



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 2008

## CONTENTS

	<i>Pages</i>
FINANCIAL HIGHLIGHTS . . . . .	2
MANAGEMENT DISCUSSION AND ANALYSIS . . . . .	3
INTERIM DIVIDEND . . . . .	9
CONDENSED CONSOLIDATED INCOME STATEMENT . . . . .	10
CONDENSED CONSOLIDATED BALANCE SHEET . . . . .	11
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY . . . . .	13
CONDENSED CONSOLIDATED CASH FLOW STATEMENT . . . . .	15
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS . . . . .	16
DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES . . . . .	32
SHARE OPTIONS . . . . .	33
INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS . . . . .	34
CORPORATE GOVERNANCE . . . . .	35
REVIEW OF INTERIM REPORT . . . . .	36
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES . . . . .	36

## FINANCIAL HIGHLIGHTS

Six months ended 30 June

	<b>2008</b> <b>(unaudited)</b> <b>HK\$'000</b>	2007 (unaudited) HK\$'000	Change (%)
Revenue			
Watch			
– Hong Kong	<b>726,506</b>	504,098	+44.1
– Macau	<b>32,236</b>	23,341	+38.1
Jewellery			
– Hong Kong	<b>100,124</b>	90,519	+10.6
– Macau	<b>12,312</b>	11,566	+6.4
	<b>871,178</b>	629,524	+38.4
Profit for the period	<b>120,358</b>	49,266	+144.3
Basic earnings per share (HK cents)	<b>12.04</b>	4.93	+144.2

*Notes:*

1. The Period under review is prior to the listing of the Group.
2. The Board does not recommend the payment of interim dividend for the year ending 31 December 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

Emperor Watch and Jewellery Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is a leading retailer of mainly Swiss-made luxurious watches and self-designed jewellery products in Hong Kong and Macau with target customers being middle to high income earners all over the world. Established more than 60 years ago, the Group has a long established relationship with renowned suppliers offering a total of 29 international luxurious watch brands.

The Group also offers fine jewellery products, predominantly diamond, jade, pearl, 999.9 fine gold and precious stones products. It launches thematic jewellery products of stylish and trendy designs by the hands of in-house designers from time to time. Apart from own design jewellery products, the Group also offers design and production services to customers wishing to create unique and exclusive jewellery products.

The Group operates an extensive network of retail outlets at prime locations in Hong Kong and Macau. These include multi-brand shops as well as speciality outlets for specific brands. Anchor shops have not only enabled the Group to reap synergies with international watch brand suppliers, but have also helped to foster loyalty among customers attracted to specific watch brands.

The Company was listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 July 2008 through initial public offering ("IPO") under the stock code of 887. It marks a milestone for the Group to further enhance market recognition of retailing of high-end jewellery products and watches as well as strengthen its brand name.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Financial Review

The six months ended 30 June 2008 (the "Period") is prior to the listing of the Group in July 2008. The Group reported revenue growth of 38.4% to HK\$871.2 million for the Period. Approximately 87.1% of turnover was from watch retailing while the remaining was from jewellery products. The sales growth was due to sales growth from existing shops, expanded retail network and positive economic environment backed by PRC's growing economy.

Gross profit rose 84.1% to HK\$244.8 million with margin improved to 28% from 21% of the same period last year, due to enhanced measures of discount control. With demand for luxurious products driven by increasing spending power of customers, the Group does not need to offer major discounts to customers and thus enjoys a handsome gross profit margin. Watch retailing has a margin of 27% while sales of in-house designed jewellery products enjoyed a margin of 33%.

Net operating profit after tax amounted to HK\$120.4 million, rose by 144.3% from HK\$49.3 million previously.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Business Review

#### *Expansion of Retail Network at Prime Locations*

In line with the Group's focus on tourists and high-end market, the Group has a total of eight outlets in Hong Kong and three in Macau as on 30 June 2008, all in prime shopping areas. It includes an outlet which is an authorized Rolex retailer introduced in February 2008 on Russell Street, Causeway Bay, one of the busiest districts in Hong Kong. The 3,300 square feet shop, which offers only Rolex and Tudor timepieces, is enthusiastically received by its customers. The interior design of Emperor Watch and Jewellery Rolex Boutique is simple yet elegant which manifests the unique style of Rolex. Full range and latest models of Rolex watches are on display here to cater for the overwhelming needs of various customers from all over the world. The shop had also solidified the relationship with brand suppliers. The success of the outlet has encouraged the management of the Group to develop similar stores with watch brands in different areas in Hong Kong and Macau.

Soon after the end of the reporting period, the Group has launched two additional retail outlets established for international watch brands, a Patek Philippe retailer in Causeway Bay, Hong Kong and a Cartier retailer at Grand Emperor Hotel, Macau. The shops offer elegant and fine timepieces for the specific Swiss brands and are well-positioned in the prime shopping areas where the overwhelming demand for luxurious products can be captured.

Together with the two newly opened outlets, the Group operates nine retail outlets in Hong Kong in major shopping areas including Central District, Wanchai, Causeway Bay and Tsimshatsui, and four in Macau.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Business Review (Continued)

#### *Brand Recognition and Effective Marketing Programme*

Leveraged on its long history with loyal customers, the Group constantly pursues marketing campaigns individually and jointly with brand suppliers. Macau Emperor Watch and Jewellery "Precious Jade" Jewellery Exhibition at the Grand Emperor Hotel was held in Macau in May 2008. The exhibition showcased the latest jade collection, reflecting nobility and elegance. Other exquisite Emperor jewellery collections were exhibited, glittering diamond collection, translucent and finely carved pearl collection, and charming cabochon ruby collection.

The Group also enjoyed synergies with other operations of Emperor Group. It had sponsored Joey Yung Starlight Concert in January and April 2008.

The brand of Emperor Watch & Jewellery is widely recognised in Hong Kong. The Group was awarded in February 2008 Prime Awards for the Best Brand Enterprise in Greater China 2008 as well as East Week Hong Kong Service Awards – Watch Retailer in March 2008.

The Group also enjoyed high popularity among brand suppliers. During the Period, Patek Philippe had launched a limited edition for Emperor Watch & Jewellery. Named "Serata High Jewellery Set", the timepiece set is only available at the Group's outlet.

#### **Prospects**

Looking forward, the Group is optimistic about the prospects of the luxurious watch and jewellery retail market and strike to boost its market share in Hong Kong and Macau. The Group will continue to expand its retail network. A two-floor outlet has planned to be opened in Central this year to offer a different brand mix from existing outlet in the district. Another outlet is also scheduled to be opened in Causeway Bay by the year end to increase market share.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Prospects (Continued)

In order to increase its profit growth and margin, the Group will also diversify its product offerings in jewellery products. It will also continue to strengthen its relationship with brand suppliers through individual and jointly-organised marketing events as well as improve its own image.

The Group will also adopt stable and cautious financial strategies and is determined to sustain leadership in the luxurious watch and jewellery retail market in the region and generate satisfactory returns for its shareholders.

### Capital Structure, Liquidity and Financial Resources

Details of the capital structure of the Company are set out in the note 12 to the condensed consolidated financial statements.

As at 30 June 2008, the Group's had total bank loans and bank overdrafts of approximately HK\$363.2 million. These bank borrowings were denominated in Hong Kong dollar, interest bearing, repayable with fixed terms and secured by personal guarantees given by a deemed ultimate shareholder and/or shareholders of an immediate holding company of the Group. All these personal guarantees have been released by the banks and replaced by the corporate guarantee of the Company immediately upon the listing of the Company. Advances from immediate holding company of approximately HK\$757.6 million were denominated in Hong Kong dollar, unsecured, interest-free and repayable on demand.

As at 30 June 2008, the Group's current assets and current liabilities were approximately HK\$1,250.7 million and HK\$1,217.5 million respectively. The gearing ratio of the Group (calculated based on the basis of the total borrowings over total assets) increased to 28.6% from 2.4% in the corresponding period of preceding year due to new bank loans raised during the Period.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Foreign Exchange Exposure

The Group's transactions are mainly denominated in HKD, MOP and USD. During the period under review, the Group did not have any material foreign exchange exposure.

### Capital expenditures

During the six months ended 30 June 2008, the Group incurred capital expenditures of approximately HK\$2.4 million, which was financed by the Group's internal resources. As at 30 June 2008, the Group has capital investments in respect of acquisition of property, plant and equipment of HK\$2.1 million and operating lease commitment of HK\$367.1 million.

### Contingent Liabilities

As at 30 June 2008, the Group did not have any material contingent liabilities.

### Employee and remuneration policy

As at 30 June 2008, the Group has 181 (2007: 130) salespersons and 52 (2007: 56) office staff. Total staff costs (including Directors' remuneration) were HK\$42.2 million (2007: HK\$37.0 million). Employees' remuneration was determined in accordance with individual's responsibility, performance and experience. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefit.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Post Balance Sheet Event

On 20 July 2008, the amount due from the Company to Allmighty Group Limited ("Allmighty Group") was approximately HK\$700.2 million. In order to maintain sufficient level of capital by the Company and to eliminate any debt due and owing by the Company to its controlling shareholder, immediately before the allotment of the public offering shares of the Company ("Offer Shares"), the Company has capitalised the amount due from the Company to Allmighty Group by allotting and issuing 3,140,000,000 shares of the Company to Allmighty Group. Together with the one subscriber share and 9,999,999 shares transferred and issued respectively to Allmighty Group, Allmighty Group has interested in a total of 3,150,000,000 shares, representing 70% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares upon listing of the Company.

On 21 July 2008, the Company's shares have been listed on the main board of the Stock Exchange.

### Use of IPO Proceeds

The net proceeds from the Company's IPO amounted to approximately HK\$550.3 million were partially applied during the period from the listing date up to the date of this report and such application is consistent with the proposed usage of the net proceeds set out in the prospectus of the Company dated 30 June 2008 (the "Prospectus").

## INTERIM DIVIDEND

The Period under review is prior to the Company become listed. Thus, the board of directors (the "Board" or "Directors") of the Company does not recommend the payment of an interim dividend for the year ending 31 December 2008.

The Board of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2008 together with comparative figures for the corresponding period in 2007 as set out below.

These condensed consolidated financial statements of the Group have not been audited nor reviewed by the Company's auditor, Deloitte Touche Tohmatsu, but have been reviewed by the audit committee of the Company, which comprises three independent non-executive Directors of the Company.

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Turnover	3	<b>871,178</b>	629,524
Cost of sales		<b>(626,347)</b>	(496,525)
Gross profit		<b>244,831</b>	132,999
Other income		<b>6</b>	14
Selling and distribution expenses		<b>(74,743)</b>	(49,226)
Administrative expenses		<b>(25,462)</b>	(22,309)
Finance costs		<b>(889)</b>	(1,711)
Profit before taxation	4	<b>143,743</b>	59,767
Taxation	5	<b>(23,385)</b>	(10,501)
Profit for the period		<b>120,358</b>	49,266
Basic earnings per share (HK cents)	6	<b>12.04</b>	4.93

**CONDENSED CONSOLIDATED BALANCE SHEET**

		As at	
		30 June 2008 (unaudited) HK\$'000	31 December 2007 (audited) HK\$'000
	Notes		
<b>Non-current asset</b>			
Property, plant and equipment	8	17,643	21,793
<b>Current assets</b>			
Inventories		1,184,442	800,799
Receivables, deposits and prepayments	9	54,720	40,403
Bank balance and cash		11,583	46,706
		<b>1,250,745</b>	887,908
<b>Current liabilities</b>			
Payables, deposits received and accrued charges	10	65,819	73,805
Amount due to an immediate holding company		757,565	184,421
Amounts due to related companies		-	765
Dividend payable		-	245,000
Tax payable		46,126	22,531
Obligation under a finance lease - due within one year		62	75
Bank borrowings - due within one year	11	335,493	4,200
Bank overdrafts		12,401	-
		<b>1,217,466</b>	530,797

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

		As at	
		30 June 2008 (unaudited) HK\$'000	31 December 2007 (audited) HK\$'000
<i>Notes</i>			
<b>Net current assets</b>		<b>33,279</b>	357,111
<b>Total assets less current liabilities</b>		<b>50,922</b>	378,904
<b>Non-current liabilities</b>			
Obligation under a finance lease			
– due after one year		–	25
Bank borrowings – due after			
one year	11	<b>15,300</b>	17,400
Deferred taxation		<b>52</b>	262
		<b>15,352</b>	17,687
<b>Net assets</b>		<b>35,570</b>	361,217
<b>Capital and reserves</b>			
Share capital	12	<b>100</b>	3
Reserves		<b>35,470</b>	361,214
<b>Total equity</b>		<b>35,570</b>	361,217

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

	Attributable to equity holders of the Company				Total
	Share capital	Other reserve <i>(Note 1)</i>	Capital reserve <i>(Note 2)</i>	Retained Profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	3	344,003	2,529	100,894	447,429
Profit for the period	-	-	-	49,266	49,266
<b>At 30 June 2007</b>	<b>3</b>	<b>344,003</b>	<b>2,529</b>	<b>150,160</b>	<b>496,695</b>
At 1 January 2008	3	344,003	2,529	14,683	361,218
Issue of shares by the Company at nil-paid and credited as fully paid arising from the Group Reorganisation	100	32,423	-	-	32,523
Elimination arising from the Group Reorganisation	(3)	(405,526)	-	-	(405,529)
Profit for the period	-	-	-	120,358	120,358
Dividend paid by a subsidiary to its then shareholder prior to the Group Reorganisation	-	-	-	(73,000)	(73,000)
<b>At 30 June 2008</b>	<b>100</b>	<b>(29,100)</b>	<b>2,529</b>	<b>62,041</b>	<b>35,570</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited) (Continued)

*Notes:*

1. Other reserve represents the aggregate amount of:
  - (i) the difference between the nominal value of share capital and the amount due to immediate holding company capitalised for issue of 344 ordinary shares of US\$1 each in Treasure Bright Investments Limited;
  - (ii) the difference between the nominal value of share capital of the acquired subsidiaries and the consideration paid at the time of the Group Reorganisation; and
  - (iii) the difference between the net assets value of Wise Sunshine Enterprises Limited and its subsidiaries and the nominal value of the Company's shares issued for acquisition at the time of the Group Reorganisation (as defined under Note 1 of Notes to the Condensed Consolidated Financial Statements on P.16).
2. Capital reserve represents the excess of the value of net assets acquired over purchase consideration from a fellow subsidiary by Emperor Watch & Jewellery (HK) Company Limited in 1987.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(255,422)</b>	(8,583)
Net cash used in investing activities	<b>(2,464)</b>	(3,047)
Net cash from (used in) financing activities	<b>210,362</b>	(9,043)
<hr/>		
Net decrease in cash and cash equivalents	<b>(47,524)</b>	(20,673)
Cash and cash equivalents at the beginning of the period	<b>46,706</b>	(2,750)
<hr/>		
Cash and cash equivalents at the end of the period, represented by	<b>(818)</b>	(23,423)
<hr/> <hr/>		
Bank balances and cash	<b>11,583</b>	10,843
Bank overdrafts	<b>(12,401)</b>	(34,266)
<hr/>		
	<b>(818)</b>	(23,423)
<hr/> <hr/>		





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2008*

### 1. COMPANY INFORMATION AND GROUP REORGANISATION

The Company was incorporated in Hong Kong under the Companies Ordinance as a limited liability company on 13 March 2008.

Under the group reorganisation scheme to rationalise the structure of the Group in preparation of the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company has become the holding company of the Group since 19 June 2008. Details of the Group Reorganisation were set out in the paragraph headed "Statutory and General Information - Corporate Reorganisation" in Appendix V to the prospectus of the Company dated 30 June 2008 (the "Prospectus").

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" as if the group structure under the Group Reorganisation had been in existence throughout beginning 1 January 2007.

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2008

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

The significant accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Company's accountants' report as set out in Appendix I of the Prospectus (the "Accountants' Report"). Accordingly, the condensed consolidated financial statements shall be read in conjunction with the Accountants' Report.

#### a) Adoption of new standards, amendment to standards and interpretations

The following new interpretations have been issued and effective for the accounting period beginning on 1 January 2008:

HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these interpretations had no material effect on the result or financial position of the Group for the current and prior accounting periods.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2008

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

#### b) Standards or interpretations that have been issued but are not effective

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results or financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Cost <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – INT 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 October 2008

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*For the six months ended 30 June 2008*

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

#### b) Standards or interpretations that have been issued but are not effective (Continued)

The Directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

### 3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold less returns and trade discount.

#### **Business segment**

The Group is principally engaged in the sales of watches and jewellery. No business segment analysis is presented as the management of the Company considers this as a single business segment.

#### **Geographical segments**

The operations of the Group are currently located in Hong Kong and Macau. The corresponding geographical locations of the Group's assets, which is the same as locations of customers, are the basis on which the Group reports its primary segment information.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2008

### 3. TURNOVER AND SEGMENT INFORMATION (Continued)

#### Geographical segments (Continued)

For the six months ended 30 June 2008

	Hong Kong (unaudited) HK\$'000	Macau (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
<b>TURNOVER</b>				
External sales	826,630	44,548	-	871,178
Inter-segment sales*	26,126	6,267	(32,393)	-
<b>Total</b>	<b>852,756</b>	<b>50,815</b>	<b>(32,393)</b>	<b>871,178</b>

\* Inter-segment sales are charged at cost

#### RESULT

Segment profit	137,847	7,493	-	145,340
Unallocated corporate expenses				(710)
Interest income				2
Finance costs				(889)
Profit before taxation				143,743
Taxation				(23,385)
Profit for the period				120,358

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2008

### 3. TURNOVER AND SEGMENT INFORMATION (Continued)

#### Geographical segments (Continued)

For the six months ended 30 June 2007

	Hong Kong (unaudited) HK\$'000	Macau (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
<b>TURNOVER</b>				
External sales	594,617	34,907	-	629,524
<b>RESULT</b>				
Segment profit	56,715	4,763	-	61,478
Unallocated corporate expenses				(12)
Interest income				12
Finance costs				(1,711)
Profit before taxation				59,767
Taxation				(10,501)
Profit for the period				49,266

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2008

### 4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Profit before taxation has been arrived at after charging the following items:		
Auditor's remuneration	709	145
Cost of inventories included in cost of sales	624,617	493,574
Depreciation of property, plant and equipment	6,594	3,910
Loss on disposal of property, plant and equipment	2	-
Operating lease payment in respect of rented premises	34,156	21,517
Staff cost, including Directors' remuneration		
- Salaries and other benefit costs	41,212	36,251
- Retirement benefit scheme contribution	940	701

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2008

### 5. TAXATION

	Six months ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
The charge comprises:		
Current period		
Hong Kong	22,697	9,997
Other jurisdiction	899	555
	<b>23,596</b>	10,552
Deferred taxation	(211)	(51)
	<b>23,385</b>	10,501

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for both periods.

The Macau Complimentary Income Tax is calculated progressively at rates ranging from 3% to 12% of the estimated assessable profit for both periods.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2008

### 6. EARNINGS PER SHARE

The calculations of basic earnings per share for the periods are based on the unaudited profit attributable to equity holders of the Company for the six months ended 30 June 2008 and 2007 of approximately HK\$120,358,000 and HK\$49,266,000 respectively and on the basis of 10,000,000 shares in issue on the assumption that the Group Reorganisation had been effective on 1 January 2007.

No diluted earnings per share is presented for the periods ended 30 June 2008 and 2007 as there was no potential ordinary share outstanding during such periods.

### 7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the year ending 31 December 2008.

During the six months ended 30 June 2008, Emperor Watch and Jewellery (HK) Company Limited, a subsidiary of the Company, paid special interim dividends of HK\$245.0 million and HK\$73.0 million for the year ended 31 December 2007 and the year ending 31 December 2008 respectively to its then shareholders prior to the Group Reorganisation which was undertaken in preparation of the listing of the Company on the Stock Exchange on 21 July 2008.

No dividends have been declared or paid by the Company and its subsidiaries during the six months ended 30 June 2007.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2008

### 8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the period are summarized as follows:

	<b>2008</b> <b>HK\$'000</b>
Net book value as at 1 January (audited)	<b>21,793</b>
Additions	<b>2,446</b>
Disposal	<b>(2)</b>
Depreciation	<b>(6,594)</b>
	<hr/>
Net book value as at 30 June (unaudited)	<b>17,643</b>

### 9. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>As at</b>	
	<b>30 June</b> <b>2008</b> <b>(unaudited)</b> <b>HK\$'000</b>	31 December 2007 (audited) HK\$'000
Trade receivables	<b>3,085</b>	9,997
Incentive bonus receivables	<b>6,500</b>	9,376
Deposits	<b>44,068</b>	19,887
Prepayments	<b>805</b>	641
Others	<b>262</b>	502
	<hr/>	<hr/>
	<b>54,720</b>	40,403

The sales are normally settled within 7 days.

All trade receivables at 30 June 2008 and 31 December 2007 are aged less than 7 days.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2008

### 10. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	<b>30 June 2008 (unaudited) HK\$'000</b>	<b>As at 31 December 2007 (audited) HK\$'000</b>
Trade payables	<b>52,103</b>	48,072
Other payables & accrued charges	<b>11,651</b>	19,949
Deposits received from customers	<b>2,065</b>	5,784
	<b>65,819</b>	73,805

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

The aging analysis of the trade payables are as follows:

	<b>30 June 2008 (unaudited) HK\$'000</b>	<b>31 December 2007 (audited) HK\$'000</b>
Trade payables		
0 – 30 days	<b>38,522</b>	33,709
31 – 60 days	<b>6,786</b>	13,531
61 – 90 days	<b>3,198</b>	767
Over 90 days	<b>3,597</b>	65
	<b>52,103</b>	48,072

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2008

### 11. BORROWINGS

	<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
Bank loans – unsecured	<b>350,793</b>	21,600
Carrying amount repayable:		
Within one year	<b>335,493</b>	4,200
In more than one year but not more than two years	<b>4,200</b>	4,200
In more than two year but not more than five years	<b>11,100</b>	13,200
	<b>350,793</b>	21,600
Less: Amounts due within one year shown under current liabilities	<b>(335,493)</b>	(4,200)
Amounts due after one year	<b>15,300</b>	17,400

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2008

### 12. SHARE CAPITAL

The movements in the Company's authorised and issued share capital during the period from 13 March 2008 (date of incorporation) to 30 June 2008 are as follows:

	<i>Notes</i>	Number of ordinary shares of HK\$0.01 each	Share Capital HK\$
Authorised:			
Upon incorporation	(a)	1,000,000	10,000
Increased in authorised share capital	(c)	99,999,000,000	999,990,000
<hr/>			
At 30 June 2008		100,000,000,000	1,000,000,000
<hr/> <hr/>			
Issued and fully paid:			
Issue of share	(b)	1	0.01
Issue of shares arising from Group Reorganisation	(c)	9,999,999	99,999.99
<hr/>			
At 30 June 2008		10,000,000	100,000
<hr/> <hr/>			

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2008

### 12. SHARE CAPITAL (Continued)

Notes:

- (a) On 13 March 2008, the Company was incorporated in Hong Kong with authorised share capital of HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each..
- (b) On 19 March 2008, 1 share of HK\$0.01 was transferred by the subscriber to Allmighty Group.
- (c) Pursuant to the written resolutions of the Company's sole shareholder passed on 19 June 2008:
- the authorised share capital of the Company was increased from HK\$10,000 to HK\$1,000,000,000 by the creation of an additional 99,999,000,000 shares of HK\$0.01 each
  - 9,999,999 shares of HK\$0.01 each were issued to Allmighty Group to rank pari passu in all respects with the existing shares pursuant to the Group Reorganisation

The share capital of the Group as at 31 December 2007 represented the aggregate issued share capital of Beauty Royal Limited, Charter Loyal Limited, Emperor Watch & Jewellery (HK) Company Limited, Glad Fortune Limited, Glory Wish Limited, Moral Step Limited, Perfect Perform Limited, Treasure Bright Investments Limited and Trillion Winner Limited.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2008

### 13. CAPITAL COMMITMENTS

	As at	
	30 June 2008 (unaudited) HK\$'000	31 December 2007 (audited) HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements, net of deposits paid	<b>2,131</b>	516

### 14. OPERATING LEASE COMMITMENTS

#### The Group as lessee

As at 30 June 2008, the Group had future lease payments under non-cancellable operating leases in respect of rented premises falling due as follow:

	As at	
	30 June 2008 (unaudited) HK\$'000	31 December 2007 (audited) HK\$'000
Within one year	<b>116,187</b>	53,314
In the second to fifth years inclusive	<b>250,927</b>	47,855
	<b>367,114</b>	101,169

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2008

### 15. RELATED PARTY TRANSACTIONS

During the Period, the Group had the following transactions with related parties:

	Six months ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Continuing transactions		
(i) Service charges paid	603	303
(ii) Advertising and promotion expenses paid	360	534
(iii) Sales of goods to Directors and their close family	1,923	2,244
(iv) Air-conditioning and electricity expenses paid	156	147
(v) Rental expenses paid	14,576	5,476
	<b>17,618</b>	8,704
Non-continuing transactions		
(vi) Purchase of inventories from a fellow subsidiary	603	150,742
(vii) Sub-contracting fee paid to a fellow subsidiary	-	1,300
	<b>603</b>	152,042

*Note:* Certain directors and a substantial shareholder of the Company have significant influence or are deemed to have significant influence in the related companies.



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

As at 30 June 2008, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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:

### Long position interests in the Company

*Ordinary shares of HK\$0.01 each of the Company*

<b>Name of Director</b>	<b>Capacity/ Nature of interests</b>	<b>Number of issued ordinary shares held</b>	<b>Approximate percentage holding</b>
Ms. Cindy Yeung ( <i>Note</i> )	Beneficiary of a trust	3,150,000,000	70%

*Note:* Allmighty Group was the registered shareholder of 3,150,000,000 shares of the Company. The entire issued share capital of Allmighty Group was held by Diamond Palace Limited ("Diamond Palace") which in turn was wholly-owned by Jumbo Gold Investments Limited ("Jumbo Gold") acting as trustee of The Albert Yeung Unit Trust, a unit trust under The Albert Yeung Discretionary Trust ("AY Trust"), the founder of which was Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung"). Ms. Cindy Yeung, was deemed to be interested in the above shares held by Allmighty Group by virtue of being one of the eligible beneficiaries of the AY Trust.

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

Save as disclosed above, as at 30 June 2008, none of the Directors, chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations.

### **SHARE OPTIONS**

The Company adopted a share option scheme ("Scheme") on 19 June 2008 (the "Adoption Date") to provide incentives or rewards to participants including the Directors and eligible employees of the Group.

Under the Scheme, the directors of the Company are authorised, at any time within ten years after the Adoption Date, to grant options to any participant to subscribe for shares in the Company at a price not less than the highest of (i) the closing price of the Company's shares on the date of grant which must be a business day; (ii) the average closing prices of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. A nominal consideration of HK\$1 is payable on acceptance of the grant of options.

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

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, 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 interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

### Long positions in ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity/ Nature of interests	Number of issued ordinary shares interested in or deemed to be interested	Approximate percentage holding
Allmighty Group	Legal/Beneficial owner	3,150,000,000	70%
Diamond Palace	Interest in controlled company (Note 1)	3,150,000,000	70%
Jumbo Gold	Trustee (Note 1)	3,150,000,000	70%
GZ Trust Corporation	Trustee (Note 2)	3,150,000,000	70%
Dr. Albert Yeung	Settlor of a discretionary trust (Note 2)	3,150,000,000	70%
Ms. Luk Siu Man, Semon	Interest of spouse (Note 3)	3,150,000,000	70%

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (Continued)

*Notes:*

1. The entire issued share capital of Allmighty Group was held by Diamond Palace, which in turn was wholly-owned by Jumbo Gold acting as a trustee of The Albert Yeung Unit Trust, a unit trust under the AY Trust. GZ Trust Corporation is the trustee of the AY Trust and was holding all units of The Albert Yeung Unit Trust save for one unit which was held by Dr. Albert Yeung.
2. GZ Trust Corporation and Dr. Albert Yeung were the trustee and settlor of the AY Trust respectively. By virtue of the SFO, each of GZ Trust Corporation and Dr. Albert Yeung was deemed to be interested in the 3,150,000,000 shares held by Allmighty Group.
3. Ms. Luk Siu Man, Semon was deemed to be interested in the 3,150,000,000 shares held by Allmighty Group by virtue of the interest held by her spouse, Dr. Albert Yeung.

The above shares were the same shares as set out under the section headed "Directors' and Chief Executives' Interests and Short Position in Securities" above.

Save as disclosed above, as at 30 June 2008, the Directors of the Company were not aware of any person or corporation (other than the Directors and chief executives of the Company) who had any interests or short positions in any shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

## CORPORATE GOVERNANCE

### Code on Corporate Governance Practices

The Company was listed on the Stock Exchange on 21 July 2008 (after the Period), the Board has adopted various policies for the purpose to ensure compliance with all provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

## CORPORATE GOVERNANCE (Continued)

### Model Code for Securities Transactions

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the rules governing dealings by the Directors in the listed securities of the Company. Having made specific enquiry to the Directors, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code.

### REVIEW OF INTERIM REPORT

This interim report has been reviewed by the audit committee of the Company, who is of the opinion that the preparation of the condensed consolidated financial statements had complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The audit committee comprises the three independent non-executive Directors of the Company, namely Ms. Yip Kam Man, Mr. Chan Hon Piu and Ms. Lai Ka Fung, May.

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

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**  
*Executive Director*

Hong Kong, 10 September 2008

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