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

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

Annual Report 2010

Timeless Glamour
永恒光華

Timeless Glamour

永恒光華

Contents

Corporate Information

DIRECTORS
Cindy Yeung *(Managing Director)*
Chan Hung Ming
Wong Chi Fai
Fan Man Seung, Vanessa
Hanji Huang#
Yip Kam Man*
Chan Hon Piu*
Lai Ka Fung, May*
* Independent Non-executive Directors
\# Non-executive Director

COMPANY SECRETARY
Liu Chui Ying

AUDIT COMMITTEE
Yip Kam Man *(Chairperson)*
Lai Ka Fung, May
Chan Hon Piu
Hanji Huang

REMUNERATION COMMITTEE
Wong Chi Fai *(Chairman)*
Yip Kam Man
Lai Ka Fung, May

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
25th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

SHARE REGISTRAR
Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS
The Hong Kong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Chong Hing Bank Limited

WEBSITE
http://www.emperorwatchjewellery.com

STOCK CODE
887

KEY DATES

Annual Results Announcement	22 March 2011
Closure of Register of Members	17 to 18 May 2011
Record Date for Final Dividend	18 May 2011
Annual General Meeding	18 May 2011
Payment of Final Dividend	15 June 2011 (HK1.02 cents per share)









Financial Highlights

Year ended 31 December
(HK$'million)

	2009	2010	2010 (After adding back fair value adjustments)	Change
Revenue	2,686	4,095	4,095	52.5%
Gross Profit	694	1,048	1,048	51.0%
EBITDA	268	221	456	70.1%
Total Comprehensive Income Attributable to Owners of the Company	195	133	332	70.3%
Basic EPS	HK4.3 cents	HK2.4 cents	HK6.2 cents	44.2%

REVENUE BREAKDOWN	2009	Revenue Mix	2010	Revenue Mix
By Geographical Location				
Hong Kong	2,230	83%	3,366	82%
Macau	178	7%	267	7%
PRC	278	10%	462	11%
	2,686	100%	4,095	100%
By Product				
Watch	2,320	86%	3,461	85%
Jewellery & Others	366	14%	634	15%
	2,686	100%	4,095	100%

Management Discussion and Analysis

Emperor Watch & Jewellery Limited (the "Company") and its subsidiaries (collectively referred to as the Group") is a leading retailer principally engaged in the sale of European-made luxurious and international branded watches, and self-designed fine jewellery products under its own brand, "*Emperor*", with long establishment history of nearly 70 years. Through its extensive retail networks in Hong Kong, Macau and PRC, comprehensive watch dealership and unique marketing campaigns, the Group established a strong brand image amongst its target customers range from middle to high income group from all over the world.

MARKET REVIEW

According to the statistics revealed by the Hong Kong Tourism Board, the total number of mainland visitors amounted to 22.7 million for the year ended 31 December 2010 (the "Year"), increased 26.3% over last year. Hong Kong is still a popular shopping destination as it offers a broader selection of products and competitive prices due to the absence of luxury goods tax. With reference to the study conducted by Bain and Company, mainlanders bought over half of their luxury goods from overseas last year. The strong Renminbi against Hong Kong dollar increases mainlanders' purchasing power. With the continued relaxation of personal travel to Hong Kong by the Chinese governments, it is expected that the increasing trend of mainland visitors would be continued in the foreseeable future.

FINANCIAL REVIEW

Riding on the market growth of demand for luxury goods, the Group achieved a satisfactory result for the Year.

During the Year, the Group reported revenue of approximately HK$4,095.3 million (2009: HK$2,686.5 million) representing a significant increase of 52.4%. The robust revenue growth was mainly contributed by the strong purchasing powers of mainland tourists in Hong Kong and Macau as well as the expansion of the retail networks in the PRC.

After adding back the net loss adjustment arising from the derivative financial instruments, the total comprehensive income attributable to owners of the Company for the Year was HK$331.6 million (2009: HK$194.5 million), representing a decent growth of 70.5%. Earnings per share was HK2.4 cents.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group was able to maintain its strong and healthy financial position. Bank balances and cash on hand of the Group as at 31 December 2010 amounted to HK$601.5 million (2009: HK$252.2 million), which were mainly denominated in Hong Kong dollars and Renminbi. As at 31 December 2010, the Group had total bank borrowings of approximately HK$67.2 million (2009: HK$13.2 million). HK$9 million of the bank borrowings were denominated in Hong Kong dollar, interest bearing, repayable with fixed terms and secured by corporate guarantees of the Company. The remaining HK$58.2 million of the bank borrowing were denominated in Renminbi, interest bearing and repayable with fixed terms.

Due to the increase in bank borrowings and insurance of convertible bonds and warrants during the Year, the gearing ratio of the Group (calculated on the basis of the total borrowings over total assets) as at 31 December 2010 was 5.7% (2009: 0.7%). The Group also had available unutilised banking facilities of approximately HK$215.5 million.

As at 31 December 2010, the Group's current assets and current liabilities were approximately HK$3,026.5 million and HK$555.5 million respectively. Current ratio and quick ratio of the Group were 5.4 and 1.6 respectively.

In view of the Group's financial position as at 31 December 2010, the Board considered that the Group had sufficient 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 PRC. These include jewellery shops, multi-brand watch shops as well as specialty watch outlets for specific brands, which enabled the Group to reap synergies with international watch brand suppliers, as well as acknowledge the loyalties among customers who are attracted to the specific watch brands and "*Emperor*" jewellery over the years.

As at 31 December 2010, the Group had 61 stores in Hong Kong, Macau and PRC. Details of which is listed below:

	Number of stores
Hong Kong	17
Macau	4
PRC	40

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 recognised 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 PRC during the Year, the number of Mainland China stores had grown from 24 as at 31 December 2009 to 40 as at 31 December 2010, covering the first-tier and second-tier cities including Beijing, Guangzhou, Shanghai, Chongqing, Kuming, Chengdu, Tianjin, Shenyang, Suzhou, Hengyang, Changzhou and Wuxi.

Brand Recognition and Effective Marketing Programme

During the Year, the Group launched a series of advertising campaigns, stretching from print ads, web banners, billboards, poster display at MTR station, to TV commercials for enhancement of brand value and recognition.

To sustain its decades-old relationship with watch suppliers, the Group separately ran co-op advertising campaigns with *Patek Philippe*, *Cartier* and *Jaeger-LeCoultre*. Meanwhile, the Group pro-actively organised joint promotion events with various watch suppliers throughout the Year including *Piaget*, *Cartier*, *Breguet*, *Panerai*, *Patek Philippe* 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 relations campaigns to strengthen its advertising and marketing efforts to high income group. During the Year, the Group fully utilized the spacious area in ***Emperor Jewellery Flagship Store*** in 1881 Heritage and continuously hosted joint promotion events with banks, insurance companies, charity funds and academic institutions in order to widen the customer base and strengthen a sense of signature on flagship store.

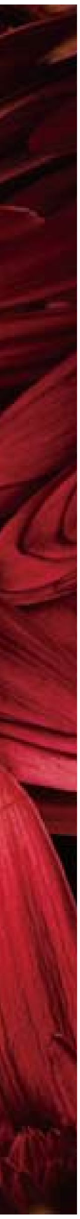
Promoting its jewellery brand and focusing on the PRC market, the Group rolled out the first jewellery show in Beijing in October 2010 with the participation with LVMH representatives. Meanwhile, the Group hosted 2 jewellery shows in Hong Kong and Macau respectively during the Year. All events were attended by celebrities and secured substantial press coverage.

Strategic Partner with International Giant Enterprise

During the Year, the Group has signed a memorandum of understanding with L Capital Asia Advisors, an affiliate of LVMH Group, a world-renowned giant enterprise in luxury sector, for setting out the framework of the dynamic and strategic cooperation in the ways of retail expansion, brand building, advertising, marketing, retail operation, human resources and distribution. Thanks for such strategic cooperation, L Capital Asia Advisors became a passive investor as well as strategic partner of the Group which established cooperative and mutually beneficial relationship. On the other hand, the Group can further strengthen its brand recognition by direct association with prestigious enterprise.

Enjoying Group Synergies

The ability to leverage other businesses and enjoy the synergies effect 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. Meanwhile, the Group enjoyed strong celebrity participation and media coverage for its promotional campaigns due to the Emperor Group's entertainment business. During the Year, the Group sponsored "Triple Tap" and co-sponsored "Detective Dee and the Mystery of the Phantom Flam" with *Audemars Piguet*, both are productions of Emperor Motion Pictures. The Group also invited VIP guests to its movie premiere and sponsored jewellery for all artistes from Emperor Entertainment Group. Such advantages can further enhance "***Emperor***" reputation, particularly in the PRC market.



PROSPECTS

PRC is the second largest luxury goods consumption market in the world, accounting for about 20% of the total sales of global luxury goods. The prospects of the luxurious watches and jewellery retail markets in the PRC is very positive, harbouring the greatest demand for quality living style, and will continue to capture the increasing purchasing powers of mainlanders. Hong Kong will continue to perform as a strategic base of the Group. 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.

Being a prime representative of luxury watches and jewellery during the decades since its inception, the Group has been committed to building more mega stores in the long-run. Led by the successful signature flagship store in "1881 Heritage", the Group planned to open other flagship stores in Macau and the PRC in the next few 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 developed cities and to seize first or early mover advantage in lower-tier cities. The Group intended to set up 10-20 stores in the PRC in 2011, focusing first-, second- as well as third-tier cities to accelerate the penetration of market coverage.

The Group will continue to enhance jewellery business for a better outcome in its dual business models and better marginal performances. Because of the increase of personal income of Chinese people, jewellery will be the next popular consumer item chosen by the mainlanders after apartments and automobiles. However, jewellery consumption is still limited to first- and second-tier cities, despite the fact that the potential markets of these regions are very huge. In the long run, lower-tier cities will be the drive for next round of growth.

CAPITAL STRUCTURE

New Share Placing

On 25 January 2010, 450,000,000 new ordinary shares of HK$0.01 each were issued by way of placing to independent third parties at a price of HK$0.51 per share. The new shares issued rank pari passu with the existing shares in issue of the Company.

Top-up Placing of New Shares

On 3 March 2010, Allmighty Group Limited, the controlling shareholder of the Company, agreed to place 264,810,000 shares of the Company ("Placing") to independent investors at a price of HK$0.54 per share, and also agreed to subscribe for 264,810,000 new shares of the Company (the "Top-Up Shares") at the price of HK$0.54 per share ("Top-Up Subscription") conditional upon the completion of the Pricing. 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 9 March 2010 and 12 March 2010 respectively.

Convertibe Bonds and Warrants

On 13 April 2010, Winner Sea Enterprises Limited ("Winner Sea"), a wholly owned subsidiary of the Company, issued convertible bonds to three independent third parties in the aggregate principal amount of HK$100 million. Each of the bondholders has an option to convert the bonds into ordinary shares of the Company at HK$0.54 per share at any time between 23 April 2010 and 14 days prior to 13 April 2013. However, under a purchase agreement dated 25 August 2010, Winner Sea purchased back all the bonds in cash and the bonds were cancelled on 21 September 2010.

On 26 August 2010, Winner Sea entered into another separate subscription agreement with two independent third parties for the subscription of convertible bonds in the principal amount of HK$240 million ("HK$240M Bond") and HK$140 million ("HK$140M Bond") respectively. Each of the bondholders has an option to convert the whole sum of the respective principal amount into ordinary shares of the Company at HK$0.54 per share at any time between 22 September 2010 and 14 days prior to 12 April 2013 ("Maturity Date") or to get full redemption at 106% of the outstanding principal amount on the Maturity Date.

On 22 September 2010, in recognition of a strategic partnership memorandum signed on 26 August 2010, warrants of HK$100 million were issued to one of the bondholders by the Company. The warrants carry a right but not an obligation to subscribe for the ordinary shares of the Company at an exercise price of HK$0.62 per share from the date of issue to 12 April 2013.

On 8 November 2010, the HK$240M Bond was converted into 444,444,444 ordinary shares of the Company at the option of the bondholder. Subsequent to the financial year end, on 11 February 2011, the HK$140M Bond was converted into 259,259,259 ordinary shares of the Company at the option of the bondholder.

As a result of the aforesaid placements and the conversion of the HK$240M Bond, the share capital and share premium of the Company were totally increased by approximately HK$11.6 million and HK$601.2 million respectively.

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL EXPENDITURES

As at 31 December 2010, the Group has capital commitments in respect of acquisition of property, plant and equipment of HK$1.5 million and operating lease commitment of HK$359.1 million.

CONTINGENT LIABILITIES

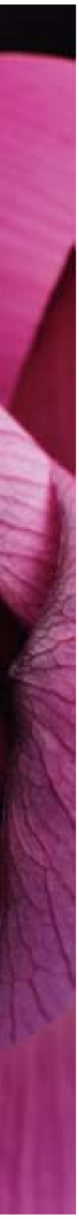
As at 31 December 2010, the Group did not have any material contingent liabilities.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK1.02 cents per share ("Final Dividend") for the year ended 31 December 2010, amounting to approximately HK$60,368,840. The Final Dividend, if being approved at the forthcoming annual general meeting of the Company, will be paid on 15 June 2011 (Wednesday) to shareholders whose names appear on the register of members of the Company on 18 May 2011 (Wednesday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, from 17 May 2011 (Tuesday) to 18 May 2011 (Wednesday), during which period no share transfer will be effected. In order to qualify for the proposed Final Dividend, all relevant share certificates and properly completed transfer forms 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 16 May 2011 (Monday).

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2010, the Group has 742 salespersons (2009: 544) and 190 office staff (2009: 154). Total staff costs (including directors' remuneration) were HK$155.7 million (2009: HK$115.8 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.

CORPORATE SOCIAL RESPONSIBILITIES

Special attention has been made to medical and educational causes as the Group lived out its corporate social responsibilities during the Year. The Group has been concerned over the increasing breast cancer rate in local female population and has developed a partnership with Hong Kong Hereditary Breast Cancer Family Registry, a non-government charity organization addressing the issue of breast cancer genes and inheritance. It has sponsored a fundraising musical performance for the organization and offered to house a health seminar in its flagship store at 1881 Heritage. The Group has also sponsored a gala dinner of Chi Heng Foundation, another charity body that helps children affected by AIDS in China.

Recognizing the growing awareness of "spoiled kids", children who received too much care and protection that they have little sense of independence, the Group has become the title sponsor of a fundraising luncheon for Kids4kids. It is a non-profit organization with a vision to empower and educate children to make positive changes in the world through their own actions. The Group has also been a Platinum Sponsor for DEER Theatre, an NGO engaged in providing theatre education, an effective way to help children build self-confidence.


EMPEROR
since 1942
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"We insist to stay at a very high-end market positioning. Dedicated to its strong presence at an extremely prime location and comprehensive watch brand mix, we are able to capitalize the market growth and accelerate the penetration of market coverage. Being a prime representative of luxury watches and jewellery during the decades since its inception, we will move forward to further enhance customers' satisfaction and strive for perfection in everything."

Cindy Yeung

Managing Director

Emperor Watch and Jewellery

"With the lead of iconic flag-ship store in "1881 Heritage", we can capture the local shoppers as well as mainland visitors. We will fully utilize the spacious area for hosting promotion events in order to widen the customer base and strengthen a sense of signature on flag-ship store."

Henry Chan

Executive Director

Emperor Watch and Jewellery

HENRY CHAN | Executive Director

CINDY YEUNG | Managing Director

Biographies of Directors and Senior Executives

Executive Director and Managing Director

CINDY YEUNG, aged 46, joined the Group in September 1990 and acts as the Managing Director of the Company. She is responsible for the Group's strategic planning, business growth and development and overseeing different operations within the Group. She became a director of Emperor Watch & Jewellery (HK) Company Limited, an operating arm of the retail outlets of the Group in Hong Kong, in April 1999. The Group has been under her management since then. She obtained the qualification of Graduate Gemologist of GIA in 1988. She also graduated in the University of San Francisco in 1989 with a Bachelor's Degree of Science in Business Administration majoring in Management, with emphasis in International Business. She has over 20 years of experience in watch and jewellery industry. Prior to joining the Group in 1990, she joined the sales department of Anju Jewelry Ltd, a US based company engaging in trading of jewellery products. Ms. Yeung is the daughter of Dr. Yeung Sau Shing, Albert who is a deemed controlling shareholder of the Company.

Executive Directors

CHAN HUNG MING, aged 62, joined the Group in July 2005. He is responsible for overseeing the retail outlet operations in Macau and Hong Kong. He has over 30 years of experience in watch and jewellery industry. Prior to joining the Group, he acted as general manager in charge of the retail and watch boutique outlets in Hong Kong and the PRC in Dickson Watch & Jewellery division under Dickson Concepts (International) Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), for over 20 years.

WONG CHI FAI, aged 55, has been involved in the management of the Company since November 1998. He is the Chairman of the Remuneration Committee of the Company. Mr. Wong is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He is also a director of Emperor International Holdings Limited, Emperor Entertainment Hotel Limited and New Media Group Holdings Limited, all are companies listed on the Main Board of the Stock Exchange. Having over 20 years of finance and management experience, Mr. Wong has diversified experience in different businesses ranging from manufacturing to watch & jewellery retailing, property investment and development, hotel and hospitality as well as media and publication.

FAN MAN SEUNG, VANESSA, aged 48, has been involved in the management of the Company since November 1998. She is a lawyer by profession in Hong Kong and a qualified accountant. She also holds a Master's Degree in Business Administration. She is also a director of Emperor International Holdings Limited, Emperor Entertainment Hotel Limited and New Media Group Holdings Limited. Besides having over 21 years of corporate management experience, she possesses diversified experience in different businesses including watch and jewellery retailing, property investment and development, hotel and hospitality, financial and securities operations as well as media and publication.

Non-executive Director

HANJI HUANG, aged 39, was appointed as Non-executive Director of the Company in August 2010. He is 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.

Independent Non-executive Directors

YIP KAM MAN, aged 44, was appointed as Independent Non-executive Director of the Company in June 2008. She is the Chairperson of the Audit Committee and a member of the Remuneration Committee of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants since January 2001. She graduated from The University of Nottingham in the United Kingdom in July 1988 with a Bachelor's Degree in Arts (Hons). She is a Certified Public Accountant and has been engaged in the audit field (including internal audit for listed companies in Hong Kong) for more than 20 years. Currently and also before joining the Company, she has been running an audit firm.

CHAN HON PIU, aged 50, was appointed as Independent Non-executive Director of the Company in June 2008. He is a member of the Audit Committee of the Company. He graduated from The University of Hong Kong with a Bachelor's Degree in Social Sciences in 1983. He also obtained the Certificate of Education in September 1985 and a Master Degree in Laws in November 1995 from The University of Hong Kong. He has been admitted as a solicitor in Hong Kong since September 1991 and is now a practising solicitor in Hong Kong. Currently and also before joining the Company, he has been working as a solicitor in a law firm in Hong Kong.

LAI KA FUNG, MAY, aged 45, was appointed as Independent Non-executive Director of the Company in June 2008. She is a member of the Audit Committee and the Remuneration Committee of the Company. She has been a member of the Hong Kong Institute of Certified Public Accountants since 1999 and a fellow of The Association of Chartered Certified Accountants since 2003. She obtained a Master's Degree of Arts in International Accounting from City University of Hong Kong in 2001. She is a Certified Public Accountant and has been engaged in the audit field for more than 12 years. Currently and also before joining the Company, she has been the sole proprietor of May K.F. Lai & Co., Certified Public Accountants.

Directors' Report

The directors (the "Board" or "Directors") of the Company present their annual report and the audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 35.

An interim dividend of HK0.75 cent per share for the year ended 31 December 2010 amounting to approximately HK$39,111,000 was paid to the shareholders during the year.

The Directors recommended the payment of a final dividend of HK1.02 cents per share for the year ended 31 December 2010 to the shareholders whose names appear on the register of members on 18 May 2011, amounting to HK$60,368,840, and the retention of the remaining profit for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2010, calculated under Section 79B of the Companies Ordinance, amounted to HK$43,551,000 (2009: HK$45,832,000).

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

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 *(appointed on 2 August 2010)*

Independent Non-executive Directors
Ms. Yip Kam Man
Mr. Chan Hon Piu
Ms. Lai Ka Fung, May

Subject to the respective service contract, the term of office of each Director, including all the Non-executive Directors, is the period up to his/her retirement by rotation at least once every three years and shall be eligible for reappointment in accordance with the Articles of Association of the Company.

In accordance with Article 83(1) of the Company's Articles of Association, Ms. Cindy Yeung, Mr. Wong Chi Fai and Ms. Lai Ka Fung, May will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Ms. Cindy Yeung, Mr. Chan Hung Ming, Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa entered into a service agreement with the Company for a term of three years commencing from 21 July 2008, date of first listing of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), renewable automatically for successive terms of one year each commencing from the date next after the expiry of the then current term, subject to termination by either party by serving not less than three months' notice in writing.

Pursuant to an appointment letter given by the Company, each of the Independent non-executive Directors of the Company was appointed for an initial term of two years commencing from 21 July 2008 and shall continue thereafter on a yearly basis.

Pursuant to an appointment letter given by the Company to Mr. Hanji Huang, the Non-executive Director of the Company, the initial term of Mr. Huang has been up to the closure of the extraordinary general meeting of the Company held on 22 September 2010 and he had been re-elected as director of the Company during that meeting.

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

As at 31 December 2010, the interests and short positions of the Directors and the chief executive and their associates in the shares of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) Long position interests in the Company

Ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity/ Nature of interests	Number of issued ordinary shares held	Approximate percentage holding
Ms. Cindy Yeung *(Note)*	Beneficiary of a trust	3,507,280,000	61.97%

Note: The above shares were held by Allmighty Group Limited ("Allmighty Group"), a wholly-owned subsidiary of Million Way Holdings Limited ("Million Way"). Million Way was held by STC International Limited ("STC International"), acting as trustee of The Albert Yeung Discretionary Trust ("AY Trust"), the founder of which was Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung"). Ms. Cindy Yeung was deemed to be interested in the above shares held by Allmighty Group by virtue of being one of the eligible beneficiaries of the AY Trust.

(b) Long position interests in associated corporations

(i) Ordinary shares/underlying shares/debenture

Name of Director	Name of associated corporation	Capacity/nature of interests	Number of issued ordinary share(s) held	Percentage of the issued share capital
Ms. Cindy Yeung	Charron Holdings Limited ("Charron") *(Note 1)*	Beneficiary of AY Trust	1	100%
Ms. Cindy Yeung	Million Way *(Note 1)*	Beneficiary of AY Trust	1	100%
Ms. Cindy Yeung	Eternally Smart Limited *(Note 1)*	Beneficiary of AY Trust	1	100%
Ms. Cindy Yeung	Emperor International Holdings Limited ("EIHL") *(Note 1)*	Beneficiary of AY Trust	2,126,847,364	71.65%

Name of Director	Name of associated corporation	Capacity/nature of interests	Number of issued ordinary share(s) held	Percentage of the issued share capital
Ms. Cindy Yeung	Emperor Entertainment Hotel Limited ("EEH") *(Note 1)*	Beneficiary of AY Trust	743,227,815	57.50%
Ms. Cindy Yeung	Velba Limited *(Note 2)*	Beneficiary of AY Trust	1	100%
Ms. Cindy Yeung	New Media Group Holdings Limited *(Note 2)*	Beneficiary of AY Trust	450,000,000	62.50%

Notes:

1. The 2,126,847,364 shares in EIHL were held by Charron which was the holding company of Eternally Smart Limited. The 743,227,815 shares in EEH were held by Worthly Strong Investment Limited, being an indirect wholly-owned subsidiary of EIHL. EIHL is the holding company of EEH. The entire issued share capital of Charron was held by Million Way which was wholly-owned by STC International, the trustee of the AY Trust. Ms. Cindy Yeung, a director of the Company, by virtue of being one of the eligible beneficiaries of the AY Trust, was deemed to be interested in the said shares.

2. The 450,000,000 shares were held by Velba Limited. The entire issued share capital of Velba Limited was held by Million Way which was in turn wholly-owned by STC International, being the trustee of the AY Trust. By virtue of being one of the eligible beneficiaries of the AY Trust, Ms. Cindy Yeung was deemed to be interested in the said shares.

(ii) Share options

Name of Director	Name of associated corporation	Capacity/nature of interests	Number of underlying share(s) held	Percentage of the issued share capital
Mr. Wong Chi Fai *(Note 3)*	EIHL EEH	Beneficial Owner Beneficial Owner	15,000,000 5,000,000	0.51% 0.39%
Ms. Fan Man Seung, Vanessa *(Note 3)*	EIHL EEH	Beneficial Owner Beneficial Owner	15,000,000 5,000,000	0.51% 0.39%

Note:

3. These were share options granted to the directors of EIHL and EEH (also as directors of the Company) under the respective share option scheme of EIHL and EEH.

Save as disclosed above, none of the Directors and chief executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2010.

SHARE OPTIONS

The Company has adopted a share option scheme (the "Scheme") on 19 June 2008. Particulars of the Scheme are set out in note 34 to the consolidated financial statements.

No options were granted by the Company under the Scheme since its adoption.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2010, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have an interest and short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity/ Nature of interests	Number of issued ordinary shares/ underlying shares	Approximate percentage holding
Allmighty Group *(Note)*	Legal/beneficial owner	3,507,280,000	61.97%
Million Way *(Note)*	Interest in a controlled corporation	3,507,280,000	61.97%
STC International *(Note)*	Trustee	3,507,280,000	61.97%
Dr. Albert Yeung *(Note)*	Settlor of the AY Trust	3,507,280,000	61.97%
Ms. Luk Siu Man, Semon *(Note)*	Interest of spouse	3,507,280,000	61.97%
L Capital Asia, L.L.C.	Interest in a controlled corporation	420,549,581	7.43%
L Capital EWJ Cayman Ltd	Beneficial Owner	420,549,581	7.43%

Note:

The entire issued share capital of Allmighty Group was held by Million Way which was in turn wholly-owned by STC International. STC International and Dr. Albert Yeung were the trustee and settlor of the AY Trust respectively. By virtue of the SFO, each of STC International and Dr. Albert Yeung was deemed to be interested in the 3,507,280,000 shares held by Allmighty Group. By virtue of being the spouse of Dr. Albert Yeung, Ms. Luk Siu Man, Semon was deemed to be interested in the said shares.

All interests stated above represent long positions. As at 31 December 2010, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 31 December 2010, the Directors are not aware of any persons who have interests or short positions in the shares or underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would require to be disclosed to the Company pursuant to Part XV of the SFO.

CONNECTED TRANSACTIONS

During the year, the Group had the following transactions with connected persons (as defined in the Listing Rules) of the Company in relation to the tenancy agreements for operation of the Group's business in Hong Kong and Macau.

	Name of counterparty	Date of agreement	Location	Terms	Amount of rental/ effective rental paid and payable for the year ended 31 December 2010 *(HK$'000)*
(1)	Great Future Hong Kong Limited *(note 1)*	20 March 2008	Shops A, D2 and E2, G/F, Harilela Mansion, 81 Nathan Road, Tsimshatsui, Kowloon	1 April 2008 – 31 March 2011	5,784
(2a)	Very Sound Investments Limited ("Very Sound") *(note 1)*	24 July 2007	Shop Unit G03, G/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 September 2007 – 31 March 2010	354
(2b)	Very Sound *(note 1)*	22 June 2007	Shop Units G04 and G05, G/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 April 2007 – 31 March 2010	660
(2c)	Very Sound *(note 1)*	30 March 2010	Shop Units G03-G05, G/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 Apr 2010 – 31 March 2013	3,780
(3a)	Very Sound *(note 1)*	16 May 2008	Units 2501-5, 25/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 April 2008 – 31 March 2010	569
(3b)	Very Sound *(note 1)*	30 March 2010	– ditto -	1 April 2010 – 31 March 2013	1,640
(4)	Very Sound *(note 1)*	14 September 2010	Unit 2507, 25/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	13 September 2010 – 31 March 2013	190
(5a)	Planwing Limited *(note 1)*	24 July 2007	Shops 1 & 2, G/F, 8 Russell Street, Causeway Bay, Hong Kong (together with the right to use an outdoor advertising sign board erected on 5/F)	1 September 2007 – 31 August 2010	7,467
(5b)	Planwing Limited *(note 1)*	25 June 2010	Shops 1 & 2, G/F, 8 Russell Street, Causeway Bay, Hong Kong (together with the right to use 3 outdoor advertising sign boards)	1 September 2010 – 31 August 2013	5,400

	Name of counterparty	Date of agreement	Location	Terms	Amount of rental/ effective rental paid and payable for the year ended 31 December 2010 *(HK$'000)*
(6)	Richorse Limited *(note 1)*	16 May 2008	G/F (Shop A including the yard) & 1/F (Office A), Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong	1 July 2008 – 30 June 2011	8,300
(7)	Richorse Limited *(note 1)*	23 October 2008	G/F & M/F, 54 & 56 Russell Street, Causeway Bay, Hong Kong together with the right to use a LED display on external wall from 2-5/F facing Russell Street and an advertising signboard on roof facing Tang Lung Street, Hong Kong	23 October 2008 – 22 October 2011	29,053
(8)	Richorse Limited (note 1)	27 January 2010	G/F (Shop B including the yard) & 1/F (Office B & the balcony), Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong	9 February 2010 – 22 October 2011	6,794
(9)	Golden Pegasus Investment Limited *(note 1)*	16 May 2008	Portion of 12/F, The Ulferts Centre, 4 Kin Fat Lane, Tuen Mun, New Territories	1 April 2008 – 31 March 2011	41
(10)	Gold Pleasure Investment Limited ("Gold Pleasure") *(note 1)*	31 March 2009	G/F, No. 4 Canton Road, Tsimshatsui, Kowloon, Hong Kong	1 May 2009 – 30 April 2012	7,600
(11a)	Gold Pleasure *(notes 1 & 3)*	8 August 2008	G/F, Nos. 6 & 8 Canton Road, Tsimshatsui, Kowloon, Hong Kong ("Property 1")	1 August 2008 – 31 July 2010	4,200
(11b)	Gold Pleasure *(notes 1 & 3)*	27 May 2009	– ditto -	1 August 2010 – 31 July 2012	7,150
(12)	Gold Pleasure *(note 1)*	31 August 2010	The advertising signage space at the external wall of Tenement A, 4/F, 4 Canton Road, Tsimshatsui, Kowloon, Hong Kong	1 September 2010 – 31 August 2012	96
(13)	Gold Pleasure *(note 1)*	31 August 2010	Portion A of 1/F, No. 4 Canton Road, Tsimshatsui, Kowloon, Hong Kong	1 September 2010 – 15 June 2013	60

	Name of counterparty	Date of agreement	Location	Terms	Amount of rental/ effective rental paid and payable for the year ended 31 December 2010 *(HK$'000)*
(14)	Gold Pleasure *(notes 1 & 4)*	15 June 2007	Portion of the whole of 1/F, No. 4 Canton Road, Tsimshatsui, Kowloon, Hong Kong ("Property 2")	16 June 2010 – 15 June 2013	960
(15)	Gold Pleasure *(notes 1 & 4)*	13 May 2008	Store room of G/F, No. 4 Canton Road, Tsimshatsui, Kowloon, Hong Kong ("Property 3")	16 June 2010 – 15 June 2013	38
(16)	Pacific Strong Bases (Holding) Company Limited *(note 2)*	25 March 2009	Shops 1-4, G/F, Grand Emperor Hotel, 288 Avenida Commercial De Macau, Macau	1 April 2009 – 31 March 2012	2,703
(17)	Pacific Strong Bases (Holding) Company Limited *(note 2)*	2 June 2008	Shop 5, G/F, Grand Emperor Hotel, 288 Avenida Commercial De Macau, Macau	1 July 2008 – 30 June 2011	1,238

Remark: The above monthly rental payments are exclusive of rates, management fee and other outgoing charges.

Notes:

(1) These six companies were indirect wholly-owned subsidiaries of EIHL. As at 31 December 2010, EIHL was indirectly-owned as to approximately 71.65% by the AY Trust which is founded by Dr. Albert Yeung, a deemed substantial shareholder of the Company.

(2) Pacific Strong Bases (Holding) Company Limited was an indirect subsidiary of EEH. EEH was indirectly-owned as to 57.50% by EIHL as at 31 December 2010.

(3) Gold Pleasure became the new landlord of the Property 1 upon completion of the acquisition of such property on 20 April 2010.

(4) Gold Pleasure became the new landlord of the Property 2 and Property 3 upon completion of the acquisition of such properties on 31 August 2010.

The business of EIHL and its subsidiaries includes property development and investment in prime areas in Hong Kong and the business of EEH and its subsidiaries includes the operation of a hotel in Macau. As EIHL group and EEH group are able to provide suitable locations for the Group's business, the Directors of the Company believed that maintaining the tenancy at the existing addresses will ensure the stability of the Group's business and to avoid the incurrence of relocation costs.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above transactions. Save as the above transactions as numbered item (2) in note 36 "Related Party Transactions" to the consolidated financial statements, all the related party transactions as shown in such note are continuing connected transactions exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.31 / Rule 14A.33 of the Listing Rules.

The Company has engaged the auditor of the Company to report the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and the auditor has reported to the Directors and confirmed that the continuing connected transactions entered into by the Group for the year ended 31 December 2010:

(a) have received the approval of the Directors of the Company;

(b) have been entered into in accordance with the terms of the relevant agreements governing such transactions; and

(c) have not exceeded the relevant cap amount for the financial year ended 31 December 2010 disclosed in the previous announcements and on page 149 of the prospectus of the Company.

The independent non-executive Directors have reviewed the continuing connected transactions and the letter from the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, aggregate sales attributable to the Group's five largest customers were less than 30% of total turnover.

During the year, aggregate purchases attributable to the Group's five largest suppliers represented approximately 57% of the Group's total purchases and the largest supplier accounted for approximately 30% of the Group's total purchases.

None of the Directors of the Company, their associates or any shareholders which, to the knowledge of the Directors of the Company, owns more than 5% of the Company's issued share capital, has a beneficial interest in the share capital of any of the above major customers and suppliers of the Group.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of the independence pursuant to Rule 3.13 of the Listing Rules on the Stock Exchange. The Company considers all of the Independent Non-executive Directors are independent.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 27 to 32.

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of the business of the Group were entered or subsisted during the year.

EMOLUMENT POLICY

The emolument policy of the Group to reward its employees and executive directors is based on their performance, qualifications, competence displayed, market comparables and the performance of the Group. Remuneration packages typically comprises salary, housing allowances, discretionary bonus and other fringe benefits, including medical insurance and the Group's contribution to retirement benefits schemes. The Directors are paid fees in line with market practice whilst the emolument of executive Directors/senior management are determined by the Remuneration Committee which will review the same regularly.

To provide incentive to the relevant participants, including the Directors and eligible employees, the Company has adopted a Share Option Scheme, details of which are set out in note 34 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float under the Listing Rules throughout the year end 31 December 2010.

DONATIONS

During the year, the Group made charitable donation amounting to HK$1,597,948.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Cindy Yeung
Managing Director

Hong Kong, 22 March 2011

Corporate Governance Report

The Board of the Company has adopted various policies to ensure compliance with the code provisions of the Code on Corporate Governance Practices ("the Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). For the year ended 31 December 2010, the Board is pleased to confirm that the Company has complied fully with the code provisions of the Code.

DIRECTORS

The Board

The Board is responsible to lead and control the business operations of the Group. Decisions made are driven for the best interest of the shareholders and maximizing the shareholders' wealth. The Directors formulate strategic directions, oversee the operations and monitor the financial and management performance of the Group as a whole.

As at 31 December 2010, the Board comprised eight Directors, with four Executive Directors, namely Ms. Cindy Yeung (Managing Director), Mr. Chan Hung Ming, Mr. Wong Chi Fai ("Mr. Wong") and Ms. Fan Man Seung, Vanessa ("Ms. Fan"), one Non-executive Director, namely Mr. Hanji Huang and three Independent Non-executive Directors, namely Ms. Yip Kam Man, Mr. Chan Hon Piu and Ms. Lai Ka Fung, May. The biographies of the Directors are set out on pages 14 to 15 of this annual report under the "Biographies of Directors and Senior Executives" Section.

An induction regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest in shares and competing business of the Group has been provided to all Directors shortly upon their appointment as Directors of the Company. There is a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Management functions

The roles of chairman and chief executive officer are separated and are not performed by the same individual. In substance, Ms. Fan assumes the corporate responsibility of managing the Board that are typically taken up by a company's chairperson whilst Ms. Cindy Yeung, being the Managing Director, assumes the role of chief executive officer who is responsible for the executive management of the Group's operations.

Currently, Ms. Cindy Yeung and Mr. Chan Hung Ming (assisted by various senior management of the Group who have extensive experience in watch and jewellery industry) manage the daily operation of the Group; while Mr. Wong and Ms. Fan who possess extensive experience and adequate skills in overall business administration as well as technical knowledge on retail business operation, oversee the strategic growth of the Group. However, Mr. Wong and Ms. Fan do not engage in the day-to-day operation of the Group. Such arrangement enables the Group to capitalize the professional knowledge and practical working experience in various fields of both Ms. Fan and Mr. Wong which are in the interests of the Group.

Independent Non-executive Directors

The Independent Non-executive Directors are all professionals with well recognized experience and expertise in legal and accounting aspects who provide valuable advice to the Board, including advice on corporate governance related matters without any undue influence. They are appointed for an initial term of two years and shall continue thereafter on a yearly basis subject to early termination by either party.

The Company has received a confirmation of independence from each of the Independent Non-executive Directors. The Board considers each of them to be independent by reference to the factors stated in the Listing Rules. The Independent Non-executive Directors have been expressly identified as such in all corporate communications of the Company that disclose the names of Directors.

Board Meetings

The Board met regularly and board meetings were held at approximately quarterly intervals. The Board held fourteen board meetings during the year ended 31 December 2010 with the attendance of each Director as follows:

Name of Director	Meetings attended/ No. of board meetings	Approximate Attendance rate
Executive Directors		
Cindy Yeung *(Managing Director)*	13/14	93%
Chan Hung Ming	14/14	100%
Wong Chi Fai	14/14	100%
Fan Man Seung, Vanessa	14/14	100%
Non-executive Director		
Hanji Huang *(appointed on 2 August 2010)*	3/4	75%
Independent Non-executive Directors		
Yip Kam Man	10/14	71%
Chan Hon Piu	14/14	100%
Lai Ka Fung, May	14/14	100%

The Company Secretary of the Company is responsible for formulating good boardroom practices of the Company in order to comply with the Listing Rules. Board meeting notice was sent to the Directors at least 14 days prior to each regular board meeting. The Directors have access to the advice and services of the Company Secretary and key officers of the company secretarial team regarding the Board procedures, and all applicable rules and regulations in respect of the meetings are followed. Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Director.

Delegation by the Board

There is a formal schedule of matters specifically reserved to and delegated by the Board. The Board had given clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company.

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee and Remuneration Committee, both of which were set up on 19 June 2008. The Company has not established any nomination committee.

1. Audit Committee

The Audit Committee consists of a Non-executive Director, namely Mr. Hanji Huang who was appointed on 2 August 2010 and three Independent Non-executive Directors, namely Ms. Yip Kam Man (Chairperson of the Committee), Mr. Chan Hon Piu and Ms. Lai Ka Fung, May, all of them were appointed on 19 June 2008. The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditor, to approve the remuneration and terms of engagement of external auditor, review financial information and oversight of the financial reporting system and internal control procedures. The specific written terms of reference has been set out in the Company's website at www.emperorwatchjewellery.com. The Audit Committee convened three meetings during the year ended 31 December 2010 with the attendance of each member as follows:

Name of Committee member	Meetings attended/ No. of meetings	Attendance rate
Yip Kam Man *(Chairperson)*	3/3	100%
Chan Hon Piu	3/3	100%
Lai Ka Fung, May	3/3	100%
Hanji Huang *(appointed on 2 August 2010)*	1/1	100%

A summary of work performed by the Audit Committee during the year ended 31 December 2010 is set out below:

i. reviewed with the external auditor, management and finance-in charge of the audit plans for the financial year ended 31 December 2009 and approved the engagement of external auditor;

ii. reviewed the independence of external auditor;

iii. met with the external auditor and reviewed their work and findings relating to the audit for the year ended 31 December 2009 and the effectiveness of the audit process;

iv. reviewed with the management/finance-in-charge and/or the external auditor the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual and interim financial statements for the financial year ended 31 December 2009;

v. reviewed with management/finance-in-charge the effectiveness of the internal control system of the Group including the corporate governance in respect of the Non-Competition Deed dated 27 June 2008 and recommended the Board to make relevant disclosure in the annual report for the year ended 31 December 2009;

vi. reviewed the non-exempt continuing connected transactions of the Group for the year ended 31 December 2009; and

vii. recommended the Board on the re-appointment of external auditor.

2. Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Wong Chi Fai (Chairman of the Committee) being an Executive Director, Ms. Yip Kam Man and Ms. Lai Ka Fung, May, both being Independent Non-executive Directors. The primary duties of the Remuneration Committee are making recommendation to the Board on the Company's policy and structure for the remuneration of Directors and senior management and determining specific remuneration package for all Executive Directors. Details of the remuneration of each of the Directors for the year ended 31 December 2010 are set out in note 9 to the consolidated financial statements. The specific written terms of reference of the Remuneration Committee are available at the Company's website at www.emperorwatchjewellery.com. During the year ended 31 December 2010, the Remuneration Committee convened two meetings which were attended by all committee members.

A summary of work performed by the Remuneration Committee during the year ended 31 December 2010 is set out below:

i. reviewed the Directors' fees and recommended the Board to approve the fees for Non-executive Directors;

ii. reviewed the current level and structure/package of Executive Directors' remuneration and approved the specific remuneration packages of Executive Directors; and

iii. recommended the Board to fix the director's fee of Mr. Hanji Huang, the newly appointed non-executive director.

Directors/senior management's securities transaction

The Company has adopted a code of conduct regarding securities transactions by Directors and senior executives on the same terms as the required standard of dealings set out in Appendix 10 of the Listing Rules prior to the listing of its shares on Stock Exchange. Having made specific enquiry to all Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings and the code of conduct throughout the year ended 31 December 2010.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibilities to prepare the accounts of the Group and other financial disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

INTERNAL CONTROLS

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to minimize the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatements or losses.

The internal control system has been designed to safeguard the shareholders' investment and assets of the Group. It should provide a basis for the maintenance of proper accounting records and assist in compliance with the relevant rules and regulations.

The Board had conducted a review on the effectiveness of internal control system (including financial, operational, compliance controls, risk management functions and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and training programmes and budget) of the Group and considered that its internal control system is effective and adequate and the Company has complied with the code provisions on internal control of the Code.

COMMUNICATION WITH SHAREHOLDERS

The Company communicates with the shareholders mainly in the following ways: (i) the holding of annual general meeting and extraordinary general meetings, if any, which may be convened for specific purpose and provide opportunities for the shareholders to communicate directly to the Directors; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and press releases providing updated information of the Group; and (iii) the availability of latest information of the Group on the Company's website; and (iv) the holding of press conference from time to time. There is regular dialogue with institutional shareholders and general presentations are made when financial results are announced. Shareholders and investors are welcome to visit the Company's website and raise enquires through our Investor Relations Department whose contact details are available on the Company's website at www.emperorwatchjewellery.com.

Separate resolutions are proposed at the general meetings for substantial issues, including the re-election of retiring Directors.

The chairperson of the meetings and the chairman/members of the committees at the last annual general meeting held on 18 May 2010 and the extraordinary general meetings held on 26 April 2010 and 22 September 2010 were available to answer questions from the shareholders. The chairperson of such meetings had explained the detailed procedures for conducting a poll during the meetings.

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Service rendered	Fees paid/payable *HK$'000*
Audit services	2,536
Non-audit services	30

CORPORATE GOVERNANCE IN RESPECT OF NON-COMPETITION DEED

Pursuant to the deed of non-competition undertaking dated 27 June 2008 ("Deed") entered into between the Company on one part, and Allmighty Group Limited, Diamond Palace Limited, Jumbo Gold Investments (PTC) Limited (formerly known as Jumbo Gold Investments Limited) and Dr. Yeung Sau Shing, Albert on the other part (collectively as the "Covenantors"), the Covenantors had given undertakings to the Company that restricted the Covenantors to establish, invest, manage or operate in any of the Restricted Business (as defined in the Deed).

The Company had adopted certain measures to ensure that the terms of the Deed were duly complied with by the respective parties and that:

1. the relevant Covenantors had made an annual confirmation to the Company in which they declared and confirmed that they had fully complied with the undertakings in the Deed and that they had not received nor were aware of any New Business Opportunities (as defined in the Deed) that required the Covenantors to offer to the Company by the Deed;

2. the Independent Non-executive Directors had made an annual review on the compliance of the undertakings in the Deed by the Covenantors on their existing or future competing businesses and formed the view that the Covenantors had fully complied with the undertakings in the Deed; and

3. the Covenanters shall provide, or procure to provide, necessary information pursuant to the Non-competition Deed upon the Company's request from time to time.

Details of the other measures in respect of the Non-Competition Deed are set out in the Prospectus.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF EMPEROR WATCH & JEWELLERY LIMITED
英皇鐘錶珠寶有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Emperor Watch & Jewellery Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 99, which comprise the consolidated and the Company's statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	5	4,095,310	2,686,463
Cost of sales		(3,047,738)	(1,992,871)
Gross profit		1,047,572	693,592
Other income	6	12,230	5,016
Selling and distribution expenses		(472,268)	(337,771)
Administrative expenses		(173,045)	(115,544)
Net loss on derivative financial instruments	23	(199,010)	–
Finance costs	7	(11,195)	(2,061)
Profit before taxation	8	204,284	243,232
Taxation	10	(70,423)	(43,046)
Profit for the year		133,861	200,186
Other comprehensive income (expense) for the year:			
Exchange differences arising from translation of foreign operations		7,149	(1,052)
Total comprehensive income for the year		141,010	199,134
Profit for the year attributable to:			
Owners of the Company		125,641	195,588
Non-controlling interests		8,220	4,598
		133,861	200,186
Total comprehensive income attributable to:			
Owners of the Company		132,637	194,505
Non-controlling interests		8,373	4,629
		141,010	199,134
Basic and diluted earnings per share	12	HK2.4 cents	HK4.3 cents

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	13	85,360	74,584
Deferred tax asset	24	3,811	–
		89,171	74,584
Current assets			
Inventories	14	2,152,007	1,307,703
Receivables, deposits and prepayments	16	272,969	204,627
Tax recoverable		–	6,618
Bank balances and cash	18	601,484	252,211
		3,026,460	1,771,159
Current liabilities			
Payables, deposits received and accrued charges	19	404,661	263,846
Amounts due to related companies	20	3,598	2,752
Amount due to a former non-controlling shareholder		45,471	–
Taxation payable		34,556	6,213
Obligation under a finance lease – due within one year	21	–	119
Bank borrowings – due within one year	22	67,241	4,200
		555,527	277,130
Net current assets		2,470,933	1,494,029
Total assets less current liabilities		2,560,104	1,568,613
Non-current liabilities			
Obligation under a finance lease – due after one year	21	–	317
Derivative financial instruments	23	180,320	–
Liability component of convertible bond	23	109,541	–
Bank borrowings – due after one year	22	–	9,000
Deferred taxation	24	–	379
		289,861	9,696
Net assets		2,270,243	1,558,917

Consolidated Statement of Financial Position (Continued)

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Capital and reserves			
Share capital	25	56,593	45,000
Reserves	26	2,211,053	1,504,406
Equity attributable to owners of the Company		2,267,646	1,549,406
Non-controlling interests		2,597	9,511
Total equity		2,270,243	1,558,917

The consolidated financial statements on pages 35 to 99 were approved and authorised for issue by the Board of Directors on 22 March 2011 and are signed on its behalf by:

CINDY YEUNG
DIRECTOR

CHAN HUNG MING
DIRECTOR

Statement of Financial Position

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries	15	1,101,945	855,549
Amount due from a subsidiary	17	1,239,689	822,548
		2,341,634	1,678,097
Current assets			
Deposits and prepayments		95	–
Bank balances and cash	18	505	13
		600	13
Current liabilities			
Payables and accrued charges		687	215
Amount due to a related company	20	30	–
		717	215
Net current liabilities		(117)	(202)
Net assets		2,341,517	1,677,895
Capital and reserves			
Share capital	25	56,593	45,000
Reserves	26	2,284,924	1,632,895
Total equity		2,341,517	1,677,895

CINDY YEUNG
DIRECTOR

CHAN HUNG MING
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (Note 26(a))	Other reserve HK$'000 (Note 26(b))	Capital reserve HK$'000 (Note 26(c))	Translation reserve HK$'000	Convertible bond equity reserve HK$'000	Warrants equity reserve HK$'000 (note 27)	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009	45,000	1,587,063	(373,003)	(29,003)	2,529	812	–	–	164,253	1,397,651	4,882	1,402,533
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(1,083)	–	–	–	(1,083)	31	(1,052)
Profit for the year	–	–	–	–	–	–	–	–	195,588	195,588	4,598	200,186
Total comprehensive income for the year	–	–	–	–	–	(1,083)	–	–	195,588	194,505	4,629	199,134
Final dividend paid for 2008	–	–	–	–	–	–	–	–	(27,000)	(27,000)	–	(27,000)
Interim dividend paid for 2009	–	–	–	–	–	–	–	–	(15,750)	(15,750)	–	(15,750)
At 31 December 2009	45,000	1,587,063	(373,003)	(29,003)	2,529	(271)	–	–	317,091	1,549,406	9,511	1,558,917
Exchange differences arising on translation of foreign operations	–	–	–	–	–	6,996	–	–	–	6,996	153	7,149
Profit for the year	–	–	–	–	–	–	–	–	125,641	125,641	8,220	133,861
Total comprehensive income for the year	–	–	–	–	–	6,996	–	–	125,641	132,637	8,373	141,010
Shares issued	7,148	365,350	–	–	–	–	–	–	–	372,498	–	372,498
Expenses incurred in connection with issue of new shares	–	(2,810)	–	–	–	–	–	–	–	(2,810)	–	(2,810)
Additional capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	33,320	33,320
Acquisition of additional interests in subsidiaries	–	–	–	3,136	–	–	–	–	–	3,136	(48,607)	(45,471)
Recognition of equity component of a convertible bond	–	–	–	–	–	–	58,990	–	–	58,990	–	58,990
Recognition of issuance of warrants	–	–	–	–	–	–	–	53,100	–	53,100	–	53,100
Shares issued upon conversion of a convertible bond	4,445	238,670	–	–	–	–	(58,990)	–	–	184,125	–	184,125
Final dividend paid for 2009	–	–	–	–	–	–	–	–	(44,325)	(44,325)	–	(44,325)
Interim dividend paid for 2010	–	–	–	–	–	–	–	–	(39,111)	(39,111)	–	(39,111)
At 31 December 2010	56,593	2,188,273	(373,003)	(25,867)	2,529	6,725	–	53,100	359,296	2,267,646	2,597	2,270,243

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	204,284	243,232
Adjustments for:		
Allowance for inventories	1,750	534
Depreciation of property, plant and equipment	41,504	22,384
Loss on disposal/write off of property, plant and equipment	5,610	37
Net loss on derivative financial instruments	199,010	–
Interest expenses	11,195	2,061
Interest income	(1,799)	(164)
Write off of inventories	450	2,157
Operating cash flows before movements in working capital	462,004	270,241
Increase in inventories	(841,767)	(104,977)
Increase in receivables, deposits and prepayments	(68,342)	(71,130)
Increase in payables, deposits received and accrued charges	140,815	161,582
Increase in amounts due to related companies	846	2,752
Net cash (used in) generated from operations	(306,444)	258,468
Profits tax paid	(39,652)	(60,362)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(346,096)	198,106
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	–	141
Interest received	1,799	164
Purchase of property, plant and equipment	(57,320)	(62,899)
Repayment by immediate holding company	–	4
NET CASH USED IN INVESTING ACTIVITIES	(55,521)	(62,590)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	372,498	–
Expenses incurred in connection with issue of new shares	(2,810)	–
Proceeds on issue of convertible bonds	480,000	–
Repurchase of a convertible bond	(100,000)	–
Additional capital injection from non-controlling interests	33,320	–
Dividends paid	(83,436)	(42,750)
Repayments of finance leases	(436)	(235)
Interest paid	(4,129)	(2,061)
New bank loans raised	58,241	317,265
Repayments of bank loans	(4,200)	(321,465)
Repayment to a related party	–	(491)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	749,048	(49,737)
NET INCREASE IN CASH AND CASH EQUIVALENTS	347,431	85,779
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	252,211	167,504
Effect of foreign exchange rate changes	1,842	(1,072)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	601,484	252,211

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Allmighty Group Limited ("Allmighty Group"), which was incorporated in the British Virgin Islands ("BVI") with limited liability. The directors of the Company (the "Directors") consider that its ultimate parent is Million Way Holdings Ltd., a company incorporated in BVI with limited liability which is held by STC International Limited for the Albert Yeung Discretionary Trust, the settler of which is Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung"). The address of the registered office and principal place of business of the Company is 25/F, Emperor Group Centre, 288 Hennessey Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is also the functional currency of the Company.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 37.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

Except the application of HKAS 27 (as revised in 2008) as described below, the application of the new and revised standards and interpretation in current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKFRS 3 (as revised in 2008) *Business Combination*

The Group applies HKFRS 3 (as revised in 2008) prospectively to business combinations for which the acquisition date is on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (as revised in 2008) is applicable, the application of HKFRS 3 (as revised in 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting years. Results of the Group in future years may be affected by future transactions for which HKFRS 3 (as revised in 2008) and the consequential amendments to the other HKFRSs are applicable.

HKAS 27 (as revised in 2008) *Consolidated and Separate Financial Statements*

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group. Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

The change in policy has resulted in the excess of the consideration paid for acquisition of additional interest in a subsidiary from a non-controlling shareholder over the carrying amount of non-controlling interest of HK$927,000 being recognised directly in equity, instead of goodwill. In addition, the change in policy has also resulted in the shortfall of the consideration paid for acquisition of additional interest in a subsidiary from a non-controlling interest of HK$4,063,000 being recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in profit for the year of HK$4,063,000.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[2]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 July 2011
6 Effective for annual periods beginning on or after 1 January 2012
7 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new standard will not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

The Directors anticipate that the application of the other new and revised Standards or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of consolidation – Continued

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold less returns in the normal course of business, net of trade discounts.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and deprecation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using either a weighted average or specific identification basis depending on the nature of the inventory.

Investment in subsidiaries

Investment in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES** – Continued

Financial instruments – Continued

Financial assets

The Group's financial assets are all classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including receivables, amount due from a subsidiary, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Financial assets – *Continued*

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss ("FVTPL") and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Financial liabilities and equity instruments – *Continued*

Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including payables, amounts due to related companies and a former non-controlling shareholder, and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

Convertible bond issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

Convertible bond issued by the Group with conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Convertible bonds *– Continued*

Convertible bond contains liability and equity components

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bond into equity, is included in equity (convertible bond equity reserve).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the embedded option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Convertible bond contains liability component and conversion and early redemption options derivatives

At the date of issue, both the liability component and conversion and early redemption options derivatives are recognised at fair values. In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The derivatives component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivatives component in proportion to their relative fair values. Transaction costs relating to the derivatives component are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Convertible bonds – *Continued*

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their economic risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire, or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Taxation

Taxation represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Taxation – Continued

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted to Directors and employees of the Group at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the management of the Company has made the following estimations that have a significant risk of causing a material adjustment to the carrying amount of assets within the next financial year.

Income taxes

As at 31 December 2010, no deferred tax asset has been recognised on the tax losses of HK$57,359,000 (2009: HK$26,631,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. If the future profit streams become predictable in the future, a deferred tax asset will be recognised to the extent that future taxable profits will be available.

Allowance for inventories

The management of the Company estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the subsequent estimated net realisable value of inventories is less than the original estimate, a material impairment loss may arise. As at 31 December 2010, the carrying amount of inventories is HK$2,152,007,000 (net of allowance or inventories of HK$13,158,000) (31 December 2009: carrying amount of HK$1,307,703,000, net of allowance for inventories of HK$11,408,000).

4. KEY SOURCE OF ESTIMATION UNCERTAINTY – Continued

Allowance for trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of trade receivables is HK$62,828,000 (31 December 2009: HK$57,413,000).

Fair value of financial instruments

As described in notes 23 and 27, the Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The fair value of the derivatives embedded in the convertible bond as at 31 December 2010 and fair value of warrants at the issue date are HK$180,320,000 (31 December 2009: nil) and HK$53,100,000 (31 December 2009: nil) respectively. Details of the assumptions used in the valuation are disclosed in notes 23 and 27. The Directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments. When there is a change in the assumptions, the fair values of financial instruments may vary.

5. 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.

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

For the year ended 31 December 2010

	Hong Kong	Macau	Other regions in the PRC	Elimination	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue					
External sales	3,366,291	266,523	462,496	–	4,095,310
Inter-segment sales*	204,071	113,434	–	(317,505)	–
	3,570,362	379,957	462,496	(317,505)	4,095,310

* Inter-segment sales are charged at cost

	Hong Kong	Macau	Other regions in the PRC	Elimination	Consolidated
Segment profit	460,459	51,846	24,642	–	536,947
Unallocated administrative expenses					(124,257)
Interest income					1,799
Net loss on derivative financial instruments					(199,010)
Finance costs					(11,195)
Profit before taxation					204,284

5. REVENUE AND SEGMENT INFORMATION – Continued

For the year ended 31 December 2009

	Hong Kong HK$'000	**Macau** HK$'000	**Other regions in the PRC** HK$'000	**Elimination** HK$'000	**Consolidated** HK$'000
Revenue					
External sales	2,229,496	178,548	278,419	–	2,686,463
Inter-segment sales*	130,223	56,452	–	(186,675)	–
	2,359,719	235,000	278,419	(186,675)	2,686,463

* Inter-segment sales are charged at cost

Segment profit	274,302	32,914	10,638	–	317,854
Unallocated administrative expenses					(72,725)
Interest income					164
Finance costs					(2,061)
Profit before taxation					243,232

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. 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.

5. REVENUE AND SEGMENT INFORMATION – Continued

Other segment information

Amounts included in the measure of segment profit or loss:

For the year ended 31 December 2010

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Total HK$'000
Depreciation	28,558	685	9,114	38,357
Operating lease payments	193,170	3,940	70,096	267,206

For the year ended 31 December 2009

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Total HK$'000
Depreciation	16,536	939	2,784	20,259
Operating lease payments	164,080	3,996	42,582	210,658

The below is a reconciliation from the total of the reportable segments' amounts for other segment information to the corresponding amount for the Group:

For the year ended 31 December 2010

	Reportable segment totals HK$'000	Unallocated HK$'000	Group's total HK$'000
Depreciation	38,357	3,147	41,504
Operating lease payments	267,206	5,494	272,700

For the year ended 31 December 2009

	Reportable segment totals HK$'000	Unallocated HK$'000	Group's total HK$'000
Depreciation	20,259	2,125	22,384
Operating lease payments	210,658	4,501	215,159

5. REVENUE AND SEGMENT INFORMATION – Continued

Revenue from major products

The following is an analysis of the Group's revenue from continuing operations from its major products:

	2010 HK$'000	2009 HK$'000
Watch	3,461,439	2,320,164
Jewellery	632,837	366,299
Others	1,034	–
	4,095,310	2,686,463

Geographical information

The property, plant and equipment by geographical location of assets are detailed below:

As at 31 December 2010

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Consolidated HK$'000
Property, plant and equipment	59,011	1,339	25,010	85,360

As at 31 December 2009

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Consolidated HK$'000
Property, plant and equipment	55,444	1,396	17,744	74,584

Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are used by the chief operating decision maker. Accordingly, no segment assets and liabilities are presented.

6. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Interest income from bank deposits	1,799	164
Net exchange gain	–	454
Others	10,431	4,398
	12,230	5,016

7. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest expenses on:		
bank borrowings wholly repayable within five years	2,638	2,050
finance lease	47	11
convertible bonds	8,510	–
	11,195	2,061

8. PROFIT BEFORE TAXATION

	2010 HK$'000	2009 HK$'000
Profit before taxation has been arrived at after charging:		
Allowance for inventories	1,750	534
Auditor's remuneration	2,536	1,995
Cost of inventories included in cost of sales	3,037,435	1,983,267
Depreciation of property, plant and equipment	41,504	22,384
Loss on disposal/write off of property, plant and equipment	5,610	37
Net exchange loss	2,294	–
Operating lease payments in respect of rented premises		
– minimum lease payments	239,226	213,965
– contingent rent	33,474	1,194
Write off of inventories	450	2,157
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	148,229	110,696
– retirement benefits scheme contributions	7,507	5,091

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

Details of the emoluments paid and payable to the Directors for the year ended 31 December 2010 and 2009 are as follows:

For the year ended 31 December 2010

	Fees	Salaries, allowance and benefits-in-kind	Performance related incentive payment	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Ms. Cindy Yeung	100	2,420	1,500	12	4,032
Mr. Chan Hung Ming	100	1,320	300	12	1,732
Mr. Wong Chi Fai	100	–	–	–	100
Ms. Fan Man Seung, Vanessa	100	–	–	–	100
Ms. Yip Kam Man	150	–	–	–	150
Mr. Chan Hou Piu	150	–	–	–	150
Ms. Lai Ka Fung, May	150	–	–	–	150
Mr. Hanji Huang	41	–	–	–	41
	891	3,740	1,800	24	6,455

For the year ended 31 December 2009

	Fees	Salaries, allowance and benefits-in-kind	Performance related incentive payment	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Ms. Cindy Yeung	100	2,400	1,500	12	4,012
Mr. Chan Hung Ming	100	1,195	300	12	1,607
Mr. Wong Chi Fai	100	–	–	–	100
Ms. Fan Man Seung, Vanessa	100	–	–	–	100
Ms. Yip Kam Man	150	–	–	–	150
Mr. Chan Hou Piu	150	–	–	–	150
Ms. Lai Ka Fung, May	150	–	–	–	150
	850	3,595	1,800	24	6,269

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – Continued

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2009: two) were Directors whose emoluments are included in the note 9(a) above. The emoluments of the remaining three (2009: three) individuals were as follows:

	2010 HK$'000	2009 HK$'000
Salaries, allowance and benefits-in-kind	1,666	3,335
Performance related incentive payment	73	701
Retirement benefits scheme contributions	49	49
	1,788	4,085

Their emoluments were within the following bands:

	Number of employees	
	2010	2009
Nil to HK$1,000,000	3	2
HK$1,000,001 to HK$1,500,000	–	–
HK$2,500,001 to HK$3,000,000	–	1

Notes:

(i) The performance related incentive payment is a discretionary bonus determined based on the financial performance of the Group for the year.

(ii) No Director waived any emoluments during the two years ended 31 December 2010.

10. TAXATION

	2010 HK$'000	2009 HK$'000
The charge comprises:		
Current year:		
Hong Kong	65,490	37,148
PRC	6,355	2,811
Macau	5,412	3,838
	77,257	43,797
(Over)underprovision in prior years:		
Hong Kong	(2,647)	(260)
Macau	3	2
	(2,644)	(258)
Deferred taxation (note 24)	(4,190)	(493)
	70,423	43,046

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

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 the year.

Details of deferred taxation are set out in note 24.

10. TAXATION – Continued

Taxation for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2010 HK$'000	2009 HK$'000
Profit before taxation	204,284	243,232
Tax charge at Hong Kong Profits Tax rate of 16.5%	33,707	40,133
Tax effect of expenses not deductible for tax purpose	35,596	312
Tax effect of income not taxable for tax purpose	(764)	(205)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(537)	(615)
Tax effect of tax losses not recognised	5,115	3,637
Utilisation of tax losses previously not recognised	(45)	(118)
Overprovision in respect of prior years	(2,644)	(258)
Others	(5)	160
Taxation for the year	70,423	43,046

The Hong Kong Profits Tax rate used in the above reconciliation is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

11. DIVIDENDS

A final dividend for the year ended 31 December 2010 of HK1.02 cents (2009: HK0.85 cent) per share has been proposed by the Directors and is subject to approval by the shareholders in forthcoming annual general meeting.

During the year ended 31 December 2010, a final dividend of HK0.85 cent per share for the year ended 31 December 2009 amounting to HK$44,325,000 was paid in June 2010 and an interim dividend of HK0.75 cent per share in respect of the year ended 31 December 2010 amounting to HK$39,111,000 was paid in September 2010.

During the year ended 31 December 2009, a final dividend of HK0.6 cent per share for the year ended 31 December 2008 amounting to HK$27,000,000 was paid in June 2009 and an interim dividend of HK0.35 cent per share in respect of the year ended 31 December 2009 amounting to HK$15,750,000 was paid in September 2009.

12. EARNINGS PER SHARE

The calculation of basic earnings and diluted per share is based on the profit for the year of HK$125,641,000 (2009: HK$195,588,000) attributable to owners of the Company and on the weighted average number of 5,200,188,904 ordinary shares (2009: 4,500,000,000) in issue during the year.

The computation of diluted earnings per share for the year ended 31 December 2010 does not assume the conversion of the subsidiary's outstanding convertible bonds and the exercise of the Company's outstanding warrants since the assumed conversion of the subsidiary's convertible bonds would result in an increase in earnings per share and the exercise price of the Company's warrants was higher than the average market price for shares for the year ended 31 December 2010.

13. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
COST				
At 1 January 2009	47,105	16,897	406	64,408
Exchange realignment	15	6	–	21
Additions	57,932	4,251	1,362	63,545
Disposals	(3,957)	(270)	(406)	(4,633)
At 31 December 2009	101,095	20,884	1,362	123,341
Exchange realignment	603	72	–	675
Additions	45,594	11,726	–	57,320
Disposals/written off	(7,387)	(356)	–	(7,743)
At 31 December 2010	139,905	32,326	1,362	173,593
ACCUMULATED DEPRECIATION				
At 1 January 2009	25,371	5,159	297	30,827
Exchange realignment	1	–	–	1
Provided for the year	19,535	2,617	232	22,384
Eliminated on disposals	(3,907)	(203)	(345)	(4,455)
At 31 December 2009	41,000	7,573	184	48,757
Exchange realignment	104	1	–	105
Provided for the year	37,108	4,123	273	41,504
Eliminated on disposals/written off	(2,066)	(67)	–	(2,133)
At 31 December 2010	76,146	11,630	457	88,233
CARRYING VALUES				
At 31 December 2010	63,759	20,696	905	85,360
At 31 December 2009	60,095	13,311	1,178	74,584

13. PROPERTY, PLANT AND EQUIPMENT – Continued

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the unexpired lease term or five years, whichever is shorter
Furniture, fixtures and equipment	9% – 33.3%
Motor vehicle	18% – 20%

The carrying value of a motor vehicle held under a finance lease as at 31 December 2009 was HK$591,984.

14. INVENTORIES

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Raw materials	22,243	7,457
Goods held for resale	2,129,764	1,300,246
	2,152,007	1,307,703

15. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2010 HK$'000	2009 HK$'000
Unlisted shares	373,006	373,006
Deemed capital contribution (note 17)	728,939	482,543
	1,101,945	855,549

16. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Trade receivables	62,828	57,413
Rental deposits	101,959	72,996
Other receivables, deposits and prepayments	108,182	74,218
	272,969	204,627

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. The Group granted an average credit periods from 7 days to 90 days to the wholesale customers.

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

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Within 30 days	47,471	31,205
31 – 60 days	5,876	4,816
61 – 90 days	9,481	16,826
91 – 120 days	–	4,566
	62,828	57,413

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$2,006,000 (2009: HK$4,572,000) 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.

16. RECEIVABLES, DEPOSITS AND PREPAYMENTS – Continued

Ageing of trade receivables which are past due but not impaired

	2010 HK$'000	2009 HK$'000
Overdue 1 – 30 days	684	4,572
Overdue 31 – 60 days	1,322	–
	2,006	4,572

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.

The Group's trade receivables that are not denominated in the functional currencies of the respective group entities are as follows:

	2010 HK$'000	2009 HK$'000
Macau Pataca ("MOP")	433	537

17. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured, interest-free and repayable on demand. Amount due from a subsidiary with principal amounts of HK$1,249,829,000 and HK$608,311,000 are expected to be settled by 31 December 2018 and 31 December 2020 respectively. On application of HKAS 39 "Financial Instruments: Recognition and Measurement", the fair value of those amounts is determined based on effective interest rate of 5% per annum. The difference between the principal amount of the advance and its fair value, determined on initial recognition amounting to HK$728,939,000 (2009: HK$482,543,000), has been included in the investment cost in a subsidiary as deemed contribution to the subsidiary (note 15).

18. BANK BALANCES AND CASH

THE GROUP/THE COMPANY

Bank balances carry interest at market rates which range from 0.01% to 1.17% (2009: 0.01% to 0.36%) per annum.

The Group's bank balances and cash that are not denominated in the functional currencies of the respective group entities are as follow:

	2010 HK$'000	2009 HK$'000
HKD	99,965	54,064
MOP	15,970	4,699
United States dollars ("USD")	14	119
Renminbi ("RMB")	483	–
Swiss Franc ("CHF")	466	–

The Company's bank balances and cash are denominated in HKD, which is the same as the functional currency of the Company.

19. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Trade payables	309,115	165,051
Other payables, deposits received and accrued charges	95,546	98,795
	404,661	263,846

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

	THE GROUP	
	2010 HK$'000	2009 HK$'000
0 – 30 days	238,874	72,958
31 – 60 days	32,864	27,849
61 – 90 days	4,593	31,142
Over 90 days	32,784	33,102
	309,115	165,051

19. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES – Continued

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

The Group's trade payables that are not denominated in the functional currencies of the respective group entities are as follows:

	2010 HK$'000	2009 HK$'000
USD	36,232	10,948

20. AMOUNTS DUE TO RELATED COMPANIES

THE GROUP

The amounts due to related companies, mainly represent the service charge payable to related companies, are unsecured, interest-free and repayable on demand. The related companies represent companies owned and controlled by Dr. Albert Yeung, a substantial shareholder of the Company.

THE COMPANY

The amount due to a related company is unsecured, interest-free and repayable on demand. The related company represents company owned and controlled by Dr. Albert Yeung, a substantial shareholder of the Company.

21. OBLIGATION UNDER A FINANCE LEASE

THE GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Amount payable under a finance lease:				
Within one year	–	140	–	119
In more than one year but not more than two years	–	140	–	119
In more than two years but not more than five years	–	234	–	198
	–	514	–	436
Less: Future finance charges	–	(78)	–	–
Present value of lease obligation	–	436		436
Less: Amount due within one year shown under current liabilities			–	(119)
Amount due after one year			–	317

During the year ended 31 December 2009, the Group leased its motor vehicle under a finance lease with lease term of 4 years. Interest rate underlying obligation under a finance lease was fixed at the contract date at 4.5% per annum.

The Group's obligation under a finance lease was secured by the lessor's charge to the leased asset.

22. BANK BORROWINGS

	THE GROUP 2010 HK$'000	2009 HK$'000
Bank loans	67,241	13,200
Carrying amount repayable:		
Within one year	67,241	4,200
In more than one year but not more than two years	–	9,000
	67,241	13,200
Less: Amount due within one year shown under current liabilities	(67,241)	(4,200)
Amount due after one year	–	9,000

The ranges of weighted effective interest rates on the Group's borrowings are ranged from 1.43% to 4.49% (2009: 2.44%). The bank borrowings are summarised as follows:

Denominated in	**Interest rate**	2010 HK$'000	2009 HK$'000
HKD	Hong Kong Interbank Offered Rates ("HIBOR") plus 1.25% (2009: HIBOR plus 1.6%)	9,000	13,200
RMB	95% of People's Bank of China Prescribed Interest Rate ("PBOCR") (2009: nil)	58,241	–
		67,241	13,200

23. DERIVATIVE FINANCIAL INSTRUMENTS AND LIABILITY COMPONENT OF CONVERTIBLE BOND

As at 31 December 2010, the convertible bond outstanding comprises the carrying amounts of the liability component of convertible bond with principal of HK$140,000,000 ("HK$140M Bond") carried at amortised cost and the derivatives component of HK$140M Bond carried at fair value.

The derivative financial instruments represent the conversion and early redemption options embedded in the HK$140M Bond. The fair value was determined by using Binomial model.

The HK$140M Bond was issued by a wholly-owned subsidiary of the Company to an independent third party on 22 September 2010. The HK$140M Bond carries interest at 1.5% per annum and matures on 12 April 2013. The Company agreed to guarantee the payment of all sums payable by that wholly-owned subsidiary under the convertible bond.

The principal terms of the HK$140M Bond are as follows:

(i) Conversion features

HK$140M Bond is convertible, at the option of the bondholders, into ordinary shares of the Company at an initial conversion price of HK$0.54 per share, subject to anti-dilutive adjustments, at any time after 22 September 2010 up to 14 days prior to the maturity date.

(ii) Redemption features

– *Redemption on maturity*

Unless previously converted or purchased or redeemed, the HK$140M Bond will be redeemed at 106% of the outstanding principal amounts on the maturity date.

– *Redemption at the option of the bondholders*

The bondholder of HK$140M Bond has the option to redeem all or any part of the outstanding principal amounts of the HK$140M Bond at 106% of such outstanding principal amounts together with accrued and unpaid interest on 13 April 2012.

– *Redemption at the option of issuer*

The issuer of the HK$140M Bond has the option to redeem all but not only some of the outstanding principal amounts of HK$140M Bond at a redemption price per Bond equal to its outstanding principal amounts plus an amount equivalent to 3% per annum of its outstanding principal amounts together with accrued and unpaid interest at any time after 13 April 2011 and prior to maturity date.

However, no such redemption by issuer may be made unless the arithmetic mean of the weighted average price of the share for each of the 30 consecutive trading days, ending on the trading day immediately prior to the date upon which notice of such redemption is given, is at least 175% of the conversion price.

23. DERIVATIVE FINANCIAL INSTRUMENTS AND LIABILITY COMPONENT OF CONVERTIBLE BOND – Continued

The principal terms of the HK$140M Bond are as follows: – Continued

The HK$140M Bond contains two components, a liability element of HK$105,590,000 at initial recognition and embedded derivative element attributable to the conversion option, bondholder's early redemption and the issuer's early redemption options of HK$112,190,000, which together with the fair value on initial recognition of the warrants issued to the bondholder of HK$53,100,000 (see Note 27) resulted in a fair value loss of HK$130,880,000 on initial recognition. The liability element, which is stated at amortised cost at an effective interest rate of 16.1% per annum, is classified under non-current. The various options embedded in the instrument 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. The fair value loss recognised in the profit or loss as a result of the changes in fair value amounted to HK$68,130,000.

The fair values of the embedded derivatives components of HK$140M Bond as at the issue date and 31 December 2010 were determined based on the Binomial Model, carried out by Vigers Appraisal and Consulting Limited, an independent valuer not connected with the Group. The major inputs into the models were as follows:

	At the issue date	**At 31 December 2010**
Share price:	HK$0.84	HK$1.12
Conversion price	HK$0.54	HK$0.54
Expected volatility:	48%	46%
Remaining life:	2.6 years	2.3 years
Risk free rate:	0.58%	0.69%
Expected dividend yield:	2.6%	2.581%

In addition, the wholly-owned subsidiary of the Company issued a 1.5% p.a. convertible bond with principal amount of HK$100,000,000 ("HK$100M Bonds") to three independent parties on 13 April 2010. The HK$100M Bonds were repurchased at original issue price on 21 September 2010, hence no net gain or loss resulted from this convertible bond.

24. DEFERRED TAXATION

The following are the deferred tax (asset) liability recognised by the Group and the movements thereon during the year:

	Accelerated tax depreciation HK$'000	Provision on inventory HK$'000	Total HK$'000
At 1 January 2009	872	–	872
Credited to consolidated statement of comprehensive income	(493)	–	(493)
At 31 December 2009	379	–	379
Credited to consolidated statement of comprehensive income	(2,218)	(1,972)	(4,190)
At 31 December 2010	(1,839)	(1,972)	(3,811)

At the end of the reporting period, the Group has unused tax losses of approximately HK$57,359,000 (2009: HK$26,631,000) available to off set against future profits. No deferred taxation asset has been recognised in respect of tax losses due to unpredictability of future profit streams.

At the end of the reporting period, the unused tax losses available for offset against future profits are analysed as follows:

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Will expire on:		
31 December 2013	4,484	4,587
31 December 2014	21,874	22,044
31 December 2015	31,001	–
	57,359	26,631

25. SHARE CAPITAL

The movements in the Company's authorised and issued share capital during the year ended 31 December 2009 and 31 December 2010 are as follows:

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2009, 31 December 2009 and 31 December 2010	100,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2009 and 31 December 2009	4,500,000,000	45,000
Shares issued (Note (a))	714,810,000	7,148
Shares issued upon conversion of a convertible bond (Note (b))	444,444,444	4,445
At 31 December 2010	5,659,254,444	56,593

Notes:

(a) On 25 January 2010, the Company issued 450,000,000 ordinary shares of HK$0.01 each to several independent parties at a consideration of HK$0.51 per share and on 12 March 2010, the Company issued 264,810,000 ordinary share of HK$0.01 each to an existing shareholder at a consideration of HK$0.54 per share. The new shares rank pari passu with the existing shares in all respects.

(b) This represents the shares issued in relation to a convertible bond with principal amount of HK$240,000,000 which was issued pursuant to a subscription agreement entered into on 26 August 2010. The convertible bond was fully converted into 444,444,444 ordinary shares of the Company on 8 November 2010. The new shares rank pari passu with the existing shares in all respects.

26. RESERVES

THE GROUP

(a) Merger reserve arose from the group reorganisation scheme (the "Group Reorganisation") undertaken by the Company to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange in 2008.

26. RESERVES – Continued

THE GROUP – Continued

(b) Other reserve represented the aggregate amount of:

(i) the difference between the nominal value of share capital and the amount due to Allmighty Group capitalised for issue of 344 ordinary shares of US$1 each in Treasure Bright Investments Limited ("Treasure Bright") of HK$343,997,000 prior to the Group Reorganisation;

(ii) the capital contribution of HK$6,000 by Allmighty Group in Emperor Watch and Jewellery Company, Limited (subsequently renamed as Prime Sharp Limited, a then fellow subsidiary of the Company) prior to the Group Reorganisation;

(iii) promissory notes in aggregate of HK$373,006,000 issued in exchange for shares in EWJ Watch and Jewellery Company Limited, Emperor Watch & Jewellery (HK) Company Limited ("EWJ HK") and Treasure Bright as a part of Group Reorganisation;

(iv) the excess of the consideration paid for acquisition of additional interest in a subsidiary from a non-controlling shareholder over the carrying amount of non-controlling interest of HK$927,000 during the year ended 31 December 2010; and

(v) the shortfall of the consideration paid for acquisition of additional interest in a subsidiary from a non-controlling interest of HK$4,063,000 during the year ended 31 December 2010.

(c) Capital reserve represented the excess of the value of net assets acquired over purchase consideration paid to Emperor Watch and Jewellery Company, Limited by EWJ HK in 1987.

26. RESERVES – Continued

THE COMPANY

	Share premium HK$'000	Accumulated profits HK$'000	Warrants equity reserve HK$'000	Total HK$'000
At 1 January 2009	1,587,063	10,512	–	1,597,575
Profit and total comprehensive income for the year	–	78,070	–	78,070
Final dividend paid for 2008	–	(27,000)	–	(27,000)
Interim dividend paid for 2009	–	(15,750)	–	(15,750)
At 31 December 2009	1,587,063	45,832	–	1,632,895
Profit and total comprehensive income for the year	–	81,155	–	81,155
Shares issued	365,350	–	–	365,350
Expenses incurred in connection with issue of new shares	(2,810)	–	–	(2,810)
Recognition of issuance of warrants	–	–	53,100	53,100
Issued upon conversion of a convertible bond	238,670	–	–	238,670
Final dividend paid for 2009	–	(44,325)	–	(44,325)
Interim dividend paid for 2010	–	(39,111)	–	(39,111)
At 31 December 2010	2,188,273	43,551	53,100	2,284,924

27. WARRANTS

Warrants with exercise price of HK$0.62 per share were issued by way of bonus to the subscriber for subscribing the HK$140M Bond. 161,290,322 units of warrants were issued and they are exercisable for one ordinary share of the Company per unit of warrant at any time from the issue date to 12 April 2013.

The fair value of the warrants at the issue date was HK$53,100,000. This fair value was calculated using the Binomial Model and determined by Vigers Appraisal & Consulting Limited, an independent valuer not connected with the Group.

27. WARRANTS – Continued

The inputs into the model for warrants were as follows:

	At the issue date
Share price:	HK$0.84
Exercise Price:	HK$0.62
Expected volatility:	48%
Remaining life:	2.6 years
Risk free rate:	0.58%
Expected dividend yield:	2.581%

Expected volatility was determined by using the historical volatility of share price of comparable companies in similar industry.

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of net debts, which includes borrowings disclosed in note 22, convertible bond disclosed in note 23, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure periodically. The Group considers the cost of capital and risks associated with the capital, and will balance its overall capital structure through new share issues of the Company as well as raising of bank borrowings.

The Group's overall strategy remains unchanged from prior year.

29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalent)	682,882	340,098	1,240,194	822,561
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	180,320	–	–	–
Other financial liabilities stated at amortised cost	606,610	262,404	717	–
	786,930	262,404	717	–

b. Financial risk management objectives and policies

The Group's financial instruments include receivables, bank balances and cash, payables, amounts due to related companies and a former non-controlling shareholder, bank borrowings, convertible bond and derivative financial instruments. The Company's financial instruments include amounts due from a subsidiary and bank balances and cash, payables, amount due to a related company and derivative financial instrument. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose primarily to the financial risks of changes in interest rates, foreign currency exchange rates and changes in prices (see below).

(i) Interest rate risk

The Group has exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings (see note 22), which carry interest at prevailing market interest rates (i.e. 1.25% plus HIBOR and 95% of PBOCR). The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management of the Company will consider hedging significant interest rate exposure should the need arise.

29. FINANCIAL INSTRUMENTS – Continued

b. Financial risk management objectives and policies – Continued

Market risk – Continued

(i) Interest rate risk – Continued

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates from the Group's variable-rate bank borrowings. The analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period was outstanding for the whole year. A 200 basis points (2009: 200 basis points) increase or decrease is used, which represents management's assessment of the reasonably possibly change in interest rates.

If interest rates had been 200 basis points (2009: 200 basis points) higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2010 would decrease by HK$1,123,000 (2009: HK$220,000). An equal and opposite impact on the Group's post-tax profits for the year would be resulted if the interest rates has been 200 basis points (2009: 200 basis points) lower.

(ii) Foreign currency risk

THE GROUP

The Group undertakes certain sales and purchases transactions denominated in MOP, USD, RMB and CHF which are the currencies other than the functional currency of respective group entities. As the foreign exchange rate of HKD is closed to MOP, HKD is pegged with USD and the monetary assets denominated in RMB and CHF are insignificant, the Directors consider the Group's exposure to foreign currency risk of these currencies is minimal. The Group is mainly exposed to currency fluctuation of HKD against RMB, the functional currency of the relevant group entities, as these group entities held certain HKD denominated bank balances. The Group manages its foreign currency risk by closely monitoring the movements of the foreign currency rates. The Directors conduct periodical review of foreign currency exposure and will consider hedging significant foreign exchange exposure should the need arise.

29. FINANCIAL INSTRUMENTS – Continued

b. Financial risk management objectives and policies – Continued

Market risk – Continued

(ii) Foreign currency risk – Continued

THE GROUP – Continued

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective reporting dates are as follows:

	2010 HK$'000	2009 HK$'000
Assets		
HKD	99,965	54,064
MOP	16,403	5,236
USD	14	119
RMB	483	–
CHF	466	–
Liabilities		
HKD	422,891	184,885
USD	36,232	10,948

Sensitivity analysis

The following table details the Group's sensitivity to a 2% (2009: 2%) appreciation in RMB, which is the functional currency of the relevant group entities, relative to HKD. The sensitivity analysis of the Group also includes foreign currency risk exposure on inter-company balances. 2% (2009: 2%) is the sensitivity rate used in the management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis in the following table includes only outstanding HKD denominated monetary items and adjusts their translation at the end of the reporting period for 2% (2009: 2%) change in foreign currency rate. A positive number indicates increase in post-tax profit for the year where RMB strengthen 2% against HKD. There would be an equal and opposite impact on the post-tax profit for the year where RMB weakens 2% (2009: 2%) against HKD.

	2010 HK$'000	2009 HK$'000
HKD	6,459	2,616

29. FINANCIAL INSTRUMENTS – Continued

b. Financial risk management objectives and policies – Continued

Market risk – Continued

(ii) Foreign currency risk – Continued

THE COMPANY

The Company do not expose to foreign currency risk as all monetary assets and liabilities held by the Company are denominated in HKD, which is the same as the functional currency of the Company.

(iii) Other price risk

THE GROUP AND THE COMPANY

The Group is exposed to equity price risk arising from changes in the Company's own share price in relation to derivative financial instruments.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If the Company's own share price has been higher, profit for the year would decrease as a result of the changes in fair value of derivative financial instruments of the Group and the Company and vice versa.

Credit risk

THE GROUP

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has delegated a team responsible for determination of credit limits and credit approvals. The Group manages the process for each individual debtor from execution until collection and overdue debts, based on the assessment of credit quality of customer. In addition, the management of the Group reviews the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the Directors consider that the credit risk of the Group is significantly reduced.

29. FINANCIAL INSTRUMENTS – Continued

b. Financial risk management objectives and policies – Continued

Credit risk – Continued

THE GROUP – Continued

The Group has concentration of credit risk as 14% (2009: 48%) of total trade receivables was due from the Group's largest trade debtor. The Group's largest trade debtor is a department store located in the PRC with good repayment history. In addition, as at 31 December 2009, 10% of receivables, deposits and prepayments was placed as consignment deposit to a consignor in the PRC.

The Group has no other significant concentration of credit risk, with exposure spread over a large number of counterparties. Retail sales are settled in either cash or via credit cards issued by banks or other financial institutions. The credit risk on liquid funds and credit card sales are limited because the counterparties are either banks or other financial institutions with high credit rankings assigned by credit-rating agencies, or state-owned banks. The credit risk on receivables from department stores are limited because all department stores have good repayment record.

THE COMPANY

The Company's credit risk is primarily attributable to amount due from a subsidiary. In order to minimise the credit risk, the Directors are responsible to exercise control on the financial and operating activities of the subsidiary to ensure the subsidiary maintaining favourable financial position. In this regard, the Directors consider that the Company's credit risk is significantly reduced.

The Company has provided limited financial guarantees to its subsidiaries. The management considers the Company's exposure to credit risk arising from default payment by the subsidiaries to the banks is limited as those subsidiaries has sufficient net assets to repay their borrowings to the bank.

Liquidity risk

THE GROUP

The Group's liquidity position is monitored closely by the management of the Company. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Company monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

29. FINANCIAL INSTRUMENTS – Continued

b. Financial risk management objectives and policies – Continued

Liquidity risk – Continued

THE GROUP – Continued

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate	Less than 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at the end of the reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2010								
Payables	–	380,759	–	–	–	–	380,759	380,759
Amounts due to related companies	–	3,598	–	–	–	–	3,598	3,598
Amount due to a non-controlling shareholder	–	45,471	–	–	–	–	45,471	45,471
Bank borrowings (a)	4.08	68,034	–	–	–	–	68,034	67,241
Convertible bond (b)	16.1	516	141,260	–	–	–	141,776	109,541
		498,378	141,260	–	–	–	639,638	606,610
At 31 December 2009								
Payables	–	246,016	–	–	–	–	246,016	246,016
Amounts due to related companies	–	2,752	–	–	–	–	2,752	2,752
Obligation under a finance lease	4.50	35	35	70	140	234	514	436
Bank borrowings (a)	2.35	1,125	1,119	2,220	9,018	–	13,482	13,200
		249,928	1,154	2,290	9,158	234	262,764	262,404

29. FINANCIAL INSTRUMENTS – Continued

b. Financial risk management objectives and policies – Continued

Liquidity risk – Continued

THE GROUP – Continued

(a) The amounts included above for variable interest rate instruments for non-derivative financial liabilities (i.e. bank borrowings) are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(b) The amount disclosed above is assumed the Group or the bondholder will exercise the early redemption option.

THE COMPANY

As at 31 December 2010, the Company provided corporate guarantees of HK$408,241,000 (2009: HK$350,000,000) to banks in respect of credit facilities grant to its subsidiaries. The aggregate amounts utilised by the subsidiaries as at 31 December 2010 is HK$67,241,000 (2009: HK$13,200,000). The maximum amount the Company could be required to settle the financial guarantee contracts under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee is HK$408,241,000 (2009: HK$350,000,000). The maturity of the settlement of the financial guarantee contracts will be less than 3 months from the end of the reporting period. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee, which is a function of the likelihood that the counterparty guaranteed suffer credit losses.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment. The table has been drawn up based on the undiscounted cash flows for financial liabilities based on the earliest date on which the Company can be required to pay.

29. FINANCIAL INSTRUMENTS – Continued

b. Financial risk management objectives and policies – Continued

Liquidity risk – Continued

THE COMPANY – Continued

	Weighted average effective interest rate	Less than 3 months HK$'000	3 – 6 months HK$'000	6 – 12 months HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
At 31 December 2010								
Payables	–	687	–	–	–	–	687	687
Amount due to a related company	–	30	–	–	–	–	30	30
Financial guarantee contract	–	408,241	–	–	–	–	408,241	–
		408,958	–	–	–	–	408,958	717

The Company had no other contractual liability as at 31 December 2009.

c. Fair value measurements of financial assets and liabilities

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of derivative embedded in the convertible bond was based on the Binomial model using prices or rates of similar instruments with key inputs such as weighted average share price, expected volatility, risk-free rate and expected dividend yield. Details are set out in note 23.
- The fair value of warrants is determined in accordance with generally accepted pricing models based on data obtained from current market transactions or dealer quotes for similar instruments. Details are set out in note 27.
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

29. FINANCIAL INSTRUMENTS – Continued

c. Fair value measurements of financial assets and liabilities – Continued

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Financial instruments that are measured subsequent to initial recognition at fair value, based on the degree to which the fair value is observable, were grouped into Levels 1 to 3.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial liability measured in different levels recognised in the statement of financial position is as follows:

THE GROUP

		31/12/2010		
	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Financial liabilities at FVTPL				
Derivative financial instruments	–	180,320	–	180,320

There were no transfers between Level 1 and 2 in the current year.

30. ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

During the year, the Group acquired additional 30% and 49% equity interests in subsidiaries and the decrease in the corresponding 30% and 49% non-controlling interests in those subsidiaries at the acquisition dates were measured by reference to proportionate share of the acquirees' identifiable net assets.

31. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2010, the Group acquired additional 49% equity interest in a subsidiary at a consideration of HK$45,471,000. The consideration included in the amount due to a former non-controlling interest as at 31 December 2010 will be settled subsequent to the end of the report period.

During the year ended 31 December 2009, the Group entered into finance lease arrangement for acquisition of asset with a capital value at the inception of the lease of HK$646,000.

32. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the future lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2010 HK$'000	2009 HK$'000
Within one year	235,802	191,047
In the second to fifth year inclusive	123,334	266,649
	359,136	457,696

Operating lease payments represent rentals payable by the Group for its offices and shops. Leases are negotiated for terms ranging from one month to three 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$153,445,000 (2009: HK$167,200,000) which fall due as follows:

	2010 HK$'000	2009 HK$'000
Within one year	98,154	89,100
In the second to fifth year inclusive	55,291	78,100
	153,445	167,200

The related companies are companies ultimately owned and controlled by Dr. Albert Yeung, a substantial shareholder of the Company.

33. CAPITAL COMMITMENTS

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	1,536	10,649

The Company had no capital commitment at the end of the reporting periods.

34. SHARE OPTION SCHEME

Pursuant to the written resolutions passed by the then sole shareholder of the Company on 19 June 2008, the Company adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the Directors may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director but excluding any non-executive director), any non-executive director (including independent non-executive directors), any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder, any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or its investee companies to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and any renewal of the limit is subject to shareholders' approval.

The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the Company's issued share capital, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders. Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price is determined by the Directors and will be not less than the highest of the closing price of the Company's shares on the date of grant, the average closing prices of the Company's shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

No option was granted by the Company under the Scheme since its adoption and up to 31 December 2010.

35. RETIREMENT BENEFITS SCHEMES

The Group participates in defined contribution schemes which are registered under the Hong Kong Occupational Retirement Scheme Ordinance (the "ORSO" Scheme) and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Hong Kong Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of independent trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The retirement benefit cost charged to the consolidated statement of comprehensive income represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by the employee. The maximum amount of contribution is limited to HK$1,000 per each employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary.

The eligible employees of the Company's subsidiaries in the PRC and Macau are members of pension schemes operated by Chinese local government and the Macau government respectively. The subsidiaries in the PRC are required to contribute a certain percentage 38% to 44% of the relevant cost of the payroll of these employees to the pension schemes to fund the benefits. The subsidiary in Macau is required to contribute MOP30 for every employee per month. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contribution under the schemes.

36. RELATED PARTY TRANSACTIONS

The balances with related companies at the end of the reporting periods is set out in note 20.

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

	2010 HK$'000	2009 HK$'000
(1) Sales of goods to Directors and their close family members	5,333	6,254
(2) Rental, electricity and air-conditioning expenses paid and payable to related companies (notes a and b)	94,697	70,764
(3) Service charge paid and payable to related companies (note b)	15,559	9,811
(4) Advertising expenses paid and payable to related companies (note b)	781	1,078
(5) Advisory fee paid and payable to a related company (note b)	360	360
(6) Commission fee paid and payable to a related company (note b)	2,295	–

As at 31 December 2010, rental deposits paid to related companies, which are companies owned and controlled by a substantial shareholder of the Company, amounted to HK$33,368,000 (2009: HK$23,615,000) were included in receivables, deposits and prepayments.

The Company provided corporate guarantees of approximately HK$408,241,000 (2009: HK$350,000,000) to banks in respect of credit facilities granted to its subsidiaries. The aggregate amounts utilised by the subsidiaries as at 31 December 2010 were approximately HK$67,241,000 (2009: HK$13,200,000).

Notes:

(a) The expenses paid are in relation to the tenancy agreements entered into with the related companies of the Company. Details of the transactions are disclosed under "Connected Transactions" section in the Directors' Report.

(b) The related companies are companies owned and controlled by a substantial shareholder of the Company.

The compensation to the Directors and key management personnel of the Group are disclosed in note 9.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up issued/ registered ordinary share capital	Attributable equity interest held by the Company		Principal activities
			2010	2009	
Beauty Royal Limited	Hong Kong ("HK")	HK$2	100%	100%	Provision of group tenancy agent services
Bloom Gold Limited	HK	HK$1	100%	100%	Investment holding
Charter Loyal Limited	HK	HK$2	100%	100%	Provision of group tenancy agent services
Crescent Gold Limited	HK	HK$1	100%	100%	Investment holding
Emperor Watch & Jewellery (China) Holdings Limited	BVI	US$1	100%	100%	Investment holding
Emperor Watch & Jewellery (HK) Company Limited	HK	HK$100	100%	100%	Sales of watches & jewellery
Emperor Watch & Jewellery Management Limited	BVI	US$1	100%	100%	Holding trademarks, logo and domain names of the Group
EWJ Watch and Jewellery Company Limited	Macau	MOP25,000	100%	100%	Sales of watches & jewellery
Emperor Watch & Jewellery (China) Company Limited (formerly known as First Elite Limited)	HK	HK$1	100%	100%	Investment holding

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES – Continued

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up issued/ registered ordinary share capital	Attributable equity interest held by the Company 2010	2009	Principal activities
Foremost Resources Limited	HK	HK$1	100%	100%	Investment holding
Glad Fortune Limited	HK	HK$1	100%	100%	Provision of group tenancy agent services
Gold Gatherable Limited	HK	HK$1	100%	100%	Investment holding
Glory Wish Limited	HK	HK$2	100%	100%	Provision of group tenancy agent services
Moral Step Limited	HK	HK$1	100%	100%	Provision of group tenancy agent services
Mount Win Limited	HK	HK$1,000,000	100%	100%	Provision of group tenancy agent services
Perfect Perform Limited	HK	HK$2	100%	100%	Provision of group tenancy agent services
Plus Gain Enterprises Limited	BVI	US$1	100%	100%	Investment holding
Shine Air Limited	HK	HK$1	100%	100%	Investment holding
Treasure Bright Investments Limited	BVI	US$345	100%	100%	Investment holding and group treasury services
Trillion Winner Limited	HK	HK$1	100%	100%	Provision of group tenancy agent services

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES – Continued

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up issued/ registered ordinary share capital	Attributable equity interest held by the Company 2010	2009	Principal activities
Uni-Champ Limited	HK	HK$1	100%	100%	Investment holding
Up Success Limited	HK	HK$300,000	100%	100%	Provision of group tenancy agent services
Winner Sea Enterprises Limited	BVI	US$6,500	100%	100%	Investment holding
Wealth Luck Investment Limited	HK	HK$1	100%	100%	Wholesales of jewellery
Zeal Team Limited	HK	HK$ 1	100%	100%	Provision of group tenancy agent services
英皇百達麗鐘錶珠寶(深圳)有限公司#	PRC	HK$30,500,000	100%	100%	Sales of jewellery
北京富嘉佳美鐘錶貿易有限公司#	PRC	HK$73,000,000 (2009: HK$5,000,000)	100%	51%	Sales of watches and jewellery
英皇鐘錶珠寶(北京)有限公司 (formely known as 金匡匯鐘錶珠寶商貿(北京)有限公司)#	PRC	HK$60,000,000 (2009: HK$30,000,000)	100%	100%	Sales of watches and jewellery
重慶市盈豐鐘錶珠寶有限公司#	PRC	HK$10,500,000	100%	100%	Sales of watches and jewellery
上海裕迅鐘錶珠寶貿易有限公司#	PRC	HK$8,000,000	100%	100%	Sales of watches and jewellery

The subsidiaries are wholly foreign owned enterprises.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES – Continued

Other than Plus Gain Enterprises Limited and Emperor Watch & Jewellery (China) Holdings Limited, all other subsidiaries are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries of the Group will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

38. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, 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 issue of the Company. Upon the conversion of HK$140M Bond, the fair value of the derivative financial instruments and the amortised cost of the liability component of convertible bond will be credited to share capital and share premium. As at 31 December 2010, the derivative financial instruments and the liability component of convertible bond amounted to HK$180,320,000 and HK$109,541,000, respectively. The Group is in the progress of assessing the fair value of the derivative financial instruments on the date of conversion.

Financial Summary

	For the year ended 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000
RESULT					
Revenue	1,084,395	1,561,463	1,842,469	2,686,463	4,095,310
Profit before taxation	65,084	191,757	269,303	243,232	204,284
Taxation	(11,121)	(32,969)	(47,081)	(43,046)	(70,423)
Profit for the year	53,963	158,788	222,222	200,186	133,861
Profit for the year attributable to :					
Owners of the Company	53,963	158,788	222,571	195,588	125,641
Non-controlling interests	–	–	(349)	4,598	8,220
	53,963	158,788	222,222	200,186	133,861

	As at 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES					
Total assets	757,416	909,701	1,540,003	1,845,743	3,115,631
Total liabilities	(309,987)	(548,484)	(137,470)	(286,826)	(845,388)
Net Assets	447,429	361,217	1,402,533	1,558,917	2,270,243
Equity attributable to owners of the Company	447,429	361,217	1,397,651	1,549,406	2,267,646
Non-controlling interests	–	–	4,882	9,511	2,597
Total equity	447,429	361,217	1,402,533	1,558,917	2,270,243