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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)

**TOP-UP PLACING OF EXISTING SHARES AND
TOP-UP SUBSCRIPTION OF NEW SHARES
UNDER THE GENERAL MANDATE**

Placing Agents



BNP PARIBAS
CORPORATE & INVESTMENT BANKING



英皇證券(香港)有限公司
Emperor Securities Limited

THE TOP-UP PLACING AND TOP-UP SUBSCRIPTION

On 19 April 2011, the Vendor, the Company and the Placing Agents entered into the Top-up Placing Agreement pursuant to which the Vendor agreed to sell, or procure the sale of, the existing 800,000,000 Top-up Placing Shares and subject to satisfaction of certain conditions, the Placing Agents agreed, as agents of the Vendor, to procure purchasers to purchase, the Top-up Placing Shares.

On the same day, the Vendor and the Company entered into the Top-up Subscription Agreement, pursuant to which, the Vendor conditionally agreed to subscribe for an aggregate of 800,000,000 Top-up Subscription Shares.

The Top-up Placing Price (and the Top-up Subscription Price) have been fixed at HK\$1.0 which represents (i) a discount of approximately 9.9% to the closing price of HK\$1.11 per Share as quoted on the Stock Exchange on the trading date before the date of the Top-up Placing Agreement and the Top-up Subscription Agreement; (ii) a discount of approximately 8.9% to the average closing price per Share of HK\$1.098 as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Top-up Placing Agreement and the Top-up Subscription Agreement; and (iii) a discount of approximately 8.3% to the average closing price per Share of HK\$1.091 as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Top-up Placing Agreement and the Top-up Subscription Agreement.

Up to 800,000,000 Top-up Placing Shares (and up to 800,000,000 Top-up Subscription Shares) represent (i) approximately 13.5% of the existing issued share capital of the Company of 5,918,513,703 Shares as at the date of this announcement; and (ii) approximately 11.9% of the issued share capital of the Company of 6,718,513,703 Shares as enlarged by the Top-up Subscription.

The Top-up Subscription is conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Top-up Subscription Shares; and (ii) completion of the Top-up Placing. The Top-up Placing is conditional upon, among other things, the Top-up Subscription Agreement having been entered into.

The gross proceeds from the Top-up Subscription will be HK\$800 million. The net proceeds of approximately HK\$786.8 million from the Top-up Subscription are intended to be used for expansion of the Company's business in Hong Kong, Macau and the PRC and general working capital of the Group.

Shareholders and potential investors should note that completion of the Top-up Placing and Top-up Subscription are subject to fulfillment of conditions. As the Top-up Placing and the Top-up Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE TOP-UP PLACING AGREEMENT

Date

19 April 2011 (before the open of trading)

Parties involved

The Vendor, the Company and the Placing Agents

Vendor

The Vendor is a shareholder of the Company currently holding 3,510,770,000 Shares, representing approximately 59.32% of the existing issued share capital of the Company.

Placing Agents

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, BNP Paribas Capital, one of the Placing Agents, is not a connected person of the Company. ESL is a connected person of the Company, details of which please refer to the section headed "General" below.

Placees

Subject to the terms and conditions of the Top-up Placing Agreement, the Top-up Placing Shares will be placed to not less than six Placees who and whose ultimate beneficial owners (i) will be, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, independent of and not acting in concert (as defined under the Takeovers Code) with any of the Vendor, parties acting in concert with it, or any of the Vendor's or the Company's or its subsidiaries' directors, chief executive or substantial shareholders (as defined in the Listing Rules), or any of their respective associates (as defined in the Listing Rules); and (ii) will not become connected persons of the Company after completion of the Top-up Placing.

No individual Placee is expected to become a substantial Shareholder (as defined under the Listing Rules) immediately after completion of the Top-up Placing.

Top-up Placing Price

The Top-up Placing Price (and the Top-up Subscription Price) have been fixed at HK\$1.0 which represents (i) a discount of approximately 9.9% to the closing price of HK\$1.11 per Share as quoted on the Stock Exchange on the trading date before the date of the Top-up Placing Agreement and the Top-up Subscription Agreement; (ii) a discount of approximately 8.9% to the average closing price per Share of HK\$1.098 as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Top-up Placing Agreement and the Top-up Subscription Agreement; and (iii) a discount of approximately 8.3% to the average closing price per Share of HK\$1.091 as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Top-up Placing Agreement and the Top-up Subscription Agreement.

The Top-up Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis and entered into by and among the Vendor, the Company and the Placing Agents. The Directors consider that the terms of the Top-up Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Number of the Top-up Placing Shares

Up to 800,000,000 Top-up Placing Shares (and up to 800,000,000 Top-up Subscription Shares) represent (i) approximately 13.5% of the existing issued share capital of the Company of 5,918,513,703 Shares as at the date of this announcement; and (ii) approximately 11.9% of the issued share capital of the Company of 6,718,513,703 Shares as enlarged by the Top-up Subscription.

Ranking of Top-up Placing Shares

The Top-up Placing Shares rank *pari passu among* themselves and with Shares in issue as at the date of this announcement.

Conditions to the completion of the Top-up Placing

The completion of the Top-up Placing is conditional, among others, upon:

- (a) the Top-up Subscription Agreement having been entered into by the parties thereto;
- (b) the Placing Agents having received:
 - (i) from the Vendor and the Company certified board resolutions approving the Top-up Placing and the Top-up Subscription and the entering into of the Top-up Placing Agreement and the Top-up Subscription Agreement; and
 - (ii) the Hong Kong legal opinion, British Virgin Islands legal opinion and United States legal opinion, all in a form satisfactory to the Placing Agents; and
- (c) the Top-up Placing Agreement not being terminated pursuant to the termination clauses provided therein.

Termination

If at any time prior to Completion, BNP Paribas Capital (for and on behalf of the Placing Agents) may terminate the Top-up Placing Agreement upon the occurrence of the following events:

- (a) (i) there developed, occurred or come into force, at any time prior to Completion any new law or regulation or any change in existing laws or regulations or change in the interpretation on the application thereof is likely to have a material adverse

effect on the financial position of the Group as a whole; or (ii) any significant event, development change in local, national or international economic, financial, fiscal, industrial, regulatory, political or military conditions, securities market conditions or exchange controls, including without limitation, any outbreak or escalation of hostilities, declaration by the United States, the European Union (or any member thereof), China, Hong Kong or Macau of a national emergency or other calamity or crisis, the effect of which would be materially adverse to the Company or; the Group or the success of the Top-up Placing, or makes it impracticable or inadvisable or inexpedient to proceed therewith; or (iii) the declaration of a banking moratorium by the United States, the European Union (or any member there), China, Hong Kong or Macau authorities, or any moratorium, suspension or material restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange; or (iv) any suspension of dealings in the Shares for any period (other than in connection with the Top-up Placing and the Top-up Subscription); and

- (b) any breach of any of the representations, warranties and undertakings by the Vendor and/or the Company or any event occurs or any matter arises on or after the date of the Top-up Placing Agreement and prior to the closing date on 21 April 2011 which if it had occurred or arisen before the date thereof would have rendered any of such representations, warranties and undertakings untrue or incorrect; (ii) any breach of, or failure to perform, any other provision of the Top-up Placing Agreement on the part of the Vendor and/or the Company; or (iii) any change or any development involving a prospective change in the general affairs, prospects, earnings, business, stockholders' equity or in the financial or trading position of the Group as a whole is material and adverse on the success of the Top-up Placing or otherwise as to make it impractical or inadvisable or inexpedient to proceed with the Top-up Placing.

In the event that BNP Paribas Capital (for and on behalf of the Placing Agents) terminates the Top-up Placing Agreement pursuant to the abovementioned, all obligations of each of the parties under the Top-up Placing Agreement, shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out and or in connection with the Top-up Placing Agreement except for any antecedent breaches and liabilities for payment of fees, commission and expenses to the Placing Agents and indemnities under the Top-up Placing Agreement.

Completion

Subject to, among other things, the satisfaction of the above conditions, the Top-up Placing is expected to be completed on 21 April 2011, or such other date as the Vendor and the Placing Agents shall agree.

Lock-Up Undertaking

In order to induce the Placing Agents to enter into the Top-up Placing Agreement and in consideration of the obligations of the Placing Agents hereunder:

- (a) the Vendor undertakes to the Placing Agents that (except for the sale of the Top-up Placing Shares pursuant to the Top-up Placing Agreement) from the date of the Top-up Placing Agreement and on or prior to the date being 90 days after the date of Completion (“Lock-up Period”) it will not and will procure that none of its nominees, companies controlled by it and/or trusts associated with it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Placing Agents) (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise), any Shares (including the new Shares to be issued under the Top-up Subscription Agreement but excluding the Top-up Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interests in Shares; or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of any Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above; and

- (b) the Company undertakes to the Placing Agents that (except for (i) the new Shares to be allotted and issued to the subscribers named in the Top-up Subscription Agreement; (ii) any new Shares or options to be issued pursuant to any existing or previous employee share option schemes of the Company publicly announced to the Company; (iii) any new Shares to be allotted and issued pursuant to the exercise of the existing warrants of the Company subsisting under the warrant instrument of the Company dated 26 August 2010; and (iv) any Shares or other securities or rights issued or granted to shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with its articles of association or on the exercise of rights existing at the date of the Top-up Placing Agreement) during the Lock-up Period, it will not (without the prior written consent of the Placing Agents) (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interests in Shares; or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above; or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

THE TOP-UP SUBSCRIPTION AGREEMENT

Date

19 April 2011

Parties involved

The Company and the Vendor

The Top-up Subscription Price

The Top-up Subscription Price is HK\$1.0 per Share which is the same as the Top-up Placing Price. The Top-up Subscription Price is the same as the Top-up Placing Price and was determined after arm's length negotiation between the Company and the Vendor with reference to the Top-up Placing Price of the Top-up Placing Shares. The net price per Top-up Subscription Share is approximately HK\$0.98 per Share.

Number of Top-up Subscription Shares

The maximum number of Top-up Subscription Shares is equivalent to the number of Top-up Placing Shares successfully placed under the Top-up Placing, being 800,000,000 Shares.

Ranking of Top-up Subscription Shares

The Top-up Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with the Shares in issue, including the rights to all dividends and other distributions declared at the time of issue and allotment of the Top-up Subscription Shares.

The Top-up Subscription Shares

The Top-up Subscription Shares are to be issued under the General Mandate. The total number of issued Shares as at the date of the extraordinary general meeting held on 17 March 2011 was 5,918,513,703 Shares. Pursuant to the General Mandate, the total number of new Shares that the Company is authorised to allot and issue are 1,183,702,740 Shares (up to 20% of the then issued share capital of the Company). Since the date of the extraordinary general meeting held on 17 March 2011 and up to the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate.

Conditions of the Top-up Subscription

The Top-up Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Top-up Subscription Shares; and
- (ii) completion of the Top-up Placing pursuant to the terms of the Top-Up Placing Agreement and the Top-Up Subscription Agreement.

Completion of the Top-up Subscription

Under Rule 14A.31(3)(d) of the Listing Rules, the Top-up Subscription must be completed within 14 days from the date of the Top-up Placing Agreement, that is, on or before 3 May 2011.

In the event that the conditions to the Top-up Subscription Agreement are not fulfilled by 3 May 2011, or such later date as may be agreed between the Company and the Vendor, the rights and obligations of the parties thereunder the Top-up Subscription Agreement shall cease and be of no further effect, in which event the parties thereto shall be released from such obligations without any liability save as to any antecedent breach and provided that any right or remedies which shall have accrued shall not be prejudiced or affected.

REASON FOR THE TOP-UP PLACING AND THE TOP-UP SUBSCRIPTION

The Group principally engages in the sales of luxurious branded watches, and the design and sales of jewellery products in Hong Kong, Macau and the PRC. The Board is of the view that the Top-up Placing and the Top-up Subscription will broaden the Shareholders' portfolio and provide additional working capital for the Group and therefore improve the liquidity and strengthen the financial position of the Company. The Board (including the independent non-executive Directors) considers that the terms of the Top-up Placing Agreement and the Top-up Subscription Agreement are fair and reasonable and they are in the interests of the Company and its Shareholders as a whole.

The gross proceeds from the Top-up Subscription will be HK\$800 million. The net proceeds of approximately HK\$786.8 million from the Top-up Subscription are intended to be used for expansion of the Company's business in Hong Kong, Macau and the PRC and general working capital of the Group. The net proceeds raised per Share upon completion of the Top-up Subscription will be approximately HK\$0.98 per Top-up Subscription Share.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, no other fund raising activities have been conducted by the Company in the last 12 months immediately before the date of this announcement.

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds/Remarks
26 August 2010	<p>(i) Issue of convertible bonds in the principal amount of HK\$140 million to L Capital EWJ Cayman Limited (“L Capital”);</p> <p>(ii) Issue of convertible bonds in the principal amount of HK\$240 million to D. E. Shaw Valence Portfolios, L.L.C. (“D. E. Shaw”); and</p> <p>(iii) Issue of warrants at the initial exercise price of HK\$0.62 per Share to L Capital</p>	<p>Approximately HK\$378.7 million</p> <p>Approximately HK\$99.8 million, assuming the warrants are exercised in full</p>	<p>for (i) general working capital of the Group including the expansion of the Group’s retail network including opening new outlets; and (ii) to settle the interest and principal of the existing convertible bond issued to D. E. Shaw group, Shikumen Special Situations Fund and Main Wealth Enterprises Limited in the amount of approximately HK\$100.7 million</p> <p>for general working capital of the Group</p>	<p>The proceeds were used for general working capital and for settlement of the convertible bonds as intended. As for the general working capital, the Group has utilized the money for opening two new retail outlets in Hong Kong and for the daily operation of existing outlets of the Group.</p> <p>As at the date of this announcement, the warrants have not yet been exercised.</p>

EFFECT ON SHAREHOLDING

Set out below is the effect on the shareholding structure of the Company by the Top-up Placing and Top-up Subscription:

	As at the date of this announcement		Immediately after Top-up Placing but before the Top-up Subscription		Immediately after the Top-up Placing and Top-up Subscription	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Vendor	3,510,770,000	59.32	2,710,770,000	45.80	3,510,770,000	52.26
The Placees	–	–	800,000,000	13.52	800,000,000	11.91
Other public Shareholders	2,407,743,703	40.68	2,407,743,703	40.68	2,407,743,703	35.83
Total	<u>5,918,513,703</u>	<u>100.00</u>	<u>5,918,513,703</u>	<u>100.00</u>	<u>6,718,513,703</u>	<u>100.00</u>

GENERAL

ESL, one of the Placing Agents, is an indirect wholly-owned subsidiary of ECG. The Company and ECG are indirectly owned as to 59.32% and 47.90% respectively by the AY Trust, a discretionary trust set up by Dr. Albert Yeung, a deemed substantial shareholder of the Company and ECG. As such, ESL is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Top-up Placing Agreement constitutes a connected transaction for the Company and ECG respectively. Ms. Cindy Yeung, the Managing Director of the Company, who had to and did abstain from voting at the board meeting of the Company held on 18 April 2011 in view of her material interest in the Top-up Placing Agreement and Top-up Subscription Agreement by virtue of being one of the eligible beneficiaries of the AY Trust. As the placing commission payable to ESL by the Company under the Top-up Placing Agreement are more than 0.1% but less than 5% of the applicable percentage ratios (as defined in the Listing Rules) and the total consideration is more than HK\$1,000,000, the Top-up Placing Agreement will be subject to reporting and announcement requirements but exempt from shareholders' approval requirements set out in Chapter 14A of the Listing Rules for the Company.

The placing commission receivable by ESL under the Top-up Placing Agreement which, together with the relevant aggregate amount of commission previously received by ESL, is within the annual cap for the year ending 30 September 2011 obtained by ECG from its shareholders on 10 May 2010.

The Vendor, Allmighty Group Limited, is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Top-up Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules which require independent Shareholders' approval at general meeting by way of poll. However, the Top-up Subscription is exempted from independent Shareholders' approval under Rule 14A.31(3)(d) of the Listing Rules if the completion of the Top-up Subscription takes place within 14 days after the date of the Placing Agreement.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Top-up Subscription Shares.

Further announcement will be made by the Company upon completion of the Top-up Placing Agreement and Top-up Subscription Agreement.

TERMS USED IN THIS ANNOUNCEMENT

“associates”	has the meaning ascribed to it in the Listing Rules
“AY Trust”	The Albert Yeung Discretionary Trust, a discretionary trust set up by Dr. Albert Yeung
“Board”	the board of Directors
“BNP Paribas Capital”	BNP Paribas Capital (Asia Pacific) Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in Schedule 5 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Company”	Emperor Watch & Jewellery Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange
“Completion”	completion of the obligations of the parties under the Top-up Placing Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules

“Director(s)”	director(s) of the Company
“Dr. Albert Yeung”	Dr. Yeung Sau Shing, Albert
“ECG”	Emperor Capital Group Limited, an exempted a company incorporated in Bermuda with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange
“ESL”	Emperor Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) and 4 (advising on securities) regulated activities as defined in Schedule 5 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and an indirect wholly-owned subsidiary of ECG
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company on 17 March 2011 to issue and allot up to 1,183,702,740 new Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the extraordinary general meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Placee(s)”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agents to subscribe for any of the Placing Shares pursuant to the Placing Agents’ obligations under Top-up Placing Agreement
“Placing Agents”	BNP Paribas Capital and ESL
“PRC” or “China”	The People’s Republic of China
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers issued by the Securities and Futures Commission
“Top-up Placing”	the placing of 800,000,000 existing Shares pursuant to the terms of the Top-up Placing Agreement
“Top-up Placing Agreement”	the agreement dated 19 April 2011 entered into by and among the Vendor, the Company and the Placing Agents in relation to the Top-up Placing
“Top-up Placing Price”	HK\$1.0 per Placing Share
“Top-up Placing Share(s)”	up to 800,000,000 Shares to be placed pursuant to the Top-up Placing Agreement
“Top-up Subscription”	the subscription of up to 800,000,000 new Shares pursuant to the terms of the Top-up Subscription Agreement
“Top-up Subscription Share(s)”	a total of 800,000,000 new Shares to be subscribed by the Vendor pursuant to the Top-up Subscription Agreement
“Top-up Subscription Agreement”	the agreement dated 19 April 2011 entered into between the Vendor and the Company in relation to the Top-up Subscription
“Top-up Subscription Price”	HK\$1.0 per Top-up Subscription Share
“United States”	United States of America
“Vendor”	Allmighty Group Limited, a company incorporated in the British Virgin Islands and is indirectly owned by the AY Trust

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

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

Hong Kong, 19 April 2011

As at the date hereof, the Board comprised:

Executive Directors:

Ms. Yeung, Cindy (*Managing Director*)

Mr. Chan Hung Ming

Mr. Wong Chi Fai

Ms. Fan Man Seung, Vanessa

Non-executive Director:

Mr. Hanji Huang

Independent non-executive Directors:

Mr. Chan Hon Piu

Ms. Yip Kam Man

Ms. Lai Ka Fung, May