



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

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



ELEGANT
BLOOMS

Interim Report 2013







Contents

02	Financial Highlights
03	Management Discussion and Analysis
08	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
09	Condensed Consolidated Statement of Financial Position
10	Condensed Consolidated Statement of Changes in Equity
11	Condensed Consolidated Statement of Cash Flows
12	Notes to the Condensed Consolidated Financial Statements
25	Directors' and Chief Executives' Interests and Short Positions in Securities
28	Other Persons' Interests and Short Positions in Securities
29	Share Options and Other Information

Financial Highlights

- Revenue grew by 4.1% to HK\$3,293.7 million (1H2012: HK\$3,163.7 million) despite unfavourable market conditions.
- As a result of proactive approach on enhancing jewellery business, segmental revenue boosted by 32.0% to HK\$749.2 million (1H2012: HK\$567.4 million), accounting for 22.7% (1H2012: 17.9%) of the total revenue.
- Due to relatively keen price competition on watch business, gross profit decreased to HK\$798.4 million (1H2012: HK\$843.8 million). Gross profit margin was 24.2% (1H2012: 26.7%).
- Net profit was HK\$156.7 million (1H2012: HK\$219.5 million).
- Achieved a strong cash position with debt-free as at 30 June 2013.
- Due to the effective inventory control, the overall inventory level decreased to HK\$3,459.6 million (31 December 2012: \$3,521.7 million) and inventory turnover days further reduced to 251 days (1H2012: 297 days).
- Strategically expanded the coverage from Greater China to Southeast Asia by initiating a presence in Singapore in 2013.



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 luxurious and internationally branded watches, together with self-designed fine jewellery products under its own brand, “**Emperor**”. The Group has extensive retail networks in Hong Kong, Macau, the People’s Republic of China (the “PRC”) and Singapore. The target customers range from middle to high income groups in the world. With a long history of over 70 years since its establishment, the Company is carrying a balanced and comprehensive watches’ dealership list.

FINANCIAL REVIEW

Overall Review

During the six months ended 30 June 2013 (the “Period”), the Group was still able to achieve a revenue growth of 4.1% to approximately HK\$3,293.7 million (1H2012: HK\$3,163.7 million) despite the unfavourable market conditions. The Hong Kong market continued to be the key revenue contributor, with its revenue increased by 3.2% to HK\$2,735.0 million (1H2012: HK\$2,649.3 million), accounting for 83.0% (1H2012: 83.7%) of the Group’s total revenue. During the Period, 77.3% (1H2012: 82.1%) of the Group’s total revenue was generated from watch segment. The Group has taken a pro-active approach for enhancing jewellery business since January 2013, which boosted its segmental revenue by 32.0% to HK\$749.2 million (1H2012: HK\$567.4 million).

Gross profit amounted to HK\$798.4 million (1H2012: HK\$843.8 million). Gross profit margin was 24.2% (1H2012: 26.7%). During the Period, due to the sluggish demand on high ticket items and relatively keen price competition among the regular products, the Group implemented sales promotion, hence moving down the general gross profit margin.

EBITDA and net profit were HK\$219.6 million (1H2012: HK\$306.9 million) and HK\$156.7 million (1H2012: HK\$219.5 million) respectively. The decrease of EBITDA and net profit were due to the decrease in gross profit margin and mild increase in rental expenses. Basic earnings per share was HK2.3 cents (1H2012: HK3.3 cents). The board of directors of the Company (the “Board” or “Directors”) has recommended to declare an interim dividend of HK0.68 cent (2012: HK0.98 cent) per share.



Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (Continued)

Liquidity and Financial Resources

Bank balances and cash on hand of the Group as at 30 June 2013 amounted to HK\$618.1 million (31 December 2012: HK\$454.8 million), which were mainly denominated in Hong Kong dollars (“HKD”) and Renminbi (“RMB”). As at 30 June 2013, the Group had no bank borrowings (31 December 2012: HK\$1.0 million) and its gearing ratio (calculated on the basis of the total borrowings over total equity) was nil (31 December 2012: 0.02%). The Group also had available unutilised banking facilities of approximately HK\$779.2 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 2013, the Group’s current assets and current liabilities were approximately HK\$4,258.6 million (31 December 2012: HK\$4,180.8 million) and HK\$255.0 million (31 December 2012: HK\$366.9 million) respectively. Current ratio and quick ratio of the Group were 16.7 (31 December 2012: 11.4) and 3.1 (31 December 2012: 1.8) respectively.

In view of the Group’s financial position as at 30 June 2013, the Board considered that the Group had sufficient working capital for its operations and future development plans.

Capital Structure

During the Period, 163,934,426 units of warrants with an aggregate subscription value of approximately HK\$100 million were exercised at a subscription price of HK\$0.61 per share and, accordingly, an addition 163,934,426 ordinary shares of HK\$0.01 each were issued and allotted.

BUSINESS REVIEW

Expanding Retail Coverage to Southeast Asia

During the Period, the Group has successfully expanded the coverage from Greater China to Southeast Asia by initiating a presence in Singapore. Together with the extensive network in Hong Kong, Macau and the PRC, the Group ran 78 stores (31 December 2012: 80 stores; 30 June 2012: 86 stores) as at 30 June 2013. Details of which are listed below:

	Number of stores
Hong Kong	21
Macau	5
The PRC	48
Singapore	4
	<hr/>
Total	78
	<hr/>



BUSINESS REVIEW (Continued)

These stores include jewellery shops, multi-brand watch shops (with or without jewellery counters) as well as specialty outlets for specific watch brands.

The Group's retail stores in Hong Kong are strategically located at the major high-end shopping places, including Russell Street in Causeway Bay, Canton Road in Tsim Sha Tsui and Queen's Road Central in Central. In terms of shop rental rate per square feet during the Period, these three shopping streets were ranked as world-class top five most valuable shopping streets. Russell Street was even well recognised as the most valuable shopping street in the world. The Group enjoys a high penetration rate amongst the mainland visitors and brand enhancement through its presence in these extremely prime areas. With the lead of iconic flagship store located in 1881 Heritage, Canton Road, Tsim Sha Tsui, the Group is able to capture local shoppers as well as mainland visitors.

In June 2013, a Patek Philippe boutique was opened in Nathan Road, Tsim Sha Tsui, where it offers elegant and fine timepiece collections. Such collaboration demonstrates management's dedication to foster solid relationships with leading watch brand suppliers, thereby achieving win-win situations where both leading watch brands and the Group enjoys brand enhancement through its presence in extreme prime areas.

Enriching Jewellery Product Portfolio

During the Period, the Group continued to offer quality with design on premium "***Emperor Jewellery***" products to the customers. With key focus on quality gem-sets and fine jadeites among the comprehensive product range, the Group enriched design features to satisfy diversified customers' taste and enhanced charisma of signature "***Emperor Jewellery***" collections to raise brand loyalty. Stylish and prestigious gem-sets, bridal collections and fine jadeites continued to be popular items. Meanwhile, new collections with unique themed design were launched regularly at different price points for further fostering the customer loyalty of sophisticated customers and penetrating new shoppers in different income group. After continuous implementation of effective optimisation of jewellery product portfolio during the Period, the Group was able to enhance the jewellery segment among the total revenue mix and the overall capital efficiency.



Management Discussion and Analysis (Continued)

BUSINESS REVIEW (Continued)

Solidifying Brand Image

The Group continued to promote various watch brands effectively through a range of joint promotions, sponsorships and exhibitions during the Period, all of which received positive results. To sustain its decades-old relationship with watch suppliers, the Group separately ran co-op advertising campaigns and organised joint promotion events with world-class watch suppliers to further foster the relationship and enhance the brand reputation for both leading watch brands and “**Emperor**”.

During the Period, the Group hosted numerous jewellery shows for consolidating VIP customers and widening new customer base. By capturing an ever-expanding opportunities over online and social media, the Group also strengthened the marketing efforts and enhanced brand awareness of “**Emperor Jewellery**” by various cost-effective advertising programs.

Enjoying Group Synergies

The ability to (1) leverage other business lines; and (2) enjoy the synergies effect with companies within Emperor Group are two of the advantages for the Group. Emperor International Holdings Limited, a separate listed company under Emperor Group, owns many premium retail properties at renowned shopping districts. By leasing the prime retail locations from it on an arm’s length basis, the Group is able to generate stable sales productivity. As one of the synergies brought by Emperor Entertainment Group, the Group also invited VIP guests to its movie premiere and sponsored jewellery for the artistes. Such exposure opportunities, with pop artistes and high profile celebrities, serve as an important tool to enhance the reputation of the brand of “**Emperor**”, particularly in the Chinese-speaking communities.

PROSPECTS

Evidenced by a solid growth of the mainland visitor arrivals, Hong Kong has long been a favourable shopping destination for mainland visitors. Significant price differential, authenticity assurance and full assortments provide strong incentives for mainland visitors to purchase luxury watches in Hong Kong. Coupled with the appetites for prestigious brands and the rise of awareness of social status and self-recognition, the Group is poised to capture such market opportunities.

Looking forward, the growing economic independency and westernised lifestyle of working female in Greater China will drive an intensified demand of jewellery goods consumption. Taking advantage on the fast-growing jewellery market, the Group is striving to accelerate jewellery expansion plan for improving overall margin performance and profitability. In the long-run, the Group is very keen to focus on differentiated design and exquisite craftsmanship on the products together with exclusive and prestige brand image.



Management Discussion and Analysis (Continued)

PROSPECTS *(Continued)*

The Group believes that Southeast Asia will become a new revenue contributor. The Group will continue to look for other expansion opportunities in Southeast Asia in order to fully capture the luxury consumption growth momentum.

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in HKD, RMB, Macau Pataco ("MOP") and United State dollars ("USD"). During the Period, the Group did not have any material foreign exchange exposure.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group has 843 salespersons (30 June 2012: 921) and 211 office staff (30 June 2012: 229). Total staff costs (including Directors' remuneration) were approximately HK\$135.2 million (1H2012: HK\$121.8 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.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK0.68 cent per share ("Interim Dividend") for the financial year ending 31 December 2013 (2012: HK0.98 cent), amounting to approximately HK\$46,801,000 (2012: HK\$65,841,000). The Interim Dividend will be payable on 27 September 2013 (Friday) to shareholders whose names appear on the register of members of the Company on 19 September 2013 (Thursday).

The register of member of the Company will be closed, for the purpose of determining shareholders' entitlement to the Interim Dividend, from 18 September 2013 (Wednesday) to 19 September 2013 (Thursday), during which period no share transfer will be effected.

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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 17 September 2013 (Tuesday).



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 (unaudited) HK\$'000	2012 (unaudited) (Restated) HK\$'000
Revenue	3	3,293,731	3,163,691
Cost of sales		(2,495,324)	(2,319,859)
Gross profit		798,407	843,832
Other income		2,611	2,266
Selling and distribution expenses		(516,377)	(472,208)
Administrative expenses		(94,326)	(101,310)
Finance costs		(2)	(2,697)
Profit before taxation	4	190,313	269,883
Taxation	5	(33,655)	(50,362)
Profit for the period attributable to owners of the Company		156,658	219,521
Other comprehensive income (expense) for the period:			
Exchange differences arising from translation of foreign operations		11,198	(318)
Total comprehensive income for the period attributable to owners of the Company		167,856	219,203
Earnings per share	6		
– Basic		HK2.3 cents	HK3.3 cents
– Diluted		HK2.3 cents	HK3.2 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	As at	
		30 June 2013 (unaudited) HK\$'000	31 December 2012 (audited) HK\$'000
Non-current assets			
Property, plant and equipment		91,769	102,020
Deferred tax asset		8,601	7,483
Rental deposits		209,515	177,347
		309,885	286,850
Current assets			
Inventories		3,459,641	3,521,660
Receivables, deposits and prepayments	8	173,844	196,319
Taxation receivable		6,947	8,005
Bank balances and cash		618,143	454,768
		4,258,575	4,180,752
Current liabilities			
Payables, deposits received and accrued charges	9	241,952	353,878
Amounts due to related companies	10	2,362	4,849
Taxation payable		10,685	7,258
Bank borrowings	11	–	950
		254,999	366,935
Net current assets		4,003,576	3,813,817
Net assets		4,313,461	4,100,667
Capital and reserves			
Share capital		68,824	67,185
Reserves		4,244,637	4,033,482
Total equity		4,313,461	4,100,667



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Warrants equity reserve HK\$'000	Accumulated profits HK\$'000	
As at 1 January 2012 (audited)	67,185	3,263,867	(373,003)	(26,162)	2,529	33,798	53,100	837,229	3,858,543
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(318)	-	-	(318)
Profit for the period	-	-	-	-	-	-	-	219,521	219,521
Total comprehensive income for the period	-	-	-	-	-	(318)	-	219,521	219,203
Payment of final dividend for 2011	-	-	-	-	-	-	-	(107,496)	(107,496)
As at 30 June 2012 (unaudited)	67,185	3,263,867	(373,003)	(26,162)	2,529	33,480	53,100	949,254	3,970,250
As at 1 January 2013 (audited)	67,185	3,263,867	(373,003)	(26,162)	2,529	44,932	53,100	1,068,219	4,100,667
Exchange differences arising on translation of foreign operations	-	-	-	-	-	11,198	-	-	11,198
Profit for the period	-	-	-	-	-	-	-	156,658	156,658
Total comprehensive income for the period	-	-	-	-	-	11,198	-	156,658	167,856
Shares issued upon exercise of warrants	1,639	151,460	-	-	-	-	(53,100)	-	99,999
Payment of final dividend for 2012	-	-	-	-	-	-	-	(55,061)	(55,061)
As at 30 June 2013 (unaudited)	68,824	3,415,327	(373,003)	(26,162)	2,529	56,130	-	1,169,816	4,313,461

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Net cash from (used in) operating activities	135,759	(306,220)
Net cash used in investing activities	(18,764)	(50,757)
Net cash from (used in) financing activities	43,986	(265,576)
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Net increase (decrease) in cash and cash equivalents	160,981	(622,553)
Cash and cash equivalents at the beginning of the period	454,768	803,777
Effect of foreign exchange rate changes	2,394	(318)
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Cash and cash equivalents at the end of the period, represented by bank balances and cash	618,143	180,906



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the 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 The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012.

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 2012, except for the application of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) effective from 1 January 2013, as below:

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to HKAS 1, a “statement of comprehensive income” is renamed as a “statement of profit or loss and other comprehensive income”. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ²
HKFRS 9	Financial Instruments ¹
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKAS 36	Recoverable Amount Disclosures for Non Financial Assets ²
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ²
HK(IFRIC) – Int 21	Levies ²

¹ Effective for annual periods beginning on or after 1 January 2015

² Effective for annual periods beginning on or after 1 January 2014

The Directors anticipate that the application of the new and revised HKFRSs are unlikely to have a material impact on the results and the financial position of the Group.

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 and reportable segments under HKFRS 8 are operations located in Hong Kong, Macau, the PRC and other region. The revenue generated by each of the operating segments is mainly derived from sales of watch and jewellery.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

3. REVENUE AND SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the six months ended 30 June 2013

	Hong Kong (unaudited) HK\$'000	Macau (unaudited) HK\$'000	PRC and other region (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Revenue					
External sales	2,735,037	217,055	341,639	-	3,293,731
Inter-segment sales*	42,524	16,838	-	(59,362)	-
	2,777,561	233,893	341,639	(59,362)	3,293,731

* Inter-segment sales are charged at cost

Segment profit	250,311	31,407	312		282,030
Unallocated administrative expenses					(93,065)
Interest income					1,350
Finance costs					(2)
Profit before taxation					190,313

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2012 (Restated)

	Hong Kong (unaudited) HK\$'000	Macau (unaudited) HK\$'000	Other regions in the PRC (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Revenue					
External sales	2,649,260	181,410	333,021	-	3,163,691
Inter-segment sales*	34,509	21,777	-	(56,286)	-
	2,683,769	203,187	333,021	(56,286)	3,163,691

* Inter-segment sales are charged at cost

Segment profit	330,069	37,880	4,671		372,620
Unallocated administrative expenses					(101,310)
Interest income					1,270
Finance costs					(2,697)
Profit before taxation					269,883

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

In order to conform with current period's presentation, expenses relating to the retail shops included in administrative expenses have been reclassified to selling and distribution expenses. Accordingly, the comparative figures of unaudited condensed consolidated segment profit and unallocated administrative expenses have been restated by HK\$21,203,000.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
		(Restated)
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Allowance for inventories	4,086	1,905
Cost of inventories included in cost of sales	2,485,389	2,312,297
Depreciation of property, plant and equipment	29,287	34,285
Loss on disposal of property, plant and equipment	1,387	206
Net exchange loss (gain)	1,432	(1,581)
Operating lease payments in respect of rented premises		
– minimum lease payments	295,735	252,312
– contingent rent	26,462	44,604
Write off of inventories	232	53
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	126,103	113,726
– retirement benefits scheme contributions	9,102	8,115

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

5. TAXATION

	Six months ended 30 June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
The charge comprises:		
Current period:		
Hong Kong	31,345	44,061
PRC	–	888
Macau	3,428	4,262
	34,773	49,211
Deferred taxation	(1,118)	1,151
	33,655	50,362

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

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

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

6. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	156,658	219,521



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

6. EARNINGS PER SHARE (Continued)

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	6,868,862,403	6,718,513,703
Effect of dilutive potential ordinary shares:		
Warrants	–	63,251,107
Weighted average number of ordinary shares for the purpose of diluted earnings per share	6,868,862,403	6,781,764,810

7. DIVIDENDS

	Six months ended 30 June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Final dividend of HK0.8 cent per share for the year ended 31 December 2012 paid during the Period (year ended 31 December 2011: HK1.6 cents per share)	55,061	107,496

The Board has declared an interim dividend of HK0.68 cent per share for the financial year ending 31 December 2013 (2012: HK0.98 cent), amounting to approximately HK\$46,801,000 (2012: HK\$65,841,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	30 June 2013 (unaudited) HK\$'000	31 December 2012 (audited) HK\$'000
Trade receivables	95,332	89,465
Other PRC tax recoverables	28,010	43,432
Other receivables, deposits and prepayments	50,502	63,422
	173,844	196,319

Retails sales are normally settled in cash or by credit card with the settlement from the corresponding banks or other financial institutions within 7 days. Receivables from retail sales in department stores are collected within one month from invoice issuing date.

The following is an aged 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 2013 (unaudited) HK\$'000	31 December 2012 (audited) HK\$'000
Within 30 days	88,625	82,020
31 – 60 days	6,707	6,995
61 – 90 days	–	450
	95,332	89,465



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

Included in the Group's trade receivables balance are receivables from department stores with aggregate carrying amount of HK\$6,707,000 (2012: HK\$7,445,000) 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.

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

	As at	
	30 June 2013 (unaudited) HK\$'000	31 December 2012 (audited) HK\$'000
Overdue 1 – 30 day(s)	6,707	5,663
Overdue 31 – 60 days	–	1,782
	6,707	7,445

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 the 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)

For the six months ended 30 June 2013

9. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	As at	
	30 June 2013 (unaudited) HK\$'000	31 December 2012 (audited) HK\$'000
Trade payables	138,236	229,114
Other PRC tax payables	767	1,506
Other payables, deposits received and accrued charges	102,949	123,258
	241,952	353,878

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

	As at	
	30 June 2013 (unaudited) HK\$'000	31 December 2012 (audited) HK\$'000
Within 30 days	136,714	227,080
31 – 60 days	1,246	1,226
61 – 90 days	252	623
Over 90 days	24	185
	138,236	229,114

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 and service charge payable to related companies, 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 is one of the eligible beneficiaries.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

11. BANK BORROWINGS

	As at	
	30 June 2013 (unaudited) HK\$'000	31 December 2012 (audited) HK\$'000
Unsecured bank loans, repayable within one year	–	950

The weighted effective interest rate on the Group's borrowings is 1.52% (2012: 1.48%).

12. CAPITAL COMMITMENTS

	As at	
	30 June 2013 (unaudited) HK\$'000	31 December 2012 (audited) HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	10,631	6,752

13. OPERATING LEASE ARRANGEMENTS

The Group as lessee

As at 30 June 2013, the future lease payments under non-cancellable operating leases in respect of rented premises which fall due are as follows:

	As at	
	30 June 2013 (unaudited) HK\$'000	31 December 2012 (audited) HK\$'000
Within one year	602,302	516,232
In the second to fifth year inclusive	695,495	615,794
	1,297,797	1,132,026



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

13. OPERATING LEASE ARRANGEMENTS (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 five 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\$344,841,000 (31 December 2012: HK\$460,414,000) which fall due as follows:

	30 June 2013 (unaudited) HK\$'000	31 December 2012 (audited) HK\$'000
Within one year	242,134	240,900
In the second to fifth year inclusive	102,707	219,514
	344,841	460,414

14. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
(i) Sales of goods to Directors and their close family members	711	1,235
(ii) Rental, electricity and air-conditioning expenses paid to related companies	124,696	124,445
(iii) Service charges in respect of information system and administrative work paid to related companies	11,519	15,348
(iv) Advertising expenses paid to related companies	419	814
(v) Financial advisory fee paid to a related company	210	180
	137,555	142,022



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

14. RELATED PARTY TRANSACTIONS (Continued)

- (b) 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	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Salaries and other short-term employee benefits	5,260	6,925
Retirement benefits costs	15	13
	5,275	6,938

- (c) As at 30 June 2013, rental deposits paid to related companies amounted to approximately HK\$75,264,000 (31 December 2012: HK\$73,069,000) were included in rental deposits under non-current assets.
- (d) The Company provided corporate guarantees of approximately HK\$912,443,000 (31 December 2012: HK\$773,106,000) to banks in respect of credit facilities granted to its subsidiaries. The aggregate amounts utilized by subsidiaries as at 30 June 2013 were nil (31 December 2012: HK\$950,000)

Note: The related companies are companies controlled by Director(s) of the Company or their respective associate(s) or the AY Trust of which Ms. Cindy Yeung is one of the eligible beneficiaries.

Directors' and Chief Executives' Interests and Short Position in Securities

As at 30 June 2013, 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 HK\$0.01 each of the Company ("Shares")

Name of Director	Capacity/Nature of interests	Number of issued Shares held	Approximate % holding
Ms. Cindy Yeung	Beneficiary of 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 Limited ("STC International") being the trustee of AY Trust, a discretionary trust under which Ms. Cindy Yeung is one of the eligible beneficiaries.



Directors' and Chief Executives' Interests and Short Position in Securities (Continued)

(b) Long position interests in associated corporations

(i) Ordinary Shares

Name of Director	Name of associated corporation	Capacity/ Nature of interests	Number of issued Shares held	Approximate % holding
Ms. Cindy Yeung	Emperor International Holdings Limited ("Emperor International") (Note 1)	Beneficiary of AY Trust	2,747,610,489	74.93%
Ms. Cindy Yeung	Emperor Entertainment Hotel Limited ("Emperor E Hotel") (Note 1)	Beneficiary of AY Trust	808,907,845	62.58%
Ms. Cindy Yeung	Emperor Capital Group Limited ("Emperor Capital Group") (Note 2)	Beneficiary of AY Trust	1,716,546,907	66.09%
Ms. Cindy Yeung	New Media Group Holdings Limited ("New Media Group") (Note 3)	Beneficiary of AY Trust	584,255,000	67.62%

(ii) Share options

Name of Directors	Name of associated corporation	Capacity/ Nature of interests	Number of underlying Shares held	Approximate % holding
Mr. Wong Chi Fai (“Mr. Bryan Wong”)	Emperor International	Beneficial owner	10,769,475	0.29%
Ms. Fan Man Seung, Vanessa (“Ms. Vanessa Fan”)	Emperor International	Beneficial owner	10,769,475	0.29%
Mr. Bryan Wong	Emperor E Hotel	Beneficial owner	5,000,000	0.39%
Ms. Vanessa Fan	Emperor E Hotel	Beneficial owner	5,000,000	0.39%



Directors' and Chief Executives' Interests and Short Position in Securities (Continued)

Notes:

1. Emperor International is a company with its shares listed in Hong Kong. These shares of Emperor International were held by Emperor International Group Holdings Limited ("Emperor International Group Holdings"). Emperor E Hotel is a company with its shares listed in Hong Kong. These shares of Emperor E Hotel were held by Emperor Entertainment Hotel Holdings Limited, which is indirectly wholly-owned by Emperor International. Emperor International Group Holdings is wholly-owned by AY Holdings which is in turn held by STC International, being the trustee of the AY Trust. Ms. Cindy Yeung, by virtue of being one of the eligible beneficiaries of the AY Trust, had deemed interests in the same shares.
2. Emperor Capital Group is a company with its shares listed in Hong Kong. These shares of Emperor Capital Group were held by Emperor Capital Group Holdings Limited ("Emperor Capital Holdings"). Emperor Capital Holdings is wholly-owned by AY Holdings which is in turn held by STC International, being the trustee of the AY Trust. Ms. Cindy Yeung, by virtue of being one of the eligible beneficiaries of the AY Trust, had deemed interests in the same shares.
3. New Media Group is a company with its shares listed in Hong Kong. These shares of New Media Group were held by New Media Group Investment Limited ("New Media Investment"). New Media Investment is wholly-owned by AY Holdings which is in turn held by STC International, being the trustee of the AY Trust. Ms. Cindy Yeung, by virtue of being one of the eligible beneficiaries of the AY Trust, had deemed interests in the said shares.
4. These were share options granted to Mr. Bryan Wong and Ms. Vanessa Fan, also being the directors of Emperor International and Emperor E Hotel, under the share option schemes of Emperor International and Emperor E Hotel.

Save as disclosed above, as at 30 June 2013, 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 2013, so far as is known to any Director or chief executive of the Company, the following persons or corporations (other than a Director or chief executive of the Company) who had, or were deemed or taken to have an interest and short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Long positions in the Shares

Name of shareholder	Capacity/Nature of interests	Number of issued Shares held	Approximate % holding
Emperor W&J Holdings (Note)	Beneficial owner	3,617,860,000	52.57%
AY Holdings (Note)	Interest in a controlled corporation	3,617,860,000	52.57%
STC International (Note)	Trustee	3,617,860,000	52.57%
Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung") (Note)	Founder of AY Trust	3,617,860,000	52.57%
Ms. Luk Siu Man, Semon (Note)	Interest of spouse	3,617,860,000	52.57%
Mondrian Investment Partners Limited	Investment manager	415,910,000	6.19%

Note: These Shares were held by Emperor W&J Holdings which is wholly owned by AY Holdings. AY Holdings is held by STC International, the trustee of the AY Trust. Dr. Albert Yeung, as the founder of the AY Trust, was deemed to have interest in the said Shares held by Emperor W&J Holdings. By virtue of being the spouse of Dr. Albert Yeung, Ms. Luk Siu Man, Semon was also deemed to have interest in the said Shares. The said 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 2013, no short positions were recorded in the SFO register of the Company.

Save as disclosed above, as at 30 June 2013, the Directors or chief executives of the Company were not aware of any other person or corporation (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or otherwise notified to the Company.



Share Options and Other Information

Share Options

The Company has adopted a share option scheme (the “Scheme”) on 19 June 2008 (the “Adoption Date”) to provide incentives to the relevant participants including the Directors and eligible employees of the Group, and to enable the Company to recruit high-calibre employees and attract human resources that are valuable to the Group.

Under the Scheme, the Directors 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 of 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.

Corporate Governance

Corporate Governance Code

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

Model Code for Securities Transactions

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



Share Options and Other Information (Continued)

Changes in Information of Directors

Pursuant to the requirements of Rule 13.51B(1) of the Listing Rules, the change in Directors' emoluments since the date of the 2012 Annual Report is set out below:

The Remuneration Committee had reviewed and revised the remuneration of two Executive Directors, namely Ms. Cindy Yeung and Mr. Chan Hung Ming with effect from 1 January 2013 based on the performance, experience, ability and responsibility of the individuals and with reference to the market rates. The total emoluments of Ms. Yeung and Mr. Chan for the Period were HK\$3,355,291 and HK\$1,924,800 respectively. These amounts comprised basic salaries, allowance and benefits-in-kind 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 interim financial statements of the Group had not been audited nor reviewed by the Company's auditor, Deloitte Touche Tohmatsu, but this Report had been reviewed by the audit committee of the Company, which 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

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, 28 August 2013



Share Options and Other Information (Continued)

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

Executive Directors:

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

Independent Non-Executive Directors:

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

This Interim Report (in both English and Chinese versions) is available to any shareholder in printed form and on the Company's website (<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. Upon written request, a free printed version of Corporate Communication will be sent to shareholders who have elected to receive electronic copies but for any reason have difficulty in receiving or gaining access to any Corporate Communication through the Company's website. Shareholders may have the right to change their choice of receipt of our future Corporate Communications at any time by reasonable notice in writing to the Company or the Company's Share Registrar, Tricor Secretaries Limited, by post at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong or by email at is-enquiries@hk.tricorglobal.com.

