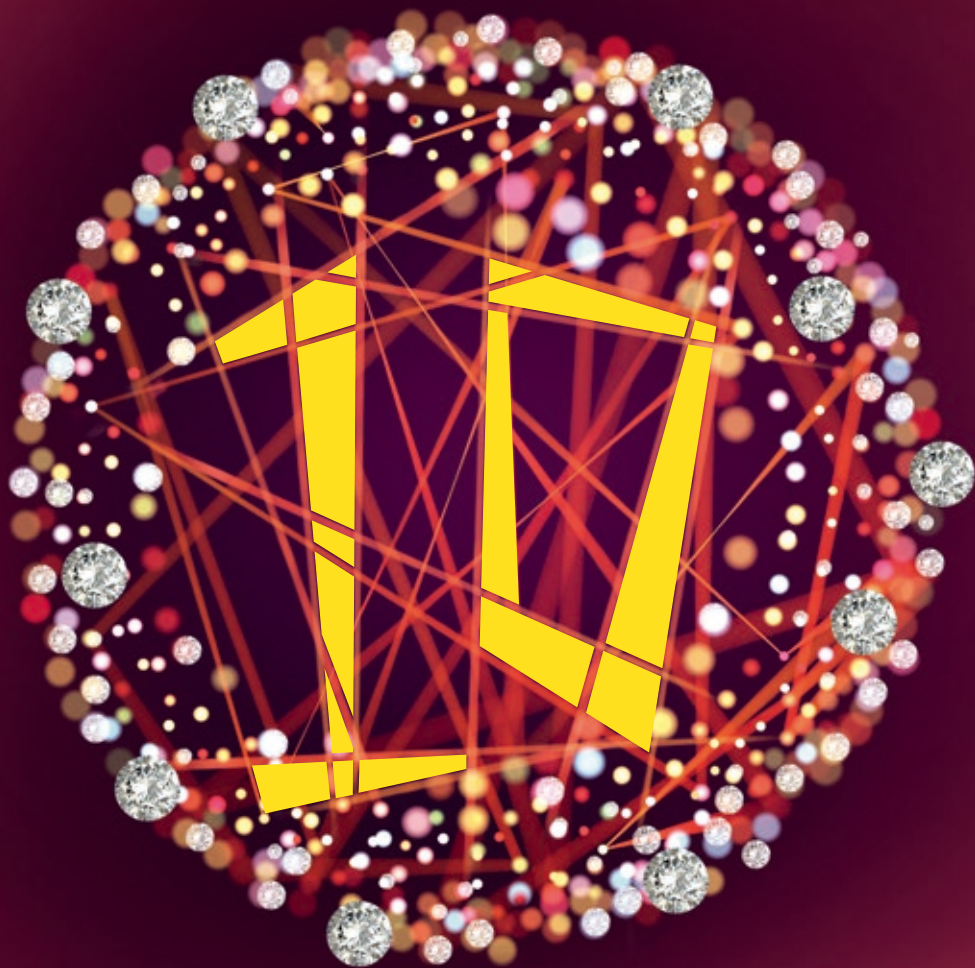




英皇鐘錶珠寶有限公司
EMPEROR WATCH & JEWELLERY LIMITED

Incorporated in Hong Kong with limited liability (Stock Code: 887)



INTERIM REPORT 2018

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RESULTS HIGHLIGHTS

<i>HK\$¹ million (unaudited)</i>		For the six months ended 30 June		Changes
	2017	2018		
Revenue	1,827	2,454	+ 34.3%	
Gross profit	487	677	+ 39.0%	
Gross profit margin	26.7%	27.6%	+ 0.9 pp	
Net profit	39	157	+ 302.6%	
Net profit margin	2.1%	6.4%	+ 4.3 pp	
Basic earnings per share	HK0.57 cent	HK2.29 cents	+ 301.8%	
Interim dividend per share	HK0.17 cent	HK0.70 cent	+ 311.8%	

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 Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since July 2008. Over the past decade, the Company has achieved considerable operational progress despite cyclical swings. This year marks the 10th anniversary of its listing, and the Company stays faithful to its business strategy with renewed commitment to delivering on its potential.

The Group has extensive retail networks in Hong Kong, Macau, mainland China and Singapore, as well as an online shopping platform, with over 900 staff. With a history of over 75 years, the Company carries a balanced and comprehensive watch dealership list. The target customers range from middle to high income groups worldwide. The Group’s core strategy focuses on maintaining its position as the leading watch and jewellery retailing group in Greater China, coupled with an eye on expansion beyond the region.

FINANCIAL REVIEW

Overall Review

Driven by improving macroeconomic fundamentals and vibrant inbound tourism, luxury consumption market in Hong Kong has been picking up rapidly, leading to an encouraging performance of the Group during the six months ended 30 June 2018 (the “Period”).

During the Period, the Group’s total revenue soared by 34.3% to HK\$2,454.0 million (1H2017: HK\$1,827.2 million). Amidst the revival of inbound tourism and the strong recovery in retail sales, revenue from Hong Kong achieved a growth of 42.8% to HK\$1,908.4 million (1H2017: HK\$1,335.7 million), accounting for 77.8% (1H2017: 73.1%) of the Group’s total revenue. The improvement in consumption sentiment has supported robust demand of watches. Hence, revenue of the watch segment, the Group’s largest revenue contributor, rose 32.1% to HK\$1,941.5 million (1H2017: HK\$1,470.3 million), accounting for 79.1% (1H2017: 80.5%) of the total revenue. Revenue from the jewellery segment increased by 43.6% to HK\$512.5 million (1H2017: HK\$356.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

Gross profit grew by 39.0% to HK\$677.3 million (1H2017: HK\$487.3 million). The gross profit margin further enhanced to 27.6% (1H2017: 26.7%), due to stronger market demand for luxury watches.

These factors, coupled with enhanced operating efficiency, led to a significant rise in the Group's net profit, to HK\$157.2 million (1H2017: HK\$39.1 million) - more than fourfold as the same period last year. Basic earnings per share was HK2.29 cents (1H2017: 0.57 cent). The board of directors of the Company (the "Board" or the "Directors") has declared an interim dividend of HK0.70 cent (1H2017: HK0.17 cent) per share.

Capital Structure, Liquidity and Financial Resources

Bank balances and cash on hand of the Group as at 30 June 2018 amounted to HK\$1,430.2 million (31 December 2017: HK\$1,613.1 million), which were mainly denominated in Hong Kong dollars ("HKD") and Renminbi ("RMB"). As at 30 June 2018, the Group had no bank borrowings (31 December 2017: Nil). The Group also had available un-utilised banking facilities of approximately HK\$848.5 million. The strong liquidity with debt-free position and considerable un-utilised banking facilities enable the Group to retain high flexibility for future development.

During the Period, the Company repurchased a total of 80,490,000 of its own shares from the market by using internal resources at an aggregate consideration of HK\$41.3 million, with an average price of HK\$0.51 per share. These repurchased shares were cancelled during the Period. Having considered the Group's cash reserves, the Board believes the share repurchases would recognise value to the Company's shareholders and benefit the Company and its shareholders as a whole. Subsequent to the Period, the Company further repurchased a total of 22,500,000 of its own shares from the market which were subsequently cancelled.

As at 30 June 2018, the Group's current assets and current liabilities were approximately HK\$4,480.4 million (31 December 2017: HK\$4,450.3 million) and HK\$300.2 million (31 December 2017: HK\$305.7 million), respectively. Current ratio and quick ratio of the Group were 14.9 (31 December 2017: 14.6) and 5.3 (31 December 2017: 5.9), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

In view of the Group's financial position as at 30 June 2018, the Board considered that the Group had sufficient working capital for its operations and future development plans.

Event after the Reporting Period

Subsequent to the end of the Period, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement for the acquisition of Perfect Raise Holdings Limited which indirectly holds Shops on the G/F, Shop on the 1/F (including the staircases leading thereto from the G/F) and the Advertising Space B of Nos.4-8 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong at a consideration of HK\$1,800 million (subject to adjustments), details of which were set out in the announcement of the Company dated 27 August 2018. Further details and the potential financial impact in respect of this transaction will be disclosed in the circular to be issued on or before 28 September 2018. This acquisition is subject to approval by independent shareholders at the extraordinary general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

BUSINESS REVIEW

Presence in Prime Retail Locations

As at 30 June 2018, the Group had 84 stores (31 December 2017: 80) in Hong Kong, Macau, mainland China and Singapore. The distribution is as follows:

	Number of stores
Hong Kong	25
Macau	6
Mainland China	47
Singapore	6
<hr/>	
Total	84

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.

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, as the Group enjoys more visitations and brand enhancement.

Solidifying Leading Position in Hong Kong

The Group continued to enjoy solid long-term relationships with major Swiss watch brand suppliers, and continued holding comprehensive watch dealerships with full collections in Greater China. Coupled with its excellent customer service and the strongest presence in prime retail locations in Hong Kong, the Group continued to foster its leading position in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

Enhancing the 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 new “**Yo Yo**” collection unveiled its latest designs featuring the subtly fashionable black chalcedony, a gemstone of power and positive energy. The unisex design makes these jewellery pieces a sophisticated choice for both men and women. To spotlight the design that is imbued with an urban sense of style, renowned artiste Mr. Nicholas Tse was invited to feature the new “**Yo Yo**” collection in the video for his latest song, “Unbridled”.

In celebration of Mother’s Day this year, “**Emperor Jewellery**” specially presented the “**Mini Me**” Family Jewellery collection, which takes inspiration from adorable animals with a strong maternal nature in creating matching jewellery for mothers and their children. The design symbolises the deep love and happiness between every mother and child pair, in praise of their beautiful bond. The collection features enchanting mother-and-baby pendant sets modelled after lovable animals including the panda, giraffe, dog, cat and bear, making perfect gifts for family-themed parties or new-born celebrations.

In recent years, the Group strives to strengthen the presence of “**Emperor Jewellery**” in emerging shopping areas, aiming to seize the market potential of local young consumers. During the Period, two “**Emperor Jewellery**” stores were opened in Telford Plaza I in Kowloon Bay and Sunshine City Plaza in Ma On Shan, which are surrounded by large-scale residential developments. The store layouts are decorated with warm colour combinations, creating the harmonious and relaxing atmosphere, and the perfect setting for presentations of exquisite jewellery pieces.

MANAGEMENT DISCUSSION AND ANALYSIS

(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 guarantee foot traffic. Another synergy arises through Emperor Entertainment Group and Emperor Motion Pictures, two private arms under Emperor Group. The Group invited VIP guests to its movie premieres and sponsored jewellery for the artistes. Such exposure opportunities, with pop artistes, movie stars and high profile celebrities, serve as an important tool for enhancing the reputation of the “**Emperor**” brand, particularly in Chinese-speaking communities.

PROSPECTS

Facing the market volatility arisen from the recent falling stock market of Hong Kong and the weakening Renminbi currency triggered by the escalating trade dispute between the United States and China, the Group will closely monitor the market situation. Looking beyond these uncertainties, the Group believes the luxury sector is poised for a healthy growth, on the back of an expanding middle-class and rising income level in China. With convenient access supported by better infrastructure, comprehensive assortment of luxury products, increasing awareness of product credibility and excellent customer services, Hong Kong remains top shopping destination for Chinese. As a leading watch and jewellery retailer in Hong Kong, the Group is cautiously optimistic about the operating environment in the remainder of this year albeit market fluctuations. The Group will continue to react proactively to the market dynamics and leverage on its core competencies.

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

With rising female empowerment, along with women's expanding roles in society and increasing spending, the jewellery sector is well placed to benefit from modern women. The Group is committed to reinforcing the brand identity of "**Emperor Jewellery**" in Chinese-speaking communities. In the coming years, the Group will focus on enriching product offerings and implementing customer segmentation strategies to further penetrate the affordable luxury jewellery market. The Group will also seek to attract young consumers through expanding its presence in local shopping areas, enhancing product displays and implementing a series of social media campaigns.

Given the growth potential arising from mainland Chinese outbound travels, the Group remains positive regarding the consumption demand in other Asian countries. Subsequent to a successful launch in Singapore, which was the Group's first stop beyond China, the Group plans to further extend its presence to Malaysia. The Group will continue to eye further opportunities for expansion, to enhance its market presence 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 2018, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group has 805 salespersons (30 June 2017: 730) and 234 office staff (30 June 2017: 194). Total staff costs (including Directors' remuneration) were approximately HK\$150.7 million (1H2017: HK\$119.8 million) for the Period. Employees' remuneration was determined in accordance with individual's responsibility, competence and 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.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK0.70 cent per share (“Interim Dividend”) for the financial year ending 31 December 2018 (2017: HK0.17 cent per share), amounting to approximately HK\$47.5 million (2017: HK\$11.7 million). The Interim Dividend will be payable on 27 September 2018 (Thursday) to shareholders whose names will appear on the register of members of the Company on 19 September 2018 (Wednesday).

The register of members of the Company will be closed, for the purpose of determining shareholders’ entitlement to the Interim Dividend, from 18 September 2018 (Tuesday) to 19 September 2018 (Wednesday), during which period no transfer of shares will be registered.

In order to qualify for the Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on 17 September 2018 (Monday).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Revenue	3	2,453,978	1,827,220
Cost of sales		(1,776,708)	(1,339,955)
Gross profit		677,270	487,265
Other income		5,829	4,034
Selling and distribution expenses		(417,589)	(378,964)
Administrative and other expenses		(80,351)	(72,009)
Profit before taxation	4	185,159	40,326
Taxation	5	(27,975)	(1,209)
Profit for the period		157,184	39,117
Other comprehensive (expense) income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(2,311)	16,984
Total comprehensive income for the period attributable to owners of the Company		154,873	56,101
Earnings per share – Basic	6	HK2.29 cents	HK0.57 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		As at	
		30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Notes			
Non-current assets			
Property, plant and equipment		104,264	73,047
Deferred tax asset		6,189	8,662
Rental deposits		138,168	135,793
Deposit paid for acquisition of property, plant and equipment		12,562	5,643
		261,183	223,145
Current assets			
Inventories		2,874,594	2,651,111
Receivables, deposits and prepayments	8	175,621	186,148
Bank balances and cash		1,430,189	1,613,080
		4,480,404	4,450,339
Current liabilities			
Payables, deposits received and accrued charges	9	254,806	283,823
Amounts due to related companies	10	4,126	4,146
Taxation payable		41,257	17,780
		300,189	305,749
Net current assets		4,180,215	4,144,590
Non-current liability			
Deferred tax liability		1,034	1,050
Net assets		4,440,364	4,366,685
Capital and reserves			
Share capital	11	3,484,152	3,484,152
Reserves		956,212	882,533
Total equity		4,440,364	4,366,685

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	
As at 1 January 2017 (audited)	3,484,152	(373,003)	(26,195)	2,529	(42,075)	1,128,702	4,174,110
Exchange differences arising on translation of foreign operations	-	-	-	-	16,984	-	16,984
Profit for the period	-	-	-	-	-	39,117	39,117
Total comprehensive income for the period	-	-	-	-	16,984	39,117	56,101
As at 30 June 2017 (unaudited)	3,484,152	(373,003)	(26,195)	2,529	(25,091)	1,167,819	4,230,211
As at 1 January 2018 (audited)	3,484,152	(373,003)	(26,195)	2,529	2,509	1,276,693	4,366,685
Exchange differences arising on translation of foreign operations	-	-	-	-	(2,311)	-	(2,311)
Profit for period	-	-	-	-	-	157,184	157,184
Total comprehensive income for the period	-	-	-	-	(2,311)	157,184	154,873
Final dividend paid for 2017 (note 7)	-	-	-	-	-	(39,864)	(39,864)
Repurchase of shares (note 11)	-	-	-	-	-	(41,330)	(41,330)
As at 30 June 2018 (unaudited)	3,484,152	(373,003)	(26,195)	2,529	198	1,352,683	4,440,364

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Net cash (used in) from operating activities	(49,979)	104,267
Net cash (used in) from investing activities	(47,979)	50,118
Cash used in financing activities	(81,194)	–
Net (decrease) increase in cash and cash equivalents	(179,152)	154,385
Cash and cash equivalents at the beginning of the period	1,532,051	1,154,399
Effect of foreign exchange rate changes	(4,311)	2,207
Cash and cash equivalents at the end of the period	1,348,588	1,310,991
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	1,430,189	1,425,648
Less: Time deposits with original maturity over 3 months	(81,601)	(114,657)
	1,348,588	1,310,991

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 disclosures required by 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 (“CO”).

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

These unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017.

The financial information relating to the year ended 31 December 2017 that is included in this preliminary announcement of interim results 2018 does not constitute the Company’s statutory annual consolidated financial statements for 2018 but is derived from those financial statements. Further information relating to these statutory annual consolidated financial statements required to be disclosed in accordance with section 436 of the CO is as follows:

- (a) The Company has delivered the consolidated financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the CO.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. BASIS OF PREPARATION *(Continued)*

- (b) The Company's auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2017. The auditor's reports were 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 CO.

2. SIGNIFICANT ACCOUNTING POLICIES

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 2017, except for the application of the following new and revised HKFRSs, HKASs, amendments and interpretation (hereinafter collectively referred to as the "new and revised HKFRSs") effective from 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associated or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

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

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after a date to be determined

The Directors are in process of assessing the anticipated and 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 (“CODM”) 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 CODM 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 2018

	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	1,908,423	149,039	396,516	–	2,453,978
Inter-segment sales*	83,907	11,465	–	(95,372)	–
	1,992,330	160,504	396,516	(95,372)	2,453,978

* Inter-segment sales are charged at cost

Segment profit	215,691	12,283	31,707	–	259,681
Unallocated other income					5,829
Unallocated administrative and other expenses					(80,351)
Profit before taxation					185,159

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2017

	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	1,335,712	105,427	386,081	–	1,827,220
Inter-segment sales*	64,196	13,503	–	(77,699)	–
	1,399,908	118,930	386,081	(77,699)	1,827,220

* Inter-segment sales are charged at cost

Segment profit	67,298	7,410	33,593	–	108,301
Unallocated other income					4,034
Unallocated administrative and other expenses					(72,009)
Profit before taxation					40,326

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 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 CODM for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Cost of inventories included in cost of sales (included reversal of allowance for inventories of HK\$14,719,000) (2017 interim: reversal of allowance for inventories of HK\$10,105,000)	1,770,629	1,333,698
Depreciation of property, plant and equipment	12,830	20,686
Net loss on disposal of property, plant and equipment	1,505	1,128
Net exchange loss (gain)	2,814	(943)
Operating lease payments in respect of rented premises		
– minimum lease payments	201,094	208,095
– contingent rent	17,788	14,116
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	139,614	109,903
– retirement benefits scheme contributions	11,061	9,901

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5. TAXATION

	Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
The tax charge (credit) comprises:		
Profits tax:		
Hong Kong	22,903	–
Macau	(172)	1,209
Singapore	2,771	(588)
	25,502	621
Deferred taxation	2,473	588
	27,975	1,209

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2018 while no provision for taxation in Hong Kong has been made as no assessable profits for the six months ended 30 June 2017.

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% for both periods.

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

Singapore Income Tax is calculated at 17% of the estimated assessable profits for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. EARNINGS PER SHARE – BASIC

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

	Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Earnings		
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per share	157,184	39,117

	Six months ended 30 June	
	2018 (unaudited)	2017 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	6,870,944,869	6,882,448,129

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. DIVIDENDS

	Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Interim dividend declared of HK0.70 cent per share (2017: HK0.17 cent per share)	47,456	11,700
2017 final dividend paid of HK0.58 cent per share (2016: Nil)	39,864	–

The Board has declared an interim dividend of HK0.70 cent per share for the financial year ending 31 December 2018 (2017: HK0.17 cent per share), amounting to HK\$47,456,207 (2017: HK\$11,700,162).

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Trade receivables	60,991	79,334
Other receivables, deposits and prepayments	106,055	99,378
Other PRC tax recoverable	8,043	6,318
Other Singapore tax recoverable	532	1,118
	175,621	186,148

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

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.

Included in other receivables, deposits and prepayments as at 30 June 2018 were advance to suppliers of HK\$57,209,000 (31 December 2017: HK\$29,878,000) and rebate receivables of HK\$16,394,000 (31 December 2017: HK\$39,891,000). The remainings are individually insignificant.

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 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Within 30 days	48,417	65,253
31 – 60 days	5,129	12,821
61 – 90 days	886	488
over 90 days	6,559	772
	60,991	79,334

Trade receivables that are neither past due nor impaired relate to receivables from credit cards sales and department stores sales for whom there were no history of default.

Included in the Group's trade receivables balance were receivables from department stores with aggregate carrying amount of HK\$2,947,000 (31 December 2017: HK\$4,763,000) 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 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Overdue 1 – 30 day(s)	1,334	3,386
Overdue 31 – 60 days	11	457
Overdue 61 – 90 days	6	148
Overdue more than 90 days	1,596	772
	2,947	4,763

Trade 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	As at	
	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Trade payables	123,334	139,170
Other payables, deposits received and accrued charges	130,558	139,497
Other PRC tax payables	914	5,156
	254,806	283,823

Included in other payables, deposits received and accrued charges as at 30 June 2018 were accrued bonus and incentive of HK\$6,458,000 (31 December 2017: HK\$18,980,000) and accrued rental expense of HK\$46,800,000 (31 December 2017: HK\$37,500,000). The remainings are individually insignificant.

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

	As at	
	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Within 30 days	113,160	134,090
31 – 60 days	10,161	4,154
61 – 90 days	–	194
Over 90 days	13	732
	123,334	139,170

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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 Ms. Cindy Yeung, the Chairperson and an Executive Director of the Company, is one of the eligible beneficiaries.

11. SHARE CAPITAL

	As at	
	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Issued and fully paid:		
6,801,958,129 (31 December 2017:		
6,882,448,129) ordinary shares	3,484,152	3,484,152

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

11. SHARE CAPITAL *(Continued)*

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000
At 1 January 2017, 31 December 2017 and 1 January 2018 <i>(audited)</i>	6,882,448,129	3,484,152
Share repurchased	(80,490,000)	–
<hr/>		
At 30 June 2018 <i>(unaudited)</i>	6,801,958,129	3,484,152

During the Period, the Company repurchased a total of 80,490,000 shares of the Company of an aggregate consideration of HK\$41,329,950 (before expenses) on the Stock Exchange. All the repurchased shares were subsequently cancelled.

Subsequent to the Period, the Company further repurchased a total of 22,500,000 of its own shares from the market. All the repurchased shares were subsequently cancelled.

12. CAPITAL COMMITMENTS

	As at	
	30 June 2018 <i>(unaudited)</i> HK\$'000	31 December 2017 <i>(audited)</i> HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	7,172	4,260

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

13. 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 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Within one year	384,182	375,615
In the second to fifth year inclusive	389,338	473,085
	773,520	848,700

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 2017: 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

13. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessee *(Continued)*

Included in the above is future lease payments with related companies of approximately HK\$359,709,000 (31 December 2017: HK\$475,347,000) which fall due as follows:

	As at	
	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Within one year	167,892	178,926
In the second to fifth year inclusive	191,817	296,421
	359,709	475,347

The related companies are companies controlled by the AY Trust of which Ms. Cindy Yeung, the Chairperson and an Executive Director of the Company, is one of the eligible beneficiaries.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. RELATED PARTY TRANSACTIONS

During the Period, other than those disclosed in Notes 10 and 13, the Group had the following transactions with related parties:

	Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
(1) Sales of goods to Directors, their close family members and related companies (<i>Notes a and b</i>)	2,245	1,072
(2) Rental, electricity and air-conditioning expenses paid and payable to related companies (<i>Notes a and c</i>)	90,351	76,578
(3) Service charge in respect of referral services, information system and administrative work paid and payable to related companies (<i>Notes a and b</i>)	10,886	7,423
(4) Advertising expenses paid and payable to related companies (<i>Notes a and b</i>)	1,890	151
(5) Financial advisory fee paid and payable to a related company (<i>Notes a and b</i>)	210	210
	105,582	85,434

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Salaries and other short-term employee benefits	2,630	3,164
Retirement benefits costs	40	9
	2,670	3,173

As at 30 June 2018, deposits paid to related companies, which are companies controlled by the AY Trust, amounting to approximately HK\$50,679,000 (31 December 2017: HK\$66,410,000) were included in rental deposits under non-current assets.

Notes:

- (a) The related company/companies is/are controlled by directors of the Company/their associates or the AY Trust of which a Director is one of the eligible beneficiaries.
- (b) These transactions are connected transactions exempt from announcement, reporting and independent shareholders' requirements under Rule 14A.33 of the Listing Rules.
- (c) The expenses paid are in relation to the tenancy agreements entered into with the related companies of the Company. Some of these transactions are discloseable continuing connected transactions (as defined under Chapter 14A of the Listing Rules) of the Company.

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

As at 30 June 2018, the following Directors and chief executives of the Company had or were deemed to have interests and short positions in the following shares, underlying shares and debentures of the Company and 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 adopted by the Company (“EWJ Securities Code”):

(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	3,630,950,000	53.38%

Note: These 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 Limited 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

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)	74.71%
Ms. Cindy Yeung	Emperor Entertainment Hotel Limited ("Emperor E Hotel")	Beneficiary of the AY Trust	851,352,845 (Note)	65.46%
Ms. Cindy Yeung	Ulferts International Limited ("Ulferts")	Beneficiary of the AY Trust	600,000,000 (Note)	75.00%
Ms. Fan Man Seung, Vanessa	Emperor International	Beneficial owner	10,500,000	0.29%

Note: Emperor International, Emperor E Hotel and Ulferts are companies with their shares listed on the Stock Exchange. 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.

Save as disclosed above, as at 30 June 2018, 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 2018, so far as is known to any Director or chief executive of the Company, the following persons or corporations (other than a Director or a 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	3,630,950,000 (<i>Note</i>)	53.38%
AY Holdings	Interest in a controlled corporation	3,630,950,000 (<i>Note</i>)	53.38%
STC International	Trustee of the AY Trust	3,630,950,000 (<i>Note</i>)	53.38%
Dr. Yeung Sau Shing, Albert	Founder of the AY Trust	3,630,950,000 (<i>Note</i>)	53.38%
Ms. Luk Siu Man, Semon	Interest of spouse	3,630,950,000 (<i>Note</i>)	53.38%
Brandes Investment Partners, L.P.	Investment manager	410,300,000	6.03%

Note: These Shares were the same Shares of which Ms. Cindy Yeung had deemed interest by virtue of being one of the eligible beneficiaries of the AY Trust as set out under Section (a) of "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

All interests stated above represent long positions. As at 30 June 2018, no short positions were recorded in the DI Register of the Company.

Save as disclosed above, as at 30 June 2018, the Directors or chief executives of the Company 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 as otherwise notified to the Company.

SHARE OPTIONS AND OTHER INFORMATION

SHARE OPTIONS

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

As the old Share Option Scheme lapsed automatically upon its expiry on 18 June 2018, a new share option scheme (“New Share Option Scheme”) had been adopted at the annual general meeting of the Company held on 23 May 2018.

No option was granted by the Company under the Old Share Option Scheme and the New Share Option Scheme since their adoption and up to 30 June 2018.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company had complied throughout the Period 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 that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Cindy Yeung, being the Chief Executive Officer of the Group, has also 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 keep abreast of the conduct, business activities and that development of the Group and that adequate, complete and reliable information is provided to Directors on issues arising at Board meetings. In addition, the three Independent Non-executive Directors 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 has adopted EWJ Securities Code on no less exacting terms than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) in Appendix 10 of the Listing Rules. 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 and EWJ Securities Code throughout the Period.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines in line with the Model Code. No incident of non-compliance by relevant employees was noted throughout the Period.

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors’ information since the date of the 2017 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

(a) **Change of Director**

Mr. Chan Hung Ming resigned as Director of the Company with effect from 1 March 2018 and he automatically ceased to act as a member of the Executive Committee on that day.

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 the Executive Directors and the Directors' fee of all Directors.

(i) **Remuneration Package of Executive Directors**

Upon considering the personal performance, ability and experience of the individuals and with reference to the market rate, the remuneration of Ms. Cindy Yeung (Executive Director) and Mr. Chan Hung Ming (then Executive Director) were revised with effect from 1 January 2018. Their total emolument for the six months ended 30 June 2018 were HK\$2,920,678 and HK\$1,651,865 respectively. These amounts comprise basic salaries, allowance (if any) 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 during the Period.

(ii) **Directors' Fees**

With reference to the market rates of similar industry with similar market capitalization size and the duties and responsibilities of the Directors, the Directors' fee of each Executive Director was revised from HK\$150,000 to HK\$250,000 per annum whereas the Directors' fee of each Independent Non-executive Director was revised from HK\$200,000 to HK\$220,000 per annum with effect from 1 April 2018.

SHARE OPTIONS AND OTHER INFORMATION (Continued)

REVIEW OF INTERIM REPORT

The condensed consolidated financial statements of the Group for the Period 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, the Company repurchased a total of 80,490,000 Shares of the Company at an aggregate consideration of HK\$41,329,950 (before expenses) on the Stock Exchange. All the repurchased Shares were subsequently cancelled.

Particulars of the repurchase during the Period are as follows:

Months of share repurchase	Number of Shares repurchased	Highest price paid per Share <i>HK\$</i>	Lowest price paid per Share <i>HK\$</i>	Aggregate consideration paid (before expenses) <i>HK\$</i>
April 2018	4,010,000	0.495	0.480	1,970,150
May 2018	22,790,000	0.520	0.485	11,394,100
June 2018	53,690,000	0.530	0.510	27,965,700
Total	80,490,000			41,329,950

SHARE OPTIONS AND OTHER INFORMATION (Continued)

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES (Continued)

The repurchases were made with a view to enhancing the net assets and earnings per Share of the Company.

Save as disclosed above, during the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 28 August 2018

As at the date of this Report, the Board comprises:

Executive Directors:

Ms. Cindy Yeung
Mr. Wong Chi Fai
Ms. Fan Man Seung, Vanessa

Independent Non-Executive Directors:

Ms. Chan Sim Ling, Irene
Mr. Liu Hing Hung
Ms. Chan Wiling, Yvonne

This Interim Report (in both English and Chinese versions) is available to any shareholder of the Company ("Shareholders") either in printed form or on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.emperorwatchjewellery.com>). In order to protect the environment, the Company highly recommends Shareholders 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'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.