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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 887)

**ANNOUNCEMENT OF INTERIM RESULTS
 FOR THE SIX MONTHS ENDED 30 JUNE 2011**

FINANCIAL HIGHLIGHTS (UNAUDITED)				
HK\$'million	1H2011	1H2011	1H2010	Changes
	Per Reported	Excluding the net loss on derivative financial instruments¹		
Revenue	2,629.1	2,629.1	1,773.3	48.3%
Gross Profit	752.0	752.0	431.0	74.5%
Gross Profit Margin	28.6%	28.6%	24.3%	4.3%pts
EBITDA ²	345.1	354.4	185.0	91.6%
EBITDA Margin	13.1%	13.5%	10.4%	3.1%pts
Profit for the period attributable to owners of the Company	255.3	264.6	128.5	105.9%
Net Profit Margin	9.7%	10.1%	7.2%	2.9%pts
Basic earnings per share	HK4.2 cents	HK4.3 cents	HK2.5 cents	72.0%
Dividend per share	HK1.2 cents	HK1.2 cents	HK0.75 cent	60.0%

¹ Net loss on derivative financial instruments is a non-cash item going through P&L which is in relation to the issuance of convertible bonds.

² EBITDA represents earnings before interest, taxation, depreciation and amortisation of the Group.

The board of directors (the “Board” or “Directors”) of Emperor Watch & Jewellery Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2011 (the “Period”) together with the comparative figures for the corresponding period 2010 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Revenue	3	2,629,114	1,773,277
Cost of sales		<u>(1,877,102)</u>	<u>(1,342,260)</u>
Gross profit		752,012	431,017
Other income		3,499	4,334
Selling and distribution expenses		(315,710)	(188,888)
Administrative expenses		(115,686)	(80,403)
Net loss on derivative financial instruments		(9,300)	(30,185)
Finance costs		<u>(559)</u>	<u>(3,417)</u>
Profit before taxation	4	314,256	132,458
Taxation	5	<u>(59,021)</u>	<u>(30,515)</u>
Profit for the period		<u>255,235</u>	<u>101,943</u>
Other comprehensive income (expense) for the period:			
Exchange differences arising from translation of foreign operations		<u>16,798</u>	<u>(368)</u>
Total comprehensive income for the period		<u><u>272,033</u></u>	<u><u>101,575</u></u>
Profit (loss) for the period attributable to:			
Owners of the Company		255,261	98,273
Non-controlling interests		<u>(26)</u>	<u>3,670</u>
		<u><u>255,235</u></u>	<u><u>101,943</u></u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		272,312	97,905
Non-controlling interests		<u>(279)</u>	<u>3,670</u>
		<u><u>272,033</u></u>	<u><u>101,575</u></u>
Basic and diluted earnings per share	6	<u><u>HK4.2 cents</u></u>	<u><u>HK1.9 cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

		As at	
		30 June 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
<i>Notes</i>			
Non-current assets			
Property, plant and equipment		87,595	85,360
Deferred tax asset		3,843	3,811
		91,438	89,171
Current assets			
Inventories		2,650,998	2,152,007
Receivables, deposits and prepayments	8	288,448	272,969
Bank balances and cash		850,812	601,484
		3,790,258	3,026,460
Current liabilities			
Payables, deposits received and accrued charges	9	224,069	404,661
Amounts due to related companies		230	3,598
Amount due to a former non-controlling shareholder		–	45,471
Taxation payable		90,214	34,556
Bank borrowings – due within one year	10	7,250	67,241
		321,763	555,527
Net current assets		3,468,495	2,470,933
Total assets less current liabilities		3,559,933	2,560,104
Non-current liabilities			
Derivative financial instruments	11	–	180,320
Liability component of convertible bond	11	–	109,541
		–	289,861
Net assets		3,559,933	2,270,243
Capital and reserves			
Share capital		67,185	56,593
Reserves		3,490,430	2,211,053
		3,557,615	2,267,646
Equity attributable to owners of the Company		3,557,615	2,267,646
Non-controlling interests		2,318	2,597
Total equity		3,559,933	2,270,243

Notes:

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”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values. 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 2010, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) effective from 1 January 2011, as below.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above new and revised HKFRSs has had no significant financial impact on these unaudited condensed consolidated interim financial statements.

Notes: (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 1 (Revised) (Amendments)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets ²
HKAS 19 (2011)	Employee Benefits ⁴
HKAS 27 (2011)	Separate Financial Statements ⁴
HKAS 28 (2011)	Investments in Associates and Joint Ventures ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

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 and other regions in the People's Republic of China (the "PRC"). The revenue generated by each of the operating segments is mainly derived from sales of watch and jewellery.

Notes: (Continued)

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

For the six months ended 30 June 2011

	Hong Kong	Macau	Other regions	Elimination	Consolidated
	(unaudited)	(unaudited)	in the PRC	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
External sales	2,150,423	182,943	295,748	–	2,629,114
Inter-segment sales*	119,840	72,459	–	(192,299)	–
	<u>2,270,263</u>	<u>255,402</u>	<u>295,748</u>	<u>(192,299)</u>	<u>2,629,114</u>
* Inter-segment sales are charged at cost					
Segment profit	<u>374,172</u>	<u>42,111</u>	<u>21,777</u>	<u>–</u>	438,060
Unallocated administrative expenses					(115,734)
Interest income					1,789
Net loss on derivative financial instruments					(9,300)
Finance costs					<u>(559)</u>
Profit before taxation					<u>314,256</u>

Notes: (Continued)

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2010

	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	1,438,317	126,685	208,275	–	1,773,277
Inter-segment sales*	<u>36,069</u>	<u>5,386</u>	<u>45,736</u>	<u>(87,191)</u>	<u>–</u>
	<u>1,474,386</u>	<u>132,071</u>	<u>254,011</u>	<u>(87,191)</u>	<u>1,773,277</u>
* Inter-segment sales are charged at cost					
Segment profit	<u>176,265</u>	<u>24,057</u>	<u>11,373</u>	<u>–</u>	211,695
Unallocated administrative expenses					(46,238)
Interest income					603
Net loss on derivative financial instruments					(30,185)
Finance costs					<u>(3,417)</u>
Profit before taxation					<u>132,458</u>

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

Notes: (Continued)

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Allowance for inventories	7,223	64
Cost of inventories included in cost of sales	1,864,512	1,321,371
Depreciation of property, plant and equipment	30,301	18,913
Loss on disposal of property, plant and equipment	693	5,399
Net exchange loss	3,387	96
Operating lease payments in respect of rented premises		
– minimum lease payments	140,940	115,771
– contingent rent	37,198	12,500
Write off of inventories	1,244	393
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	95,598	64,512
– retirement benefits scheme contributions	6,027	2,760
	<u>6,027</u>	<u>2,760</u>

5. TAXATION

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current period:		
– Hong Kong	52,614	25,770
– PRC	4,788	2,669
– Macau	1,651	2,795
	<u>59,053</u>	<u>31,234</u>
Deferred taxation	(32)	(719)
	<u>59,021</u>	<u>30,515</u>

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.

Notes: (Continued)

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30 June 2011 is based on the profit for the period attributable to owners of the Company of approximately HK\$255,261,000 (2010: HK\$98,273,000) and on the weighted average number of 6,147,079,285 ordinary shares (2010: 5,057,117,900) in issue during the period.

No diluted earnings per share is presented for the six months ended 30 June 2010 as the impact of the Convertible Bonds outstanding during the period had an anti-diluted effect on the basic earnings per share.

7. DIVIDEND

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Final dividend of HK1.02 cents per share for the year ended 31 December 2010 paid during the interim period (year ended 31 December 2009: HK0.85 cent per share)	<u>68,529</u>	<u>44,325</u>

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	30 June	31 December
	2011	2010
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Trade receivables	74,205	62,828
Rental deposits	125,807	101,959
Other receivables, deposits and prepayments	<u>88,436</u>	<u>108,182</u>
	<u>288,448</u>	<u>272,969</u>

Retail sales are normally settled in cash or by credit card with the settlement from the corresponding financial institutions within 7 days. Receivables from retail sales in department stores are collected within one month from invoice issuing day. The Group granted an average credit periods from 7 days to 90 days to the wholesale customers.

Notes: (Continued)

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

	As at	
	30 June 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Within 30 days	73,802	47,471
31 – 60 days	–	5,876
61 – 90 days	361	9,481
91 –120 days	42	–
	<u>74,205</u>	<u>62,828</u>

Before accepting any new customer, the Group would assess the potential wholesale customer's credit quality and defines credit limits by wholesale customer.

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

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$403,000 (2010: HK\$2,006,000) 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.

Receivables that were past due but not impaired relate to department stores sales and wholesale customers that have continuous settlements subsequent to reporting date. The directors of the Group 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 balance are still considered fully receivable.

Notes: (Continued)

9. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	As at	
	30 June	31 December
	2011	2010
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Trade payables	128,074	309,115
Other payables, deposits received and accrued charges	95,995	95,546
	224,069	404,661

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	31 December
	2011	2010
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	111,877	238,874
31 – 60 days	862	32,864
61 – 90 days	114	4,593
Over 90 days	15,221	32,784
	128,074	309,115

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

Notes: (Continued)

10. BANK BORROWINGS

	As at	
	30 June 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Unsecured bank loans – due within one year	<u>7,250</u>	<u>67,241</u>

The effective interest rates on the Group's borrowings are ranged from 1.39% to 5.28% (2010: 1.43% to 4.49%).

11. DERIVATIVE FINANCIAL INSTRUMENTS AND LIABILITY COMPONENT OF CONVERTIBLE BONDS

On 7 February 2011, the convertible bond with principal amount of HK\$140,000,000 (the "HK\$140M Bond") was fully converted into 259,259,259 ordinary shares of HK\$0.01 each at conversion price of HK\$0.54 per share. The new shares issued rank pari passu with the existing shares in all respects. The various options embedded in the HK\$140M Bond are presented as derivative financial instruments in the consolidated statement of financial position and are measured at fair value subsequent to initial recognition with changes in fair value recognised in profit or loss. Upon the conversion of HK\$140M Bond, the fair value loss on derivative financial instruments recognised in the profit or loss amounted to HK\$9,300,000.

The fair value of the derivative financial instruments was calculated using the Binomial Model and determined by Vigers Appraisal & Consulting Limited, an independent valuer not connected with the Group.

As at 31 December 2010, the carrying amounts of the derivative financial instruments and the liability component of convertible bond amounted to HK\$180,320,000 and HK\$109,541,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading retailer principally engaged in the sale of European-made luxurious and international branded watches, and self-designed and sale of fine jewellery products under its own brand, “*Emperor*” through its extensive retail networks in Hong Kong, Macau and PRC for nearly 70 years. With balanced and comprehensive watches’ dealership list and unique marketing, its target customers range from middle to high income group from all over the world.

FINANCIAL REVIEW

Attributable to the expansion of market demand for luxury goods, appreciation of Renminbi and substantial increase of purchasing power of mainland tourists, the general performance for the Period was very satisfactory.

During the Period, the Group reported revenue of approximately HK\$2,629.1 million, representing a significant surge of 48.3% (2010: HK\$1,773.3 million). The Hong Kong market continued to be the key revenue contributor, taking up 81.7% of the Group’s total revenue. The Group achieved encouraging performance on revenue in the PRC with a significant increase of 42.0% to HK\$295.7 million (2010: HK\$208.3 million) The revenue contribution from the jewellery sector further increased to 17.5% (2010: 13.8%) during the Period. Due to the enhanced mix between watch and jewellery business, the overall gross profit margin performance further increased to 28.6% (2010: 24.3%). Basic earnings per share was HK4.2 cents (2010: HK1.9 cents).

Excluding the net loss on derivative financial instruments, EBITDA of the Group increased substantially by 91.6% to HK\$354.4 million and the profit for the Period attributable to the owners of the Company was double to HK\$264.6 million.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group was able to maintain its strong and healthy financial position in the market. Bank balances and cash on hand of the Group as at 30 June 2011 amounted to HK\$850.8 million (2010: HK\$601.5 million), which were mainly denominated in Hong Kong dollars and Renminbi. As at 30 June 2011, the Group had total bank borrowings of approximately HK\$7.2 million (2010: HK\$67.2 million). These bank borrowings were denominated in Hong Kong dollar, interest bearing, repayable with fixed terms and secured by corporate guarantees of the Company.

Due to the conversion of HK\$140M Bond during the Period, the gearing ratio of the Group (calculated on the basis of the total borrowings over total assets) as at 30 June 2011 significantly decreased to 0.2% (2010: 5.7%). The Group also had available unutilised banking facilities of approximately HK\$335.7 million.

As at 30 June 2011, the Group's current assets and current liabilities were approximately HK\$3,790.2 million and HK\$321.8 million respectively. Current ratio and quick ratio of the Group were 11.8 and 3.5 respectively.

In view of the Group's financial position as at 30 June 2011, the Directors considered that the Group had strong working capital for its operations and future development plans.

BUSINESS REVIEW

Expansion and Optimization of Retail Network

The Group has an extensive network of retail outlets at prime locations in Hong Kong, Macau and the PRC. These include jewellery shops, multi-brand shops as well as specialty outlets for specific brands, which enabled the Group to reap synergies with international watch brand suppliers, as well as acknowledging the loyalties among customers who are attracted to the specific watch brands and "*Emperor*" jewellery over the years.

As at 30 June 2011, the Group had 73 stores (2010: 44 stores) in Hong Kong, Macau and the PRC. Details of which is listed below:

	Number of stores
Hong Kong	17
Macau	4
PRC	52

The Group's retail stores in Hong Kong are strategically located at the major high-end shopping places, namely, Canton Road and Nathan Road in Tsim Sha Tsui, and Russell Street in Causeway Bay. Russell Street is now recognized as the world's top shopping area ranking the second highest in terms of shop rental rate, showing the outstanding traffic flow in the area. With the lead of iconic flagship store in "1881 Heritage", the Group can capture the local shoppers as well as mainland visitors.

As the Group focused its resources on the store rollouts in the PRC during the Period, the number of stores in the PRC had increased to 52 as at 30 June 2011, covering the first-tier and second-tier cities including Beijing, Guangzhou, Shanghai and Chongqing so as to seize the potential growth opportunities and enhance the Group's market penetration in the region.

Brand Recognition and Effective Marketing Programme

The Group continued to effectively market and promote the brand through a range of joint promotion, sponsorship and exhibition 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 organized joint promotion events with world-class watch suppliers to further foster its relationship with watch suppliers and enhance the brand reputation of both watch brands and “*Emperor*”.

In the context of concurrent expansion of demand for luxury goods, the Group implemented various specified marketing and public relation campaigns to strengthen its advertising and marketing efforts to high income group. During the Period, the Group fully utilized the spacious area in *Emperor Jewellery Flagship Store* in “1881 Heritage” and continuously hosted joint promotion events with investment banks, insurance companies, charity funds and academic institutions in order to widen the customer base and strengthen a sense of signature on flagship store.

Enjoying Group Synergies

The ability to leverage other businesses and enjoy the synergy effects with intra-group companies within the Emperor Group are two of the advantages of the Group. Some of the store outlets in Hong Kong and all store outlets in Macau are leased from the Emperor Group’s property and hotel arm respectively. During the Period, the Group enjoyed strong celebrity participation and media coverage for its promotional campaigns due to the Emperor Group’s entertainment business. The Group also invited VIP guests to its movie premiere and sponsored jewellery for all artists from Emperor Entertainment Group. Such advantages can further enhance “*Emperor*” reputation, particularly in the PRC market.

PROSPECTS

The PRC luxury consumption remains a secular growth offering a CAGR of 20% over the next five years. Watch and jewellery market is the most appealing product segment as it attracts the greatest share of the PRC’s luxury spending and has the fastest growth of the various luxury products. Luxury retailers with exposure to both the domestic retail market and overseas purchase demand (particularly from the Hong Kong retail market) are also important given that the mainland consumers make more than 55% of their luxury goods purchased from overseas. Being a prominent watch retailer in Hong Kong with a growing presence in the PRC and an expanding jewellery mix for margin improvement, the Group is definitely the best player to capture the market opportunities. With high retail credibility and tax exemption for international brand products, the Group’s Hong Kong outlets are anticipated to continue to be patronized by enthusiastic shoppers from the PRC in the coming years.

Meanwhile, the Group will capitalize the growth potential in the PRC by further expanding its retail networks, both to raise its market share in first-tier cities and to seize first or earlier advantage in those lower-tier cities. The Group intends to open 10-20 stores in the PRC in 2011, focusing first-, second- as well as third-tier cities to facilitate the penetration of market coverage all over the PRC.

In view of the increasing number of the mainland tourists to Hong Kong and Macau, the Group is confident to have a further solid growth in Hong Kong and Macau operations and therefore is determined to enhance the presence in the main tourist spots. Looking ahead, the Group will soon launch a series of marketing campaigns and other supporting marketing collaterals to further sustain the Group's brand recognition.

CAPITAL STRUCTURE

a. Issue of Shares on Conversion of HK\$140M Bond

During the Period, the Company issued 259,259,259 ordinary shares upon full conversion of the HK\$140M Bond on 7 February 2011 which was issued pursuant to a subscription agreement entered into on 26 August 2010. The new shares rank pari passu with the existing shares in all respects.

b. Top-up Placing of New Shares

On 19 April 2011, Allmighty Group Limited, the controlling shareholder of the Company, agreed to place 800,000,000 ordinary shares of the Company ("Placing") to independent investors at HK\$1.00 per share, and also agreed to subscribe for 800,000,000 new ordinary shares of the Company (the "Top-up Shares") at the price of HK\$1.00 per share ("Top-up Subscription") conditional upon the completion of the Placing. The Top-up Shares rank pari passu with the existing shares in issue of the Company, when fully paid. The Placing and Top-up Subscription were completed on 21 April 2011 and 27 April 2011 respectively.

As a result of the above conversion and placement, the share capital and share premium of the Company increased totally by HK\$10,592,000 and HK\$1,075,594,000 respectively.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2011, the Group has 825 salespersons (2010: 590) and 206 office staff (2010: 164). Total staff costs (including Directors' remuneration) were HK\$101.6 million (2010: HK\$67.3 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 HK1.2 cent per share ("Dividend") for the financial year ending 31 December 2011 (2010: HK0.75 cent), amounting to approximately HK\$80,622,000 (2010: HK\$39,111,000). The Dividend will be payable on 23 September 2011 (Friday) to shareholders whose names appear on the register of members of the Company at the close of business on 16 September 2011 (Friday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to the Dividend, from 15 September 2011 (Thursday) to 16 September 2011 (Friday), during which period no share transfer will be effected.

In order to qualify for the 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, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 14 September 2011 (Wednesday).

REVIEW OF INTERIM RESULTS

The condensed consolidated interim 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 the three Independent Non-Executive Directors and the Non-Executive Director of the Company.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the Period.

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 its own code of conduct regarding Directors’ securities transactions. 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 throughout the Period.

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.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the Stock Exchange’s website (<http://www.hkex.com.hk>) and the Company’s website (<http://www.emperorwatchjewellery.com>). The interim report will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 24 August 2011

As at the date hereof, the Board comprised:

Executive Directors:

Ms. Cindy Yeung (*Managing Director*)
Mr. Chan Hung Ming
Mr. Wong Chi Fai
Ms. Fan Man Seung, Vanessa

Non-Executive Director:

Mr. Hanji Huang

Independent Non-Executive Directors:

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