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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 licensed securities dealer, registered institution 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** (the “**Company**”), you should at once hand this circular and the accompanied form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.



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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 887)

REFRESHMENT OF GENERAL MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

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



A letter from the board of directors of the Company is set out from pages 3 to 7 of this circular. A letter from the independent board committee of the Company is set out on page 8 of this circular. A letter from Guangdong Securities Limited containing its advice to the independent board committee and the independent shareholders of the Company is set out from pages 9 to 15 of this circular.

A notice convening the EGM of the Company to be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Thursday, 17 March 2011 at 10:30 a.m. is set out on pages 16 to 18 of this circular.

Whether or not you intend to attend the EGM, 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 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, 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. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

2 March 2011

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DEFINITIONS

In this circular, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“Allmighty Group”	Allmighty Group Limited, the entire issued share capital of which was held by Million Way Holdings Limited which in turn was wholly-owned by STC International Limited being the trustee of The Albert Yeung Discretionary Trust, a discretionary trust set up by Dr. Yeung Sau Shing, Albert
“AGM”	the annual general meeting of the Company held on 18 May 2010
“associate(s)”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Emperor Watch & Jewellery Limited a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 17 March 2011 for the purpose of considering and, if thought fit, approving the Refreshment of General Mandate
“Existing General Mandate”	the general mandate to issue up to 1,042,962,000 new Shares granted by the Shareholders to the Directors at the annual general meeting of the Company held on 18 May 2010
“General Mandate”	the new mandate proposed to be sought at the EGM to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the relevant resolution at the EGM
“Group”	the Company and its subsidiaries
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate

DEFINITIONS

“Independent Board Committee”	comprises all the three independent non-executive Directors, namely Ms. Yip Kam Man, Mr. Chan Hon Piu and Ms. Lai Ka Fung, May to advise the Independent Shareholders in respect of the Refreshment of General Mandate
“Independent Shareholders”	Shareholders other than Allmighty Group and its associates
“Latest Practicable Date”	1 March 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Refreshment of General Mandate”	the proposed refreshment of the Existing General Mandate
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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:

Cindy YEUNG (*Managing Director*)
CHAN Hung Ming
WONG Chi Fai
FAN Man Seung, Vanessa

Registered office:

25th Floor, Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Non-executive Director:

Hanji HUANG

Independent Non-executive Directors:

YIP Kam Man
CHAN Hon Piu
LAI Ka Fung, May

2 March 2011

To the Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

The Directors propose to seek approval from the Independent Shareholders for the Refreshment of General Mandate.

The purpose of this circular is to provide you information relating to (i) the Refreshment of General Mandate; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Guangdong Securities setting out, among other things, its recommendation to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of extraordinary general meeting to be convened and held for the purpose of considering and, if thought fit, approving the resolution to implement the proposal for the Refreshment of General Mandate.

LETTER FROM THE BOARD

REFRESHMENT OF GENERAL MANDATE

Existing General Mandate

At the AGM, the Shareholders approved, among other things, an ordinary resolution for the granting of the Existing General Mandate pursuant to which the Directors are authorised to allot, issue and deal with 20% of the issued share capital of the Company as at the date of AGM. The maximum number of Shares that are allowed to be allotted, issued and deal with under the Existing General Mandate was 1,042,962,000 Shares.

Pursuant to an announcement of the Company dated 26 August 2010, the Company announced the issue of two convertible bonds (“Convertible Bonds”) in the total principal amount of HK\$380 million. The net proceeds raised were approximately HK\$378.7 million which were intended to be used as (i) general working capital of the Group including the expansion of the Group’s retail network including opening new outlets and (ii) to settle the interest and principal of the convertible bonds with outstanding principal amount of HK\$100 million pursuant to the purchase agreement dated 25 August 2010 entered into between Winner Sea Enterprises Limited (as purchaser), a wholly-owned subsidiary of the Company, the Company (as guarantor) and the relevant subscribers of those convertible bonds.

In the same announcement, the Company also announced the issue of warrants (“Warrants”) at the initial exercise price of HK\$0.62 per Share. When the subscription rights attaching to the Warrants are exercised in full at the initial exercise price, the Company will issue 161,290,322 new Shares and the amount of net proceeds raised is expected to be approximately HK\$99.8 million, which is intended to be used as the general working capital of the Group.

Reasons for the Refreshment of General Mandate

During the period from the granting of the Existing General Mandate at the AGM to the Latest Practicable Date, the Existing General Mandate has been utilised by the issuance of 703,703,703 Shares upon conversion of the Convertible Bonds and 161,290,323 Shares to be issued upon full exercise of the subscription rights attaching to the Warrants (in total being approximately 82.94% of the 1,042,962,000 Shares that are allowed to be allotted and issued under such mandate). As at Latest Practicable Date, the holder of the Warrants has not exercised the subscription rights attaching to the Warrants.

Save as disclosed above, there is no other use of the Existing General Mandate by Directors to issue Shares under the Existing General Mandate since they were granted at the AGM.

The Directors wish to seek approval of the Independent Shareholders at the EGM on the Refreshment of General Mandate. The Directors consider that it is in the interests of the Company and the Shareholders as a whole to grant the General Mandate in order to maintain the flexibility of equity financing for any business development and/or acquisition opportunities that may arise in the future and for the purpose of raising general working capital of the Group.

LETTER FROM THE BOARD

As at the Latest Practicable Date, a total of 5,918,513,703 Shares were in issue. Subject to the passing of the proposed resolution for the Refreshment of General Mandate and on the basis that no Share will be issued or repurchased by the Company prior to the EGM, the Company will be allowed under the General Mandate to issue a maximum of 1,183,702,740 new Shares.

As mentioned above, the General Mandate will allow up to 1,183,702,740 new Shares to be issued, as compared with the remaining 177,967,975 Shares (being the balance of the Shares allowed to be issued under the Existing General Mandate after the issuance of 703,703,703 Shares upon conversion of the Convertible Bonds and the issuance of 161,290,322 Shares upon full exercise of the Warrants) allowed to be issued under the Existing General Mandate. The General Mandate will therefore accord the Company greater flexibility in the amount of equity financing that can be obtained for business development and/or fund raising purposes.

The Independent Board Committee, comprising Ms. Yip Kam Man, Mr. Chan Hon Piu and Ms. Lai Ka Fung, May, all being the independent non-executive Directors, has been formed to consider the Refreshment of General Mandate. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Pursuant to Rule 13.36(4)(a) of the Listing Rules, any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (excluding Independent Non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution regarding the Refreshment of General Mandate to be proposed at the EGM. Accordingly, Allmighty Group and its associates, currently holding 3,510,770,000 Shares (representing approximately 59.32% of the issued share capital of the Company), are required to abstain from voting in favour of the relevant resolution at the EGM.

Period during which the General Mandate will remain effective

The General Mandate will, if granted, remain effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting is required to be held; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

LETTER FROM THE BOARD

Equity fund raising activities in the past twelve months

Set out below are the equity fund raising activities conducted by the Company in the past twelve months prior to the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds
26 August 2010	(i) Issue of convertible bonds in the principal amount of HK\$140 million to L Capital EWJ Cayman Limited (“ L Capital ”); (ii) Issue of convertible bonds in the principal amount of HK\$240 million to D. E. Shaw Valence Portfolios, L.L.C.; and (iii) Issue of warrants at the initial exercise price of HK\$0.62 per Share to L Capital	Approximately HK\$378.7 million Approximately HK\$99.8 million, assuming the warrants are exercise in full	(i) general working capital of the Group including the expansion of the Group’s retail network including opening new outlets; and (ii) to settle the interest and principal of the convertible bonds issued to D. E. Shaw group, Shikumen Special Situations Fund (“ Shikumen ”) and Main Wealth Enterprises Limited (“ Main Wealth ”) in the amount of approximately HK\$100.7 million for general working capital of the Group	The proceeds were used for general working capital and for settlement of the convertible bonds as intended. As for the general working capital, the Group has utilized the money for opening two new retail outlets in Hong Kong and for the daily operation of exiting outlets of the Group As at the Latest Practicable Date, the warrants were not exercised
4 March 2010 and 8 April 2010	Issue of convertible bonds in the principal amount of HK\$100 million to D.E. Shaw Composite Portfolios, L.L.C., Shikumen and Main Wealth	Approximately HK\$99.61 million	for general working capital of the Group including the expansion of the Company’s business in the PRC	Used as intended. The money were used for purchase inventory for existing retail outlets (Hong Kong, Macau & the PRC) and related operating expenses
4 March 2010	Top-up placing of 264,810,000 Shares at the placing price of HK\$0.54 per Share	Approximately HK\$142.5 million	for general working capital including the expansion of the Company’s business in the PRC	Used as intended. The money were used for opening 12 new retail outlets in the PRC and for the daily operation of existing outlets of the Group

The Board confirms that there is no plan or negotiation of any fund raising exercise for the Group as at the Latest Practicable Date.

Recommendation

Your attention is drawn to the letter from the Independent Board Committee set out on page 8 of this circular which contains its recommendation to the Independent Shareholders in relation to the Refreshment of General Mandate. Your attention is also drawn to the letter from Guangdong Securities, which contains its advice to the Independent Board Committee and the Independent Shareholders as regards to the Refreshment of General Mandate. The text of the letter from Guangdong Securities is set out from pages 9 to 15 of this circular.

LETTER FROM THE BOARD

Having considered the reasons set out herein, the Board is of the view that the Refreshment of General Mandate is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole. The Board hereby recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Refreshment of General Mandate.

EGM

A notice for convening the EGM to be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Thursday, 17 March 2011 at 10:30 a.m. or any adjournment is set out from pages 16 to 18 of this circular.

Whether or not you intend to attend the EGM, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules on the Stock Exchange 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.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

2 March 2011

To the Independent Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE

We refer to the circular of the Company dated 2 March 2011 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders in connection with the Refreshment of the General Mandate. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We are of the view that the Refreshment of the General Mandate, after taking into account the advice of Guangdong Securities as set out from pages 9 to 15 of the Circular, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Refreshment of General Mandate.

Yours faithfully,

Independent Board Committee

Ms. YIP Kam Man

Mr. CHAN Hon Piu

Ms. LAI Ka Fung, May

Independent Non-Executive Directors

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Refreshment of General Mandate for the purpose of inclusion in this circular.



Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

2 March 2011

*To: The independent board committee and the independent shareholders
of Emperor Watch & Jewellery Limited*

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Refreshment of General Mandate, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 2 March 2011 issued by the Company to the Shareholders (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 requires otherwise.

As at the Latest Practicable Date, only further 177,967,975 Shares could be issued under the Existing General Mandate which was granted to the Directors at the annual general meeting of the Company held on 18 May 2010. Therefore, the Board proposes to seek approval of the Independent Shareholders for the Refreshment of General Mandate such that the Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant resolution(s) at the EGM. Pursuant to Rule 13.36(4) of the Listing Rules, the granting of the General Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling shareholder(s) (as defined in the Listing Rules) of the Company and their associates or, where there is no controlling shareholder of the Company, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the resolution(s) proposed for the approval of such grant, and under Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by way of poll. As at the Latest Practicable Date, Allmighty Group, being the controlling Shareholder of the Company has interest in 3,510,770,000 Shares, representing approximately 59.32% of the issued share capital of the Company. As such, Allmighty Group and its associates shall abstain from voting in favour of the ordinary resolution(s) in respect of the Refreshment of General Mandate at the EGM.

LETTER FROM GUANGDONG SECURITIES

An Independent Board Committee comprising Ms. Yip Kam Man, Mr. Chan Hon Piu and Ms. Lai Ka Fung, May (all being independent non-executive Directors) has been established to advise the Independent Shareholders on the Refreshment of General Mandate. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company or its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Refreshment of General Mandate. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

LETTER FROM GUANGDONG SECURITIES

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Refreshment of General Mandate, we have taken into consideration the following principal factors and reasons:

(1) Background of the Refreshment of General Mandate

The Group is principally engaged in sales of European made luxurious watches, and the self-design fine jewellery products in Hong Kong, Macau and the PRC.

The Directors were authorised to issue and allot up to 1,042,962,000 new Shares under the Existing General Mandate which was granted to the Directors at the AGM.

According to the announcement of the Company dated 26 August 2010 regarding (i) the issue of the Convertible Bonds in the total principal amount of HK\$380 million; and (ii) the issue of the Warrants at the initial exercise price of HK\$0.62 per Share, a total of 703,703,703 Shares were issued upon exercise of all the Convertible Bonds and 161,290,322 Shares to be issued if the Warrants are exercised. All these 864,994,025 Shares were and to be issued under the Existing General Mandate. Since all of the issues of the Convertible Bonds and the Warrants were issued under the authority of the Existing General Mandate, the Existing General Mandate has been utilised as to 864,994,025 Shares, representing 82.94% of the Existing General Mandate.

If the General Mandate is not granted, only 177,967,975 new Shares, representing approximately 17.06% of the Existing General Mandate or 3.00% of the existing issued share capital of the Company as at the Latest Practicable Date, can be further issued and allotted by the Directors under the Existing General Mandate. Given that the Existing General Mandate has almost been fully utilised as a result of issuing the Convertible Bonds and Warrants, the Board proposes to seek approval of the Independent Shareholders for the Refreshment of General Mandate such that the Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant resolution(s) at the EGM.

As at the Latest Practicable Date, the issued share capital of Company consisted of 5,918,513,703 Shares. On the basis that no Share would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the EGM, the grant of the General Mandate would allow the Directors to issue, allot and deal with up to 1,183,702,740 new Shares, representing 20% of the total issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM GUANGDONG SECURITIES

(2) Reasons for the Refreshment of General Mandate

As advised by the Directors, the Directors believe that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group to raise fund in a timely manner in order to seize investment opportunities that may arise. In this regard, the Directors also consider equity financing to be an important avenue of resources to the Group since it does not create any interest paying obligations on the Group.

As referred to in the interim report of the Company for the six months ended 30 June 2010, the Group remains positive on the prospects of the luxurious watch and jewellery retail market for the year ahead and will continue to strategically enlarge its retail territory. Pursuant to the positive outlook, the Group will soon launch a whole new round of marketing campaign, including it's a new TV commercial and other supporting marketing collaterals that to sustain the Group's brand recognition. We also noted from the financial statements of the Group that the cash and cash equivalents of the Group was approximately HK\$429 million as at 30 June 2010. The Directors consider that it is prudent for the Company to retain the flexibility to raise further funds for the Group's general working capital and future investment should the market condition for fund raising be favourable. Such possible equity fund raising activities under the General Mandate can also strengthen the capital base of the Company.

Accordingly, the Directors are of the view that the Refreshment of General Mandate would provide the Company with the flexibility as allowed under the Listing Rules to issue and allot new Shares for equity fund raising activities, such as placing of new Shares, or as consideration for potential investment in the future as and when such opportunities arise, so as to maintain sufficient cash flow for the Group at the same time.

Given the foregoing, we are of the opinion that the Refreshment of General Mandate would provide the Company with the necessary flexibility to fulfil any possible funding needs for future business development and/or investment decisions. Accordingly, we are of the view that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM GUANGDONG SECURITIES

(3) Equity fund raising activities in the past twelve months

Set out below are the equity fund raising activities conducted by the Company in the past twelve months prior to the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds
26 August 2010	(i) Issue of convertible bonds in the principal amount of HK\$140 million to L Capital EWJ Cayman Limited (“ L Capital ”); (ii) Issue of convertible bonds in the principal amount of HK\$240 million to D. E. Shaw Valence Portfolios, L.L.C.; and (iii) Issue of warrants at the initial exercise price of HK\$0.62 per Share to L Capital	Approximately HK\$378.7 million Approximately HK\$99.8 million, assuming the warrants are exercised in full	for (i) general working capital of the Group including the expansion of the Group’s retail network including opening new outlets; and (ii) to settle the interest and principal of the convertible bonds issued to D. E. Shaw group, Shikumen Special Situations Fund (“ Shikumen ”) and Main Wealth Enterprises Limited (“ Main Wealth ”) in the amount of approximately HK\$100.7 million for general working capital of the Group	The proceeds were used for general working capital and for settlement of the convertible bonds as intended. As for the general working capital, the Group has utilized the money for opening two new retail outlets in Hong Kong and for the daily operation of existing outlets of the Group. As at the Latest Practicable Date, the warrants were not exercised.
4 March 2010 and 8 April 2010	Issue of convertible bonds in the principal amount of HK\$100 million to D.E. Shaw Composite Portfolios L.L.C., Shikumen and Main Wealth	Approximately HK\$99.61 million	for general working capital of the Group including the expansion of the Company’s business in the PRC	Used as intended. The money were used for purchase inventory for existing retail outlets (in Hong Kong, Macau and the PRC) and related operating expenses
4 March 2010	Top-up placing of 264,810,000 Shares at the placing price of HK\$0.54 per Share	Approximately HK\$142.5 million	for general working capital including the expansion of the Company’s business in the PRC	Used as intended. The money were used for opening 12 new retail outlets in the PRC and for the daily operation of existing outlets of the Group

Save as and except for the above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date. The Board confirmed that there is no plan or negotiation of any fund raising exercise for the Group as at the Latest Practicable Date.

LETTER FROM GUANGDONG SECURITIES

(4) Flexibility in financing

As advised by the Directors, the Group does not obviate the possibilities of further issuing capital if there is investor indicating interest in the business of the Company. The Directors believe that the Refreshment of General Mandate will provide the Group with flexibility for possible future equity fund raising. The Directors are therefore of the view that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

As discussed in the foregoing, we consider that the Refreshment of General Mandate would provide the Company with the necessary flexibility to fulfil any possible funding needs for future business development and/or investment decisions. The Refreshment of General Mandate would provide the Company with the flexibility as allowed under the Listing Rules to issue and allot new Shares for equity fund raising activities, such as placing of new Shares, or as consideration for potential investment in the future as and when such opportunities arise. Furthermore, the additional amount of equity which may be raised after the Refreshment of General Mandate would provide the Group with more financing options when assessing and negotiating potential investments in a timely manner. Although the Group may raise fund through open offer or rights issue which allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, relatively longer time frame is required and such fund raising methods do not provide the Company with the flexibility to issue and allot new Shares as consideration for potential investment in the future as and when such opportunities arise. Given the financial flexibility available to the Company as discussed above, we are of the opinion that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

(5) Potential dilution to shareholding of the existing public Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilisation of the General Mandate (assuming no other Shares are issued or repurchased by the Company):

	Shareholding in the Company as at		Shareholding in the Company	
	the Latest Practicable Date		upon full utilisation of the General	
	<i>No. of Shares</i>	%	Mandate (assuming no other	
			Shares are issued or repurchased	
			by the Company)	
	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%
Allmighty Group (Note)	3,510,770,000	59.32	3,510,770,000	49.43
Public shareholders	2,407,743,703	40.68	2,407,743,703	33.90
Shares to be issued under the General Mandate	–	–	1,183,702,740	16.67
Total	<u>5,918,513,703</u>	<u>100</u>	<u>7,102,216,443</u>	<u>100</u>

LETTER FROM GUANGDONG SECURITIES

Note:

The above shares were held by Allmighty Group, a wholly-owned subsidiary of Million Way Holdings Limited (“**Million Way**”). Million Way was held by STC International Limited acting as trustee of The Albert Yeung Discretionary Trust (the “**AY Trust**”), the founder of which was Dr. Yeung Sau Shing, Albert. Ms. Cindy Yeung was deemed to have interest in the above shares held by Allmighty Group by virtue of being one of the eligible beneficiaries of the AY Trust.

The table above illustrates that the shareholdings of the existing public Shareholders would decrease from approximately 40.68% as at the Latest Practicable Date to approximately 33.90% upon full utilisation of the General Mandate (assuming no other Shares are issued or repurchased by the Company). Such potential dilution to the shareholdings of the existing public Shareholders represents a dilution of approximately 6.78 percentage point.

Taking into account that the Refreshment of General Mandate (i) would provide an alternative to increase the amount of capital which may be raised under the General Mandate; (ii) would provide more options of financing to the Group for further development of its business as well as in other potential future investment as and when such opportunities arise; and (iii) the shareholding interests of all the Shareholders in the Company will be diluted in proportion to their respective shareholdings upon any utilisation of the General Mandate, we are of the opinion that the potential dilution to the shareholdings of the public shareholdings as just mentioned is acceptable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the Refreshment of General Mandate 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. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Refreshment of General Mandate and we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 (the “EGM”) of Emperor Watch & Jewellery Limited (the “Company”) will be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Thursday, 17 March 2011 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorization given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by any one of the Directors pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (to be defined in paragraph (d) below), or (ii) any share option schemes of the Company approved by The Stock Exchange of Hong Kong Limited, or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company (“**Articles of Association**”), shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution, and the said approval shall be limited accordingly; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

(d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles of Association to be held; or
- (iii) the date upon which the authority set out in this resolution revoked or varied by way of ordinary resolution of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognized regulatory body).”

By order of the Board
Emperor Watch & Jewellery Limited
Liu Chui Ying
Company Secretary

Hong Kong, 2 March 2011

Registered office:
25th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (i) A member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member. A form of proxy for use at the EGM is enclosed herewith and is published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and can be downloaded from the Company's website at www.emperorwatchjewellery.com.
- (ii) To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a certified copy of that power of attorney or authority must be deposited with the Company's share registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
- (iii) In the case of joint registered holders of any share in the capital of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint registered holders is present at the EGM, either personally or by proxy, that one of the said persons so present whose name stands first on the register of the members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
- (iv) Completion and return of the form of proxy will not preclude members from attending and voting in person at the EGM or any adjourned meeting if you so wish. If a member attends the EGM after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.