust ("AY Trust"), a discretionary trust under which Ms. Cindy Yeung is one of the eligible beneficiaries.

## (b) Long position interests in associated corporations

*(i) Ordinary Shares*

<b>Name of Director</b>	<b>Name of associated corporations</b>	<b>Capacity/Nature of interests</b>	<b>Number of issued Ordinary Shares held</b>	<b>Approximate Percentage holding</b>
Ms. Cindy Yeung	Emperor International Holdings Limited ("Emperor International") <i>(Note 1)</i>	Beneficiary of a trust	2,747,493,823	74.93%
Ms. Cindy Yeung	Emperor Entertainment Hotel Limited ("Emperor EH") <i>(Note 1)</i>	Beneficiary of a trust	796,662,845	61.64%

# Directors' and Chief Executives' Interests and Short Positions in Securities (Continued)

## (b) Long position interests in associated corporations (Continued)

### (i) Ordinary Shares (Continued)

Name of Director	Name of associated corporations	Capacity/ Nature of interests	Number of issued Ordinary Shares held	Approximate Percentage holding
Ms. Cindy Yeung	Emperor Capital Group Limited ("Emperor Capital Group") (Note 2)	Beneficiary of a trust	1,613,328,907	62.11%
Ms. Cindy Yeung	New Media Group Holdings Limited ("New Media Group") (Note 3)	Beneficiary of a trust	453,430,000	52.48%

#### Notes:

- Emperor International is a company with its shares listed in Hong Kong: 2,747,493,823 shares in Emperor International were held by Emperor International Group Holdings Limited (formerly known as Charron Holdings Limited) ("Emperor International Group Holdings"). Emperor EH is a company with its shares listed in Hong Kong: 796,662,845 shares in Emperor EH were held by Emperor Entertainment Hotel Holdings Limited (formerly known as Worthly Strong Investment Limited), being an indirect wholly-owned subsidiary of Emperor International. Emperor International is the holding company of Emperor EH. The entire issued share capital of Emperor International Group Holdings was held by AY Holdings which was wholly-owned by STC International, the trustee of the AY Trust. Ms. Cindy Yeung, by virtue of being one of the eligible beneficiaries of the AY Trust, had deemed interests in the said shares.
- Emperor Capital Group is a company with its shares listed in Hong Kong: 1,613,328,907 shares were held by Emperor Capital Group Holdings Limited (formerly known as Win Move Group Limited) ("Emperor Capital Holdings"). The entire share capital of Emperor Capital Holdings was held by AY Holdings which was in turn wholly owned by STC International, the trustee of AY Trust. Ms. Cindy Yeung, by virtue of being one of the eligible beneficiaries of the AY Trust, had deemed interests in the said shares.
- New Media Group is a company with its shares listed in Hong Kong: 453,430,000 shares were held by New Media Group Investment Limited (formerly known as Velba Limited) ("New Media Investment"). The entire issued share capital of New Media Investment was held by AY Holdings which was in turn wholly-owned by STC International, the trustee of the AY Trust. Ms. Cindy Yeung, by virtue of being one of the eligible beneficiaries of the AY Trust, had deemed interests in the said shares.

# Directors' and Chief Executives' Interests and Short Positions in Securities (Continued)

## (b) Long position interests in associated corporations (Continued)

### (ii) Share options

Name of Directors	Name of associated corporations	Capacity/ Nature of interests	Number of underlying Shares held	Approximate percentage holding
Mr. Wong Chi Fai ("Mr. Bryan Wong")	Emperor International	Beneficial owner	16,154,212 (adjusted)	0.44%
Ms. Fan Man Seung, Vanessa ("Ms. Vanessa Fan")	Emperor International	Beneficial owner	16,154,212 (adjusted)	0.44%
Mr. Bryan Wong	Emperor EH	Beneficial owner	5,000,000	0.39%
Ms. Vanessa Fan	Emperor EH	Beneficial owner	5,000,000	0.39%

*Note:* These were share options granted to Mr. Bryan Wong and Ms. Vanessa Fan, being the directors of Emperor International and Emperor EH, under the respective share option scheme of Emperor International and Emperor EH.

Save as disclosed above, as at 30 June 2012, none of the Directors, chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## Share Options

The Company has adopted a share option scheme (the "Scheme") on 19 June 2008 (the "Adoption Date") to provide incentives to the relevant participants including the Directors and eligible employees of the Group, and to enable the Company to recruit high-calibre employees and attract human resources that are valuable to the Group.

Under the Scheme, the Directors are authorised, at any time within ten years after the Adoption Date, to grant options to any participant to subscribe for shares in the Company at a price not less than the highest of (i) the closing price of the Company's shares on the date of grant which must be a business day; (ii) the average closing prices of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. A nominal consideration of HK\$1 is payable on acceptance of the grant of options.

During the Period, no option was granted, lapsed, exercised or cancelled under the Scheme.

## Other Persons' Interests and Short Positions

As at 30 June 2012, so far as is known to any Director or chief executive of the Company, the following persons or corporations (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

### Long positions in the Ordinary Shares

Name of shareholders	Capacity/ Nature of interests	Number of Ordinary Shares interested or deemed to be interested	Approximate percentage holding
Emperor W&J Holdings <sup>(Note)</sup>	Beneficial owner	3,608,050,000	53.70%
AY Holdings <sup>(Note)</sup>	Interest in controlled corporation	3,608,050,000	53.70%
STC International <sup>(Note)</sup>	Trustee	3,608,050,000	53.70%
Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung") <sup>(Note)</sup>	Founder of a discretionary trust	3,608,050,000	53.70%
Ms. Luk Siu Man, Semon <sup>(Note)</sup>	Interest of spouse	3,608,050,000	53.70%
Mondrian Investment Partners Limited	Investment manager	415,910,000	6.19%

*Note:* The entire issued share capital of Emperor W&J Holdings was held by AY Holdings which was in turn wholly-owned by STC International, being the trustee of the AY Trust. Dr. Albert Yeung, as founder of the AY Trust, had deemed interests in the same shares held by Emperor W&J Holdings. By virtue of being the spouse of Dr. Albert Yeung, Ms. Luk Siu Man, Semon also had deemed interests in the same shares. The said shares were the same shares as set out under section (a) headed "Long Position Interests in the Company" under "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

## Other Persons' Interests and Short Positions (Continued)

All interests stated above represent long position. As at 30 June 2012, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 30 June 2012, the Directors or chief executive of the Company were not aware of any 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 of the Company which would require to be disclosed to the Company pursuant to Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

## Corporate Governance

### **Corporate Governance Code**

During the Period, the Board has complied with all code provisions of the Corporate Governance Code under Appendix 14 of the Listing Rules except with the deviation from code provision A.2.1 which requires the roles of chairman and chief executive officer be separate and not be performed by the same individual. Currently, Ms. Cindy Yeung is the Chairperson and Managing Director of the Company. As the Board members are keeping abreast of the conduct, business activities and development of the Group and as the day-to-day business operations of the Group are properly delegated to the management as formalized by the Board, the Board considers that the structure of vesting roles of Chairperson and Managing Director in Ms. Cindy Yeung will not impair the balance of power and authority and that such structure benefits the Company and its shareholders as a whole and does not intend to make any change thereof.

### **Model Code for Securities Transactions**

The Company had adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry to the Directors, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the Period.

## Review of Interim Report

The condensed consolidated interim financial statements of the Group have not been audited nor reviewed by the Company's auditor, Deloitte Touche Tohmatsu, but have been reviewed by the audit committee of the Company, which comprises the three Independent Non-executive Directors and the Non-executive Director of the Company.

# Changes in Information of Directors

Pursuant to the requirements of Rule 13.51B(1) of the Listing Rules, the changes in Directors' information since the date of the 2011 Annual Report are set out below:

## (a) (i) Appointment of Chairperson of the Board

Ms. Cindy Yeung, the Executive Director and Managing Director of the Company, had been appointed as the Chairperson of the Board with effect from 19 March 2012.

## (ii) Positions held with the board committees

Positions held in various board committees of the Company	Appointment Date	Cessation Date
Mr. Bryan Wong		
• Remuneration Committee – <i>chairman</i> <sup>Note 1</sup>	–	19 March 2012
Ms. Vanessa Fan		
• Corporate Governance Committee <sup>Note 3</sup> – <i>chairperson</i>	19 March 2012	–
• Nomination Committee <sup>Note 2</sup> – <i>member</i>	19 March 2012	–
Ms. Yip Kam Man		
• Corporate Governance Committee <sup>Note 3</sup> – <i>member</i>	19 March 2012	–
Mr. Chan Hon Piu		
• Nomination Committee <sup>Note 2</sup> – <i>chairman</i>	19 March 2012	–
• Corporate Governance Committee <sup>Note 3</sup> – <i>member</i>	19 March 2012	–
Ms. Lai Ka Fung, May		
• Remuneration Committee – <i>chairperson</i>	19 March 2012	–
• Nomination Committee <sup>Note 2</sup> – <i>member</i>	19 March 2012	–

### Notes:

1. Mr. Bryan Wong remains as a member of the Remuneration Committee of the Company.
2. The Nomination Committee was established on 19 March 2012.
3. The Corporate Governance Committee was established on 19 March 2012.

The updated list of Directors and their role and function as well as the terms of reference of the various Committees are available on the websites of the Stock Exchange and the Company.

## Changes in Information of Directors (Continued)

### (b) Directors' emoluments

The Remuneration Committee had reviewed and revised the remuneration of the Executive Directors with effect from 1 January 2012 based on the performance, experience, ability and responsibility of the individuals and with reference to the market rates. The total emoluments of two Executive Directors of the Company, namely Ms. Cindy Yeung and Mr. Chan Hung Ming, for the Period were HK\$4,328,750 and HK\$2,048,750 respectively. These amounts comprised salaries, allowance and benefits-in-kind and Director's fee accrued in respect of his/her service during the Period as well as performance related incentive payment (related to previous year's performance) and retirement benefits scheme contribution paid during the Period.

In January 2012, the Remuneration Committee had also reviewed the Directors' fee of Executive Directors and Non-executive Directors. With effect from 1 April 2012, the fees of the Directors had been adjusted as follows:–

	HK\$ (per annum)
Executive Directors	
Ms. Cindy Yeung, Mr. Chan Hung Ming, Mr. Bryan Wong and Ms. Vanessa Fan	150,000 <i>(Note 1)</i>
Non-Executive Director	
Mr. Hanji Huang	150,000 <i>(Note 2)</i>
Independent Non-Executive Directors	
Ms. Yip Kam Man, Mr. Chan Hon Piu and Ms. Lai Ka Fung, May	200,000 <i>(Note 2)</i>

#### Notes:

1. as determined by the Remuneration Committee
2. as determined by the Board

The fees were determined with reference to market rates and the duties and responsibilities of the Directors.

Save as disclosed above, the Company is not aware of other changes in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

# Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

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

Hong Kong, 28 August 2012

As at the date of this Report, the Board comprised:

*Executive Directors:*

Ms. Cindy Yeung  
Mr. Chan Hung Ming  
Mr. Wong Chi Fai  
Ms. Fan Man Seung, Vanessa

*Non-Executive Director:*

Mr. Hanji Huang

*Independent Non-Executive Directors:*

Ms. Yip Kam Man  
Mr. Chan Hon Piu  
Ms. Lai Ka Fung, May

This Interim Report (in both English and Chinese versions) is available to any shareholder either in printed form or on the Company's website (<http://www.emperorwatchjewellery.com>). In order to protect the environment, the Company highly recommends the shareholders to elect to receive electronic copy of this Interim Report. Upon written request, a free printed version of this Interim Report will be sent to shareholders who have elected to receive electronic copies but for any reason have difficulty in receiving or gaining access to this Interim Report through the Company's website. Shareholders may have the right to change their choice of receipt of all future Corporate Communications at any time by reasonable notice in writing to the Company or the Company's Share Registrar, Tricor Secretaries Limited, by post at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong or by email at [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com).