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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 2010

FINANCIAL HIGHLIGHTS	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue by segments:		
Hong Kong	1,438,317	797,655
Macau	126,685	74,566
PRC	208,275	82,065
	<u>1,773,277</u>	<u>954,286</u>
Revenue by products:		
Watch	1,528,443	826,230
Jewellery	243,968	128,056
Others	866	–
	<u>1,773,277</u>	<u>954,286</u>
Profit before fair value losses in derivative financial instruments	128,458	51,133
Profit for the period attributable to the owners of the Company	98,273	51,133
Earnings per share		
Basic	HK1.9 cents	HK1.1 cents
Diluted	HK1.9 cents	N/A

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 2010 (the “Period”) together with the comparative figures for the corresponding period 2009 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Revenue	2	1,773,277	954,286
Cost of sales		(1,342,260)	(713,011)
Gross profit		431,017	241,275
Other income		4,334	719
Selling and distribution expenses		(138,019)	(128,902)
Administrative expenses		(131,272)	(49,742)
Fair value losses in derivative financial instruments		(30,185)	–
Finance costs		(3,417)	(222)
Profit before taxation	3	132,458	63,128
Taxation	4	(30,515)	(11,935)
Profit for the period		101,943	51,193
Other comprehensive income for the period:			
Exchange differences arising from translation of foreign operations		(368)	(212)
Total comprehensive income for the period		101,575	50,981
Profit for the period attributable to:			
Owners of the Company		98,273	51,133
Minority interests		3,670	60
		101,943	51,193
Total comprehensive income attributable to:			
Owners of the Company		97,905	50,921
Minority interests		3,670	60
		101,575	50,981
Earnings per share	5		
Basic		HK1.9 cents	HK1.1 cents
Diluted		HK1.9 cents	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

		As at	
		30 June 2010 (unaudited) HK\$'000	31 December 2009 (audited) HK\$'000
Non-current assets			
Property, plant and equipment		78,348	74,584
Deferred tax assets		340	–
		78,688	74,584
Current assets			
Inventories		1,744,849	1,307,703
Receivables, deposits and prepayments	7	300,856	204,627
Tax recoverable		–	6,618
Bank balances and cash		429,340	252,211
		2,475,045	1,771,159
Current liabilities			
Payables, deposits received and accrued charges	8	337,715	263,846
Amounts due to related companies		47	2,752
Amounts due to minority shareholders of a subsidiary		2,463	–
Derivative financial instruments	9	57,496	–
Taxation payable		27,189	6,213
Obligation under a finance lease – due within one year		–	119
Bank borrowings – due within one year	10	67,470	4,200
		492,380	277,130
Net current assets		1,982,665	1,494,029
Total assets less current liabilities		2,061,353	1,568,613
Non-current liabilities			
Obligation under a finance lease – due after one year		–	317
Bank borrowings – due after one year	10	–	9,000
Convertible bonds	11	74,683	–
Deferred taxation		–	379
		74,683	9,696
Net assets		1,986,670	1,558,917
Capital and reserves			
Share capital		52,148	45,000
Reserves		1,921,341	1,504,406
Equity attributable to owners of the Company		1,973,489	1,549,406
Minority interests		13,181	9,511
Total equity		1,986,670	1,558,917

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2009.

(b) Significant Accounting Policies

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities are measured at fair values, as appropriate.

A number of new or revised Standards and Interpretation are effective for the financial year beginning on 1 January 2010. Except as described below, the accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the Group’s financial statements for the year ended 31 December 2009.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant Accounting Policies *(Continued)*

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no impact on the results or financial position of the Group for the current or prior accounting periods.

The Groups has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

- 1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
- 2 Effective for annual periods beginning on or after 1 February 2010
- 3 Effective for annual periods beginning on or after 1 July 2010
- 4 Effective for annual periods beginning on or after 1 January 2011
- 5 Effective for annual periods beginning on or after 1 January 2013

The Directors anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. REVENUE AND SEGMENT INFORMATION

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

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

For the six months ended 30 June 2010

	Hong Kong (unaudited) <i>HK\$'000</i>	Macau (unaudited) <i>HK\$'000</i>	Other regions in the PRC (unaudited) <i>HK\$'000</i>	Elimination (unaudited) <i>HK\$'000</i>	Consolidated (unaudited) <i>HK\$'000</i>
Revenue					
External sales	1,438,317	126,685	208,275	–	1,773,277
Inter-segment sales*	36,069	5,386	45,736	(87,191)	–
	<u>1,474,386</u>	<u>132,071</u>	<u>254,011</u>	<u>(87,191)</u>	<u>1,773,277</u>
* <i>Inter-segment sales are charged at cost</i>					
Segment profit	<u>176,265</u>	<u>24,057</u>	<u>11,373</u>	<u>–</u>	211,695
Unallocated administrative expenses					(46,238)
Fair value losses in derivative financial instruments					(30,185)
Interest income					603
Finance costs					(3,417)
Profit before taxation					132,458
Taxation					(30,515)
Profit for the period					<u>101,943</u>

2. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2009

	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	797,655	74,566	82,065	–	954,286
Inter-segment sales*	29,223	1,410	4,437	(35,070)	–
	<u>826,878</u>	<u>75,976</u>	<u>86,502</u>	<u>(35,070)</u>	<u>954,286</u>
* Inter-segment sales are charged at cost					
Segment profit (loss)	<u>85,639</u>	<u>13,909</u>	<u>(3,099)</u>	<u>–</u>	96,449
Unallocated administrative expenses					(33,148)
Interest income					49
Finance costs					<u>(222)</u>
Profit before taxation					63,128
Taxation					<u>(11,935)</u>
Profit for the period					<u>51,193</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/loss represents the gross profit/loss generated from each segment 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.

3. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Allowance for inventories	64	989
Cost of inventories included in cost of sales	1,321,371	711,073
Depreciation of property, plant and equipment	18,913	7,800
Loss on disposal of property, plant and equipment	5,399	51
Operating lease payments in respect of rented premises		
– minimum lease payments	115,771	95,460
– contingent rent	12,500	–
Write off of inventories	393	362
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	64,512	44,610
– retirement benefits scheme contributions	2,760	2,277
	<u> </u>	<u> </u>

4. TAXATION

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current period:		
Hong Kong	25,770	10,247
PRC	2,669	–
Macau	2,795	1,670
	<u> </u>	<u> </u>
	31,234	11,917
Deferred taxation	(719)	18
	<u> </u>	<u> </u>
	<u>30,515</u>	<u>11,935</u>

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

The PRC Enterprise Income Tax is calculated at 25% in the PRC for both periods.

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

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2010 is based on the profit attributable to owners of the Company of approximately HK\$98,273,000 (2009: HK\$51,133,000) and on the weighted average number of 5,057,117,900 ordinary shares (2009: 4,500,000,000) in issue during the period.

No diluted earnings per share is presented for the six months ended 30 June 2010 as the impact of the Convertible Bonds outstanding during the period had an anti-diluted effect on the basic earnings per share.

Diluted earnings per share for the six months ended 30 June 2009 has not been disclosed as no diluting events existed during such period.

6. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interim dividend declared of HK0.75 cent (2009: HK0.35 cent) per share as at 30 June	39,111	15,750

7. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	30 June	31 December
	2010	2009
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Trade receivables	61,279	57,413
Rental deposits	89,795	72,996
Other receivables, deposits and prepayments	149,782	74,218
	300,856	204,627

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. The Group granted an average credit periods from 7 days to 90 days to the wholesale customers.

7. RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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 2010 (unaudited) HK\$'000	31 December 2009 (audited) HK\$'000
Within 30 days	29,302	31,205
31 – 60 days	18,341	4,816
61 – 90 days	7,155	16,826
91 –120 days	812	4,566
Over 120 days	5,669	–
	<u>61,279</u>	<u>57,413</u>

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

Receivables that are neither past due nor impaired relate to 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\$6,474,000 (2009: HK\$4,572,000) which are past due as 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.

Receivables that were past due but not impaired relate to wholesale customers 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 balance are still considered fully receivable.

8. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	As at	
	30 June 2010 (unaudited) HK\$'000	31 December 2009 (audited) HK\$'000
Trade payables	256,860	165,051
Other payables, deposits received and accrued charges	80,855	98,795
	<u>337,715</u>	<u>263,846</u>

8. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES (Continued)

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

	As at	
	30 June 2010 (unaudited) HK\$'000	31 December 2009 (audited) HK\$'000
0 – 30 days	49,170	72,958
31 – 60 days	28,255	27,849
61 – 90 days	8,302	31,142
Over 90 days	171,133	33,102
	<u>256,860</u>	<u>165,051</u>

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

9. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments of the Group are not for hedging purpose and comprise:

	As at	
	30 June 2010 (unaudited) HK\$'000	31 December 2009 (audited) HK\$'000
Derivative component embedded in the Convertible Bonds (Note 11)	33,656	–
Options to subscribe for convertible bonds (a)	23,840	–
	<u>57,496</u>	<u>–</u>

- (a) The Bondholders were granted options to subscribe 1.5% convertible bonds with aggregate principal amounts of HK\$280 million maturing on 13 April 2013 (the “Options”). The Options expired on 25 July 2010, but conditional upon the approval of the shareholders of the Company, the expiry date will be extended to 25 September 2010. During the period, no Option was exercised. As at 30 June 2010, the Options were measured at fair value and its fair value loss of HK\$23,840,000 was recognized in profit or loss.

10. BANK BORROWINGS

	As at	
	30 June 2010 (unaudited) HK\$'000	31 December 2009 (audited) HK\$'000
Bank loans	<u>67,470</u>	<u>13,200</u>
Carrying amount repayable:		
Within one year	67,470	4,200
In more than one year but not more than two years	–	9,000
	<u>67,470</u>	<u>13,200</u>
Less: Amount due within one year shown under current liabilities	<u>(67,470)</u>	<u>(4,200)</u>
Amount due after one year	<u>–</u>	<u>9,000</u>

11. CONVERTIBLE BONDS

On 13 April 2010, Winner Sea Enterprises Limited (“Winner Sea”), a wholly-owned subsidiary of the Company, issued 1.5% convertible bonds denominated in Hong Kong dollars in the aggregate principal amounts of HK\$100 million (the “Convertible Bonds”) maturing on 13 April 2013 (the “Maturity Date”) to three independent third parties (the “Bondholders”). The Company agreed to guarantee the payment of all sums payable by Winner Sea under the Convertible Bonds.

The Convertible Bonds are convertible, at the option of the Bondholders, into ordinary shares of the Company in whole or in part at an initial conversion price of HK\$0.54 per share subject to anti-dilutive adjustments, at any time from 23 April 2010 up to 14 days prior to the Maturity Date. Unless previously converted or purchased or redeemed, Winner Sea will redeem at 106% of the outstanding principal amounts of the Convertible Bonds on the Maturity Date.

The Bondholders have the options to require Winner Sea to redeem all or any part of the outstanding principal amounts of the Convertible Bonds at 106% of such outstanding principal amounts together with accrued and unpaid interest on 13 April 2011 or 13 April 2012.

Winner Sea may redeem all of the Convertible Bonds in issue in whole but not in part at 103% of the outstanding principal amounts of the Convertible Bonds together with accrued and unpaid interest at any time after 13 April 2011 and prior to the Maturity Date if the share price of the Company is at least 175% of the conversion price then in effect for 30 consecutive trading days.

The conversion option and early redemption options of the Convertible Bonds exhibit characteristics of embedded derivatives and are separated from the liability component of the Convertible Bonds. On initial recognition, the fair value of the liability component was estimated at the issuance date using effective interest rate of 15% per annum. The embedded derivative component was measured at fair value and presented as derivative financial liabilities.

During the six months ended 30 June 2010, no Convertible Bonds have been converted into ordinary shares of the Company.

11. CONVERTIBLE BONDS *(Continued)*

During the period, the movements of liability and embedded derivatives components of the Convertible Bonds are as follows:

	Liability Component <i>HK\$'000</i>	Embedded derivative component <i>(Note 9)</i> <i>HK\$'000</i>
Nominal value of the Convertible Bonds issued on 13 April 2010	72,689	27,311
Imputed interest expense	1,994	–
Fair value loss in derivative financial instruments	–	6,345
	<hr/>	<hr/>
Carrying amount as at 30 June 2010 (unaudited)	<u>74,683</u>	<u>33,656</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is a leading retailer of mainly European made luxurious watches and self-designed fine jewellery products in Hong Kong, Macau and China with over 60 years' history. Its target customers range from middle to high income earners from all over the world.

The Group has an extensive network of retail outlets at prime locations in Hong Kong, Macau and China. These include multi-brand stores as well as specialty outlets for specific brands, which enable the Group to reap synergies with international watch brand suppliers, as well as foster loyalty among customers attracted to specific watch brands.

Financial Review

The Group's growth momentum in 2009 carried on to the first half of 2010. For the Period, it reported revenue of HK\$1,773.3 million, representing a 85.8% increase from the same period last year (2009: HK\$954.3 million). Its profit attributable to shareholders before fair value losses in derivative financial instruments amounted to HK\$128.5 million, demonstrating a strong upward thrust. After taking into account such fair value adjustment, the profit attributable to shareholders was HK\$98.3 million (2009: HK\$51.1 million).

Global economic environment has continued to improve ever since the end of the financial tsunami in mid 2009. It was best reflected in tourism statistics. Tourist arrivals from China rose by 26.9% coincidentally for both Hong Kong and Macau in the first six months of 2010. This brought very positive effects to the Group's revenue from Hong Kong and Macau, which were HK\$1,438.3 million (2009: HK\$797.6 million) and HK\$126.7 million (2009: HK\$74.6 million) respectively. The Group achieved even more encouraging performance in China, with a 153.8% increase from revenue of HK\$82.1 million in the same period last year to HK\$208.3 million, mainly attributable to the growth in its retail network.

Business Review

Expansion and Optimization of Retail Network

5 new stores were opened during the Period, including 1 in Hong Kong and 4 in China. As at 30 June 2010, the Group has 12 stores in Hong Kong, 4 in Macau, 28 in mainland China and all together 44 stores.

With its well established brand awareness in the Chinese community crafted over the past decades, the Group has a vision to build a mecca of fine watches and jewellery in Hong Kong for people with refined taste from China and all over the world. During the Period, the Group has been aggressively strengthening its presence in prime shopping areas in Hong Kong. Its stores are now most densely packed in Russell Street, Causeway Bay, which is the territory's number one high end shopping street comparable to Champs Élysées in Paris and Fifth Avenue in New York. During the Period, the Group expanded one of its 4 stores on the street from 2,112 square feet to 3,142 square feet, totaling 8,248 square feet.

Notwithstanding the intense presence in Russell Street, the Group's strongest foothold is in Tsim Sha Tsui, another major tourist spot and shopping area, with its 6 stores, one of which was opened during the Period. Led by its iconic megastore at 1881 Heritage, the 6 stores are strategically situated in Canton Road, Nathan Road and a new upscale shopping mall, capturing the spending power of most local shoppers and tourists on a shopping spree.

The Group also saw a rapid growth in its China retail network, now covering nearly 10 cities. While the majority of the stores are located in Beijing and Shanghai, the Group also tapped other fast developing cities in various parts of China. Such spectrum of locations was meticulously devised and is continuously adjusted for a diverse and comprehensive blend of financial returns, marketing benefits and strategic advantages.

All 5 new stores opened during the Period are dedicated to jewellery, as part of the Group's plan to allocate more resources to jewellery business for a better equilibrium in its dual business model.

Brand Recognition and Effective Marketing Programme

During the Period, besides its regular marketing activities, the Group made extra efforts in some novelty marketing tactics jointly staged with other subsidiaries of Emperor Group. These included a public relations event co-organized in Emperor Jewellery Flagship Store in 1881 Heritage with Emperor International Holdings Limited to promote "Harbour One", its property development project, during which the Group sponsored jewellery for all attending artistes from Emperor Entertainment Group. The Group also invited VIP guests to a movie premiere of "Triple Tap", a production of Emperor Motion Pictures. This was consistent with Emperor Group's traditional emphasis on synergy among its highly diversified business units and therefore more economic use of resources.

With its mainland arm steadily growing, the Group also invested substantially in various marketing activities in China during the Period, stretching from print ads, concert sponsorship, to co-op events with watch brands and banks. Ms. Cindy Yeung, Management Director, was featured in a number of media interviews as a soft and subtle brand building campaign to endow the Group with a humanized personality.

Prospects

The Group remains positive on the prospects of the luxurious watch and jewellery retail market for the year ahead. After a whole year of fast global economic recovery, the Group expects to reap even richer harvest in the coming months.

The Group will continue to strategically enlarge its retail territory. Its strong base in Tsim Sha Tsui is expected to be further reinforced by 1 jewellery store and 1 Rolex and Tudor boutique in Ocean Terminal, Harbour City, one of the biggest and the most long-standing shopping malls in Hong Kong. Whereas in China, subsequent to the Period, 2 new jewellery stores were opened, to be followed by 3 more soon. With 4 new jewellery stores on the way, the Group is gradually realizing its plan to adjust the balance between watch and jewellery businesses.

In line with the positive outlook, the Group will soon launch a whole new round of marketing campaign, including a new TV commercial and other supporting marketing collaterals, to sustain the Group's brand recognition.

Looking ahead, apart from its continuous endeavor in marketing and expansion, the Group will strive to develop closer relationships with its strategic investors, other subsidiaries of Emperor Group as well as business associates in the industry. The Group considers such intangible assets will be a leverage to its future efforts in increasing its market share particularly in China, a market which is too big to act alone.

Capital Structure

a. New Share Placing

On 25 January 2010, 450,000,000 new ordinary shares of HK\$0.01 each were issued by way of placing to third party placees at a price of HK\$0.51 per share. The new shares issued rank pari passu with the existing shares in issue of the Company.

b. Top-up placing of new shares

On 3 March 2010, Allmighty Group Limited, the controlling shareholder of the Company, agreed to place 264,810,000 shares of the Company ("Placing") to independent investors at a price of HK\$0.54 per share, and also agreed to subscribe for 264,810,000 new shares of the Company (the "Top-Up Shares") at the price of HK\$0.54 per share ("Top-Up Subscription") conditional upon the completion of the Placing. The Top-Up Shares rank pari passu with the existing shares in issue of the Company, when fully paid. The Placing and Top-Up Subscription were completed on 9 March 2010 and 12 March 2010 respectively.

As a result of the aforesaid placements, the share capital and share premium of the Company totally increased by approximately HK\$7,148,000 and HK\$362,538,000 respectively.

Liquidity and Financial Resources

As at 30 June 2010, the Group's current assets and current liabilities were approximately HK\$2,475.0 million and HK\$492.4 million respectively. Current ratio and quick ratio of the Group were 5.0 and 1.5 respectively.

As at 30 June 2010, the Group had total bank borrowings of approximately HK\$67.5 million (2009: HK\$13.2 million). These bank borrowings were denominated in Hong Kong dollar, interest bearing, repayable with fixed terms and guaranteed by the Company. The gearing ratio of the Group (calculated on the basis of the total borrowings over total assets) increased to 7.8% (2009: 0.9%) due to increase in bank borrowings and issuance of Convertible Bonds and the Options during the Period. The Group also has available unutilised banking facilities of approximately HK\$215.5 million.

In view of the Group's financial position as at 30 June 2010, the Directors consider that the Group has sufficient working capital for its operations and future development plans.

Foreign Exchange Exposure

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

Capital Expenditures and Operating Lease Arrangements

As at 30 June 2010, the Group has capital commitments in respect of acquisition of property, plant and equipment of approximately HK\$7.2 million and operating lease commitment of approximately HK\$409.1 million.

Contingent Liabilities

As at 30 June 2010, the Group did not have any material contingent liabilities.

Employee and Remuneration Policy

As at 30 June 2010, the Group has 590 (2009: 496) salespersons and 164 (2009: 161) office staff. Total staff costs (including Directors' remuneration) were HK\$67.3 million (2009: HK\$46.9 million). Employees' remuneration was determined in accordance with individual's responsibility, performance and experience. Staff benefits include contributions to retirement benefit scheme, medical insurance and other fringe benefit.

To provide incentives or rewards to the staff, the Company adopted a share option scheme on 19 June 2008. No option was granted by the Company under the scheme since its adoption and up to 30 June 2010.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK0.75 cent per share (“Dividend”) for the year ending 31 December 2010 (2009: HK0.35 cent), amounting to approximately HK\$39,111,000 (2009: HK\$15,750,000). The Dividend will be payable on or around 27 September 2010 (Monday) to shareholders whose names appear on the register of members of the Company at the close of business on 15 September 2010 (Wednesday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed and no share transfer will be registered, from 16 September 2010 (Thursday) to 17 September 2010 (Friday), for the purpose of determining shareholders’ entitlements to the Dividend. In order to qualify for the 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, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 15 September 2010 (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

Code on Corporate Governance Practices

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the Period under review.

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
Executive Director

Hong Kong, 25 August 2010

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