



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 2015



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# 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 Group has extensive retail networks in Hong Kong, Macau, the People’s Republic of China (the “PRC”) and Singapore. The target customers range from middle to high income groups worldwide. With a history of over 70 years, the Company carries a balanced and comprehensive watch dealership list.

## FOREWORD

The six months ended 30 June 2015 (the “Period”) proved extraordinary because of various market challenges. Market sentiment in Hong Kong stayed weak, in response to the continued austerity initiatives and unfavourable tourism environment following local protests in the previous year. Growth in numbers of Mainland China visitors, who have for long been the mainstay of Hong Kong and Macau tourism revenue, has started to slow, in terms of both visitations and spending power. Coupled with the weakening of foreign currencies against the US dollar, and therefore against the Hong Kong dollar, some of the consumption demand has shifted to overseas markets. The Hong Kong luxury sector as a whole shows signs of slowing after years of rapid growth.

Hong Kong retail space continues to rank as the world’s most expensive, although rents started moderating in recent months. Hong Kong retailers are set to face an even worse situation at the operating level.

Against the backdrop of a tough market environment, the Group implemented the following strategies to mitigate the potential downside risk:

- The Group has been planning to streamline the retail network in Hong Kong, in order to reduce rental pressure and enhance the overall efficiency at operating level;
- The Group further strengthened the marketing efforts of the jewellery business, to mitigate the decline of the overall gross profit margin, despite the decline of watch gross profit margin in tandem with the watch price cuts in Hong Kong; and



# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## FOREWORD (Continued)

- The Group closely monitored the inventory level and remixed the product portfolio in line with market responses, to maximise the use of capital and maintain an adequate cash position.

## FINANCIAL REVIEW

### *Overall Review*

During the Period, the Group's performance was adversely affected by various macro headwinds. The Group's revenue decreased by 21.1% to HK\$2,419.6 million (1H2014: HK\$3,066.0 million). In spite of the headwinds, the watch segment remained a key revenue contributor, and its revenue inevitably decreased, by 21.9% to HK\$1,946.8 million (1H2014: HK\$2,492.5 million), which accounted for 80.5% (1H2014: 81.3%) of the Group's revenue. The revenue from jewellery segment decreased by 17.6% to HK\$472.8 million (1H2014: HK\$573.5 million). 79.0% (1H2014: 83.5%) of the Group's total revenue was supported by the Hong Kong market.

Gross profit decreased by 23.1% to HK\$591.9 million (1H2014: HK\$770.0 million). Due to the watch price cuts in Hong Kong during the Period, the overall gross profit margin decreased to 24.5% (1H2014: 25.1%). Nevertheless, this gross profit margin decline was mitigated by the enhanced mix of the jewellery business.

The Group recorded LBITDA and a net loss of HK\$23.1 million (1H2014: EBITDA of HK\$155.8 million) and HK\$54.1 million (1H2014: net profit of HK\$104.7 million), respectively. Such losses were mainly attributable to an increase in rental expenses, coupled with the weakening sales momentum and decline of gross profit margin.

### *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 2015 amounted to HK\$605.8 million (31 December 2014: HK\$443.8 million), which were mainly denominated in Hong Kong dollars ("HKD") and Renminbi ("RMB"). As at 30 June 2015, the Group had no bank borrowings (31 December 2014: Nil). The Group also had available unutilised banking facilities of approximately HK\$853.0 million. The strong liquidity with debt-free position and considerable unutilised banking facilities enable the Group to retain high flexibility for future development.

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## FINANCIAL REVIEW (Continued)

As at 30 June 2015, the Group's current assets and current liabilities were approximately HK\$4,278.9 million (31 December 2014: HK\$4,461.6 million) and HK\$214.0 million (31 December 2014: HK\$338.5 million), respectively. Current ratio and quick ratio of the Group were 20.0 (31 December 2014: 13.2) and 3.5 (31 December 2014: 1.8), respectively.

In view of the Group's financial position as at 30 June 2015, the board of directors of the Company (the "Board" or "Directors") considered that the Group had sufficient working capital for its operations and future development plans.

## BUSINESS REVIEW

### *Foothold in Prime Retail Locations*

As at 30 June 2015, the Group had 97 stores (31 December 2014: 88) in Hong Kong, Macau, the PRC and Singapore. Details are as follows:

	<b>Number of stores</b>
Hong Kong	24
Macau	6
The PRC	61
Singapore	6
<b>Total</b>	<b>97</b>

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



# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## BUSINESS REVIEW (Continued)

The Group's retail stores in Hong Kong are strategically located in major high-end 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. The Group enjoys a high penetration rate amongst visitors and brand enhancement through its presence in prime areas.

During the Period, the Group reshuffled the jewellery business in the PRC and further extended its retail network in Singapore.

### *Jewellery Business Expansion*

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 newly launched “Signature Series”, “Blooming Heart Series” and “Move My Heart Series” for its “Heartbeat Journey” collections, to boost loyalty of sophisticated customers and target new shoppers in different income groups. During the Period, the Group optimised the coverage for “**Emperor Jewellery**” stores in the PRC and extended its retail chain in Tier II and III cities, which are experiencing higher economic growth and rapid expansion in jewellery markets.

### *Reinforcing Emperor Jewellery Brand Positioning*

The Group also made special use of numerous celebrity endorsements, print advertisements and social media to promote its jewellery products and build brand equity. The Group hosted a variety of jewellery shows to consolidate VIP customers and widen the new customer base. By capturing ever-expanding opportunities via online and social media, the Group also strengthened its related marketing efforts and enhanced brand awareness of “**Emperor Jewellery**” through various cost-effective advertising campaigns. During the Period, a holistic advertising campaign has been launched with Ms. Charlene Choi, a renowned artist in Asia, featuring the Group's “Heartbeat Journey” collections.



# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## BUSINESS REVIEW (Continued)

### *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 guaranteed foot traffic. Another synergy arises through Emperor Entertainment Group, a private arm under Emperor Group. The Group invited VIP guests to its movie premieres and sponsored 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

The Group holds a cautiously optimistic view regarding the consumption power of the middle class, which is driven by the gradual improvement of the economic environment and their growing wealth. Subsequent to the successful expansion to Singapore, where the Group has a sound and proven track record since 2013, the Group continues to eye further expansion opportunities in Asian markets and beyond, leveraging the compelling potential arising from Chinese travellers around the world.

Ongoing urbanisation and a growing middle-class indicate that growth opportunities still abound in the PRC. The Group aims to lead branding and marketing activities in an effective and efficient manner, to maximise the exposure of “**Emperor Jewellery**”. The Group intends to increase the sales capacity of the jewellery business and enhance brand awareness of “**Emperor Jewellery**” by optimising the retail network of “**Emperor Jewellery**” stores, especially in the mainland.



# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## PROSPECTS (Continued)

In spite of the challenges in the market environment, the Group will continue to focus on Greater China while reinforcing its leadership position throughout the region. The Group will promptly react to market changes and take appropriate measures to address and improve its overall operating efficiency, to stay competitive in the marketplace and, ultimately, ensure it reaps the greatest potential once market momentum revives. Chinese consumers are exhibiting increasingly sophisticated tastes in all major categories, as a result of a general increase in education level and an ease of information access. The Group remains steadfast in its commitment to delivering the best products and experience to its customers. The Group will maximise its efforts in different areas to further enhance its distinctive strengths in both watch and jewellery businesses.

## 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 2015, the Group did not have any material contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group has 962 salespersons (30 June 2014: 979) and 210 office staff (30 June 2014: 217). Total staff costs (including Directors' remuneration) for the Period were approximately HK\$132.2 million (1H2014: HK\$141.1 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.

## INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the financial year ending 31 December 2015 (2014: HK0.40 cent per share).

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Revenue	3	2,419,600	3,065,974
Cost of sales		(1,827,667)	(2,295,943)
Gross profit		591,933	770,031
Other income		2,430	4,754
Selling and distribution expenses		(560,516)	(552,744)
Administrative expenses		(87,789)	(96,113)
(Loss) profit before taxation	4	(53,942)	125,928
Taxation	5	(178)	(21,274)
(Loss) profit for the period		(54,120)	104,654
Other comprehensive (expense) income for the period:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(895)	(15,549)
Total comprehensive (expense) income for the period attributable to owners of the Company		(55,015)	89,105
(Loss) earnings per share – Basic	6	HK(0.79) cent	HK1.50 cents



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	As at	
		30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		116,217	123,821
Deferred tax asset		13,281	9,332
Rental deposits		194,664	200,174
Deposit paid for acquisition of property, plant and equipment		–	1,373
		<b>324,162</b>	<b>334,700</b>
<b>Current assets</b>			
Inventories		3,531,001	3,838,528
Receivables, deposits and prepayments	8	114,502	162,927
Taxation recoverable		27,626	16,366
Bank balances and cash		605,780	443,811
		<b>4,278,909</b>	<b>4,461,632</b>
<b>Current liabilities</b>			
Payables, deposits received and accrued charges	9	206,828	331,534
Amounts due to related companies	10	4,399	4,315
Taxation payable		2,819	2,678
		<b>214,046</b>	<b>338,527</b>
<b>Net current assets</b>		<b>4,064,863</b>	<b>4,123,105</b>
<b>Net assets</b>		<b>4,389,025</b>	<b>4,457,805</b>
<b>Capital and reserves</b>			
Share capital		3,484,152	3,484,152
Reserves		904,873	973,653
<b>Total equity</b>		<b>4,389,025</b>	<b>4,457,805</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	
<b>As at 1 January 2014 (audited)</b>	68,824	3,415,328	(373,003)	(26,162)	2,529	63,218	1,256,676	4,407,410
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(15,549)	-	(15,549)
Profit for the period	-	-	-	-	-	-	104,654	104,654
Total comprehensive income for the period	-	-	-	-	-	(15,549)	104,654	89,105
De-registration of subsidiaries	-	-	-	(5)	-	82	-	77
Transfer upon abolition of par value (Note)	3,415,328	(3,415,328)	-	-	-	-	-	-
Final dividend paid for 2013	-	-	-	-	-	-	(39,918)	(39,918)
<b>As at 30 June 2014 (unaudited)</b>	<b>3,484,152</b>	<b>-</b>	<b>(373,003)</b>	<b>(26,167)</b>	<b>2,529</b>	<b>47,751</b>	<b>1,321,412</b>	<b>4,456,674</b>
<b>As at 1 January 2015 (audited)</b>	<b>3,484,152</b>	<b>-</b>	<b>(373,003)</b>	<b>(26,167)</b>	<b>2,529</b>	<b>42,924</b>	<b>1,327,370</b>	<b>4,457,805</b>
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(895)	-	(895)
Loss for the period	-	-	-	-	-	-	(54,120)	(54,120)
Total comprehensive expense for the period	-	-	-	-	-	(895)	(54,120)	(55,015)
Final dividend paid for 2014	-	-	-	-	-	-	(13,765)	(13,765)
<b>As at 30 June 2015 (unaudited)</b>	<b>3,484,152</b>	<b>-</b>	<b>(373,003)</b>	<b>(26,167)</b>	<b>2,529</b>	<b>42,029</b>	<b>1,259,485</b>	<b>4,389,025</b>

Note: Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders of the Company ("Shareholders") as a result of this transition. In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), since 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Net cash from (used in) operating activities	197,210	(138,492)
Net cash used in investing activities	(16,658)	(30,541)
Net cash used in financing activities	(13,765)	(39,918)
Net increase (decrease) in cash and cash equivalents	166,787	(208,951)
Cash and cash equivalents at the beginning of the period	443,811	657,099
Effect of foreign exchange rate changes	(4,818)	(5,005)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	605,780	443,143



# 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 as well as with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities (the “Listing Rules”) on the The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Companies Ordinance (Cap. 622).

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014.

The financial information relating to the year ended 31 December 2014 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2015 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was 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 Hong Kong Companies Ordinance.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and basis of presentation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2014, except for the application of the following new and revised HKFRSs, HKASs, amendments and interpretations (hereinafter collectively referred to as the "new and revised HKFRSs") effective from 1 January 2015:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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

# 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:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidated Exceptions <sup>3</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>3</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bear Plants <sup>3</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the 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 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 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 chief operating decision maker 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 2015

	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	1,911,082	157,343	351,175	-	2,419,600
Inter-segment sales*	58,901	9,291	-	(68,192)	-
	<u>1,969,983</u>	<u>166,634</u>	<u>351,175</u>	<u>(68,192)</u>	<u>2,419,600</u>

\* Inter-segment sales are charged at cost

Segment profit	<u>9,311</u>	<u>17,288</u>	<u>4,818</u>	<u>-</u>	<u>31,417</u>
Unallocated administrative expenses					(87,535)
Interest income					<u>2,176</u>
Loss before taxation					<u>(53,942)</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

For the six months ended 30 June 2014

	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	2,561,327	185,502	319,145	–	3,065,974
Inter-segment sales*	58,499	10,019	–	(68,518)	–
	<u>2,619,826</u>	<u>195,521</u>	<u>319,145</u>	<u>(68,518)</u>	<u>3,065,974</u>

\* Inter-segment sales are charged at cost

Segment profit	<u>186,269</u>	<u>26,420</u>	<u>4,658</u>	<u>–</u>	<u>217,347</u>
Unallocated administrative expenses					(94,684)
Interest income					<u>3,265</u>
Profit before taxation					<u>125,928</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 represents the gross profit 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. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
<b>(Loss) profit before taxation has been arrived at after charging:</b>		
Allowance for inventories	3,170	1,483
Cost of inventories included in cost of sales	1,818,188	2,289,128
Depreciation of property, plant and equipment	30,829	29,890
Loss on disposal of property, plant and equipment	679	1,618
Net exchange loss	417	2,221
Operating lease payments in respect of rented premises		
– minimum lease payments	345,584	330,906
– contingent rent	18,460	19,461
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	121,385	130,579
– retirement benefits scheme contributions	10,802	10,537

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

## 5. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2015 (unaudited) HK\$'000</b>	2014 (unaudited) HK\$'000
<b>The charge comprises:</b>		
Current period:		
Hong Kong	3,986	19,835
Macau	141	2,093
	<b>4,127</b>	21,928
Deferred taxation	<b>(3,949)</b>	(654)
	<b>178</b>	21,274

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company's subsidiaries in the PRC is 25% from 1 January 2008 onwards.

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

## 6. (LOSS) EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2015 (unaudited) HK\$'000</b>	2014 (unaudited) HK\$'000
<b>(Loss) earnings</b>		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic (loss) earnings per share	<b>(54,120)</b>	104,654



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

## 6. (LOSS) EARNINGS PER SHARE *(Continued)*

	<b>Six months ended 30 June</b>	
	<b>2015 (unaudited)</b>	2014 (unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>6,882,448,129</b>	6,882,448,129

Diluted (loss) earnings per share is not presented because there were no potential dilutive ordinary shares in issue during both periods.

## 7. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2015 (unaudited) HK\$'000</b>	2014 (unaudited) HK\$'000
Final dividend of HK0.20 cent per share for the year ended 31 December 2014 paid during the Period (year ended 31 December 2013: HK0.58 cent per share)	<b>13,765</b>	39,918

The Board did not declare the payment of an interim dividend for the financial year ending 31 December 2015 (2014: HK0.40 cent per share, amounting to approximately HK\$27,530,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

## 8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Trade receivables	51,235	63,832
Other receivables, deposits and prepayments	53,455	76,795
Other PRC tax recoverable	6,097	21,518
Other Singapore tax recoverable	3,715	782
	<b>114,502</b>	<b>162,927</b>

Retails sales are normally settled in cash or by credit card with the settlement from the corresponding banks or other financial institutions within 7 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 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Within 30 days	40,901	51,054
31 – 60 days	1,970	2,149
61 – 90 days	744	119
91 – 120 days	273	–
Over 120 days	7,347	10,510
	<b>51,235</b>	<b>63,832</b>

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\$10,990,000 (31 December 2014: HK\$12,778,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over nor charge any interest on these balances.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

Ageing of trade receivables which are past due but not impaired:

	As at	
	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Overdue 1 – 30 day(s)	2,591	2,149
Overdue 31 – 60 days	778	119
Overdue 61 – 90 days	609	2,617
Overdue more than 90 days	7,012	7,893
	<b>10,990</b>	<b>12,778</b>

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.

## 9. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	As at	
	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Trade payables	81,490	190,754
Other payables, deposits received and accrued charges	125,127	140,562
Other PRC tax payables	211	218
	<b>206,828</b>	<b>331,534</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

## 9. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES *(Continued)*

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 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Within 30 days	79,768	171,940
31 – 60 days	1,722	17,113
61 – 90 days	–	1,027
Over 90 days	–	674
	<b>81,490</b>	<b>190,754</b>

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

## 10. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies mainly represent the rental, electricity and air-conditioning expenses payable and 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 STC International Limited (“STC International”) is the trustee and of which Ms. Cindy Yeung, the Chairperson of the Company, is one of the eligible beneficiaries.

## 11. CAPITAL COMMITMENTS

	As at	
	30 June 2015 (unaudited) HK\$'000	31 December 2014 (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	213	371



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

## 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 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Within one year	625,159	607,563
In the second to fifth year inclusive	588,058	783,828
	<b>1,213,217</b>	<b>1,391,391</b>

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 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\$666,134,000 (31 December 2014: HK\$782,227,000) which fall due as follows:

	As at	
	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Within one year	298,415	273,602
In the second to fifth year inclusive	367,719	508,625
	<b>666,134</b>	<b>782,227</b>

The related companies are companies controlled by the AY Trust.

# 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:

	<b>Six months ended 30 June</b>	
	<b>2015 (unaudited) HK\$'000</b>	<b>2014 (unaudited) HK\$'000</b>
(1) Sales of goods to Directors, their close family members and related companies (Note b)	<b>1,721</b>	6,659
(2) Purchase of goods from Director's close family member	<b>760</b>	–
(3) Rental, electricity and air-conditioning expenses paid and payable to related companies (Notes a and b)	<b>141,007</b>	119,358
(4) Service charge in respect of information system and administrative work paid and payable to related companies (Note b)	<b>11,969</b>	12,689
(5) Advertising expenses paid and payable to related companies (Note b)	<b>1,350</b>	512
(6) Financial advisory fee paid and payable to a related company (Note b)	<b>210</b>	210
	<b>157,017</b>	139,428



# 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:

	<b>Six months ended 30 June</b>	
	<b>2015 (unaudited) HK\$'000</b>	2014 (unaudited) HK\$'000
Salaries and other short-term employee benefits	<b>3,516</b>	5,139
Retirement benefits costs	<b>9</b>	8
	<b>3,525</b>	5,147

As at 30 June 2015, deposits paid to related companies, which are companies controlled by the AY Trust, amounting to approximately HK\$82,440,000 (31 December 2014: HK\$81,430,000) were included in rental deposits under non-current assets.

As at 30 June 2015, no prepaid rental expenses to related companies, which are companies controlled by the AY Trust, was included in receivables, deposits and prepayments (31 December 2014: HK\$3,143,000).

The Company provided corporate guarantees of approximately HK\$912,511,000 (31 December 2014: HK\$912,358,000) to banks in respect of the credit facilities granted to its subsidiaries. No facilities have been utilised by subsidiaries at the end of the reporting period (2014: nil).

Notes:

- (a) The expenses paid are in relation to the tenancy agreements entered into with the related companies.
- (b) The related companies are companies controlled by Directors of the Company or their associates or the AY Trust of which STC International is the trustee and of which Ms. Cindy Yeung, the Chairperson of the Company, is one of the eligible beneficiaries.

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

As at 30 June 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or 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”)*

<b>Name of Director</b>	<b>Capacity / Nature of interests</b>	<b>Number of issued Shares</b>	<b>Approximate % holding</b>
Ms. Cindy Yeung	Beneficiary of a trust	3,617,860,000	52.57%

*Note:* The above 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 being the trustee of 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

### (i) Ordinary shares

Name of Director	Name of associated corporations	Capacity / Nature of interests	Deemed interest of shares	Approximate % holding
Ms. Cindy Yeung	Emperor International Holdings Limited ("Emperor International")	Beneficiary of a trust	2,747,610,489 (Note 1)	74.71%
- ditto -	Emperor Entertainment Hotel Limited ("Emperor E Hotel")	- ditto -	816,287,845 (Note 1)	62.67%
- ditto -	Emperor Capital Group Limited ("Emperor Capital Group")	- ditto -	2,660,275,360 (Note 1)	50.69%
Ms. Fan Man Seung, Vanessa	Emperor International	Beneficial owner	10,769,475 (Note 1)	0.29%

### (ii) Share options

Name of Director	Name of associated corporation	Capacity / Nature of interests	Number of underlying shares	Approximate % holding
Mr. Wong Chi Fai ("Mr. Bryan Wong")	Emperor International	Beneficial owner	10,769,475 (adjusted) (Note 2)	0.29%

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

## (b) Long position interests in associated corporations (Continued)

### (iii) Debentures

Name of Director	Name of associated corporation	Capacity/Nature of interests	Amount of debentures held
Ms. Cindy Yeung	Emperor International	Beneficiary of a trust	HK\$270,000,000 (Note 3)

#### Notes:

1. Emperor International, Emperor E Hotel and Emperor Capital Group are companies with their shares listed on the Stock Exchange. These respective shares were ultimately owned by AY Holdings which was in turn held by STC International, being the trustee of 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.
2. These share options were granted to Mr. Bryan Wong, being a director of Emperor International, under the share option scheme of Emperor International.
3. These debentures were ultimately owned by the AY Trust of which Ms. Cindy Yeung was one of the eligible beneficiaries and had deemed interests in the debentures of Emperor International.

Save as disclosed above, as at 30 June 2015, 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

As at 30 June 2015, 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 under Section 336 of the SFO or as otherwise notified to the Company were as follows:

## Long positions in the Shares

<b>Name</b>	<b>Capacity / Nature of interests</b>	<b>Number of issued Shares</b>	<b>Approximate % holding</b>
Emperor W&J Holdings	Beneficial owner	3,617,860,000 (Note)	52.57%
AY Holdings	Interest in a controlled corporation	3,617,860,000 (Note)	52.57%
STC International	Trustee of the AY Trust	3,617,860,000 (Note)	52.57%
Dr. Yeung Sau Shing, Albert	Founder of the AY Trust	3,617,860,000 (Note)	52.57%
Ms. Luk Siu Man, Semon	Interest of spouse	3,617,860,000 (Note)	52.57%
Brandes Investment Partners, L.P.	Investment manager	348,104,620	5.06%

*Note:* These Shares were the same Shares as those 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 2015, no short positions were recorded in the SFO register of the Company.

Save as disclosed above, as at 30 June 2015, the Directors were not aware of any other 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 register required to be kept under Section 336 of the SFO 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 major terms of the Scheme are summarized as follows:

1. **Purpose of the Scheme:** To enable to Group to grant options to selected participants as incentives or rewards for their contribution to the Group.
2. **Eligibility:** Eligible participants include employee (whether full-time or part time, including any Executive Director, Non-executive Director or Independent Non-executive Director) and such other eligible participants.
3. (a) **Total number of Shares available for issue** under the Scheme:
  - as at 30 March 2015 (i.e. the date of the last Annual Report): 671,851,375 Shares; and
  - as at 27 August 2015 (i.e. the date of this Interim Report): 688,244,812 Shares;
- (b) **Percentage of the issued shares** that it represents as at 30 March 2015 and 27 August 2015: 9.76% and 10% respectively.
4. **Maximum entitlement of each eligible participant** under the Scheme:
  - (a) not to exceed 1% of the Shares in issue in any 12-month period unless approved by the Shareholders;
  - (b) options granted to substantial shareholders or Independent Non-executive Directors or their respective associates in any one year exceeding the higher of 0.1% of the Shares in issue and with a value in excess of HK\$5,000,000 must be approved by the Shareholders.



# SHARE OPTIONS AND OTHER INFORMATION (Continued)

## SHARE OPTIONS (Continued)

5. **Period within which the Shares must be taken up under an option:** At any time from the date of acceptance of the option to such a date determined by the Board but in any event not exceeding 10 years from the date of grant.
6. **Minimum period for which an option must be held before it can be exercised:** No minimum period unless otherwise determined by the Board.
7.
  - (a) **Price** payable on application or acceptance of the option: HK\$1.00;
  - (b) The period within which **payments or calls** must or may be made: Within 28 days from the date of grant;
  - (c) Period within which **loans** for such purposes of the payments or calls must be **repaid**: No applicable.
8. **Basis for determining the exercise price:**

The exercise price is determined by the Board and will not be less than the highest of (a) the closing price of the Share on the date of grant; (b) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (c) 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).
9. **The remaining life of the Scheme:** Approximately 3 years (expiring on 18 June 2018).

During the Period, no option was outstanding, granted, exercised, cancelled or lapsed under the Scheme.

# SHARE OPTIONS AND OTHER INFORMATION (Continued)

## CORPORATE GOVERNANCE

### *Corporate Governance Code*

During the Period, the Company had complied with all code provisions of the Corporate Governance Code under Appendix 14 of the Listing Rules, except with the deviation from code provision A.2.1 which requires the roles of chairman and chief executive officer be separate and not be performed by the same individual. Taking up the role of Chairperson and Managing Director, Ms. Cindy Yeung provides the Group with strong and consistent leadership, and at the same time drives the strategic growth of the Group. As the Board members are keeping abreast of the conduct, business activities and development of the Group and as the day-to-day business operations of the Group are properly delegated to the management team of the Company as formalized by the Board, the Board considers that the current Board structure functions effectively and does not intend to make any change thereof.

### *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.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to the requirements of Rule 13.51B(1) of the Listing Rules, the changes in Directors' information since the date of the 2014 Annual Report which are required to be disclosed are set out below:

### (a) *Directorship*

Mr. Chan Hon Piu was appointed as independent non-executive director of Emperor International with effect from 18 August 2015.





# 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 two Executive Directors, namely Ms. Cindy Yeung and Mr. Chan Hung Ming, with effect from 1 January 2015 based on the performance, experience, ability and responsibility of the individuals and with reference to the market rates. The total emoluments of the two Executive Directors of the Company, namely Ms. Cindy Yeung and Mr. Chan Hung Ming for the six months ended 30 June 2015 were HK\$1,922,049 and HK\$1,153,000 respectively. These amounts comprised basic salaries, allowance 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 paid during the Period.

Save as disclosed above, the Company is not aware of other changes in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## REVIEW OF INTERIM REPORT

The condensed consolidated financial statements as set out in this interim report have not been audited nor reviewed 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.



# SHARE OPTIONS AND OTHER INFORMATION (Continued)

## 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 Yeung**  
*Chairperson*

Hong Kong, 27 August 2015

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. Yip Kam Man  
Mr. Chan Hon Piu  
Ms. Lai Ka Fung, May

This interim report (in both English and Chinese versions) is available to any Shareholder in printed form and on the websites of the Stock Exchange (<http://hkex.com.hk>) and the Company (<http://www.emperorwatchjewellery.com>). In order to protect the environment, the Company highly recommends shareholders to elect to receive electronic copy of this report. Upon written request, a free printed version of Corporate Communication will be sent to shareholders who have elected to receive electronic copies but for any reason have difficulty in receiving or gaining access to any Corporate Communication through the Company's website. 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](mailto:is-enquiries@hk.tricorglobal.com).

