



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

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



INTERIM REPORT 2017

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HIGHLIGHTS

- Due to a gradual improvement of sales momentum, enhanced gross profit margin and rental savings, the Group achieved a turnaround with net profit of HK\$39.1 million (1H2016: net loss of HK\$68.6 million);
- Driven by improvements in consumer spending and traffic flow among local shoppers and mainland Chinese visitors, revenue increased by 9.1% to HK\$1,827.2 million (1H2016: HK\$1,674.9 million);
- Singapore market exhibited a strong growth with its revenue soared 29.4% to HK\$173.8 million (1H2016: HK\$134.3 million), accounting for 9.5% (1H2016: 8.0%) of total revenue;
- Gross profit margin was lifted by 1.8 percentage points to 26.7% (1H2016: 24.9%); and
- Positive operating leverage was resulted from rental reduction through the Group's continuous cost control efforts.

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 internationally renowned watches, together with self-designed fine jewellery products under its own brand, “**Emperor Jewellery**”. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited in July 2008.

The Group has extensive retail networks comprising nearly 100 retail stores in Hong Kong, Macau, mainland China and Singapore, as well as an online shopping platform for “**Emperor Jewellery**”, with around 1,000 staff. With a history of over 70 years, the Group carries a balanced and comprehensive watch dealership list. The target customers range from middle to high income groups worldwide. The Group’s core strategy focuses on maintaining its position as the leading watch and jewellery retailing group in Greater China, coupled with an eye on expansion beyond the region.

FINANCIAL REVIEW

Overall Review

Driven by improvements in consumer spending and traffic flow among local shoppers and mainland Chinese visitors, the overall watch and jewellery retail market has been picking up during the six months ended 30 June 2017 (the “Period”). The Group’s revenue increased by 9.1%, to HK\$1,827.2 million (1H2016: HK\$1,674.9 million). The Group’s watch segment continued to be a key revenue contributor, and its revenue increased by 9.5% to HK\$1,470.3 million (1H2016: HK\$1,343.1 million), which accounted for 80.5% (1H2016: 80.2%) of the Group’s revenue. Underpinned by solid demand for jewellery products and a stronger domestic spending, the revenue from jewellery segment increased by 7.6% to HK\$356.9 million (1H2016: HK\$331.8 million). 73.1% (1H2016: 75.1%) of the Group’s revenue was contributed by the Hong Kong market. Revenue from Singapore market soared 29.4% to HK\$173.8 million (1H2016: HK\$134.3 million) and accounted for 9.5% (1H2016: 8.0%) of the Group’s revenue.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Driven by the increase in sales, gross profit increased by 16.8% to HK\$487.3 million (1H2016: HK\$417.1 million). The gross profit margin was lifted by 1.8 percentage points to 26.7% (1H2016: 24.9%), which was mainly attributable to an enhanced sales mix from higher-margin watch collections.

Due to a gradual improvement of sales momentum, enhanced gross profit margin and rental savings, the Group recorded a net profit of HK\$39.1 million (1H2016: net loss of HK\$68.6 million), achieving a turnaround during the Period. Basic earnings per share was HK0.57 cent (1H2016: basic loss per share: HK1.00 cent). The Group has resolved to declare an interim dividend of HK0.17 cent (1H2016: Nil) per share.

Capital Structure, Liquidity and Financial Resources

During the Period, there was no change in the capital structure of the Group. Bank balances and cash on hand of the Group as at 30 June 2017 amounted to HK\$1,425.6 million (31 December 2016: HK\$1,324.4 million), which were mainly denominated in Hong Kong dollars (“HKD”) and Renminbi (“RMB”). As at 30 June 2017, the Group had no bank borrowings (31 December 2016: Nil) and its gearing ratio (calculated on the basis of the total borrowings over total equity) was nil (31 December 2016: Nil). The Group also had available unutilised banking facilities of approximately HK\$845.4 million. The strong liquidity with debt-free position and considerable unutilised banking facilities enables the Group to retain high flexibility for future development.

As at 30 June 2017, the Group’s current assets and current liabilities were approximately HK\$4,270.1 million (31 December 2016: HK\$4,176.8 million) and HK\$224.7 million (31 December 2016: HK\$233.9 million), respectively. Current ratio and quick ratio of the Group were 19.0 (31 December 2016: 17.9) and 6.9 (31 December 2016: 6.5), respectively.

In view of the Group’s financial position as at 30 June 2017, the board of directors of the Company (the “Board” or the “Directors”) considered that the Group had sufficient working capital for its operations and future development plans.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW

Presence in Prime Retail Locations

As at 30 June 2017, the Group had 92 stores (31 December 2016: 97) in Hong Kong, Macau, mainland China and Singapore. The distribution is as follows:

	Number of stores
Hong Kong	21
Macau	7
Mainland China	58
Singapore	6
Total	92

These stores include standalone jewellery stores, specialty outlets for specific watch brands and multi-brand watch stores (with or without jewellery counters) to create a one-stop shopping experience.

The Group's retail stores in Hong Kong are strategically located in major prime shopping areas, including Russell Street in Causeway Bay, Canton Road in Tsim Sha Tsui and Queen's Road Central in Central. Having a solid presence in these prime locations is of paramount importance for a leading retailer of watches, as the Group enjoys more visitations and brand enhancement. In the past couple of years, the Group continued to enjoy rental cuts, which could gradually ease the overall rental pressure.

Solidifying Leading Position in the Hong Kong Watch Market

The Group continued to enjoy solid long-term relationships with major Swiss watch brand suppliers, and continued holding comprehensive brand mix of watches with full collections in Greater China. Coupled with its excellent customer service and the strongest presence in prime locations in Hong Kong, the Group continued to foster its leading position in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Enhancing Jewellery Business

The Group continued to offer premium quality “**Emperor Jewellery**” products to customers. With the key focus on quality gem settings and fine jadeites among the comprehensive product range and commitment to high service standards, the Group enriched the design features to satisfy diverse customer tastes, and enhanced the charisma of signature “**Emperor Jewellery**” collections to raise brand loyalty. During the Period, the Group rolled out the “Heartbeat #LoveSecret” collection and “Precious Love” collection around Valentine’s Day and Mother’s Day, respectively. The themes were unlocking the secrets of romance and adoring lovers, and caring for dearest mothers, respectively.

During the Period, the Group continued to optimise its retail chain of “**Emperor Jewellery**” stores in mainland China, to seize the opportunities arising from the rapid growth of the jewellery market.

Leveraging Group Synergies

The Group enjoys unique advantages by leveraging synergies with other companies within Emperor Group. For example, Emperor International Holdings Limited – another listed company under Emperor Group – owns many premium retail properties in renowned shopping areas. By leasing prime retail locations from it on an “arm’s length basis”, the Group can enjoy guarantee foot traffic. Another synergy arises through Emperor Entertainment Group and Emperor Motion Pictures, two private arms under Emperor Group. The Group invites VIP guests to its movie premieres and sponsors jewellery for the artistes. Such exposure opportunities, with pop artistes and high profile celebrities, serve as an important tool for enhancing the reputation of the “**Emperor**” brand, particularly in Chinese-speaking communities.

PROSPECTS

There are indications that the general retail market in Greater China is on an upturn, which began early this year. The consumption sentiment of Chinese customers, who remain the Group’s major customer group, has been lifted by a positive wealth effect caused by rising property prices and stronger corporate profits in the region. Consumer confidence is picking up due to a greater sense of optimism regarding China’s economy, as well as the growing middle class, rising incomes and rapid urbanisation in China. As a leading watch and jewellery retailer, the Group is poised to capitalise on opportunities arising from the recovery.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Meanwhile, the Group will continue optimising business operations in Greater China, in order to further solidify its leading position in the region. The Group continues to eye further expansion opportunities beyond Greater China and tap the growth potential arising from mainland China's robust outbound tourism.

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in HKD, Macau Pataca, RMB, United States dollars and Singapore dollars. During the Period, the Group did not have any material foreign exchange exposure.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group has 730 salespersons (30 June 2016: 802) and 194 office staff (30 June 2016: 189). Total staff costs (including Directors' remuneration) for the Period were approximately HK\$119.8 million (1H2016: HK\$115.0 million). Employees' remuneration was determined in accordance with individual's responsibility, competence & skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

To provide incentive or rewards to staff, the Company has adopted a share option scheme, particulars of which will be set out in section headed "Share Options" of this Interim Report.



INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK0.17 cent per share (“Interim Dividend”) for the financial year ending 31 December 2017 (2016: Nil) amounting to approximately HK\$11.7 million (2016: Nil). The Interim Dividend will be payable on 21 September 2017 (Thursday) to shareholders whose names will appear on the register of members of the Company on 15 September 2017 (Friday), being the record date for determining shareholders’ entitlement to the interim dividend.

The register of members of the Company will be closed, for the purpose of determining shareholders’ entitlement to the Interim Dividend, from 14 September 2017 (Thursday) to 15 September 2017 (Friday), during which period no transfer of shares will be registered.

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 Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on 13 September 2017 (Wednesday).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Revenue	3	1,827,220	1,674,853
Cost of sales		(1,339,955)	(1,257,712)
Gross profit		487,265	417,141
Other income		4,034	3,644
Selling and distribution expenses		(378,964)	(407,489)
Administrative and other expenses		(72,009)	(78,962)
Profit (loss) before taxation	4	40,326	(65,666)
Taxation	5	(1,209)	(2,965)
Profit (loss) for the period		39,117	(68,631)
Other comprehensive income (expense) for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		16,984	(1,103)
Total comprehensive income (expense) for the period attributable to owners of the Company		56,101	(69,734)
Earnings (loss) per share – Basic	6	HK0.57 cent	HK(1.00) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		As at	
	Notes	30 June 2017 (unaudited) HK\$'000	31 December 2016 (audited) HK\$'000
Non-current assets			
Property, plant and equipment		58,781	75,632
Deferred tax asset		10,862	10,862
Rental deposits		111,816	142,934
Deposit paid for acquisition of property, plant and equipment		4,016	1,786
		185,475	231,214
Current assets			
Inventories		2,724,715	2,646,702
Receivables, deposits and prepayments	8	119,724	176,707
Taxation recoverable		-	28,990
Bank balances and cash		1,425,648	1,324,419
		4,270,087	4,176,818
Current liabilities			
Payables, deposits received and accrued charges	9	212,695	221,994
Amounts due to related companies		3,593	3,678
Taxation payable		8,430	8,207
		224,718	233,879
Net current assets		4,045,369	3,942,939
Non-current liability			
Deferred tax liability		633	43
Net assets		4,230,211	4,174,110
Capital and reserves			
Share capital		3,484,152	3,484,152
Reserves		746,059	689,958
Total equity		4,230,211	4,174,110

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company						
	Share capital	Merger reserve	Other reserve	Capital reserve	Translation reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2016 (audited)	3,484,152	(373,003)	(26,195)	2,529	(5,810)	1,193,523	4,275,196
Exchange differences arising on translation of foreign operations	-	-	-	-	(1,103)	-	(1,103)
Loss for the period	-	-	-	-	-	(68,631)	(68,631)
Total comprehensive expense for the period	-	-	-	-	(1,103)	(68,631)	(69,734)
As at 30 June 2016 (unaudited)	3,484,152	(373,003)	(26,195)	2,529	(6,913)	1,124,892	4,205,462
As at 1 January 2017 (audited)	3,484,152	(373,003)	(26,195)	2,529	(42,075)	1,128,702	4,174,110
Exchange differences arising on translation of foreign operations	-	-	-	-	16,984	-	16,984
Profit for the period	-	-	-	-	-	39,117	39,117
Total comprehensive income for the period	-	-	-	-	16,984	39,117	56,101
As at 30 June 2017 (unaudited)	3,484,152	(373,003)	(26,195)	2,529	(25,091)	1,167,819	4,230,211

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	104,267	223,873
Net cash from (used in) investing activities	50,118	(9,190)
Net increase in cash and cash equivalents	154,385	214,863
Cash and cash equivalents at the beginning of the period	1,154,399	809,516
Effect of foreign exchange rate changes	2,207	(1,703)
Cash and cash equivalents at the end of the period	1,310,991	1,022,496
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	1,425,648	1,022,496
Less: Time deposits with original maturity over 3 months	(114,657)	–
	1,310,991	1,022,496

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016.

The financial information relating to the year ended 31 December 2016 that is included in this preliminary announcement of interim results 2017 does not constitute the Company’s statutory annual consolidated financial statements for 2017 but is derived from those financial statements. Further information relating to these statutory annual consolidated financial statements required to be disclosed in accordance with section 436 of the CO is as follows:

- (a) The Company has delivered the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the CO.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. BASIS OF PREPARATION *(Continued)*

- (b) The Company's auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2016. The auditor's reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the CO.

2. SIGNIFICANT ACCOUNTING POLICIES

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 2016, except for the application of the following new and revised HKFRSs, HKASs, amendments and interpretation (hereinafter collectively referred to as the "new and revised HKFRSs") effective from 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments ¹
HKFRS 16	Leases ²
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 2	Classification and measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

The Directors are in process of assessing the anticipated and potential impact of the new and revised HKFRSs, and at this stage have not yet determined the effect of the application of these new and revised HKFRSs on the financial performance and financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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 (“CODM”) 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 segments under HKFRS 8 Operating Segments are operations located in Hong Kong, Macau and other regions in Asia Pacific. The revenue generated by each of the operating segments is mainly derived from sales of watch and jewellery. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

The following is an analysis of the Group’s revenue and results by reportable and operating segment:

For the six months ended 30 June 2017

	Hong Kong (unaudited) HK\$'000	Macau (unaudited) HK\$'000	Other regions in Asia Pacific (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Revenue					
External sales	1,335,712	105,427	386,081	-	1,827,220
Inter-segment sales*	64,196	13,503	-	(77,699)	-
	1,399,908	118,930	386,081	(77,699)	1,827,220

* Inter-segment sales are charged at cost

Segment profit	67,298	7,410	33,593	-	108,301
Unallocated other income					4,034
Unallocated administrative and other expenses					(72,009)
Profit before taxation					40,326

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2016

	Hong Kong (unaudited) HK\$'000	Macau (unaudited) HK\$'000	Other regions in Asia Pacific (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Revenue					
External sales	1,257,239	101,998	315,616	–	1,674,853
Inter-segment sales*	34,597	8,270	–	(42,867)	–
	<u>1,291,836</u>	<u>110,268</u>	<u>315,616</u>	<u>(42,867)</u>	<u>1,674,853</u>

* Inter-segment sales are charged at cost

Segment profit (loss)	<u>7,548</u>	<u>2,417</u>	<u>(313)</u>	<u>–</u>	<u>9,652</u>
Unallocated other income					3,644
Unallocated administrative and other expenses					<u>(78,962)</u>
Loss before taxation					<u>(65,666)</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Profit (loss) before taxation has been arrived at after charging (crediting):		
Cost of inventories included in cost of sales (included reversal of allowance for inventories of HK\$10,105,000) (2016 interim: allowance for inventories of HK\$19,164,000)	1,333,698	1,250,146
Depreciation of property, plant and equipment	20,686	26,371
Net loss on disposal of property, plant and equipment	1,128	695
Net exchange gain	(943)	(491)
Operating lease payments in respect of rented premises		
– minimum lease payments	208,095	236,305
– contingent rent	14,116	14,084
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	109,903	105,727
– retirement benefits scheme contributions	9,901	9,287

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5. TAXATION

	Six months ended 30 June	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
The charge comprises:		
Profits tax:		
Hong Kong	–	(20)
Macau	1,209	1,135
Singapore	(588)	–
	621	1,115
Deferred taxation	588	1,850
	1,209	2,965

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2017 while no provision for taxation in Hong Kong has been made as no assessable profits for the six months ended 30 June 2016.

Under the Law of the People's Republic of China (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% for both periods.

The Macau Complementary Income Tax is calculated at 12% of the estimated assessable profits for both periods.

Singapore Income Tax is calculated at 17% of the estimated assessable profits for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. EARNINGS (LOSS) PER SHARE – BASIC

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Earnings (loss)		
Earnings (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	39,117	(68,631)

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic earnings (loss) per share	6,882,448,129	6,882,448,129

No diluted earnings (loss) per share in both periods was calculated as there were no potential dilutive ordinary shares in issue during both periods.

7. DIVIDENDS

	Six months ended 30 June	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
2017 interim dividend: HK0.17 cent per share	11,700	–

The Board has resolved to declare an interim dividend of HK0.17 cent per share for the financial year ending 31 December 2017 (2016: Nil), amounting to HK\$11,700,162 (2016: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	30 June 2017 (unaudited) HK\$'000	31 December 2016 (audited) HK\$'000
Trade receivables	47,671	75,334
Other receivables, deposits and prepayments	64,447	93,803
Other PRC tax recoverable	7,606	5,166
Other Singapore tax recoverable	–	2,404
	119,724	176,707

Retails sales are normally settled in cash or by credit card with the settlement from the corresponding banks or other financial institutions within seven days. Receivables from retail sales in department stores are collected within one month.

The following is an ageing analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	As at	
	30 June 2017 (unaudited) HK\$'000	31 December 2016 (audited) HK\$'000
Within 30 days	41,572	60,577
31 – 60 days	2,326	10,368
61 – 90 days	1,171	896
over 90 days	2,602	3,493
	47,671	75,334

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

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

Included in the Group's trade receivables balance are receivables from department stores with aggregate carrying amount of HK\$5,545,000 (31 December 2016: HK\$5,426,000) 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:

	As at	
	30 June 2017 (unaudited) HK\$'000	31 December 2016 (audited) HK\$'000
Overdue 1 – 30 day(s)	1,543	949
Overdue 31 – 60 days	880	2,541
Overdue 61 – 90 days	1,144	329
Overdue more than 90 days	1,978	1,607
	5,545	5,426

Receivables that were past due but not impaired relate to department stores sales that have continuous settlements subsequent to reporting date. The Directors are of 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 balances are still considered fully recoverable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	As at	
	30 June 2017 (unaudited) HK\$'000	31 December 2016 (audited) HK\$'000
Trade payables	100,590	93,553
Other payables, deposits received and accrued charges	98,998	114,595
Other PRC tax payables	12,784	13,846
Other Singapore tax payable	323	–
	212,695	221,994

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

	As at	
	30 June 2017 (unaudited) HK\$'000	31 December 2016 (audited) HK\$'000
Within 30 days	100,091	86,362
31 – 60 days	499	6,385
61 – 90 days	–	806
	100,590	93,553

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies, mainly represent the rental, electricity and air-conditioning expenses as well as service charge payable to related companies. These amounts are unsecured, interest-free and repayable on demand. The related companies represent companies controlled by The Albert Yeung Discretionary Trust ("AY Trust") of which Ms. Cindy Yeung, the Chairperson of the Company, is one of the eligible beneficiaries.

11. CAPITAL COMMITMENTS

	As at	
	30 June 2017 (unaudited) HK\$'000	31 December 2016 (audited) HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	3,189	2,567

12. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for the future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at	
	30 June 2017 (unaudited) HK\$'000	31 December 2016 (audited) HK\$'000
Within one year	361,038	337,809
In the second to fifth year inclusive	558,839	280,440
	919,877	618,249

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

12. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessee (Continued)

Operating lease payments represent rentals payable by the Group for its offices and shops. Leases are negotiated for terms ranging from one month to four years (31 December 2016: one month to four 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\$474,633,000 (31 December 2016: HK\$135,638,000) which fall due as follows:

	As at	
	30 June 2017 (unaudited) HK\$'000	31 December 2016 (audited) HK\$'000
Within one year	154,641	117,081
In the second to fifth year inclusive	319,991	18,557
	474,632	135,638

The related companies are companies controlled by the AY Trust of which Ms. Cindy Yeung, the Chairperson of the Company, is one of the eligible beneficiaries.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

13. RELATED PARTY TRANSACTIONS

During the Period, other than those disclosed in Notes 10 and 12, the Group had the following transactions with related parties:

	Six months ended 30 June	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
(1) Sales of goods to Directors, their close family members and related companies (Notes a and b)	1,072	5,205
(2) Rental, electricity and air-conditioning expenses paid and payable to related companies (Notes a and c)	76,578	88,947
(3) Service charge in respect of referral services, information system and administrative work paid and payable to related companies (Notes a and b)	7,423	7,330
(4) Advertising expenses paid and payable to related companies (Notes a and b)	151	616
(5) Financial advisory fee paid and payable to a related company (Notes a and b)	210	210
	85,434	102,308

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

13. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	3,164	3,350
Retirement benefits costs	9	9
	3,173	3,359

As at 30 June 2017, deposits paid to related companies, which are companies controlled by the AY Trust, amounting to approximately HK\$50,109,000 (31 December 2016: HK\$68,797,000) were included in rental deposits under non-current assets.

At at 30 June 2017, prepaid rental expenses to related companies, which are companies controlled by the AY Trust, amounting to approximately HK\$102,000 was included in receivables, deposits and prepayments (31 December 2016: nil).

Notes:

- (a) The related company/companies is/are controlled by a Director/an associate of another Director or the AY Trust of which a Director is one of the eligible beneficiaries.
- (b) These transactions are connected transactions exempt from announcement, reporting and independent shareholders' requirements under Rule 14A.33 of the Listing Rules.
- (c) The expenses paid are in relation to the tenancy agreements entered into with the related companies of the Company. Some of these transactions are discloseable continuing connected transactions (as defined under Chapter 14A of the Listing Rules) of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and 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 the Company (“Shares”)

Name of Director	Capacity/ Nature of interests	Number of issued Shares	Approximate % holding
Ms. Cindy Yeung	Beneficiary of the AY Trust	3,617,860,000	52.57%

Note: The Shares were held by Emperor Watch & Jewellery Group Holdings Limited (“Emperor W&J Holdings”), a wholly-owned subsidiary of Albert Yeung Holdings Limited (“AY Holdings”). AY Holdings was held by STC International Limited in trust for the AY Trust, a discretionary trust under which Ms. Cindy Yeung is one of the eligible beneficiaries.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES (Continued)

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

Ordinary shares

Name of Director	Name of associated corporation	Capacity/ Nature of interests	Deemed interests of shares	Approximate% holding
Ms. Cindy Yeung	Emperor International Holdings Limited ("Emperor International")	Beneficiary of the AY Trust	2,747,610,489 <i>(Note)</i>	74.71%
Ms. Cindy Yeung	Emperor Entertainment Hotel Limited ("Emperor E Hotel")	Beneficiary of the AY Trust	824,622,845 <i>(Note)</i>	63.31%
Ms. Fan Man Seung, Vanessa	Emperor International	Beneficial owner	10,500,000	0.29%

Note: Emperor International and Emperor E Hotel are companies with their shares listed in Hong Kong. These respective shares were ultimately owned by the AY Trust. Ms. Cindy Yeung, by virtue of being one of the eligible beneficiaries of the AY Trust, had deemed interests in the same shares.

Save as disclosed above, as at 30 June 2017, none of the Directors nor chief executives of the Company 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).

OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2017, 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 an interest and short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO ("SFO Register") or as otherwise notified to the Company were as follows:

Long positions in the Shares

Name	Capacity/Nature of interests	Number of issued Shares	Approximate % holding
Emperor W&J Holdings	Beneficial owner	3,617,860,000 (<i>Note</i>)	52.57%
AY Holdings	Interest in a controlled corporation	3,617,860,000 (<i>Note</i>)	52.57%
STC International	Trustee of the AY Trust	3,617,860,000 (<i>Note</i>)	52.57%
Dr. Yeung Sau Shing, Albert	Founder of the AY Trust	3,617,860,000 (<i>Note</i>)	52.57%
Ms. Luk Siu Man, Semon	Interest of spouse	3,617,860,000 (<i>Note</i>)	52.57%
Brandes Investment Partners, L.P.	Investment manager	620,034,620	9.01%

Note: These Shares were the same Shares of which Ms. Cindy Yeung has deemed interest by virtue of being one of the eligible beneficiaries of the AY Trust as set out under Section (a) of "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

All interests stated above represent long position. As at 30 June 2017, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 30 June 2017, the Directors 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 as recorded in the SFO Register or otherwise notified to the Company.

SHARE OPTIONS AND OTHER INFORMATION

SHARE OPTIONS

The Company has adopted a share option scheme (the “Scheme”) on 19 June 2008 (the “Adoption Date”) to enable the Group to grant options to selected participants include employees (whether full time or part time, including Directors) and such other eligible participants as incentives or rewards for their contribution to the Group.

Under the Scheme, the Directors are authorized, at any time within 10 years after the Adoption Date, to grant options to any participant to subscribe for shares in the Company. The exercise price is determined by the Board and will not be less than the highest of (i) the closing price of the Share on the date of grant; (ii) the average closing price of the Company’s Shares for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a Share (not applicable due to the abolition of par value upon implementation of the new Companies Ordinance on 3 March 2014). A nominal consideration of HK\$1 is payable on application or acceptance of the option.

No option was granted by the Company under the Scheme since its adoption and up to 30 June 2017.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company had complied throughout the Period 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 that the roles of chairman and chief executive officer should be separate and not be performed by the same individual. Ms. Cindy Yeung, being the Chief Executive Officer of the Group, has also been appointed as the Chairperson of the Board who provides the Board with strong and consistent leadership, and at the same time drives the strategic growth of the businesses of the Group. She will ensure that all the Board members keep abreast of the conduct, business activities and that development of the Group and that adequate, complete and reliable information is provided to Directors on issues arising at Board meetings. In addition, the three INEDs provide independent and impartial opinion on issues to be considered by the Board. The Board considers that the current Board structure functions effectively and does not intend to make any change thereof.

SHARE OPTIONS AND OTHER INFORMATION (Continued)

CORPORATE GOVERNANCE (Continued)

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 had complied with the required standard of dealings as set out in the Model Code throughout the Period.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines in line with the Model Code. No incident of non-compliance by relevant employees was noted throughout the Period.

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information since the date of the 2016 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

(a) Change in biographical details of Directors

Both Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa were appointed as directors of See Corporation Limited (now known as Emperor Culture Group Limited) (Stock Code: 491) with effect from 31 March 2017.

SHARE OPTIONS AND OTHER INFORMATION *(Continued)*

CHANGES IN INFORMATION OF DIRECTORS *(Continued)*

(b) Emoluments

On the recommendation of the Remuneration Committee, the Board had reviewed and revised the remuneration of the Executive Directors with effect from 1 January 2017 based on the performance, experience, ability and responsibility of the individuals and with reference to the market rates. The total emoluments of the Executive Directors of the Company, namely Ms. Cindy Yueng and Mr. Chan Hung Ming for the six months ended 30 June 2017 were approximately HK\$1,811,000 and HK\$912,000 respectively. These amounts comprise basic salaries, allowance (if any) 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 during the Period.

REVIEW OF INTERIM REPORT

The condensed consolidated financial statements of the Group for the Period as set out in this interim report have not been reviewed nor audited by the Company's auditor, Deloitte Touche Tohmatsu, but this report has been reviewed by the audit committee of the Company, which comprises the three Independent Non-executive Directors as set out in this report.

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 Yueng
Chairperson

Hong Kong, 22 August 2017

SHARE OPTIONS AND OTHER INFORMATION (Continued)

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

Executive Directors:

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

Independent Non-Executive Directors:

Ms. Chan Sim Ling, Irene
Mr. Liu Hing Hung
Ms. Chan Wiling, Yvonne

This interim report (in both English and Chinese versions) is available to any shareholder of the Company ("Shareholders") either in printed form or on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.emperorwatchjewellery.com>). In order to protect the environment, the Company highly recommends any Shareholder to receive electronic copy of this Interim Report. Shareholders may have the right to change their choice of receipt of our future Corporate Communications at any time by reasonable notice in writing to the Company or the Company's Share Registrar, Tricor Secretaries Limited, by post at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at is-enquiries@hk.tricorglobal.com.