



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 2016

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SNAPSHOTS

- Revenue decreased to HK\$1,674.9 million (1H2015: HK\$2,419.6 million), primarily due to weakened consumption sentiment in Hong Kong resulting from a strong local currency and falling Mainland China visitor arrivals
- Gross profit margin reached 24.9% (1H2015: 24.5%), while it was dragged by watch price cuts in Hong Kong during the first half of 2015
- Rental expense was well-managed, along with negative rental reversion and optimisation of Hong Kong retail network
- As a result of streamlined Hong Kong retail network and optimised product portfolio, the overall inventory level further reduced to HK\$2,935.2 million (30 June 2015: HK\$3,531.0 million; 31 December 2015: HK\$3,219.2 million)
- “**Emperor Jewellery**” Wechat shop was commenced in July this year, aiming to capture massive and ever-growing mobile retail market in Mainland China
- Planned to extend store footprint from tourist shopping areas to emerging shopping areas, where consumption is dominated by local demand



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, Mainland China 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.

FINANCIAL REVIEW

Overall Review

During the six months ended 30 June 2016 (the “Period”), the Group’s performance was adversely affected by weakened consumption sentiment in Hong Kong resulting from a strong local currency and falling Mainland China visitor arrivals. The Group’s revenue decreased by 30.8% to HK\$1,674.9 million (1H2015: HK\$2,419.6 million). In spite of the headwinds, the watch segment remained a key revenue contributor, and its revenue inevitably decreased by 31.0% to HK\$1,343.1 million (1H2015: HK\$1,946.8 million), which accounted for 80.2% (1H2015: 80.5%) of the Group’s revenue. The revenue from jewellery segment decreased by 29.8% to HK\$331.8 million (1H2015: HK\$472.8 million). 75.1% (1H2015: 79.0%) of the Group’s total revenue was supported by the Hong Kong market.

Gross profit decreased by 29.6% to HK\$417.1 million (1H2015: HK\$591.9 million). Gross profit margin reached 24.9% (1H2015: 24.5%), while it was dragged by watch price cuts in Hong Kong during the first half of 2015.

The Group recorded LBITDA and a net loss of HK\$39.3 million (1H2015: HK\$23.1 million) and HK\$68.6 million (1H2015: HK\$54.1 million), respectively. Such losses were mainly attributable to the weakening sales momentum and decline of gross profit.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 2016 amounted to HK\$1,022.5 million (31 December 2015: HK\$809.5 million), which were mainly denominated in Hong Kong dollars (“HKD”) and Renminbi (“RMB”). As at 30 June 2016, the Group had no bank borrowings (31 December 2015: Nil) and its gearing ratio (calculated on the basis of the total borrowings over total equity) was nil (31 December 2015: Nil). The Group also had available unutilised banking facilities of approximately HK\$847.1 million. The strong liquidity with debt-free position and considerable unutilised banking facilities enables the Group to retain high flexibility for future development.

As at 30 June 2016, the Group’s current assets and current liabilities were approximately HK\$4,086.3 million (31 December 2015: HK\$4,183.4 million) and HK\$129.5 million (31 December 2015: HK\$190.3 million), respectively. Current ratio and quick ratio of the Group were 31.6 (31 December 2015: 22.0) and 8.9 (31 December 2015: 5.1), respectively.

In view of the Group’s financial position as at 30 June 2016, 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

Presence in Prime Retail Locations

As at 30 June 2016, the Group had 98 stores (31 December 2015: 100) in Hong Kong, Macau, Mainland China and Singapore. The distribution is as follows:

	Number of stores
Hong Kong	20
Macau	6
Mainland China	66
Singapore	6
Total	98



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

These stores include standalone jewellery stores, specialty outlets for specific watch brands and multi-brand watch stores (with or without jewellery counters) to create a one-stop shopping experience. Given that the market momentum continued to stay weak during the Period, the Group streamlined the retail network in Hong Kong.

The Group's retail stores in Hong Kong are strategically located in major prime shopping areas, including Russell Street in Causeway Bay, Canton Road in Tsim Sha Tsui and Queen's Road Central in Central. Having a solid presence in these prime locations is of paramount importance for a leading retailer of watches, in which the Group enjoys more visitations and brand enhancement. As the Hong Kong consumption sector as a whole continued to show sign of slowing, the Group successfully enjoyed rental cut in several retail spaces. Coupled with the optimisation of Hong Kong retail network, it is expected that it will ease the overall rental pressure.

Enhancing Jewellery Business

The Group continued to offer premium quality **"Emperor Jewellery"** products to customers. With the key focus on quality gem settings and fine jadeites among the comprehensive product range and commitment to high service standards, the Group enriched the design features to satisfy diverse customer tastes and enhanced the charisma of signature **"Emperor Jewellery"** collections to raise brand loyalty. During the Period, the Group rolled out "Crown Your Life 12+1" collection, featuring 12 cartoons of Chinese zodiac animals and an iconic cat. Incorporating Chinese tradition into trendy design, the "Crown Your Life 12+1" gold pieces serve as ideal amulet for youngsters with blessings of prosperity and good fortune. Aiming to enhance the exposure of "Crown Your Life 12+1" collection, the Group has launched a marketing campaign that integrated social and print media, as well as outdoor advertisements. The Group has earlier introduced an exclusive line of "Baby" collection to cover a charming range of gold jewellery items, which represents delightful gifts for infant birthdays and other special occasions. As China's nationwide two-child policy has been in place since January 2016, the "Baby" collection has been poised to receive a booming response.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

In order to capture massive potentials of mobile users, the Group has launched the products of “**Emperor Jewellery**” over WeChat Mall, one of the most popular mobile sales platforms among the Mainland Chinese, subsequent to the Period. Such action marks a significant milestone for the Group to extend its sales coverage beyond the traditional physical stores. During the Period, the Group optimised the coverage for “**Emperor Jewellery**” stores in Mainland China and extended its retail chain with more emphasis on Tier II and III cities, which has been experiencing higher economic growth and rapid expansion in jewellery markets.

Leveraging Group Synergies

The Group enjoys unique advantages by leveraging synergies with other companies within Emperor Group. For example, Emperor International Holdings Limited – another listed company under Emperor Group – owns many premium retail properties in renowned shopping areas. By leasing prime retail locations from it on an “arm’s length basis”, the Group can enjoy guarantee foot traffic. Another synergy arises through Emperor Entertainment Group, 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

Ongoing urbanisation and a growing middle-class indicate that growth opportunities still abound in the PRC. The increase of disposable income, in particular among Chinese women, and the rising women’s job market participation rate, is the strong force behind the gem set consumption. The Group aims to lead branding and marketing activities in an effective and efficient manner, to maximise the exposure of “**Emperor Jewellery**”. Accordingly, the Group will offer more fashionable and affordable jewellery products suitable for wearing in workplace to cater to the trend of popularisation of jewellery consumption and to attract middle-class customers. In light of the ever-changing market, the Group will continue to seek to operate e-commerce through online shopping platforms to capture massive potentials of internet and mobile users.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Against the backdrop of a tough market environment, the Group is planning several strategies for mitigating the potential downside risk. The Group will closely monitor the inventory level and remix the product portfolio in line with market responses, to maximise the use of capital and maintain an adequate cash position. 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.

The Group is planning to extend the coverage from traditional tourist shopping areas in Hong Kong to emerging shopping areas with resilient foot traffic in the second half of 2016. The Group continues to eye further expansion opportunities in Asian markets and beyond, leveraging the compelling potential arising from Mainland China visitors around the world.

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 2016, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group has 802 salespersons (30 June 2015: 962) and 189 office staff (30 June 2015: 210). Total staff costs (including Directors' remuneration) for the Period were approximately HK\$115.0 million (1H2015: HK\$132.2 million). Employees' remuneration was determined in accordance with individual's responsibility, competence & skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits. To provide incentive or rewards to staff, the Company has adopted a share option scheme, particulars of which are set out in section headed "Share Options" of this Interim Report.

INTERIM DIVIDEND

The Board resolved not to declare payment of any interim dividend for the financial year ending 31 December 2016 (2015: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Revenue	3	1,674,853	2,419,600
Cost of sales		(1,257,712)	(1,827,667)
Gross profit		417,141	591,933
Other income		3,644	2,430
Selling and distribution expenses		(407,489)	(560,516)
Administrative and other expenses		(78,962)	(87,789)
Loss before taxation	4	(65,666)	(53,942)
Taxation	5	(2,965)	(178)
Loss for the period		(68,631)	(54,120)
Other comprehensive expense for the period: <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(1,103)	(895)
Total comprehensive expense for the period attributable to owners of the Company		(69,734)	(55,015)
Loss per share – Basic	6	HK(1.00) cent	HK(0.79) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		As at	
	Notes	30 June 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
Non-current assets			
Property, plant and equipment		87,429	101,063
Deferred tax asset		11,881	13,731
Rental deposits		144,925	168,192
Deposit paid for acquisition of property, plant and equipment		5,344	–
		249,579	282,986
Current assets			
Inventories		2,935,249	3,219,196
Receivables, deposits and prepayments	8	99,520	124,547
Taxation recoverable		28,990	30,147
Bank balances and cash		1,022,496	809,516
		4,086,255	4,183,406
Current liabilities			
Payables, deposits received and accrued charges	9	119,929	180,480
Amounts due to related companies		3,128	4,036
Taxation payable		6,425	5,824
		129,482	190,340
Net current assets		3,956,773	3,993,066
Non-current liability			
Deferred tax liability		890	856
Net assets		4,205,462	4,275,196
Capital and reserves			
Share capital		3,484,152	3,484,152
Reserves		721,310	791,044
Total equity		4,205,462	4,275,196

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company						
	Share capital HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
As at 1 January 2015 (audited)	3,484,152	(373,003)	(26,167)	2,529	42,924	1,327,370	4,457,805
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)
As at 30 June 2015 (unaudited)	3,484,152	(373,003)	(26,167)	2,529	42,029	1,259,485	4,389,025
As at 1 January 2016 (audited)	3,484,152	(373,003)	(26,195)	2,529	(5,810)	1,193,523	4,275,196
Exchange differences arising on translation of foreign operations	-	-	-	-	(1,103)	-	(1,103)
Loss for the period	-	-	-	-	-	(68,631)	(68,631)
Total comprehensive expense for the period	-	-	-	-	(1,103)	(68,631)	(69,734)
As at 30 June 2016 (unaudited)	3,484,152	(373,003)	(26,195)	2,529	(6,913)	1,124,892	4,205,462

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Net cash from operating activities	223,873	197,210
Net cash used in investing activities	(9,190)	(16,658)
Net cash used in financing activities	–	(13,765)
Net increase in cash and cash equivalents	214,863	166,787
Cash and cash equivalents at the beginning of the period	809,516	443,811
Effect of foreign exchange rate changes	(1,703)	(4,818)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	1,022,496	605,780

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable 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”) 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 2015.

The financial information relating to the year ended 31 December 2015 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2016 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 2015 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 2015, except for the application of the following new and revised HKFRSs, HKASs and amendments (hereinafter collectively referred to as the "new and revised HKFRSs") effective from 1 January 2016:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ¹
Amendments to HKFRS 2	Classification and measurement of Share-based Payment Transactions ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 7	Disclosure Initiative ³
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ³

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

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after a date to be determined

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. REVENUE AND SEGMENT INFORMATION

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

Information reported to the chief operating decision maker of the Group, for the purposes of resource allocation and assessment of segment performance, focuses on the locations of the operations. This is also the basis upon which the Group is arranged and organised. The Group's operating segments under HKFRS 8 "*Operating Segments*" are operations located in Hong Kong, Macau, and other regions in Asia Pacific. The revenue generated by each of the operating segments is mainly derived from sales of watch and jewellery. No operating segments identified by the 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 2016

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

* Inter-segment sales are charged at cost

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 other income					2,430
Unallocated administrative and other expenses					<u>(87,789)</u>
Loss before taxation					<u>(53,942)</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Loss before taxation has been arrived at after charging (crediting):		
Cost of inventories included in cost of sales (included allowance for inventories of HK\$19,164,000) (2015: HK\$3,170,000)	1,250,146	1,821,358
Depreciation of property, plant and equipment	26,371	30,829
Net loss on disposal of property, plant and equipment	695	679
Net exchange (gain) loss	(491)	417
Operating lease payments in respect of rented premises		
– minimum lease payments	236,305	345,584
– contingent rent	14,084	18,460
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	105,727	121,385
– retirement benefits scheme contributions	9,287	10,802

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5. TAXATION

	Six months ended 30 June	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
The charge comprises:		
Profits tax:		
Hong Kong	(20)	3,986
Macau	1,135	141
	1,115	4,127
Deferred taxation	1,850	(3,949)
	2,965	178

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. LOSS PER SHARE – BASIC

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

	Six months ended 30 June	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(68,631)	(54,120)

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic loss per share	6,882,448,129	6,882,448,129

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. DIVIDENDS

	Six months ended 30 June	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
2014 final dividend: HK\$0.20 cent per share	–	13,765

The Board resolved not to declare payment of any interim dividend for the financial year ending 31 December 2016 (2015: Nil).

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	30 June 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
Trade receivables	38,688	55,336
Other receivables, deposits and prepayments	55,163	63,584
Other PRC tax recoverable	4,746	4,763
Other Singapore tax recoverable	923	864
	99,520	124,547

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

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 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
Within 30 days	31,907	48,099
31 – 60 days	1,802	3,471
61 – 90 days	1,239	7
over 90 days	3,740	3,759
	38,688	55,336

Receivables that are neither past due nor impaired and 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\$6,270,000 (31 December 2015: HK\$4,712,000) 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 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
Overdue 1 – 30 day(s)	1,749	1,394
Overdue 31 – 60 days	1,497	449
Overdue 61 – 90 days	551	–
Overdue more than 90 days	2,473	2,869
	6,270	4,712

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 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
Trade payables	23,047	63,990
Other payables, deposits received and accrued charges	83,871	108,125
Other PRC tax payables	13,011	8,365
	119,929	180,480

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 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
Within 30 days	17,883	60,634
31 – 60 days	3,266	3,195
61 – 90 days	1,883	115
Over 90 days	15	46
	23,047	63,990

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 as well as service charge payable to related companies. These amounts are unsecured, interest-free and repayable on demand. The related companies represent companies controlled by The Albert Yeung Discretionary Trust ("AY Trust") of which 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

11. CAPITAL COMMITMENTS

	As at	
	30 June 2016 (unaudited) HK\$'000	31 December 2015 (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	8,851	108

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 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
Within one year	400,096	469,563
In the second to fifth year inclusive	424,617	326,885
	824,713	796,448



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

12. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessee (Continued)

Operating lease payments represent rentals payable by the Group for its offices and shops. Leases are negotiated for terms ranging from one month to four years (31 December 2015: 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\$223,889,000 (31 December 2015: HK\$331,270,000) which fall due as follows:

	As at	
	30 June 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
Within one year	171,700	192,893
In the second to fifth year inclusive	52,189	138,377
	223,889	331,270

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

13. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
(1) Sales of goods to Directors, their close family members and related companies (Note b)	5,205	1,721
(2) Purchase of goods from a Director's close family member	–	760
(3) Rental, electricity and air-conditioning expenses paid and payable to related companies (Notes a and b)	88,947	141,007
(4) Service charge in respect of information system and administrative work paid and payable to related companies (Note b)	7,330	11,969
(5) Advertising expenses paid and payable to related companies (Note b)	616	1,350
(6) Financial advisory fee paid and payable to a related company (Note b)	210	210
	102,308	157,017

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

13. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 30 June	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Salaries and other short-term employee benefits	3,350	3,516
Retirement benefits costs	9	9
	3,359	3,525

As at 30 June 2016, deposits paid to related companies, which are companies controlled by the AY Trust, amounting to approximately HK\$71,705,000 (31 December 2015: HK\$73,743,000) were included in rental deposits under non-current assets.

Notes:

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

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

As at 30 June 2016, 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”)

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

Note: The 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 in trust for the AY Trust, a discretionary trust under which Ms. Cindy Yeung is one of the eligible beneficiaries.

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

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

(i) *Ordinary shares*

Name of Director	Name of associated corporation	Capacity/ Nature of interests	Deemed interests of shares	Approximate% holding
Ms. Cindy Yeung	Emperor International Holdings Limited ("Emperor International")	Beneficiary of the AY Trust	2,747,610,489 (Note 1)	74.71%
Ms. Cindy Yeung	Emperor Entertainment Hotel Limited ("Emperor E Hotel")	Beneficiary of the AY Trust	824,622,845 (Note 1)	63.31%
Ms. Fan Man Seung, Vanessa	Emperor International	Beneficial owner	10,500,000	0.29%

(ii) *Debentures*

Name of Director	Name of associated corporation	Capacity/ Nature of interests	Amount of debentures held
Ms. Cindy Yeung	Emperor International	Beneficiary of the AY Trust	HK\$558,000,000 (Note 2)

Notes:

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

Save as disclosed above, as at 30 June 2016, none of the Directors nor chief executives of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2016, so far as is known to any Director or chief executive of the Company, the following persons or corporations (other than a Director or chief executive of the Company) who had, or were deemed or taken to have an interest and short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO ("DI Register") or as otherwise notified to the Company were as follows:

Long positions in the Shares

Name	Capacity/Nature of interests	Number of issued Shares	Approximate % holding
Emperor W&J Holdings	Beneficial owner	3,617,860,000 (<i>Note</i>)	52.57%
AY Holdings	Interest in a controlled corporation	3,617,860,000 (<i>Note</i>)	52.57%
STC International	Trustee of the AY Trust	3,617,860,000 (<i>Note</i>)	52.57%
Dr. Yeung Sau Shing, Albert	Founder of the AY Trust	3,617,860,000 (<i>Note</i>)	52.57%
Ms. Luk Siu Man, Semon	Interest of spouse	3,617,860,000 (<i>Note</i>)	52.57%
Brandes Investment Partners, L.P.	Investment manager	552,924,620	8.03%

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 2016, no short positions were recorded in the DI Register.

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any person or corporation (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares as recorded in the DI Register or otherwise notified to the Company.

SHARE OPTIONS AND OTHER INFORMATION

SHARE OPTIONS

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

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

No option was granted by the Company under the Scheme since its adoption and up to 30 June 2016.

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

SHARE OPTIONS AND OTHER INFORMATION (Continued)

CORPORATE GOVERNANCE (Continued)

Model Code for Securities Transactions

The Company had adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry to the Directors, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the Period.

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 2015 Annual Report are set out below:

(a) *Change of Directors and positions held with board committees of the Company*

Name/Positions	Appointment Date	Cessation Date
Mr. Chan Hon Piu ("Mr. HP Chan") – Independent Non-executive Director – Chairman of Nomination Committee – Member of Audit Committee – Member of Corporate Governance Committee	–	25 May 2016
Ms. Chan Sim Ling Irene ("Ms. Irene Chan") – Independent Non-executive Director – Chairman of Nomination Committee – Member of Audit Committee – Member of Corporate Governance Committee	25 May 2016	–

Note: Mr. HP Chan retired by rotation as Director upon conclusion of the annual general meeting held on 25 May 2016 ("AGM"). At the same time, Ms. Irene Chan was elected by the shareholders of the Company at the AGM as Director to fill the casual vacancy created by Mr. HP Chan upon conclusion of the AGM.

SHARE OPTIONS AND OTHER INFORMATION (Continued)

CHANGES IN INFORMATION OF DIRECTORS (Continued)

(b) Emoluments

Upon review and recommendation by the Remuneration Committee, the Board had resolved to revise the remuneration (based on the performance, experience, ability and responsibility of the individuals and with reference to the market rates) of two Executive Directors with effect from 1 January 2016. 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 2016 were HK\$1,899,514 and HK\$1,008,500 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 reviewed nor audited by the Company's auditor, Deloitte Touche Tohmatsu, but this report has been reviewed by the audit committee of the Company, which comprises the three Independent Non-executive Directors as set out in this report.

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, 30 August 2016

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
Ms. Lai Ka Fung, May
Ms. Chan Sim Ling, Irene

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

