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If you have sold or transferred all your shares in **Emperor Watch & Jewellery Limited**, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.



英皇鐘錶珠寶有限公司
EMPEROR WATCH & JEWELLERY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 887)

**(1) AMENDMENT OF TERMS OF CB
SUBSCRIPTION AGREEMENT
AND
(2) RE-ELECTION OF DIRECTOR**

A notice convening the EGM of the Company to be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Wednesday, 22 September 2010 at 10:00 a.m. is set out on pages 10 to 11 of this circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Allmighty Group”	Allmighty Group Limited, a company indirectly owned by The Albert Yeung Discretionary Trust, the founder of which is Dr. Yeung Sau Shing, Albert
“Announcements”	the announcements of the Company dated 4 March 2010, 8 April 2010, 23 July 2010 and 3 September 2010 in relation to, inter alia, the CB Subscription Agreement and the amendments of terms of the CB Subscription Agreement
“Board”	the board of Directors of the Company
“CB Subscription Agreement”	the subscription agreement dated 7 April 2010 entered into between Winner Sea (the Issuer), the Company and the Subscribers in relation to the Convertible Bonds
“Circular”	the circular of the Company dated 9 April 2010 in relation to the issue of the Convertible Bonds
“Company”	Emperor Watch & Jewellery Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Convertible Bonds”	Tranche One CB and Tranche Two CB
“D. E. Shaw group”	D. E. Shaw Composite Portfolios, L.L.C., a company incorporated in the State of Delaware, the United States and a member of the D. E. Shaw group, a global investment and technology development firm, being one of the Subscribers
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve the extension of the Option Period and the re-election of Mr. Huang as director of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Mr. Huang”	Mr. Hanji Huang
“Issuer”	Winner Sea, the issuer of the Convertible Bonds
“L Capital”	L Capital EWJ Cayman Limited
“Latest Practicable Date”	6 September 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Wealth”	Main Wealth Enterprises Limited, a wholly-owned subsidiary of China Fortune Group Limited (a company listed on the Main Board of Stock Exchange engaging in, inter alia, securities and futures trading and insurance brokerage, margin financing)
“Options”	the option granted to each of the Subscribers to subscribe for the Tranche Two CB pursuant to the CB Subscription Agreement
“Option Period”	the period in which the Options may be exercised
“Purchase Agreement”	the agreement dated 25 August 2010 entered into between Winner Sea, the Company and the Subscribers in relation to the repurchase of the Tranche One CB
“SFO”	the Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shikumen”	Shikumen Special Situations Fund, being one of the Subscribers, is an investment fund incorporated in the Cayman Islands
“Specific Mandate”	the specific mandate which was sought by the Directors at the extraordinary general meeting on 26 April 2010, to issue new Shares upon conversion of the Tranche Two CB in full at the initial conversion price (<i>subject to adjustment</i>)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscriber(s)”	D. E. Shaw group, Shikumen and Main Wealth
“Supplemental Agreement”	the supplemental subscription agreement dated 23 July 2010 entered into between Winner Sea, the Company and the Subscribers in connection with the extension for the Option Period
“Tranche One CB”	the convertible bonds in an aggregate principal amount of HK\$100 million issued by Winner Sea to the Subscribers and guaranteed by the Company
“Tranche Two CB”	the convertible bonds in an aggregate principal amount of up to HK\$280 million to be issued by Winner Sea to the Subscribers upon their exercise of their respective Options to subscribe and such convertible bonds to be guaranteed by the Company
“Winner Sea”	Winner Sea Enterprises Limited, a company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE BOARD



英皇鐘錶珠寶有限公司
EMPEROR WATCH & JEWELLERY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 887)

Executive Directors:

Cindy YEUNG
CHAN Hung Ming
WONG Chi Fai
FAN Man Seung, Vanessa

Registered Office:

25th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Non-Executive Director:

Hanji HUANG

Independent Non-Executive Directors:

YIP Kam Man
CHAN Hon Piu
LAI Ka Fung, May

7 September 2010

To the Shareholders

Dear Sir or Madam,

**(1) AMENDMENT OF TERMS OF CB SUBSCRIPTION AGREEMENT
AND
(2) RE-ELECTION OF DIRECTOR**

INTRODUCTION

(1) AMENDMENT OF TERMS OF CB SUBSCRIPTION AGREEMENT

Reference is made to the Announcements and the Circular in relation to, inter alia, the CB Subscription Agreement and the amendment of terms of the CB Subscription Agreement.

On 13 April 2010, Winner Sea issued the Tranche One CB pursuant to the CB Subscription Agreement. The Subscribers were also granted the Options.

LETTER FROM THE BOARD

As disclosed in the announcement of the Company on 23 July 2010, the Subscribers and the Company had entered into the Supplemental Agreement, pursuant to which the parties agreed to extend the Option Period for the Tranche Two CB.

The purpose of this circular is to provide you with further details in relation to the Supplemental Agreement together with the notice of the EGM at which resolution will be proposed to consider and, if thought fit, approve the extension for the Option Period.

Background

On 4 March 2010, the Company announced that the Company and the Subscribers entered into a non-binding conditional terms of agreement on 3 March 2010 in relation to the issue of the Convertible Bonds. Subsequently on 7 April 2010, Winner Sea as issuer, the Company as guarantor and the Subscribers entered into the CB Subscription Agreement pursuant to which Winner Sea will issue and the Subscribers will subscribe for the Tranche One CB and together with the Options to subscribe for any or all of the Tranche Two CB.

On 13 April 2010, Winner Sea issued the Tranche One CB in an aggregate amount of HK\$100 million to the Subscribers. On 26 April 2010, the Shareholders approved the issue and allot of the Shares upon exercise of the conversion rights attaching to any issued Tranche Two CB in accordance with the terms and conditions of the Tranche Two CB. Pursuant to the CB Subscription Agreement, the Subscribers were granted the Options which can be exercised at any time up to three months after the date of the Specific Mandate is approved by the Shareholders, i.e. from 26 April 2010 up to 25 July 2010. As at the Latest Practicable Date, the Options are not yet exercised and the Tranche Two CB are not yet issued.

On 23 July 2010, the Company issued an announcement stating that the Subscribers and the Company had entered into the Supplemental Agreement pursuant to which the parties agreed to amend the terms of the CB Subscription Agreement to extend the Option Period subject to the approval of the Shareholders. In the announcement, the Company stated that it would seek the approval of the Stock Exchange for the extension of the Option Period under Rule 28.05 of the Listing Rules. However, after discussion with its legal advisors, the Company issued a further announcement on 3rd September 2010 clarifying that the extension of the Option Period did not constitute a change in the terms of the Convertible Bonds and such amendment did not require such approval under the Listing Rules. However, the extension of the Option Period requires such approval of the Shareholders at the EGM.

The Supplemental Agreement dated 23 July 2010

After trading hours on 23 July 2010, the Company had entered into the Supplemental Agreement with the Subscribers to extend the Option Period for the Tranche Two CB for a further two months from the day immediately following the original expiry date of the Options Period, i.e. from 25 July 2010 to 25 September 2010.

The Options can be exercised at any time on or before 25 September 2010, provided that the extension of the Option Period is approved by the Shareholders at the EGM.

LETTER FROM THE BOARD

Apart from the extension of the Option Period, other terms and conditions of the CB Subscription Agreement shall remain intact and unchanged and shall be remained in full force and effect. There is no amendment made to the terms and conditions of the Convertible Bonds.

Reasons for the alteration

As disclosed in the announcement dated 23 July 2010, the Subscribers had been informed that the financial position of Group may materially be affected by some financial adjustment regarding the valuation of the Options and Convertible Bonds as of the reporting date, 30 June 2010.

As required by the currently applicable accounting standards adopted by the Group, at the date of the issue of the Convertible Bonds, both the liability and derivative elements of the Convertible Bonds are recognised at fair value. In subsequent periods, the liability of the Convertible Bonds is carried at amortised cost using the effective interest method. The derivative element of the Convertible Bond is measured at fair value with changes in fair value recognised in profit or loss, and accordingly, the results of the Group for the six months ended 30 June 2010 has been affected.

At the time of preparing the interim results of the Company for the six months ended 30 June 2010, the Company noticed that based on the value of the liability and derivative element of the Convertible Bonds as at the date of issuance and as at 30 June 2010 valued by the independent professional valuer engaged by the Company, a loss in respect of such derivative element of the Convertible Bond was expected to be recognised in the unaudited consolidated statement of comprehensive income of the Group for the six months period ended 30 June 2010.

However, the amount of loss due to such financial adjustment was not yet quantified at that time and the Company required more time to discuss the same with its auditors. In light of the financial adjustment in relation to the Convertible Bonds which may affect the results of the Group and that Option Period will be expiring in two days (i.e. 25 July 2010), the Company and the Subscribers agreed on 23 July 2010 that additional time was required before the expiry of the Option Period to ascertain the extent of such adjustment and the possible impact on the terms of the Convertible Bonds.

The Board considered that the extension for the Option Period can provide the parties necessary of time to make an informed decision in connection with the Options to subscribe for Tranche Two CB.

Having taken into account the fact that additional time was required for the Company and the Subscribers to ascertain the extent of the above mentioned financial adjustment, the Board considers that the amendment of terms of the CB Subscription Agreement is fair and reasonable and it is in the interests of the Company and its Shareholders as a whole.

Events after the Supplemental Agreement

Subsequent to the signing of the Supplemental Agreement, discussions were made between the Company, the Subscribers and the auditors of the Company on the accounting treatment in relation to the Convertible Bonds and the Options. During that period, the Subscribers could not exercise the Options to subscribe for the Tranche Two CB unless the extension of the Option Period was approved by the Shareholders.

LETTER FROM THE BOARD

At that time, the Company was introduced to L Capital and the parties were exploring any business cooperation opportunities between them, including the issue of new convertible bonds to L Capital. In light of introducing a new investor to the Group by issuing the new convertible bonds to L Capital but at the same time the Company wishes to maintain the total amount of convertible bonds at HK\$380 million (which is the same as the aggregate amount under the Convertible Bonds, if the Options are exercised), the Company proposes to restructure the Convertible Bonds. Discussions were also carried out between the Company and the Subscribers on the possibility of cancelling the Tranche One CB and the Options. In view of the ongoing negotiations which may affect the terms of the Convertible Bonds and the Options, the Company therefore plans to finalize the discussion on the restructuring before issuing the circular to the Shareholders in relation to the extension of the Option Period.

On 25 August 2010, the Company entered into the Purchase Agreement pursuant to which Winner Sea has agreed to purchase and the Subscribers have agreed to sell the Tranche One CB. The purchased Tranche One CB will be cancelled after completion of the purchase. Pursuant to the Purchase Agreement, the Subscribers have undertaken not to exercise the Options (on the condition that the Purchase Agreement is to be completed) the Options should lapse upon expiry of the Option Period following completion of the Purchase Agreement. However, if the Shareholders do not approve the extension of the Option Period on or before 25 September 2010, the Option are deemed to be expired on 25 July 2010 and they cannot be exercised by the Subscribers even if the Purchase Agreement has not been completed.

On 26 August 2010, the Company entered into a subscription agreement with Winner Sea as issuer and the Company as guarantor pursuant to which Winner Sea will issue and L Capital will subscribe for the new convertible bonds in the aggregate principal amount of HK\$140 million. On the same day, D. E. Shaw Valence Portfolios, L.L.C., an affiliate of D.E. Shaw group entered into a subscription agreement with Winner Sea as issuer and the Company as guarantor pursuant to which Winner Sea will issue and D. E. Shaw Valence Portfolios, L.L.C. will subscribe for new convertible bonds in the aggregate principal amount of HK\$240 million. Summary of the above agreements are set out in the announcement of the Company dated 26 August 2010.

As at the Latest Practicable Date, there are no amendments to the terms of the Tranche One CB and the Tranche Two CB. The Tranche One CB will be cancelled upon completion of the Purchase Agreement, which is expected to take place on 21 September 2010. Accordingly, the Subscribers cannot exercise the Options and the Options will lapse on 25 September 2010.

Shareholders' approval

The Supplemental Agreement and the amendment in respect to the extension of the expiry date of the Option Period will be subject to ratification and approval of the Shareholders at the EGM.

(2) RE-ELECTION OF DIRECTOR

Pursuant to the letter of appointment entered into between the Company and Mr. Huang in respect of his appointment as non-executive Director of the Company, Mr. Huang's initial term of service shall be up to the closure of the forthcoming general meeting and he shall then be eligible for re-election at that meeting.

LETTER FROM THE BOARD

Accordingly, Mr. Huang, who was appointed as Director by the Board on 2 August 2010, will retire at the EGM and will offer himself for re-election.

Details of Mr. Huang that are required to be disclosed under the Listing Rules are set out in the Appendix to this circular.

EGM

The EGM will be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Wednesday, 22 September 2010 at 10:00 a.m.. A notice convening the EGM is set out on pages 10 to 11 of this circular. Ordinary resolutions will be proposed at the EGM for the Shareholders to approve the extension of the Options Period and the re-election of Mr. Huang. No Shareholder shall abstain from voting for the ordinary resolutions at the EGM. In compliance with the Listing Rules, the ordinary resolutions will be voted by way of poll and the results of the EGM will be published after the EGM.

Enclosed is a form of proxy for use at the EGM. Whether or not you intend to attend and vote at the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

RECOMMENDATION

The Board considers that the terms of the Supplemental Agreement are fair and reasonable and the extension of the Option Period is in the interest of the Company and the Shareholders as a whole. Further, the Board considers the re-election of Mr. Huang is in the best interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions as set out in the notice of EGM.

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

APPENDIX DETAILS OF DIRECTOR PROPOSED TO BE RE-ELECTED

The following are the particulars of Mr. Huang (as required by the Listing Rules) proposed to be re-elected at the EGM:

Mr. Hanji Huang

Non-Executive Director

Mr. Huang, aged 38, joined the Company in August 2010. He is also a member of the Audit Committee of the Company. He holds a Bachelor of Science Degree in Economics from Ningbo University and a Master's Degree in Business Administration from the University of San Francisco. He is a chartered financial analyst of the Association for Investment Management and Research. He has been holding senior positions in various global investment firms gaining over 10 years of experience in the equity capital market, particularly in private equity investment.

Save as disclosed above, Mr. Huang does not hold any other major appointment or professional qualification and he has not held any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years, nor does he hold any other positions with the Company and other members of the Company's group.

Pursuant to the letter of appointment entered into between the Company and Mr. Huang in respect of his appointment as Non-Executive Director of the Company, Mr. Huang's initial term of service shall be up to the closure of the forthcoming general meeting and he shall then be eligible for re-election at that meeting. In accordance with the Articles of Association of the Company, Mr. Huang shall be subject to retirement by rotation at least once every three years at the annual general meetings of the Company since his last re-election. Mr. Huang shall be entitled to receive a director's fee of HK\$100,000 per annum which is determined by the Board with reference to the duties and responsibilities undertaken by him as Director of the Company.

Mr. Huang does not have any relationship with any Director, senior management or substantial or controlling shareholder (as defined in the Listing Rules) of the Company, nor does he have any interests (within the meaning of Part XV of the SFO) in the securities of the Company as at the Latest Practicable Date.

Save as disclosed above, the Board is not aware of any other information in relation to the proposed re-election of Mr. Huang that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules or any other matter that needs to be brought to the attention of Shareholders of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING



英皇鐘錶珠寶有限公司
EMPEROR WATCH & JEWELLERY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 887)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of Emperor Watch & Jewellery Limited (“Company”) will be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on Wednesday, 22 September 2010 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolutions of the Company:

ORDINARY RESOLUTIONS

- (1) “**THAT** the terms and conditions of the supplemental agreement dated 23 July 2010 (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) entered into between Winner Sea Enterprises Limited (“the Issuer”), the Company as guarantor for the Issuer, and D. E. Shaw Composite Portfolios, L.L.C., Shikumen Special Situations Fund and Main Wealth Enterprises Limited, pursuant to which the parties agreed to extend the exercise period of the options (the “Option Period”) to subscribe for the second tranche of the convertible bonds of the Issuer for a further two months from the day immediately following the original expiry date of the Option Period (i.e. from 25 July 2010 to 25 September 2010) be and are hereby approved, ratified and confirmed.”
- (2) “**THAT** Mr. Hanji Huang be re-elected as a non-executive director of the Company and the board of Directors of the Company be authorised to determine his remuneration.”

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

Hong Kong, 7 September 2010

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Office:

25th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Notes:

- (1) A member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote in his/her stead. A proxy needs not be a member of the Company but must be present in person to represent the member.
- (2) To be valid, the form of proxy together with any power of attorney or other authority must be deposited with the Company's share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
- (3) In the case of joint registered holders of any share in the capital of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint registered holders is present at the EGM, either personally or by proxy, that one of the said persons so present whose name stands first on the registrar of the members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (4) Completion and return of the form of proxy will not preclude members from attending and voting in person at the EGM or any adjourned meeting if you so wish. If a member attends the EGM after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.
- (5) Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in this Notice shall be decided by way off poll at the EGM.