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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 887)

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2012**

<b>FINANCIAL HIGHLIGHTS (UNAUDITED)</b>				
<b>HK\$'million</b>	<b>1H2011</b>	<b>1H2011</b>	<b>1H2012</b>	<b>Changes</b>
	<b>Per Reported</b>	<b>Excluding the net loss on derivative financial instruments<sup>1</sup></b>	<b>Per Reported</b>	
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%
<i>1</i>	<i>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.</i>			
<i>2</i>	<i>EBITDA represents earnings before interest, taxation, depreciation and amortisation of the Group.</i>			

The board of directors (the “Board” or “Directors”) of Emperor Watch & Jewellery Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2012 (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

		<b>Six months ended 30 June</b>	
		<b>2012</b>	2011
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>3,163,691</b>	2,629,114
Cost of sales		<b>(2,319,859)</b>	(1,877,102)
Gross profit		<b>843,832</b>	752,012
Other income		<b>2,266</b>	3,499
Selling and distribution expenses		<b>(451,005)</b>	(315,710)
Administrative expenses		<b>(122,513)</b>	(115,686)
Net loss on derivative financial instruments		–	(9,300)
Finance costs		<b>(2,697)</b>	(559)
Profit before taxation	4	<b>269,883</b>	314,256
Taxation	5	<b>(50,362)</b>	(59,021)
Profit for the period		<b>219,521</b>	255,235
Other comprehensive income (expense) for the period:			
Exchange differences arising from translation of foreign operations		<b>(318)</b>	16,798
Total comprehensive income for the period		<b>219,203</b>	272,033
Profit (loss) for the period attributable to:			
Owners of the Company		<b>219,521</b>	255,261
Non-controlling interests		–	(26)
		<b>219,521</b>	255,235
Total comprehensive income (expense) attributable to:			
Owners of the Company		<b>219,203</b>	272,312
Non-controlling interests		–	(279)
		<b>219,203</b>	272,033
Earnings per share	6		
– Basic		<b>HK3.3 cents</b>	HK4.2 cents
– Diluted		<b>HK3.2 cents</b>	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 Deposits		157,228	154,624
Deposits paid for acquisition of property, plant and equipment		4,581	2,571
		278,777	259,789
<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
		4,203,842	4,407,392
<b>Current liabilities</b>			
Payables, deposits received and accrued charges	9	201,246	396,426
Amounts due to related companies		10,007	4,040
Taxation payable		116,294	67,967
Bank borrowings	10	184,822	340,205
		512,369	808,638
<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>

*Notes:*

**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 on the The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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: (Continued)

## 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.

## 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 People's Republic of China (the "PRC"). The revenue generated by each of the operating segments is mainly derived from sales of watch and jewellery.

Notes: (Continued)

**3. REVENUE AND SEGMENT INFORMATION** (Continued)

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

**For the six months ended 30 June 2012**

	<b>Hong Kong</b>	<b>Macau</b>	<b>Other regions</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>in the PRC</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue					
External sales	2,649,260	181,410	333,021	–	3,163,691
Inter-segment sales*	34,509	21,777	–	(56,286)	–
	<u>2,683,769</u>	<u>203,187</u>	<u>333,021</u>	<u>(56,286)</u>	<u>3,163,691</u>
* Inter-segment sales are charged at cost					
Segment profit	<u>345,493</u>	<u>39,280</u>	<u>9,050</u>		393,823
Unallocated administrative expenses					(122,513)
Interest income					1,270
Finance costs					(2,697)
Profit before taxation					<u>269,883</u>

Notes: (Continued)

### 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)	–
	<u>2,270,263</u>	<u>255,402</u>	<u>295,748</u>	<u>(192,299)</u>	<u>2,629,114</u>
* Inter-segment sales are charged at cost					
Segment profit	<u>374,172</u>	<u>42,111</u>	<u>21,777</u>		438,060
Unallocated administrative expenses					(115,734)
Interest income					1,789
Net loss on derivative financial instruments					(9,300)
Finance costs					<u>(559)</u>
Profit before taxation					<u>314,256</u>

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: (Continued)

#### 4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
<b>Profit before taxation has been arrived at after charging (crediting):</b>		
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
	<u>6,640</u>	<u>6,027</u>

#### 5. TAXATION

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

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: (Continued)

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

## 7. DIVIDEND

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>(unaudited)</b> <i>HK\$'000</i>	<b>2011</b> <b>(unaudited)</b> <i>HK\$'000</i>
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 cent per share)	<b>107,496</b>	68,529
	<u><u>107,496</u></u>	<u><u>68,529</u></u>

Notes: (Continued)

## 8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	30 June 2012 (unaudited) HK\$'000	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
	<u>222,030</u>	<u>199,439</u>

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	
	30 June 2012 (unaudited) HK\$'000	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	–
	<u>89,475</u>	<u>88,819</u>

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

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.

Notes: (Continued)

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

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**

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

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
	<u>99,259</u>	<u>310,574</u>

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

**10. BANK BORROWINGS**

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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 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 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 EBITDA 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.

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 style="width: 100%;"/> <b>86</b> <hr style="width: 100%;"/>

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.

### **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.

#### **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 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 cent), 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).

#### **CLOSURE OF REGISTER OF MEMBERS**

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).

#### **REVIEW OF INTERIM RESULTS**

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.

## **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 for Securities Transactions by Directors of Listed Issuers (“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.

## **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.

## **PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT**

The interim results announcement is published on the Stock Exchange’s website (<http://www.hkex.com.hk>) and the Company’s website (<http://www.emperorwatchjewellery.com>). The interim report will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 August 2012

As at the date hereof, 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