

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 887)

**POSITIVE PROFIT ALERT**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board wishes to inform Shareholders and potential investors that the unaudited interim results of the Group for the six months ended 30 June 2010 are expected to record a significant increase in profit as compared to that for the corresponding period in 2009.

The Board also wishes to inform shareholders of the Company and potential investors that the expected profit of the Group for the six months ended 30 June 2010 may be affected by the changes in the fair value of the financial instruments. However, the relevant valuation is not yet finalised and therefore, the extent of such changes on the unaudited consolidated statement of comprehensive income of the Group are yet to be ascertained.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

This announcement is made by Emperor Watch & Jewellery Limited (the “Company” together with its subsidiaries, collectively referred to as “the Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Based on preliminary review on the management accounts of the Group, the board of directors of the Company (the “Board”) wishes to inform the shareholders of the Company (the “Shareholders”) and potential investors that the Group is expected to record a significant increase in profit for the six months ended 30 June 2010 as compared to that for the corresponding period in 2009, mainly attributable to the improvement in the business operations of the Group in the period as a result of the expansion of the Group’s retail networks and increase in turnover of the Group.

The Board also wishes to inform the Shareholders and potential investors that, as required by the currently applicable accounting standards adopted by the Group, at the date of the issue of the Convertible Bonds as defined in the circular of the Company dated 9 April 2010 (the “Bond”), both the liability (the “Liability”) and derivative elements of the convertible bonds (the “Options”) are recognised at fair value. In subsequent periods, the Liability is carried at amortised cost using the effective interest method. The Options are measured at fair value with changes in fair value recognised in profit or loss, and accordingly, the results of the Group for the six months ended 30 June 2010 will be affected. Based on the value of the Liability and the Options as at the date of issuance and as at 30 June 2010 valued by the independent professional valuer engaged by the Company, it is expected that a loss in respect of such Options will be recognized in the unaudited consolidated statement of comprehensive income of the Group for the six months period ended 30 June 2010. Fair value adjustments on the fair value change of the Options would be made at the end of each reporting periods during the subsistence of the Options. The adjustment may give rise to gain or loss depending upon, among other things, the market price of the shares of the Company as of the valuation date, the yield of the Bond, the volatility of the market price of the shares of the Company, the conversion price of the Bond and the time to maturity of the Bond. Upon maturity of the Bond or expiry of the Options, assuming the Bond has not been converted into shares of the Company or the Options have not been exercised, any adjustment to the change in fair value of the Options recognised in profit or loss in previous periods would be fully reversed so that any such profit or loss so credited or charged to the results of the Group will be written back or written off (as the case may be) in profit or loss accordingly.

The Board wishes to draw the attention of the Shareholders and potential investors to the fact that the financial impact to the Group due to the aforesaid accounting treatment is non-cash in nature. The Board considers that such fair value loss in relation to the Options (if any) shown in the consolidated statement of the comprehensive income does not mean that there is any unhealthy financial condition of the business operation of the Group. The Board considers that in order to more fairly assess the results of the business operation of the Group, Shareholders and potential investors can exclude such non-cash adjustments when considering the financial results of the Group.

The Board has engaged independent professional valuer to value the Bond and Options and the valuation is yet to be finalized. The exact impact of the aforesaid adjustment on the profit of the Group is yet to be ascertained. The Company is still in the process of finalising its unaudited interim results for the six months ended 30 June 2010, but the Board wishes to draw to the attention of the Shareholders and potential investors that even after taking into account the impact of such fair value change to its fullest extent based on the preliminary advice of the valuer and the preliminary discussions with the auditor, the Board still considers that the unaudited interim results of the Group for the six months ended 30 June 2010 are still expected to record a significant increase in profit as compared to that of the corresponding period in 2009.

This announcement is made based on the preliminary assessment of the unaudited management accounts of the Group and the information currently available. Details of the Group's performance will be disclosed in the interim results announcement which is expected to be released by end August 2010.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By order of the Board  
**Emperor Watch & Jewellery Limited**  
**Yeung, Cindy**  
*Executive Director*

Hong Kong, 23 July 2010

*As at the date hereof, the Board of the Company comprised 1. Executive Directors : Ms. Yeung, Cindy, Mr. Chan Hung Ming, Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa; and 2. Independent Non-Executive Directors : Ms. Yip Kam Man, Mr. Chan Hon Piu and Ms. Lai Ka Fung, May.*