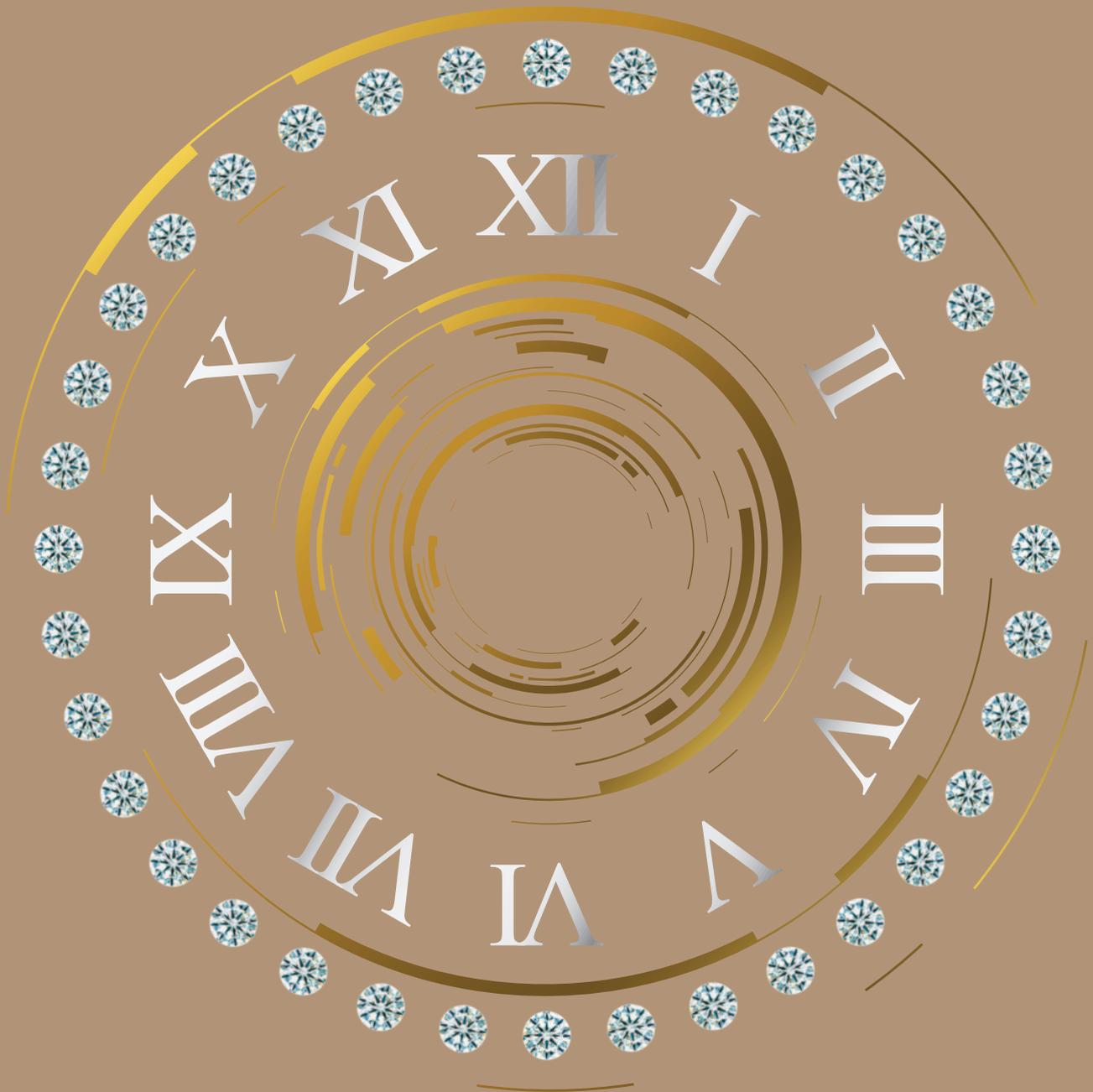




英皇鐘錶珠寶有限公司
EMPEROR WATCH & JEWELLERY LIMITED

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



Annual Report 2015

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CORPORATE INFORMATION AND KEY DATES

DIRECTORS

Cindy Yeung (*Chairperson*)
Chan Hung Ming
Wong Chi Fai
Fan Man Seung, Vanessa
Yip Kam Man*
Chan Hon Piu*
Lai Ka Fung, May*

* Independent Non-executive Directors

COMPANY SECRETARY

Chung Ho Ying, Frina

AUDIT COMMITTEE

Yip Kam Man (*Chairperson*)
Chan Hon Piu
Lai Ka Fung, May

REMUNERATION COMMITTEE

Lai Ka Fung, May (*Chairperson*)
Wong Chi Fai
Yip Kam Man

NOMINATION COMMITTEE

Chan Hon Piu (*Chairman*)
Fan Man Seung, Vanessa
Lai Ka Fung, May

CORPORATE GOVERNANCE COMMITTEE

Fan Man Seung, Vanessa (*Chairperson*)
Yip Kam Man
Chan Hon Piu
a representative from company secretarial function
a representative from finance and accounts function

EXECUTIVE COMMITTEE

Cindy Yeung (*Chairperson*)
Chan Hung Ming
Wong Chi Fai
Fan Man Seung, Vanessa

AUDITOR

Deloitte Touche Tohmatsu

CORPORATE COMMUNICATIONS

This Annual Report (in both English and Chinese versions) is available to any shareholder either in printed form or on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company. In order to protect the environment, the Company highly recommends shareholders to elect to receive electronic copy of this Annual Report. Upon written request, a free printed version of this Annual Report will be sent to shareholders who have elected to receive electronic copies but for any reason have difficulty in receiving or gaining access to this Annual Report through the Company's website. Shareholders may have the right to change their choice of receipt of our future Corporate Communications at any time by reasonable notice in writing to the Company or the Company's Share Registrar, Tricor Secretaries Limited, by post or by email at is-enquiries@hk.tricorglobal.com.

INVESTOR RELATIONS CONTACT

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REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Emperor Group Centre
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Wanchai
Hong Kong

SHARE REGISTRAR

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Chong Hing Bank Limited
Hang Seng Bank Limited

WEBSITE

<http://www.emperorwatchjewellery.com>

STOCK CODE

Hong Kong Stock Exchange: 887

KEY DATES

Annual Results Announcement 31 March 2016
For Annual General Meeting
—Book Close Dates 24 and 25 May 2016
—Record Date 25 May 2016
Annual General Meeting 25 May 2016

SNAPSHOTS

Revenue decreased by 25.2% to HK\$4,430.8 million (2014: HK\$5,924.9 million), primarily due to weak consumption sentiment in Hong Kong resulting from a strong local currency and an unfavourable tourism environment

Benefitting from the enhanced mix of the jewellery business, gross profit margin remained as 25.0% (2014: 25.1%) despite the watch price cuts in Hong Kong during the first half of 2015

As a result of stringent inventory management and efficient capital control, the overall inventory level further reduced to HK\$3,219.2 million (30 June 2015: HK\$3,531.0 million; 31 December 2014: HK\$3,838.5 million) and the bank balance and cash on hand increased to HK\$809.5 million (30 June 2015: HK\$605.8 million; 31 December 2014: HK\$443.8 million)

Seek to operate e-commerce for “**Emperor Jewellery**” products through online shopping platforms to capture massive potentials of internet and mobile users

After successful store rental cuts and optimisation of Hong Kong retail network in 2015, it is expected that it will ease the rental pressure in 2016

ACHIEVEMENTS



Hong Kong Service Awards 2015
Watch Retailer Category
East Week, March 2015



HKIRA Investor Relations Awards 2015
Best IR Presentation Collaterals-Small Cap
*Hong Kong Investor Relations Association,
May 2015*



2015 Quality Tourism Services Merchant Service
Staff Award 2015
Gold Award in Jewellery & Watch Category
*Hong Kong Quality Tourism Services Association,
May 2015*



The Outstanding Brand Awards 2015
Watch Retailer Category
Economic Digest, June 2015

Heartbeat Journey
心動旅程

EMPEROR
英皇珠寶
since 1942

Heartbeat Collection
心動旅程

EMPEROR
英皇珠寶
since 1942

Heartbeat

《找对的人》
张敬轩
Hins Cheung

EMPEROR
英皇珠寶
since 1942

英皇珠寶心動贊助《找对的人》MV

MANAGEMENT DISCUSSION AND ANALYSIS

Emperor Watch & Jewellery Limited (the “Company”) together with its subsidiaries (collectively referred to as the “Group”) is a leading retailer of European-made internationally renowned watches, together with self-designed fine jewellery products under its own brand, “*Emperor Jewellery*”. The Group has extensive retail networks in Hong Kong, Macau, Mainland China and Singapore. The target customers range from middle to high income groups worldwide. With a history of over 70 years, the Company carries a balanced and comprehensive watch dealership list.

MARKET REVIEW

The luxury consumption sector has been under pressure in recent years, and the industry was further hampered by the lackluster macro-economic conditions and continued austerity initiatives in the PRC. Growth in numbers of Mainland China visitors, who have for long been the mainstay of Hong Kong and Macau tourism revenue, has started to slow, in terms of both visitations and spending power. Market sentiment in Hong Kong stayed weak, in response to the unfavourable tourism environment following local protests in 2014 and rising tensions between local residents and Mainland China visitors subsequently.



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW – *Continued*

Due to the weakening of foreign currencies against the US dollars, and therefore against the Hong Kong dollars (“HKD”), Mainland China visitors have shifted travels and shopping destinations from Hong Kong to other places. Relaxed visa requirements in popular tourist destinations such as Europe, Japan and Korea continued to impose negative impact on the consumer sentiment of tourists travelling to Hong Kong. Coupled with the recent devaluation of Renminbi (“RMB”) and stock market volatility, the Hong Kong consumption sector as a whole shows signs of slowing after years of rapid growth.

Hong Kong retail space continues to rank as the world’s top-ranked most expensive, although rents started moderating in the past few quarters. Hong Kong retailers are set to face an even worse situation at the operating level.

FINANCIAL REVIEW

Overall Review

During the year ended 31 December 2015 (“Year”), the Group’s performance was adversely affected by various macro headwinds. The Group’s revenue decreased by 25.2% to HK\$4,430.8 million (2014: HK\$5,924.9 million). In spite of the headwinds, the watch segment remained a key revenue contributor, and its revenue inevitably decreased by 26.6% to HK\$3,541.0 million (2014: HK\$4,824.2 million), which accounted for 79.9% (2014: 81.4%) of the Group’s revenue. The revenue from jewellery segment decreased by 19.2% to HK\$889.8 million (2014: HK\$1,100.7 million). 78.0% (2014: 83.1%) of the Group’s total revenue was supported by the Hong Kong market.

Gross profit decreased by 25.7% to HK\$1,106.1 million (2014: HK\$1,488.9 million). Despite the watch price cuts in Hong Kong during the first half of 2015, the overall gross profit margin was relatively resilient and stayed as 25.0% (2014: 25.1%), by taking the advantages of the enhanced mix of the jewellery business.

The Group recorded LBITDA and a net loss of HK\$53.1 million (2014: EBITDA of HK\$233.0 million) and HK\$120.1 million (2014: net profit of HK\$138.1 million), respectively. Such losses were mainly attributable to an increase in rental expenses, coupled with the weakening sales momentum and decline of gross profit.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW – *Continued*

Capital Structure, Liquidity and Financial Resources

During the Year, there was no change in the capital structure of the Group. Bank balances and cash on hand of the Group as at 31 December 2015 amounted to HK\$809.5 million (2014: HK\$443.8 million), which were mainly denominated in HKD and RMB. As at 31 December 2015, the Group had no bank borrowings (2014: Nil) and its gearing ratio (calculated on the basis of the total borrowings over total equity) was nil (2014: Nil). The Group also had available unutilised banking facilities of approximately HK\$848.0 million. The strong liquidity with debt-free position and considerable unutilised banking facilities enables the Group to retain high flexibility for future development.

As at 31 December 2015, the Group's current assets and current liabilities were approximately HK\$4,183.4 million (2014: HK\$4,461.6 million) and HK\$190.3 million (2014: HK\$338.5 million), respectively. Current ratio and quick ratio of the Group were 22.0 (2014: 13.2) and 5.1 (2014: 1.8), respectively.

In view of the Group's financial position as at 31 December 2015, the directors of the Company ("Board" or "Directors") considered that the Group had sufficient working capital for its operations and future development plans.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Presence in Prime Locations

As at 31 December 2015, the Group had 100 stores (2014: 88) in Hong Kong, Macau, Mainland China and Singapore. The distribution is as follows:

	Number of stores
Hong Kong	21
Macau	6
Mainland China	67
Singapore	6
Total	100

These stores include standalone jewellery shops, specialty outlets for specific watch brands and multi-brand watch shops (with or without jewellery counters) to create a one-stop shopping experience.

The Group's retail stores in Hong Kong are strategically located in major prime shopping areas, including Russell Street in Causeway Bay, Canton Road in Tsim Sha Tsui and Queen's Road Central in Central. Having a solid presence in these prime locations is of paramount importance for a leading retailer of watches, in which the Group enjoys a high penetration rate amongst visitors and brand enhancement.

During the Year, the Group streamlined the retail network in Hong Kong, reshuffled the jewellery business in Mainland China and further extended the retail network in Singapore.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW – *Continued*

Solidifying Leading Position in Hong Kong

The Group continued to enjoy solid and long-term relationships with major Swiss watch brand suppliers, and continued holding comprehensive watch dealerships with full collections in Greater China. Coupled with its excellent customer service and the strongest presence in prime retail locations in Hong Kong, the Group continued to foster its leading position in Hong Kong.

Enhancing Jewellery Business

The Group continued to offer premium quality “**Emperor Jewellery**” products to customers. With the key focus on quality gem settings and fine jadeites among the comprehensive product range and commitment to high service standards, the Group enriched the design features to satisfy diverse customer tastes and enhanced the charisma of signature “**Emperor Jewellery**” collections to raise brand loyalty. During the Year, the Group newly launched “Signature Series”, “Blooming Heart Series” and “Move My Heart Series” for its “Heartbeat Journey” collections, to boost loyalty of sophisticated customers and target new shoppers in different income groups. The Group has introduced an exclusive line of “Baby” collection to cover a charming range of gold jewellery items, which represents delightful gifts for infant birthdays and other special occasions. As China’s nationwide two-child policy has been in place since January 2016, the “Baby” collection is poised to receive a booming response.

During the Year, the Group optimised the coverage for “**Emperor Jewellery**” stores in Mainland China and extended its retail chain in Tier II and III cities, which are experiencing higher economic growth and rapid expansion in jewellery markets.

Reinforcing “**Emperor Jewellery**” Brand Positioning

The Group also made special use of numerous celebrity endorsements, print advertisements and social media to promote its jewellery products and build brand equity. The Group hosted a variety of jewellery shows to consolidate VIP customers and widen the new customer base. By capturing ever-expanding opportunities via online and social media, the Group also strengthened its related marketing efforts and enhanced brand awareness of “**Emperor Jewellery**” through various cost-effective advertising campaigns. During the Year, the Group launched holistic promotion campaigns featuring its “Heartbeat Journey” collections with advertisements fronted by renowned artists, Ms. Charlene Choi and Mr. Hins Cheung, respectively. The Group also released a new TV commercial titled “True to Your Heart – Part 2” to highlight “Signature Series” for its “Heartbeat Journey” collections, showcasing the temperament of a modern and confident woman imprinted by the elegant yet stylish jewellery pieces.

Leveraging Group Synergies

The Group enjoys unique advantages by leveraging synergies with other companies within Emperor Group. For example, Emperor International Holdings Limited – another listed company under Emperor Group – owns many premium retail properties in renowned shopping areas. By leasing prime retail locations from it on an “arm’s length basis”, the Group can enjoy guarantee foot traffic. Another synergy arises through Emperor Entertainment Group, a private arm under Emperor Group. The Group invited VIP guests to its movie premieres and sponsored jewellery for the artistes. Such exposure opportunities, with pop artistes and high profile celebrities, serve as an important tool for enhancing the reputation of the “**Emperor**” brand, particularly in Chinese-speaking communities.

MANAGEMENT DISCUSSION AND ANALYSIS

ACTION PLAN

Against the backdrop of a tough market environment, the Group is planning to implement the following strategies for mitigating the potential downside risk:

- After successful store rental cuts and optimisation of Hong Kong retail network in 2015, it is expected that it will ease the rental pressure in 2016.
- After the optimisation of retail network in prime districts, the Group is planning to extend the coverage from traditional tourist shopping areas in Hong Kong to emerging shopping areas with resilient foot traffic.
- The Group will further strengthen the marketing efforts of the jewellery business for capturing abundant market opportunities. The Group intends to increase the sales capacity of the jewellery business by optimising the retail network of “**Emperor Jewellery**” stores in Mainland China. The Group is also seeking to operate e-commerce through online shopping platforms to capture massive potentials of internet and mobile users.
- The Group will closely monitor the inventory level and remix the product portfolio in line with market responses, to maximise the use of capital and maintain an adequate cash position.

PROSPECTS

Ongoing urbanisation and a growing middle-class indicate that growth opportunities still abound in the PRC. The increase of disposal income, in particular among Chinese women, and the rising women’s job market participation rate, is the strong force behind the gem set consumption. The Group aims to lead branding and marketing activities in an effective and efficient manner, to maximise the exposure of “**Emperor Jewellery**”. Accordingly, the Group will offer more fashionable and affordable jewellery products suitable for wearing in workplace to cater to the trend of popularisation of jewellery consumption and to attract middle-class customers.

Subsequent to the successful expansion to Singapore, where the Group has a sound and proven track record since 2013, the Group continues to eye further expansion opportunities in Asian markets and beyond, leveraging the compelling potential arising from Mainland China visitors around the world.

In spite of the challenges in the market environment, the Group will continue to focus on Greater China while reinforcing its leadership position throughout the region. The Group will promptly react to market changes and take appropriate measures to address and improve its overall operating efficiency, to stay competitive in the marketplace and, ultimately, ensure it reaps the greatest potential once market momentum revives. Chinese consumers are exhibiting increasingly sophisticated tastes in all major categories, as a result of a general increase in education level and an ease of information access. The Group remains steadfast in its commitment to delivering the best products and experience to its customers. The Group will maximise its efforts in different areas to further enhance its distinctive strengths in both watch and jewellery businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in HKD, Macau Pataca, RMB, United States dollars and Singapore dollars. During the Year, the Group did not have any material foreign exchange exposure.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group has 925 salespersons (2014: 1,040) and 206 office staff (2014: 222). Total staff costs (including directors' remuneration) were HK\$245.2 million (2014: HK\$280.4 million) for the Year. Employees' remuneration was determined in accordance with individual's responsibility, competence & skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

To provide incentive or rewards to staff, the Company has adopted a share option scheme under which options of the Company may be granted to Directors or employees of the Group to subscribe for shares of the Company, details of which are set out in note 25 to the consolidated financial statement. No option was granted by the Company under the share option scheme since its adoption and up to 31 December 2015.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2014: HK0.20 cent per share).

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at AGM

Latest time to lodge transfers	4:30 p.m. on 23 May 2016 (Monday)
Book close dates	24 and 25 May 2016 (Tuesday and Wednesday)
Record date	25 May 2016 (Wednesday)
AGM	25 May 2016 (Wednesday)

In order to qualify for the right to attend and vote at the AGM, all relevant share certificates and properly completed transfer forms must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before the above latest time to lodge transfers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report aims to provide the Group's stakeholders with an overview of the Group's efforts regarding environmental, social and governance (ESG) impacts arising from its daily operations.

RELATIONSHIP WITH MAJOR STAKEHOLDERS

The Company continues to engage with its employees, customers, suppliers, institutional investors, shareholders, and other stakeholders through different channels to develop mutually beneficial relationship and promote sustainability.

Employees are remunerated equitably and competitively. Details of continuing training and development opportunities provided to them are set out in the "Development and training" section below.

The Group is committed to provide full range of excellent customer services to its customers and has attained a leading award among the watch and jewellery merchants in Hong Kong. For details, please refer to the "Product responsibility and customer services" section below.

The Company uses suppliers that reflect its values and commitment. The Company maintains a solid relationship with its suppliers. For details, please refer to the "Supply chain management" section below.

The Company maintains ongoing dialogues with its institutional investors and shareholders. For details, please refer to the section "Communication with Shareholders" on page 48 of the Corporate Governance Report.

WORKPLACE QUALITY

Workforce

The Group believes that a motivated and balanced workforce is crucial for building a sustainable business model and delivering long-term returns.

As at 31 December 2015, the permanent employees of the Group totalled 1,131, working in the headquarters in Hong Kong, and in retail outlets and regional offices in Hong Kong, Macau, the PRC and Singapore.

The demographics of the Group's workforce (as at 31 December 2015) are summarised below:

By Region		Age Distribution	
Hong Kong	39%	≤25	4%
Macau	6%	26-35	42%
The PRC	52%	36-45	37%
Singapore	3%	46-55	12%
		≥56	5%
	100%		100%

The Group has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competencies that contribute to the Group's success. The Group is firmly committed to gender equality and therefore particularly encourages female participation in the Board, and at managerial and operational levels. Women represent approximately 70% of the total employment in the Group.

The management believes that people are important assets for the Group, and remains committed to attracting and retaining talent with diverse backgrounds for achieving sustainable growth. As at 31 December 2015, approximately 22% of the staff have worked for the Group for five years or more. Staff turnover rate among managerial positions is relatively low, reflecting a high level of employee satisfaction and engagement with the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and safety

The Group prides itself on providing a safe, effective and congenial work environment for its staff. Adequate arrangements, training courses and guidelines are implemented to ensure the working environment is healthy and safe. Every case of injury (if any) is required to be reported to the Group and be individually assessed under the internal guideline procedures. The rate of accidents and injuries during the Year was extremely low.

The Group values the health and well-being of staff. In order to provide employees with health coverage, staff are entitled to benefits including medical and life insurance as well as other competitive fringe benefits.

Development and training

Recognising the importance of skilled and professionally trained employees, the Group supports its staff as they develop and enhance their knowledge, skills and work capability. The Group encourages and provides subsidies to employees at all levels to pursue educational or training opportunities that achieve personal growth and professional development.

The Group conducted various trainings covering occupational safety, customer servicing skills and product knowledge, etc. As an effort to achieve better sales performance, the Group partnered with professional training consultancies to host workshops for enhancing selling skills of staff. In these workshops, participants were coached with practical selling techniques through practising in role-plays. The Group also launched training programmes for managerial staff to develop leadership skills, helping them to inspire their team for creating a productive working atmosphere. In 2015, the Group's frontline staff devoted around 14,100 hours on self-learning and training, representing approximately 15 hours per employee.

The Group believes that maintaining a work-life balance is essential for sustainability and a sound body and mind for every employee. To support employees in maintaining work-life balance, the Group actively provides a variety of charitable and staff activities for employees, such as sports class, voluntary visits, rural outings and team-building activities. All these activities help to strengthen relationships between employees, and promote a healthy and harmonious working environment.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

Environmental Policies and Performance

The Company is committed to maintain good corporate governance, and aim to integrate corporate social responsibility (“CSR”) into its business strategy and management approach.

During the Year, the Group has continued to use its best endeavours to protect the environment from its business activities and workplace. The Group also educates its employees on their awareness in promoting a “green” environment. The Group seeks to identify and manage environment impacts attributable to its operational activities, in order to minimise these impacts if possible. Various measures were adopted to reduce energy and other resource use, minimize waste and increase recycling and promote environmental protection in its supply chain and marketplace. Details of such measures are set out below.

Use of resources

The Group aims to maximise energy conservation in its retail outlets and offices by promoting efficient use of resources and adopting green technologies. The electricity consumption in retail branches contribute most of the Group’s carbon footprint. The Group continues to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. For instance, “*Emperor Jewellery*” image store at 1881 Heritage in Tsim Sha Tsui, Hong Kong, has adopted an eco-lighting system to optimise cost efficiency. The Group has also installed some lighting systems with automatic shut-off features for outdoor signboards, to minimise light pollution and reduce energy consumption during non-business hours.

In headquarters, air-conditioning systems are equipped with smart sensors to automatically manage the temperature and cooling speed, resulting in a comfortable working environment while saving energy. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

The packaging boxes of watches are made from quality materials including wood, cardboard and plastics, to complement watch suppliers’ main products. In light of this, for its in-house branded “*Emperor Jewellery*”, the Group offers customised, elegant gift boxes to customers. To cater for the luxury watches and fine jewellery, these gift boxes are generally long-lived, so there is a low level of solid waste from their disposal. As an alternative to gift boxes, the Group provides customer pouches, which are more eco-friendly and easily reusable.

The environment and natural resources

Creating a paperless working environment not only reduces environmental damage but also fits commercial goals, as it can save physical space, facilitate information sharing via IT networks, and reduce complicated documentation procedures. In recent years, the Group has implemented paperless processing in its internal communications, e.g. employee time sheets, payrolls and leave application, etc. Moreover, duplex printing and copying has become the norm within the Group, greatly reducing paper consumption and saving costs. Data on consumption of paper and printing is regularly collected and assessed, to monitor the efficiency of the paperless environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environment and natural resources – Continued

Externally, by the introduction of electronic means of corporate communications to registered shareholders (since 2011) and non-registered shareholders (since 2015), the Company highly recommends the shareholders to take advantage of accessing its corporate communications through the websites of The Stock Exchange of Hong Kong Limited and the Company instead of receiving hard copy documents. This paperless practice helps protect the environment, as well as save costs on stationery, printing and administrative charges etc. for the benefit of shareholders. The adoption of such practice reduces the printing of corporate communications by 19 times from 2012 to 2015.

A cartoon character, “Sam”, has been created during the Year as the ambassador for promoting staff’s environmental awareness. Sam has encouraged the staff to take action for creating a green working environment by spreading a set of eco-friendly tips on the staff’s screensaver:

- Keeping air-conditioned room temperature at 25°C
- Shutting off lighting when leaving a room for more than an hour
- Switching off the computer after working hours
- Performing duplex printing



In 2015, the Group has partnered with the printing vendor, to introduce “Follow You” print solution which helps the Group become more energy efficient through smarter printing. The print solution enables the Group to achieve environmental objectives by reducing unclaimed printing, as printing is released only upon the presentation of ID swipe-card.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICES

Supply chain management

The Group has established solid relationships with numerous European leading watch brands. Backed by worldwide industry-leading experts, all these brands are committed to quality and craftsmanship, and their watches are required to comply with stringent manufacturing standards and rigorous testing procedures.

The Group provides equal opportunities to all potential business partners who satisfy these requirements. The selection of suppliers and the purchase of goods and services are based on criteria such as quality, price, delivery timeliness, supplier's capability and experience. For its in-house design jewellery products, the Group cooperates with numerous jewellery suppliers. The Group has stringent requirements for selecting suppliers who maintain high levels of quality control, service standards and environmental protection policies.

Product responsibility and customer services

The Group is not aware of any product recall due to safety and health reasons. However, customers can lodge such complaints, which would be independently investigated and handled according to its internal guidelines.

"Emperor Jewellery" is crafted using quality diamonds, gemstones and precious metals. The raw materials used in the jewellery items are procured from reliable and certified vendors. The Group sources polished diamonds that have been certified by independent and accredited diamond laboratories with guaranteed grading, clarity and colours. Jadeite and precious stones are certified by reputed gem testing institutions. The **"Emperor"** trademark is permanently engraved on every piece of jewellery item. To ensure the delivery of high quality jewellery items, the finished products are examined and tested according to a list of well-defined parameters including stone setting, scratch resistance and finishing touch before being dispatched to the retail outlets.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product responsibility and customer services – *Continued*

The frontline team comprises experienced and well-trained sales executives. In “**Emperor Jewellery**” stores in Hong Kong, around 17% of the sales executives are Gemological Institute of America qualified gemmologists, who can provide invaluable advice to customers. To gather valuable customer feedback, the Group collects customer satisfaction questionnaires in its retail outlets from time to time. Dedicated to its full range of timepieces and excellent customer services, the Group attained the Gold Award in “Outstanding QTS Merchant Service Staff 2015 (Jewellery & Watches Category)” by Hong Kong Quality Tourism Services Association, which is the leading award among the watch and jewellery merchants in Hong Kong.

During the Year, a comprehensive operation manual was tailor-made to provide clear guidelines with regard to in-store activities covering customer service standards, sales accountability, cash handling, store security, product display and inventory control, etc. The daily tasks to be performed are clearly defined to ensure all process and procedures are communicated to all relevant employees. Staff are required to consistently implement these procedures into their day-to-day operational routines, resulting in standardisation of job requirement and better operating efficiency.

In order to provide high quality products and services, and to enhance the protection of our customers’ rights, the Company has joined the following associations and schemes:

- Quality Tourism Services Association
- The Diamond Federation of Hong Kong, China
- The Hong Kong Jewellers’ & Goldsmiths’ Association
- The Quality Gold Mark Scheme
- The Natural Fei Cui Quality Mark Scheme
- The Natural Diamond Quality Assurance Mark Scheme
- No Fake Pledge Scheme
- Phonographic Performance (South East Asia) Ltd
- Composers and Authors Society of Hong Kong Ltd
- Hong Kong Recording Industry Alliance Ltd

To ensure frontline staff delivering the highest standards of service, the Group appointed consulting agency to conduct mystery shopping visits to the stores. The mystery shoppers will thoroughly assess all aspects of the staff’s customer services and customers’ experience, including store environment, staff grooming, friendliness, relationship building and product knowledge, etc. As a recognition of its service excellence, the Group has received “The Service Industry Leader – Bronze Award”, among 147 retail companies with 4,426 retail shops, in Mystery Shoppers Programme conducted in the fourth quarter of 2015, organised by Hong Kong Retail Management Association.

Protection of data

The Group places the utmost importance on protecting the privacy of its customers, partners and staff in the collection, processing and use of their personal data. The Group adheres to the applicable data protection regulations and ensures appropriate technical measures are in place to protect personal data against unauthorised use or access. The Group also ensures that customers’ personal data is securely kept and processed only for the purpose for which it has been collected. Staff are provided with adequate training on the Personal Data (Privacy) Ordinance to strengthen their awareness and ensure compliance of such ordinance to protect personal data against loss, unauthorised access, use, modification or disclosure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Protection of intellectual property

The Group establishes and protects its intellectual property rights including trademarks, and domain names. The trademarks “*Emperor*” and “*Emperor Jewellery*” have been applied or registered under various classes in Hong Kong, Macau, the PRC, Singapore and other relevant jurisdictions. In addition, the domain names of the Group are being constantly monitored and renewed upon their expiration.

Anti-corruption/Anti-money laundering

In order to build up an ethical corporate culture and practices, the Group has established policies and procedures for anti-corruption and anti-money laundering. For high value transactions conducted in cash but not using other popular and safe payment methods (e.g. using credit card or cashier order), customers’ identification information is required to verify their identities and such records are required to be kept properly in strict confidentiality. The management considers that the current practice is adequate in safeguarding against money laundering.

Employees were given induction briefing organised by the Group or seminars on anti-corruption regularly organised by the Independent Commission Against Corruption of Hong Kong. The Group has also adopted a whistleblowing system and procedures for all levels and operations under the Group to raise concerns, in confidence, about possible improprieties in any matter related to the Group such as misconduct and malpractice. The above policies and procedures can be found in the employee handbook and the Company’s intranet.

During the Year, no legal case regarding corrupt practices was brought against the Group or its employees. Also, no whistleblowing concerning a criminal offence or misconduct was reported.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations such as Trade Descriptions Ordinance and Employment Ordinance which have significant impact on the Group. The Group’s Corporate Governance Committee is delegated by the Board to monitor and review its policies and practices on compliance with legal and regulatory requirements. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community Involvement

The Group is committed to the improvement of community well-being and social services. Aligning with the mission “From the Community, To the Community”, the Group has formulated various community activities spanning elderly welfare and hospice care services, healthcare, education, sports, environmental conservation, and helping underprivileged children. The Group’s management team plays an important role in mobilising staff to join all these activities, which are held in tandem with its commitment to sustainable development. The Group believes that by encouraging staff to participate in a wide range of charitable events, concern for the community will be raised, inspiring more people to take part in serving the community.

During the Year, the Group supported a wide range of community sponsorship and donation programmes for the aging population. To promote physical and emotional health of the aging population, Jade Party 2015 – a fun chair-based dance competition for the elderly organised by Jade Club and title sponsored by Emperor Foundation – was held in March 2015. Staff volunteers joined the event, and engaged in joyful exercises incorporating music, rhythm and movement with more than a thousand elderly people. During the Dragon Boat Festival in 2015, staff volunteers paid a visit to Kwong On Home of the Aged in Aberdeen and donated handmade Dragon Boat Festival rice dumplings, to show their love and care to senior citizens. In September 2015, staff volunteers returned and celebrated the Mid-Autumn Festival with senior citizens in the same elderly home, providing mooncakes and playing games. During annual participation in an outbound volunteering activity organised by Emperor Foundation, staff joined a tour to Hebei Province, the PRC, in October 2015 for a four-day service in Albert Yeung Sau Shing Charity Foundation (Xiongzhou) Elderly Care Centre and Albert Yeung Sau Shing Charity Foundation Baoding Child Care Centre.



Mid-Autumn Visit to Elderly Home



Volunteering Trip to Hebei Province

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community Involvement – Continued

In the same month, the Group mobilised its staff to participate a charity sale event for Hong Kong Seeing Eye Dogs Services. The staff volunteers encouraged the passer-by to interact with a tamed guide dog, and educated them on the importance of guide dog to visually-impaired users.

The Group has also supported PLAN International Hong Kong's "Because I am a Girl" campaign for the sixth year as the main sponsor, with special endorsement to "Donate a Pencil Campaign", a movement calling for donation of new pencils. The event aims to support underprivileged girls deprived of education in China, Ghana, Nepal and Northern Thailand, and raise public awareness of girls' rights.



Donate a Pencil Campaign

With the support of green charities, the Group organises various activities to reduce its environmental damage to society, and engages its staff in these initiatives. In June 2015, the Group supported a used book recycling campaign organized by Hong Kong Federation of Education Work. Used books were collected, and funds raised from reselling them were donated to Sowers Action for educational aid in rural areas of the PRC.

The Group is devoted to promoting environmental awareness through green education. In February 2015, the Group partnered with CookConnect, a social enterprise, to organise a Sunday tour in an Eco Farm at Sheung Shui for staff and grassroots families. The staff enjoyed unique experience of making organic bread and mini-scarecrow, while showing care for the underprivileged. In cooperation with Tai Po Environmental Association, the Group arranged a guided tour for staff members and their families to Hong Kong Global Geopark of China. The staff also enjoyed pleasant outings to Hoi Ha Wan Marine Reserve, where they could explore marine life in Hong Kong, including corals and coral fishes. These delightful tours encouraged participants to support environmental conservation and sustainable development by bringing them closer to beautiful nature.

To promote a green culture, the Group organises various activities to engage its staff. "Green Monday Fruit Day" has been launched, with each staff member receiving a fresh fruit every Monday. This helped staff to raise awareness about eco-friendly diets and maintaining a healthy lifestyle.

The Group has been awarded Caring Company Logo 2014/2015 by the Hong Kong Council of Social Service, recognising its ongoing commitment to fulfilling its corporate social responsibilities.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES



CINDY YEUNG

**Executive Director
(Chairperson & Chief Executive Officer)**

CINDY YEUNG, aged 51, the Chairperson and Managing Director of the Board and the Chief Executive Officer of the Group, as well as the Chairperson of the Executive Committee of the Company and a director of certain subsidiaries of the Company. Ms. Yeung joined the Group in September 1990. 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 steering since then. Ms. Yeung is the Director of Examination (Supervisory Committees) of Hong Kong Jewellers' & Goldsmiths' Association Ltd. and a member of Jewellery Advisory Committee of Hong Kong Trade Development Council Industry Advisory Committees. She is also the ambassador of "Because I am a Girl" organized by a charity body, PLAN International Hong Kong. Ms. Yeung 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. She has obtained the qualification of the Graduate Gemologist of Gemological Institute of America (GIA) and subsequently graduated from University of San Francisco with a Bachelor's Degree of Science in Business Administration majoring in Management, with emphasis on International Business.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES



HENRY CHAN

Executive Director

CHAN HUNG MING, aged 67, an Executive Director of the Company as well as a member of the Executive Committee of the Company and a director of certain subsidiaries of the Company. Mr. Chan joined the Group in July 2005. He is responsible for overseeing the retail outlet operations in Macau and Hong Kong. Mr. Chan is one of the Governing Council members under the “Retailer” category of the Quality Tourism Services Association. He has over 38 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 listed company in Hong Kong, for over 20 years.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

Executive Directors

WONG CHI FAI, aged 60, an Executive Director of the Company. Mr. Wong has been involved in the management of the Group since November 1998. He is a member of the Executive Committee and the Remuneration Committee of the Company as well as a director of certain subsidiaries of the Company. He is also a director of two listed companies in Hong Kong, namely Emperor International Holdings Limited (Stock Code: 163) (“Emperor International”) and Emperor Entertainment Hotel Limited (Stock Code: 296) (“Emperor E Hotel”), both being associated companies of the Company. He was previously a director of another Hong Kong listed company, New Media Group Holdings Limited (now known as Evergrande Health Industry Group Limited) (Stock Code: 708) (“New Media Group”) and resigned on 27 March 2015. Having over 20 years of finance and management experience, Mr. Wong has diversified experience in different businesses ranging from retailing of watch & jewellery to manufacturing, property investment and development, hotel and hospitality, financial and securities services, artiste management, entertainment production as well as media and publication. Mr. Wong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.



FAN MAN SEUNG, VANESSA, aged 53, an Executive Director of the Company. Ms. Fan has been involved in the management of the Group since November 1998. She is also the Chairperson of the Corporate Governance Committee, a member of the Executive Committee and the Nomination Committee of the Company as well as a director of certain subsidiaries of the Company. Ms. Fan is also a director of Emperor International and Emperor E Hotel. She was previously a director of New Media Group and resigned on 27 March 2015. Having over 27 years of corporate management experience, Ms. Fan possesses diversified experience in different businesses ranging from retailing of watch & jewellery, property investment and development, hotel and hospitality, financial and securities services, artiste management, entertainment production as well as media and publication. Ms. Fan is a lawyer by profession in Hong Kong and a qualified accountant, and holds a Master’s Degree in Business Administration.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

Independent Non-executive Directors

YIP KAM MAN, aged 49, was appointed as Independent Non-executive Director of the Company in June 2008. She is the Chairperson of the Audit Committee as well as a member of the Remuneration Committee and the Corporate Governance Committee of the Company. Ms. Yip is a Certified Public Accountant and has been engaged in the audit field (including internal audit for various listed companies in Hong Kong) for more than 20 years. She is currently running an audit firm. Ms. Yip is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants. She graduated from The University of Nottingham in the United Kingdom with a Bachelor's Degree in Arts (Hons).



CHAN HON PIU, aged 55, was appointed as Independent Non-executive Director of the Company in June 2008. He is the Chairman of the Nomination Committee as well as a member of the Audit Committee and the Corporate Governance Committee of the Company. Mr. Chan has been admitted as a solicitor in Hong Kong since 1991 and is now a partner of a law firm in Hong Kong. He is also an independent non-executive director of another listed company in Hong Kong, Emperor International. Mr. Chan graduated from The University of Hong Kong with a Bachelor's Degree in Social Sciences. He also obtained the Certificate of Education and a Master's Degree in Laws from The University of Hong Kong.



LAI KA FUNG, MAY, aged 50, was appointed as Independent Non-executive Director of the Company in June 2008. She is the Chairperson of the Remuneration Committee as well as a member of the Audit Committee and the Nomination Committee of the Company. Ms. Lai is a Certified Public Accountant and has been engaged in the audit field for more than 20 years. She is a Principal Partner of May K.F. Lai & Co. & H.H. Liu & Co., Certified Public Accountants. She is also an independent non-executive director of another listed company in Hong Kong, Chinlink International Holdings Limited (Stock Code: 997). Ms. Lai is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants. She obtained a Master's Degree of Arts in International Accounting from City University of Hong Kong.

DIRECTORS' REPORT

The Board presents its annual report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 29 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 51.

No interim dividend for the Year (2014: HK0.40 cent per share, amounting to approximately HK\$27,530,000) was paid to the shareholders of the Company ("Shareholders") during the Year.

The Directors did not recommend the payment of a final dividend for the Year (2014: HK0.20 cent per share, amounting to approximately HK\$13,765,000).

BUSINESS REVIEW AND PERFORMANCE

A fair review of the Group's business, a discussion and analysis of the Group's performance during the Year and an analysis of the likely future development of the Group's business are set out in the Management Discussion and Analysis from pages 6 to 11. Description of the principal risks and uncertainties facing the Group are set out in the Corporate Governance Report on page 45 and note 22b to the consolidated financial statements respectively.

There is no important events affecting the Company that had occurred since the end of the Year up to the date of this report.

In addition, discussion on the Group's environmental policy and performance, key relationships with the Company's key stakeholders as well as compliance with relevant laws and regulations which have significant impact on the Company are set out in the Environmental, Social and Governance Report from pages 13 to 21.

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 12 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 19 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the Year are set out on page 53.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 December 2015, calculated in accordance with the Companies Ordinance, amounted to HK\$560,912,000 (2014: HK\$443,825,000).

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2015, the Company has not entered into any equity-linked agreement other than the adoption of the Share Option Scheme which summary details are set out in note 25 to the consolidated financial statements.

DIRECTORS' REPORT

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.

DIRECTORS OF THE COMPANY

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

Executive Directors

Ms. Cindy Yeung (*Chairperson*)

Mr. Chan Hung Ming

Mr. Wong Chi Fai ("Mr. Bryan Wong")

Ms. Fan Man Seung, Vanessa ("Ms. Vanessa Fan")

Independent Non-executive Directors

Ms. Yip Kam Man

Mr. Chan Hon Piu ("Mr. HP Chan")

Ms. Lai Ka Fung, May

Biographical details of the Directors as at the date of this report are set out from pages 22 to 25. Details of Directors' remuneration are set out in note 8 to the consolidated financial statements.

In accordance with Articles 83(1) and (3) of the Company's Articles of Association, Mr. Bryan Wong, Ms. Vanessa Fan and Mr. HP Chan shall retire by rotation at the forthcoming annual general meeting to be held on 25 May 2016 (Wednesday) ("2016 AGM"). Mr. Bryan Wong and Ms. Vanessa Fan, being eligible, offer themselves for re-election thereat whilst Mr. HP Chan who served the Company as INED for almost 8 years, being eligible but does not offer himself for re-election at the 2016 AGM.

None of the Directors offering themselves for re-election at the 2016 AGM has an unexpired service contract with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the Year or during the period from 1 January 2015 up to the date of this report are set out below and those marked with an asterisk* are also Directors of the Company as at the date of this report:-

* Ms. Cindy Yeung

* Mr. Chan Hung Ming

* Mr. Bryan Wong

* Ms. Vanessa Fan

Ms. Koo Betty Po Har Yeung

Mr. Yeung Ching Loong, Alexander

Ms. Yeung Po Lei, Polly (*resigned in November/December 2015*)

Mr. Luk Pak Chiu, David

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the Year.

PERMITTED INDEMNITY

Pursuant to the Company's Articles of Association, subject to the statutes, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has kept in force insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long position interests in the Company

Ordinary shares of the Company ("Shares")

Name of Director	Capacity/ Nature of interests	Number of issued Shares held	Approximate percentage holding
Ms. Cindy Yeung	Beneficiary of a trust	3,617,860,000	52.57%

Note: The above Shares were held by Emperor Watch & Jewellery Group Holdings Limited ("Emperor W&J Holdings"), a wholly-owned subsidiary of Albert Yeung Holdings Limited ("AY Holdings"). AY Holdings was held by STC International Limited ("STC International") in trust for The Albert Yeung Discretionary Trust ("AY Trust"), a discretionary trust under which Ms. Cindy Yeung is one of the eligible beneficiaries.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES – *Continued*

(b) Long position interests in associated corporations of the Company

(i) Ordinary Shares

Name of Director	Name of associated corporations	Capacity/ Nature of interests	Number of shares held	Approximate percentage holding
Ms. Cindy Yeung	Emperor International	Beneficiary of a trust	2,747,610,489 <i>(Note 1)</i>	74.71%
Ms. Cindy Yeung	Emperor E Hotel	-ditto-	816,287,845 <i>(Note 1)</i>	62.67%
Ms. Vanessa Fan	Emperor International	Beneficial Owner	11,219,475	0.31%

(ii) Debentures

Name of Director	Name of associated corporations	Capacity/ Nature of interests	Amount of debentures held
Ms. Cindy Yeung	Emperor International	Beneficiary of a trust	HK\$270,000,000 <i>(Note 2)</i>

Notes:

- (1) Emperor International and Emperor E Hotel are companies with their shares listed in Hong Kong. These respective shares were ultimately owned by AY Holdings which was in turn held by STC International in trust for the AY Trust. Ms. Cindy Yeung, by virtue of being one of the eligible beneficiaries of the AY Trust, had deemed interests in the same shares.
- (2) These debentures were ultimately owned by the AY Trust of which Ms. Cindy Yeung was one of the eligible beneficiaries. As such, Ms. Cindy Yeung had deemed interests in the debentures.

Save as disclosed above, as at 31 December 2015, none of the Directors nor chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTIONS

The Company has adopted a share option scheme (the "Scheme") on 19 June 2008. The major terms of the Scheme are summarized and set out in note 25 to the consolidated financial statements. No option was granted by the Company under the Scheme since its adoption and up to 31 December 2015.

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 or chief executive of the Company or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2015, none of the Directors or their respective close associates was interested in any business which is considered to compete or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2015, so far as is known to the Directors or chief executive of the Company, the following persons or corporations (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 ("SFO Register") or as otherwise notified to the Company:

Long Position in the Shares

Name	Capacity/ Nature of interests	Number of issued Shares interested in or deemed to be interested	Approximate percentage holdin
Emperor W&J Holdings	Beneficial owner	3,617,860,000 (Note)	52.57%
AY Holdings	Interest in controlled corporation	3,617,860,000 (Note)	52.57%
STC International	Trustee	3,617,860,000 (Note)	52.57%
Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung")	Founder of a discretionary trust	3,617,860,000 (Note)	52.57%
Ms. Luk Siu Man, Semon	Interest of spouse	3,617,860,000 (Note)	52.57%
Brandes Investment Partners, L.P.	Investment manager	482,044,620	7.00%

Note: These Shares were the same Shares as those set out under section (a) of "Directors' and Chief Executive's Interests and Short Positions in Securities" above.

All interests stated above represent long positions. As at 31 December 2015, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 31 December 2015, the Directors were not aware of any person or corporation (other than the Directors and chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares as recorded in the SFO Register of the Company or as otherwise notified to the Company.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE AND CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions

During the Year, the Group had the following transactions with connected persons (as defined in the Listing Rules):

(1) Tenancy Agreements/Licence Agreements for operation of the Group in Hong Kong and Macau

Name of counterparty	Date of agreement	Location	Terms	Amount for the Year (HK\$'000)
Harilela Mansion, 81 Nathan Road				
(1) Great Future Hong Kong Limited (Note 1)	28 February 2014	Shops A, D2 and E2 on G/F and the projected signage on external wall, Harilela Mansion, 81 Nathan Road, Hong Kong	1 April 2014 – 31 March 2017	15,000
Emperor Group Centre, 288 Hennessy Road				
(2) Very Sound Investments Limited ("Very Sound") (Note 1)	14 November 2014	Shops G01 – G05 on G/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	17 November 2014 – 16 November 2017	7,492
(3) Very Sound (Note 1)	28 March 2013	The whole of 25/F & Car Parking Space No. 27, B2/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 April 2013 – 31 March 2016	3,480
Russell Street				
(4) Planwing Limited ("Planwing") (Note 1)	12 September 2014 31 August 2015 (supplemental)	Shops 1 & 2 on G/F together with a right to use (i) External Wall Unit 1 on 1/F; (ii) External Wall Unit 2 on 6/F – 29/F and Roof; (iii) a LED Display on the External Wall on 5/F; (iv) 2 Signboards on External Wall on 1/F – 3/F; (v) 2 Signboards on External Wall on 5/F; and (vi) Signage Space A on 1/F, Emperor Watch and Jewellery Centre, No. 8 Russell Street, Causeway Bay, Hong Kong	12 September 2014 – 11 September 2017 (rental revised with effect from 1 October 2015)	34,147

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE AND CONTINUING CONNECTED TRANSACTIONS – *Continued*

Continuing Connected Transactions – *Continued*

(1) *Tenancy Agreements/Licence Agreements for operation of the Group in Hong Kong and Macau – Continued*

	Name of counterparty	Date of agreement	Location	Terms	Amount for the Year (HK\$'000)
(5)	Planwing (Note 1)	14 November 2014	Signage Space B on 1/F facing Russell Street, Emperor Watch and Jewellery Centre, No. 8 Russell Street, Causeway Bay, Hong Kong	30 November 2014 – 29 November 2017 (early terminated on 31 December 2015)	3,000
(6)	Planwing (Note 1)	22 October 2014	Shops 3 & 5 on G/F, Emperor Watch and Jewellery Centre, No. 8 Russell Street, Causeway Bay, Hong Kong	30 November 2014 – 29 November 2017 (early terminated on 31 October 2015)	23,706
(7)	Richorse Limited ("Richorse") (Note 1)	28 May 2014 31 August 2015 (supplemental)	G/F (Shop A including the yard) and Office A (50 Russell Street) on 1/F, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong	1 July 2014 – 30 June 2017 <i>(rental revised with effect from 1 October 2015)</i>	20,646
(8)	Richorse (Note 1)	22 October 2014 31 August 2015 (supplemental)	The whole of Nos. 54-56 Russell Street together with the right to use a LED display on external wall on 1/F – 5/F and 9 advertising signboards, Nos. 54-56 Russell Street, Causeway Bay, Hong Kong (formerly known as G/F, M/F and Flat A and Flat B on 1/F including the flat roof together with the right to use a LED display on external wall from 1/F to 5/F facing Russell Street and advertising signboards facing Russell Street and Tang Lung Street)	23 October 2014 – 22 October 2017 <i>(rental revised with effect from 1 October 2015)</i>	56,466

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE AND CONTINUING CONNECTED TRANSACTIONS – *Continued*

Continuing Connected Transactions – *Continued*

(1) *Tenancy Agreements/Licence Agreements for operation of the Group in Hong Kong and Macau – Continued*

	Name of counterparty	Date of agreement	Location	Terms	Amount for the Year (HK\$'000)
(9)	Richorse (Note 1)	22 October 2014 31 August 2015 (supplemental)	G/F (Shop B including the yard), Office B and the Balcony adjacent thereto on 1/F and Office B and the Balcony adjacent thereto on 2/F, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong	23 October 2014 – 22 October 2017 <i>(rental revised with effect from 1 October 2015)</i>	21,079
(10)	Cape Point Limited (Note 1)	29 May 2014	Flat B and the adjacent flat roofs on 4/F, Tak Fat Building, Nos. 50-52 Russell Street, Causeway Bay, Hong Kong	1 June 2014 – 31 May 2016	115
Canton Road					
(11a)	Gold Pleasure Investment Limited ("Gold Pleasure"), Happy Rain Limited ("Happy Rain"), Total Treasure Investment Limited ("Total Treasure") & Gold Cheer Corporation Limited ("Gold Cheer") (Note 1)	15 December 2011	G/F and 1/F, Tenements A & B on 3/F, Portion A of Tenement A on 4/F and roof, 4-8 Canton Road, Kowloon, Hong Kong together with a right to use four outdoor advertising signs on the external walls to the building	4 January 2012 – 3 January 2015	512
(11b)	Gold Pleasure, Happy Rain, Total Treasure & Gold Cheer (Note 1)	23 December 2014 31 August 2015 (supplemental)	-same as (11a)-	4 January 2015 – 3 January 2018 <i>(rental revised with effect from 1 October 2015)</i>	56,331
(12)	Gold Pleasure (Note 1)	30 January 2015	Projected signage of 4-8 Canton Road, Kowloon	February, August, October and December 2015	2,500

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE AND CONTINUING CONNECTED TRANSACTIONS – *Continued*

Continuing Connected Transactions – *Continued*

(1) *Tenancy Agreements/Licence Agreements for operation of the Group in Hong Kong and Macau – Continued*

Name of counterparty	Date of agreement	Location	Terms	Amount for the Year (HK\$'000)
Macau				
(13a) Grand Emperor Entertainment & Hotel (Macau) Limited ("Grand Emperor") (Note 2)	28 March 2012	Shops 1-4 on G/F, Grand Emperor Hotel, 251-292D Avenida Comercial De Macau, Macau	1 April 2012 – 31 March 2015	1,032
(13b) Grand Emperor (Note 2)	31 March 2015	-same as (13a)-	1 April 2015 – 31 March 2018	2,924
(14) Grand Emperor (Note 2)	30 June 2014	Shop 5 on G/F, Grand Emperor Hotel, 251-292D Avenida Comercial De Macau, Macau	1 July 2014 – 30 June 2017	2,246
(15) I Soi Limitada ("I Soi") (Note 1)	30 June 2014	EM Macau, Avenida Do Infante D., Henrique N ^o S 67-69, Res-Do-Chao B & EM Macau, Rua Do Dr., Pedro Jose Lobo N ^o 5, Res-Do-Chao C2, Macau	1 July 2014 – 30 June 2017	5,667
(16) I Soi (Note 1)	30 June 2014	EM Macau, Avenida Do Infante D., Henrique N ^o 65-A, 1 ^o Andar B, Macau	1 July 2014 – 30 June 2017	102
Total:				256,445

Notes:

- These companies were indirect wholly-owned subsidiaries of Emperor International, the substantial shareholder of which is indirectly controlled by the AY Trust under which Ms. Cindy Yeung is one of the eligible beneficiaries. As such, Ms. Cindy Yeung has deemed interest in the agreements.
- This company was indirect subsidiary of Emperor E Hotel, the substantial shareholder of which is indirectly owned by the AY Trust under which Ms. Cindy Yeung is one of the eligible beneficiaries. As such, Ms. Cindy Yeung has deemed interest in the agreements.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE AND CONTINUING CONNECTED TRANSACTIONS – *Continued*

Continuing Connected Transactions – *Continued*

(2) Consignment Agreement dated 1 September 2014 with Dr. Albert Yeung

Under this agreement, the Group may at its discretion make consignment arrangements with Dr. Albert Yeung and his associates and sell the consigned jewellery items at its retail shops as the Directors may think fit and beneficial to the Group for the period from 1 September 2014 to 31 December 2016. During the Year, a consigned jewellery item of HK\$10,000,000 from Dr. Albert Yeung's associate was recorded and no sale of such item was made during the Year.

Compliance with Disclosure Requirements

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 "rental" payment in the amount of HK\$256,445,000 as incorporated in item 3 in note 27 on "Related Party Transactions" to the consolidated financial statements, all other transactions as shown in such note are connected transactions exempted from reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Auditor's Letter on Disclosed Continuing Connected Transactions

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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 Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group ("Disclosed CCTs") on page 31 to 34 of this annual report in accordance with rule 14A.56 of the Listing Rules. A copy of such auditor's letter has been provided by the Company to the Stock Exchange.

Confirmation of Independent Non-executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed the Disclosed CCTs and the aforesaid auditor's letter and have confirmed that these transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal or better (as the case may be) commercial terms; and
- (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Saved as disclosed above, there was no contract of significance to which the Company, or any of its subsidiaries, holding companies and 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.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate sales to the Group's five largest customers accounted for approximately 0.9% of the total turnover of the Group. The Group's five largest suppliers contributed to approximately 84% of the purchases of the Group during the Year.

None of the Directors, their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any beneficial interest in the above major customers and suppliers of the Group.

CONFIRMATION 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. The Company considers all of the INEDs are independent.

EMOLUMENT POLICY

Employee's remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performances as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits. Details of the emoluments of the Directors and the five highest paid individuals in the Group are set out in note 8 to the consolidated financial statements.

To provide incentive to the relevant participants, including the Directors and eligible employees, the Company has adopted the Scheme, summary details of which are set out in note 25 to the consolidated financial statements.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 37 to 49.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company maintained the prescribed public float under the Listing Rules.

DONATIONS

During the Year, the Group made charitable donation amounting to HK\$759,000.

AUDITOR

A resolution will be submitted to the 2016 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Cindy Yeung

Chairperson

Hong Kong, 31 March 2016

CORPORATE GOVERNANCE REPORT

The Board has adopted various policies to ensure compliance with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules. For the Year, the Company has complied with all code provisions of the CG Code except with a deviation from code provision A.2.1 which requires the roles of chairman and chief executive officer be separate and not be performed by the same individual as explained below.

THE BOARD

Board Composition

As at 31 December 2015, the Board comprised seven Directors, with four Executive Directors and three Independent Non-executive Directors (“INEDs”). The Board considers that this composition ensures a strong independent element with a balance of power and influence between individuals on the Board. The biographies of the Directors are set out on pages 22 to 25 of this annual report under the “Biographies of Directors and Senior Executives” section.

Chairperson and Chief Executive Officer

Code provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Cindy Yeung, also being the Chief Executive Officer of the Group, has been appointed as the Chairperson of the Board who provides the Board with strong and consistent leadership, and at the same time drives the strategic growth of the businesses of the Group. She would ensure that all the Board members are keeping abreast of the conduct, business activities and development of the Group and adequate, complete and reliable information is provided to Directors on issues arising at Board meetings. In addition, the three INEDs, who do not have management contract with the Group, provide independent and impartial opinion on issues to be considered by the Board. The Board considers that the current Board structure functions effectively and does not intend to make any change thereof.

Independent Non-executive Directors

The INEDs are all professionals with valuable experience and expertise in legal and/or accounting aspects who provide valuable advice to the Board. They are appointed for an initial term of two years and shall continue thereafter from year to year subject to early termination by either party with written notice and retirement by rotation and re-election provision under the Articles of Association of the Company.

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

Roles and Responsibilities of the Board

The Board is responsible for the leadership and control of the business operations of the Group. Decisions made are driven for the best interests of the Shareholders by maximizing shareholders’ wealth. The Directors formulate strategic directions, oversee the operations and monitor the financial and management performance of the Group as a whole.

CORPORATE GOVERNANCE REPORT

THE BOARD – *Continued*

Delegation to the Management

The management is led by the Executive Committee of the Company (which comprises all the Executive Directors of the Board) and has delegated powers and authorities to carry out the day-to-day management and operation of the Group, formulate business policies, make decision on key business issues. The Executive Committee shall have all powers and authorities of the Board except the following matters as set out in a formal schedule of matters specifically reserved by the Board:

- Publication of final and interim results of the Company
- Dividend distribution or other distributions
- Major issues of treasury policy, accounting policy and remuneration policy
- Changes to group corporate structure or Board composition requiring notification by announcement
- Publication of the announcement for notifiable transaction and non-exempted connected transaction/ continuing connected transaction
- Non-exempted connected transaction/continuing connected transaction
- Notifiable transaction requiring Shareholders' approval
- Capital restructuring and issue of new securities of the Company
- Financial assistance to Directors

Relationship between the Board Members

None of the members of the Board has any relationship (including financial, business, family or other material/relevant relations) between each other.

Directors' insurance

The Company has arranged appropriate insurance cover in respect of any legal action against the Directors.

Induction, Support and Professional Development of Directors

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. 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 in order to assist them to perform their duties to the Company.

The Directors confirmed that they have complied with the Code Provision A.6.5 of the Code on Directors' training. During the Year, each Director has participated in continuous professional development by attending seminars/workshops/reading materials on the following topics to develop and refresh their knowledge and skills and has provided a record of training to the Company.

CORPORATE GOVERNANCE REPORT

THE BOARD – Continued

Induction, Support and Professional Development of Directors – Continued

Name of Directors	Topics of training covered (Note)
Ms. Cindy Yeung	(a), (b) & (d)
Mr. Chan Hung Ming	(a), (b) & (d)
Mr. Wong Chi Fai	(a), (b), (c) & (d)
Ms. Fan Man Seung, Vanessa	(a), (b), (c) & (d)
Ms. Yip Kam Man	(a), (b) & (c)
Mr. Chan Hon Piu	(a) & (b)
Ms. Lai Ka Fung, May	(a), (b) & (c)

Notes:

- (a) corporate governance
- (b) regulatory
- (c) finance
- (d) industry-specific

Directors' attendance and time commitment

The attendance of the Directors at the meetings during the Year is set out below:

Name of Directors	Number of meetings attended/held						
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Executive Committee	Shareholders
Executive Directors							
Ms. Cindy Yeung (Note 1)	8/8	4/4	N/A	N/A	N/A	1/1	1/1
Mr. Chan Hung Ming	8/8	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Wong Chi Fai	8/8	N/A	1/1	N/A	N/A	1/1	1/1
Ms. Fan Man Seung, Vanessa (Note 2)	8/8	N/A	N/A	1/1	1/1	1/1	1/1
Independent Non-executive Directors							
Ms. Yip Kam Man (Note 3)	8/8	4/4	1/1	N/A	1/1	N/A	1/1
Mr. Chan Hon Piu (Note 4)	8/8	4/4	N/A	1/1	1/1	N/A	1/1
Ms. Lai Ka Fung, May (Note 5)	8/8	4/4	1/1	1/1	N/A	N/A	1/1
Total number of meetings held:	8	4	1	1	1	1	1

CORPORATE GOVERNANCE REPORT

THE BOARD – *Continued*

Directors' attendance and time commitment – *Continued*

Notes:

1. Ms. Cindy Yeung was invited to sit-in the Audit Committee Meeting as non-member. She is also the Chairperson of the Executive Committee
2. Chairperson of the Corporate Governance Committee
3. Chairperson of the Audit Committee
4. Chairman of the Nomination Committee
5. Chairperson of the Remuneration Committee

Upon reviewing (i) the annual confirmation of the time commitment given by each Director; (ii) the directorships and major commitments of each Director; and (iii) the attendance rate of each Director on full Board and the respective Board committee meetings as well as general meeting, the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during the Year.

Board Meetings and Proceedings

Regular Board meetings were held at approximately quarterly intervals. The Directors have access to the advice and services of the Company Secretary and key officers of the company secretarial team for ensuring that the Board procedures and all applicable rules and regulations are followed.

With the assistance of the Company Secretary, the meeting agenda is set by the Chairperson of the Board in consultation with other Board members. Board meeting notice was sent to the Directors at least 14 days prior to each regular Board meeting. Board papers together with all appropriate, complete and reliable information are generally sent to all Directors at least 3 days before each Board meeting and Board Committee meeting to enable the Directors to make informed decisions.

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 with reasonable notice by any Director.

If any Director has conflict of interest in a matter to be considered by the Board which the Board has determined to be material, that Director will abstain from voting on the relevant Board resolution in which he/she or any of his/her associates have a material interest and he/she shall not be counted in the quorum present at the Board meeting.

Board Committees

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, Remuneration Committee, Nomination Committee, Corporate Governance Committee and Executive Committee.

The majority of the members of the Audit Committee, Remuneration Committee and Nomination Committee are INEDs. Clear written terms of reference of all the Board Committees are given to the respective members of these Committees. Details of the Board Committees are set out below:

CORPORATE GOVERNANCE REPORT

THE BOARD – *Continued*

1. **Audit Committee** *(set up on 19 June 2008)*

The Audit Committee consists of three INEDs, namely Ms. Yip Kam Man (*Chairperson of the Committee*), Mr. Chan Hon Piu, Ms. Lai Ka Fung, May.

The specific written terms of reference of the Audit Committee, which was re-adopted on 29 October 2015 in light of the amendments of the Listing Rules, is available on the websites of the Stock Exchange and the Company. The Audit Committee is primarily responsible for (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor; (b) approving the remuneration and terms of engagement of external auditor; and (c) reviewing financial information and overseeing the financial reporting system, risk management and internal control systems. The Audit Committee held four meetings during the Year.

A summary of work performed by the Audit Committee during the Year is set out as follows:

- i. approved the audit plan for 2015, reviewed the independence of the external auditor and approved the engagement of external auditor;
- ii. reviewed with the management and finance-in-charge and/or the external auditor the effectiveness of the audit process and the Group's financial and accounting policies and practices adopted by the Group, and the accuracy and fairness of the annual financial statements for the year ended 31 December 2014 as well as the interim financial statements for the six months ended 30 June 2015 and reviewed significant financial reporting judgments contained therein;
- iii. reviewed with the management and finance-in-charge the effectiveness of the internal control system of the Group;
- iv. annual review of the non-exempt continuing connected transactions of the Group for the year ended 31 December 2014;
- v. recommended the Board on the re-appointment of external auditor; and
- vi. recommended the Board to adopt the revised terms of reference of the Audit Committee in light of the amendments in Listing Rules regarding additional role of the Audit Committee to review the risk management system of the Company.

2. **Remuneration Committee** *(set up on 19 June 2008)*

The Remuneration Committee consists of three members, namely Ms. Lai Ka Fung, May (*Chairperson of the Committee*) and Ms. Yip Kam Man, both being Independent Nonexecutive Directors, and Mr. Wong Chi Fai, an Executive Director.

The specific written terms of reference of the Remuneration Committee is available on the websites of the Stock Exchange and the Company. The Remuneration Committee is primarily responsible for making recommendation to the Board on (a) the Company's policies and structure for the remuneration of Directors and senior management; (b) the director's fee for of non-executive directors; and (c) the specific remuneration packages of individual Executive Directors and senior management. Details of the remuneration of each of the Directors for the Year are set out in note 8 to the consolidated financial statements. The Remuneration Committee held one meeting during the Year.

A summary of work performed by the Remuneration Committee during the Year is set out as follows:

- i. reviewed and recommended the Board to approve the Directors' fee; and
- ii. reviewed the current remuneration structure/package of the Executive Directors and senior management and recommended the Board to approve their specific packages (including the payment of bonuses).

CORPORATE GOVERNANCE REPORT

THE BOARD – *Continued*

3. **Nomination Committee** *(set up on 19 March 2012)*

The Nomination Committee consists of three members, namely Mr. Chan Hon Piu (*Chairman of the Committee*) and Ms. Lai Ka Fung, May, both being INEDs, and Ms. Fan Man Seung, Vanessa, the Executive Director.

The specific written terms of reference of the Nomination Committee is available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee are (a) reviewing the structure, size and diversity of the Board; (b) reviewing the Board Diversity Policy; (c) determining the policy for the nomination of Directors and identifying potential candidates for directorship; (d) making recommendations to the Board on the appointment or re-appointment of Directors; (e) assessing the independence of INEDs; and (f) reviewing the time commitment of each Director. The Nomination Committee held one meeting during the Year.

A summary of the work performed by the Nomination Committee during the Year is set out as follows:

- i. review the structure, size and diversity of the Board;
- ii. review the independence of the INEDs; and
- iii. discussed and recommended the Board on nomination of Directors for re-election at the annual general meeting held on 18 May 2015 (“2015 AGM”).

As adopted by the Board, the Board Diversity Policy aims to achieve diversity on the Board in the broadest sense in order to have a balance of skills, experience and diversity of perspectives to the business nature of the Company. Selection of candidates on the Board is based on a range of diversity perspectives, including gender, age, length of service, profession qualification and experience. The Nomination Committee will also assess the merits and contribution of any Director proposed for re-election or any candidate nominated to be appointed as Director and against the objective criteria, with due regard for the benefits of diversity on the Board that would complement the Company’s corporate strategy.

4. **Corporate Governance Committee** *(set up on 19 March 2012)*

The Corporate Governance Committee consists of five members, namely Ms. Fan Man Seung, Vanessa (*Chairperson of the Committee*), the Executive Director, Ms. Yip Kam Man and Mr. Chan Hon Piu, both being INEDs, a representative from company secretarial function and a representative from finance and accounts function. The specific written terms of reference of the Corporate Governance Committee is available on the Company’s website. The primary duties of the Corporate Governance Committee are (a) reviewing the policies and practices on corporate governance and compliance with legal and regulatory requirements of the Group; (b) reviewing and monitoring the training and continuous professional development of Directors and senior management; (c) reviewing the code of conduct of applicable to Directors and relevant employees of the Group; and (d) reviewing the Company’s compliance with the CG Code and disclosure in this report. The Corporate Governance Committee held one meeting during the Year.

A summary of the work performed by the Corporate Governance Committee during the Year is set out as follows:

- i. reviewed the Corporate Governance Policy and made recommendation to the Board;
- ii. reviewed the training and continuous professional development of Directors and senior management;
- iii. reviewed the policies and practices on compliance with legal and regulatory requirements;
- iv. reviewed the code of conduct applicable to Directors and relevant employees of the Group; and
- v. reviewed the Company’s compliance with the CG Code and disclosure in Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

THE BOARD – *Continued*

5. **Executive Committee** *(set up on 22 October 2014)*

The Executive Committee consists of all the Executive Directors, namely Ms. Cindy Yeung (*Chairperson of the Committee*), Mr. Chan Hung Ming, Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa. The Executive Committee has all power and authorities of the Board except those matters specifically reserved for the full Board as set out in the “Formal Schedule on matters reserved for and delegated by the Board” adopted by the Board from time to time.

SECURITIES TRANSACTION OF DIRECTORS

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

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibilities to prepare the consolidated financial statements of the Group that give a true and fair view in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), the Hong Kong Companies Ordinance and the Listing Rules. The management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other information put before it for approved. The Directors believe that they have adopted HKFRSs, selected suitable accounting policies and applied them consistently, made judgment and estimates that are prudent and reasonable and ensured the financial statements are prepared on a “going concern” basis. The auditor of the Company has made a statement about their reporting responsibilities in the Independent Auditor’s Report.

The management has provided all members of the Board with monthly updates on internal financial statements and explanatory information in sufficient details so as to give the Directors a balanced and understandable assessment of the Company’s performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROL

Goals and objectives

The Board acknowledged that it is their responsibility to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems. Such systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL – *Continued*

Main features of the risk management and internal control systems (“Systems”)

Control structure

- | | |
|--|---|
| The Board | <ul style="list-style-type: none">• responsible for the Group’s Systems for reviewing their effectiveness• through the management, responsible for determining the Group’s risk profile for key risks and formulating the Group’s risk management strategies |
| Audit Committee | <ul style="list-style-type: none">• oversees the Systems of the Group, review annually the findings report and make recommendations to the Board |
| The management (includes heads of business units, departments and divisions) | <ul style="list-style-type: none">• primarily responsible for the design, implementation and maintenance of the Systems to safeguard the Shareholders’ investment and assets of the Group• assists the Board in the operation of the Systems and take measures to mitigate risks in their day-to-day operation |
| Internal Audit Department | <ul style="list-style-type: none">• acts as an internal auditor in the Group’s Systems |

Control approach and tools

During the Year, the management had analyzed the control environment and risk assessment, identified the various control implemented.

- i. **Approach taken:** The management conducted interviews with relevant staff members, reviewing relevant documentation of the internal control system and evaluating findings of any deficiencies in the design of the Group’s internal control system, providing recommendations for improvement and assessing the effectiveness of implementation of such recommendations, where appropriate. The scope and findings of review on the risk management and internal control had been reported to and reviewed by the Audit Committee annually.
- ii. **Procedure manuals and operational guidelines:** They are in place to safeguard the assets against unauthorized use or disposition, ensuring maintenance of proper accounting records in compliance with the applicable laws, rules and regulations for the provision of reliable financial information for internal use and/or external publication.
- iii. **Management information system and technology:** Such use to control over the business activities allows close tracking of various inputs and outputs of the Company’s business such as raw materials, human resources, products and customer relationship. It also tracks audit trails in the authorization system, under which permissions and responsibility of authorization are clearly identified and adequate records can be maintained in the system.
- iv. **Reports and variance analysis:** Such reports and analysis of each segment in the upstream, midstream and downstream are conducted on regular basis such that the performance of each point of sales and each product category can be easily accessible.
- v. **Information flow:** The transparent information flow alerts us promptly of any deviations. Benchmarking with historical database and comparisons with the same also acts as a detecting device for spot unusual activities.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL – *Continued*

Risk Management

The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review.

The management is delegated to identify, analyse, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority. It is endeavoured to evaluate and compare the level of risk against predetermined acceptable levels of risk. For risk control and monitoring, it involves making decisions regarding which risks are acceptable and how to address those that are not. The management will develop contingency plans for possible loss scenarios. Accidents and other situations involving loss or near-loss will be investigated and properly documented as part of the effort to manage risks

Significant Risks and Strategies

The Group is subject to certain risks that affect its ability to operate and protect assets. The key risks identified and their respective strategies are set out below:

Key Risks

- our reliance on tourism of HK/Macau/Singapore
- economic, political and social condition in HK/Macau/Singapore (e.g. strong HKD against other currencies, continued austerity initiatives in the PRC)
- our reliance on major watch suppliers and watch brands
- rental increment on retail shops

Key Strategies

- change business model
- expand business to domestic consumer market by adjusting shop locations
- adjust stock portfolio to more affordable products to suit the demand of domestic consumers
- explore opportunities to develop networks in other countries
- cautious in purchasing and stock replenishment
- relocate shops in the PRC
- develop and maintain multi-tier targeted customer segments
- continuously expand jewellery business
- maintain strong and close relationship with watch suppliers
- keep a wider portfolio on brands
- bargain for rental negotiation or rental concession
- take advantage of coming trend in rental drop in prime shopping areas to maintain a balanced presence in strategically favourable geographical areas

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL – *Continued*

Internal Control

The Internal Audit Department is assigned with the task to carry out risk assessment on selected audit areas. It adopts a risk management based approach in developing the annual audit plan which aligns with the enterprise risk management framework. During the Year, audit activities were identified, prioritized and scoped based on risk assessment to cover business activities with material risks across the Group, and had reported its audit review findings, raised areas of concern and irregularities to the management and provide advises on the necessary steps for implementation of future control. The findings of internal audit reviews and agreed action plans were presented to the Audit Committee and the Board for review.

Other than review of the risk management and internal control systems, the Audit Committee had also reviewed and was satisfied with the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board acknowledged that the management had been progressively implementing an adequate internal control system to ensure the effective functioning of the Group's operational/financial/compliance areas, including the following key measures:-

- i. **Safeguarding of assets:** Insurance coverage on inventory is periodically reviewed by the management for sufficient coverage, and to ensure compliance with the terms and conditions of the insurance policies. To safeguard shops' assets, security systems are installed and properly maintained in good condition at each shop. In addition, tests are carried out on a daily basis to ensure the proper functioning of the security system.
- ii. **Quality control:** Diamonds are either sent to authoritative and reliable organizations for assessment and certification or are tested internally with our own professional equipment to assure the quality fulfills good standard requirement. In order to provide assurance of high quality products and service and to enhance the protection of our customers' interest, the Company had joined several associations and schemes.
- iii. **Proper authorization on sales discounts:** Discount policies are properly maintained and controlled by electronic point-of-sales systems. Discount policies and pricing strategy are reviewed from time to time.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL – *Continued*

Internal Control – *Continued*

- iv. **Financial reporting management:** Proper controls are in place for the recording of complete, accurate and timely accounting and management information:–
- annual budget and quarterly forecast on all capital and revenue items are prepared and approved by the Management before being adopted;
 - the Management monitors the business activities closely and reviews monthly financial results of operations against budgets/forecast;
 - monthly updates on management financial statements are provided to the Management for review on monthly financial results of operations against budgets/forecast; and
 - annual audits are carried out to ensure that the preparation of financial statements are carried out in accordance with generally accepted accounting principles, the Group's accounting policies and the applicable laws and regulations.
- v. **Cash flow management:** Daily available fund report is reviewed to monitor the cash flows against budgets/forecast.
- vi. **the Systems and Procedures on Disclosure of Inside Information** is in place to ensure, with the assistance of an internal work team (if required), that any material information which comes to the knowledge of any one or more officers would be promptly identified, assessed and bring to the attention of the Board;
- vii. the **policies and practices on compliance with legal and regulatory requirements** are constantly reviewed and monitored by the Corporate Governance Committee;
- viii. the establishment of a **CCT Compliance Committee** to monitor, control and review internally connected transactions and continuing connected transactions of the Company and ensure proper compliance with all relevant laws, regulations and the Listing Rules; and
- ix. a **whistle-blowing policy** is in place for the employees of the Group to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. Such policies are to be reviewed by the Audit Committee ensuring proper procedure is in place for fair and independent investigation of the matters.

The Board has reviewed, through Audit Committee, the Group's risk management and internal control systems and is not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the internal control system of the Group.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Company had established a shareholders' communication policy which is available on the website of the Company and the Board shall review it on a regular basis to ensure its effectiveness. The Company communicates with the Shareholders mainly in the following ways: (i) the holding of annual general meetings and extraordinary general meetings, if any, which may be convened for specific purpose and can provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules; (iii) the publication of press releases of the Company providing updated information of the Group; and (iv) the availability of the latest information of the Group in the Company's website at www.emperorwatchjewellery.com; and (v) the holding of press conference(s) from time to time; and (vi) meeting with investors and analysts on a regular basis and participate investor road show and sector conference.

There is regular dialogue with institutional shareholders and general presentations are usually made when financial results are announced. Shareholders and investors are welcome to visit the Company's website to raise enquiries through our Investor Relations Department whose contact details are available on the Company's website and the "Corporate Information and Key Dates" of this annual report.

In order to protect the environment and save costs for the benefit of Shareholders, the Company has introduced electronic means for receiving corporate communication by Shareholders. Shareholders may elect to receive printed or electronic copies of corporate communication. However, Shareholders are encouraged to access corporate communication from the Company through the Company's website.

Separate resolutions are proposed at the general meetings for substantial issues, including re-election of retiring Directors. The Company's notice to Shareholders for the 2015 AGM was sent to Shareholders at least 20 clear business days before such meeting and notices of EGM will be sent to Shareholders at least 10 clear business days before the meetings.

The chairperson of the Board, the chairperson/chairman of the Board committees and the external auditor were available at the 2015 AGM to answer questions from the Shareholders. The Chairperson of the meeting had explained the procedures for conducting a poll during the meeting.

The forthcoming annual general meeting will be held on 25 May 2016 which will be conducted by way of poll.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the Shareholders as required to be disclosed pursuant to the CG Code.

Convening a General Meeting and Putting Forward Proposals at the General Meeting

Shareholder(s) representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings can make a requisition to convene a general meeting pursuant to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("CO"). The requisition must state the general nature of the business to be dealt with at the meeting, signed by the relevant shareholder(s) and deposited at our registered office for the attention of the Company Secretary.

Furthermore, the CO provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all Shareholders or (ii) at least 50 shareholders having a relevant right to vote can put forward proposals for consideration at a general meeting of the Company by sending a requisition in writing to the registered office of the Company for the attention of the Company Secretary at least 7 days before the meeting to which it relates. The above requisitions must identify the statement of not more than 1,000 words with respect to the matter mentioned in a proposed resolution or other business to be dealt with at the meeting and must be authenticated by the person or persons making them.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS – *Continued*

Enquires from Shareholders

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Secretaries Limited. Other Shareholders' enquiries can be directed to the Investor Relations Department of the Company whose contact details are shown on page 2 of this Annual Report.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

In accordance with the CO which came into effect on 3 March 2014, the Company's memorandum of association is technically regarded to have ceased to be in existence and all provisions thereof are deemed to form part of the Company's articles of association by operation of laws. A special resolution for the adoption of a revised set of articles of association ("New Articles") for the purpose of, inter alia, keeping in line with the CO and improving administrative efficiency was passed by the Shareholders at the 2015 AGM. The set of New Articles is available on the websites of the Stock Exchange and the Company.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standard. The Audit Committee was of the view that the Company's auditor, Messrs. Deloitte Touche Tomatsu ("Deloitte") is independent. In order to maintain their independence, Deloitte will not be engaged for non-audit work unless such work meets the criteria suggested in the Listing Rules and has been approved by the Audit Committee.

During the Year, Deloitte has rendered audit services and certain non-audit services to the Group and the remuneration paid/payable to it by the Group is set out as follows:

Service rendered	Fees paid/payable HK\$'000
Audit services	3,164
Non-audit services:	
– Agreed-upon procedures for continuing connected transactions	20
– Review of preliminary results announcement	10
– Transfer pricing documentation service	71

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS OF EMPEROR WATCH & JEWELLERY LIMITED

(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 51 to 91, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other 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 405 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 entity's preparation of 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 entity'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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Revenue	5	4,430,846	5,924,947
Cost of sales		(3,324,757)	(4,436,042)
Gross profit		1,106,089	1,488,905
Other income	6	6,408	7,563
Selling and distribution expenses		(1,053,264)	(1,135,906)
Administrative and other expenses		(175,842)	(191,872)
(Loss) profit before taxation	7	(116,609)	168,690
Taxation	9	(3,473)	(30,548)
(Loss) profit for the year		(120,082)	138,142
Other comprehensive expense for the year <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(48,734)	(20,376)
Total comprehensive (expense) income for the year and attributable to owners of the Company		(168,816)	117,766
(Loss) earnings per share – Basic	11	HK(1.7) cents	HK2.0 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	12	101,063	123,821
Deferred tax asset	18	13,731	9,332
Rental deposits		168,192	200,174
Deposit paid for acquisition of property, plant and equipment		–	1,373
		282,986	334,700
Current assets			
Inventories	13	3,219,196	3,838,528
Receivables, deposits and prepayments	14	124,547	162,927
Taxation recoverable		30,147	16,366
Bank balances and cash	15	809,516	443,811
		4,183,406	4,461,632
Current liabilities			
Payables, deposits received and accrued charges	16	180,480	331,534
Amounts due to related companies	17	4,036	4,315
Taxation payable		5,824	2,678
		190,340	338,527
Net current assets		3,993,066	4,123,105
Non-current liability			
Deferred tax liability	18	856	–
Net assets		4,275,196	4,457,805
Capital and reserves			
Share capital	19	3,484,152	3,484,152
Reserves	20	791,044	973,653
Total equity		4,275,196	4,457,805

The consolidated financial statements on pages 51 to 91 were approved and authorised for issue by the Board of Directors on 31 March 2016 and are signed on its behalf by:

CINDY YEUNG
DIRECTOR

CHAN HUNG MING
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (note 20(a))	Other reserve HK\$'000 (note 20(b))	Capital reserve HK\$'000 (note 20(c))	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2014	68,824	3,415,328	(373,003)	(26,162)	2,529	63,218	1,256,676	4,407,410
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(20,376)	-	(20,376)
Profit for the year	-	-	-	-	-	-	138,142	138,142
Total comprehensive income for the year	-	-	-	-	-	(20,376)	138,142	117,766
De-registration of subsidiaries Transfer upon abolition of par value under the new Companies Ordinance	-	-	-	(5)	-	82	-	77
Final dividend paid for 2013 (note 10)	3,415,328	(3,415,328)	-	-	-	-	-	-
Interim dividend paid for 2014 (note 10)	-	-	-	-	-	-	(39,918)	(39,918)
At 31 December 2014	-	-	-	-	-	-	(27,530)	(27,530)
At 31 December 2014	3,484,152	-	(373,003)	(26,167)	2,529	42,924	1,327,370	4,457,805
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(48,734)	-	(48,734)
Loss for the year	-	-	-	-	-	-	(120,082)	(120,082)
Total comprehensive expense for the year	-	-	-	-	-	(48,734)	(120,082)	(168,816)
De-registration of a subsidiary	-	-	-	(28)	-	-	-	(28)
Final dividend paid for 2014 (note 10)	-	-	-	-	-	-	(13,765)	(13,765)
At 31 December 2015	3,484,152	-	(373,003)	(26,195)	2,529	(5,810)	1,193,523	4,275,196

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	(116,609)	168,690
Adjustments for:		
Allowance for inventories	4,706	1,534
Depreciation of property, plant and equipment	63,470	64,314
Loss on disposal of property, plant and equipment	1,397	2,029
Interest income	(4,945)	(5,964)
Operating cash flows before movements in working capital	(51,981)	230,603
Decrease (increase) in inventories	578,264	(200,534)
Decrease in receivables, deposits and prepayments	70,362	4,695
Decrease in payables, deposits received and accrued charges	(158,297)	(48,073)
(Decrease) increase in amounts due to related companies	(279)	416
Net cash generated from (used in) operations	438,069	(12,893)
Income taxes paid	(17,651)	(50,037)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	420,418	(62,930)
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	7	101
Interest received	4,945	5,964
Purchase of property, plant and equipment	(34,945)	(77,997)
Deposit paid for acquisition of property, plant and equipment	-	(1,373)
NET CASH USED IN INVESTING ACTIVITIES	(29,993)	(73,305)
CASH USED IN A FINANCING ACTIVITY		
Dividends paid	(13,765)	(67,448)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	376,660	(203,683)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	443,811	657,099
Effect of foreign exchange rate changes	(10,955)	(9,605)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	809,516	443,811

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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 immediate holding company is Emperor Watch & Jewellery Group Holdings Limited (“Emperor W&J Holdings”) which was incorporated in the British Virgin Islands (“BVI”) with limited liability. The directors of the Company (the “Directors”) consider that its ultimate holding company is Albert Yeung Holdings Limited, a company incorporated in the BVI with limited liability which is in turn held by STC International Limited (“STC International”), being the trustee of The Albert Yeung Discretionary Trust (“AY Trust”), the settlor and founder of which is Dr. Yeung Sau Shing, Albert. 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 Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 29.

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

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

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accounts (“HKICPA”) for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to HKFRSs has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after a date to be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 “*Financial Instruments: Recognition and Measurement*” are required to be subsequently measured at 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued in 2014 which establishes a single model to deal with revenue arising from contracts with customers. When HKFRS 15 becomes effective, HKFRS 15 will supersede HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when the entity satisfies a performance obligation

With regard to step 5, an entity should recognise revenue when a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Specifically, HKFRS 15 requires entities to recognise revenue over time when certain conditions are met. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors of the Company are in the process of assessing the impact on the application of HKFRS 9 and HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 and HKFRS 15 until the Group performs a detailed review.

The Directors of the Company are in the process of assessing the potential impact of the remaining new and revised HKFRSs, and at this stage have not yet determined the effect of the application of these new and revised HKFRSs on the financial performance and financial position of the Group’s consolidated financial statements.

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 (“Listing Rules”) on the Stock Exchange and the Hong Kong Companies Ordinance (“CO”).

The provisions of the new CO (Cap 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Informative previously required to be disclosed under the predecessor CO or the Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “*Share-based Payment*”, leasing transactions that are within the scope of HKAS 17 “*Leases*”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “*Inventories*” or value in use in HKAS 36 “*Impairment of Assets*”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and trade discounts.

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 income can be measured reliably. Interest income 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.

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.

The Group as lessee

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from '(loss)profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 tax 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. 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 deferred 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.

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 tax assets is reviewed at the end of each 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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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 recognised 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 on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Share-based payment transactions

The fair value of services received is determined by reference to the fair value of share options granted at the date of grant and 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 original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. 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 retained profits.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted on a prospective basis.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Impairment on assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets with finite useful lives 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 immediately in profit or loss.

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 immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using weighted average basis for gold and specific identification basis for watches and other jewellery items depending on the nature of the inventory. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are all classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and points 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 debt instrument, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Financial instruments – *Continued*

Financial assets – *Continued*

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 trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 of one month observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the 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 trade 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 trade 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 the 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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Financial instruments – *Continued*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables and amounts due to related companies) are subsequently measured at amortised cost, using the effective interest method.

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 (including all fees and points 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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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 is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Income taxes

As at 31 December 2015, no deferred tax asset has been recognised on the tax losses of HK\$283,285,000 (2014: HK\$174,903,000) 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 in the future.

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 2015, the carrying amount of inventories is HK\$3,219,196,000 (net of allowance for inventories of HK\$56,457,000) (31 December 2014: carrying amount of HK\$3,838,528,000, net of allowance for inventories of HK\$52,947,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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 segments under HKFRS 8 "Operating Segments" are operations located in Hong Kong, Macau and other regions in Asia Pacific. The revenue generated by each of the operating segments is mainly derived from sales of watch and jewellery. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

For the year ended 31 December 2015

	Hong Kong HK\$'000	Macau HK\$'000	Other regions in Asia Pacific HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue					
External sales	3,456,262	286,930	687,654	-	4,430,846
Inter-segment sales*	71,422	15,905	-	(87,327)	-
	3,527,684	302,835	687,654	(87,327)	4,430,846
* Inter-segment sales are charged at cost					
Segment profit	13,723	29,855	9,247	-	52,825
Unallocated other income					6,408
Unallocated administrative and other expenses					(175,842)
Loss before taxation					(116,609)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

5. REVENUE AND SEGMENT INFORMATION – *Continued*

For the year ended 31 December 2014

	Hong Kong HK\$'000	Macau HK\$'000	Other regions in Asia Pacific HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue					
External sales	4,924,624	351,048	649,275	–	5,924,947
Inter-segment sales*	96,703	18,790	–	(115,493)	–
	5,021,327	369,838	649,275	(115,493)	5,924,947
* Inter-segment sales are charged at cost					
Segment profit	298,184	39,994	14,907	–	353,085
Unallocated other income					7,563
Unallocated administrative and other expenses					(191,958)
Profit before taxation					168,690

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 gross profit directly attributable to each segment, net of selling and distribution expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

5. REVENUE AND SEGMENT INFORMATION – *Continued*

Other segment information

Amounts included in the measure of segment profit:

For the year ended 31 December 2015

	Hong Kong HK\$'000	Macau HK\$'000	Other regions in Asia Pacific HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Operating lease payments	572,699	14,243	86,893	8,746	682,581

For the year ended 31 December 2014

	Hong Kong HK\$'000	Macau HK\$'000	Other regions in Asia Pacific HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Operating lease payments	590,547	14,095	90,749	8,532	703,923

Revenue from major products

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

	2015 HK\$'000	2014 HK\$'000
Watch	3,541,065	4,824,200
Jewellery	889,781	1,100,747
	4,430,846	5,924,947

Geographical information

Information about the Group's non-current assets, excluding deferred tax asset, presented based on the geographical location of assets are detailed below:

As at 31 December 2015

	Hong Kong HK\$'000	Macau HK\$'000	Other regions in Asia Pacific HK\$'000	Consolidated HK\$'000
Non-current assets	218,112	7,609	43,534	269,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

5. REVENUE AND SEGMENT INFORMATION – *Continued*

Geographical information – *Continued*

As at 31 December 2014

	Hong Kong HK\$'000	Macau HK\$'000	Other regions in Asia Pacific HK\$'000	Consolidated HK\$'000
Non-current assets	266,736	9,380	49,252	325,368

6. OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
Interest income from bank deposits	4,945	5,964
Others	1,463	1,599
	6,408	7,563

7. (LOSS) PROFIT BEFORE TAXATION

	2015 HK\$'000	2014 HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Auditor's remuneration	3,265	3,505
Cost of inventories included in cost of sales (included allowance for inventories of HK\$4,706,000 (2014: HK\$1,534,000))	3,311,681	4,421,652
Depreciation of property, plant and equipment	63,470	64,314
Loss on disposal of property, plant and equipment	1,397	2,029
Net exchange loss	6,266	2,839
Operating lease payments in respect of rented premises		
– minimum lease payments	650,574	663,091
– contingent rent	32,007	40,832
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	224,212	261,073
– retirement benefits scheme contributions	20,971	19,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors and Chief Executive

Details of the emoluments paid and payable to the Directors and Chief Executive for the years ended 31 December 2015 and 31 December 2014 are as follows:

For the year ended 31 December 2015

	Fees HK\$'000	Salaries and allowance HK\$'000	Performance related incentive payment HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive Director and Chief Executive					
Ms. Cindy Yeung	150	3,055	336	18	3,559
Executive Directors					
Mr. Chan Hung Ming	150	1,784	175	–	2,109
Mr. Wong Chi Fai	150	–	–	–	150
Ms. Fan Man Seung, Vanessa	150	–	–	–	150
Independent Non-executive Directors					
Ms. Yip Kam Man	200	–	–	–	200
Mr. Chan Hou Piu	200	–	–	–	200
Ms. Lai Ka Fung, May	200	–	–	–	200
	1,200	4,839	511	18	6,568

For the year ended 31 December 2014

	Fees HK\$'000	Salaries and allowance HK\$'000	Performance related incentive payment HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive Director and Chief Executive					
Ms. Cindy Yeung	150	2,979	1,500	17	4,646
Executive Directors					
Mr. Chan Hung Ming	150	1,752	750	–	2,652
Mr. Wong Chi Fai	150	–	–	–	150
Ms. Fan Man Seung, Vanessa	150	–	–	–	150
Independent Non-executive Directors					
Ms. Yip Kam Man	200	–	–	–	200
Mr. Chan Hou Piu	200	–	–	–	200
Ms. Lai Ka Fung, May	200	–	–	–	200
	1,200	4,731	2,250	17	8,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

– Continued

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2014: two) were Directors and Chief Executive whose emoluments are included in note 8(a) above. The emoluments of the remaining three (2014: three) individuals were as follows:

	2015	2014
	HK\$'000	HK\$'000
Salaries and allowance	5,490	4,102
Performance related incentive payment	283	380
Retirement benefits scheme contributions	51	53
	5,824	4,535

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	2
HK\$2,500,001 to HK\$3,000,000	1	–

Notes:

- (i) The fees paid or payable to the Executive Directors, Chief Executive and Independent Non-executive Directors shown above were mainly for their services in connection with their services as directors of the Company.
- (ii) The salaries and allowance, performance related incentive payment and retirement benefits scheme contributions paid or payable to the Executive Directors and Chief Executive shown above were mainly for their services in connection with the management of the affairs of the Group.
- (iii) The performance related incentive payment is a discretionary bonus determined based on the financial performance of the Group.
- (iv) No Directors or Chief Executive waived any emoluments in the years ended 31 December 2015 and 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

9. TAXATION

	2015 HK\$'000	2014 HK\$'000
The charge comprises:		
Profits Tax:		
Hong Kong	1,479	29,457
Macau	5,215	2,155
Singapore	322	–
	7,016	31,612
Deferred taxation (note 18)	(3,543)	(1,064)
	3,473	30,548

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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 at 12% of the estimated assessable profits for both years.

Singapore Income Tax is calculated at 17% of the estimated assessable profits for both years.

Details of deferred taxation are set out in note 18.

Taxation for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK\$'000	2014 HK\$'000
(Loss) profit before taxation	(116,609)	168,690
Tax charge at Hong Kong Profits Tax rate of 16.5%	(19,240)	27,834
Tax effect of expenses not deductible for tax purpose	1,318	1,807
Tax effect of income not taxable for tax purpose	(527)	(944)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,858)	(760)
Tax effect of tax losses not recognised	22,729	4,372
Utilisation of tax losses previously not recognised	(358)	(1,534)
Under (over) provision in respect of prior years	1,750	(262)
Others	(341)	35
Taxation for the year	3,473	30,548

The Hong Kong Profits Tax rate is used as this is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based. Taxation arising in other justification is calculated at the rates prevailing in the relevant justifications.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

10. DIVIDENDS

	2015 HK\$'000	2014 HK\$'000
Dividends recognised as distribution during the year:		
2014 final dividend: HK0.20 cent per share (2014: 2013 final dividend HK0.58 cent per share)	13,765	39,918
2015 interim dividend: nil (2014: 2014 interim dividend HK0.40 cent per share)	–	27,530
	13,765	67,448

The Board did not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: HK0.20 cent per share).

11. (LOSS) EARNINGS PER SHARE – BASIC

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

(Loss) earnings

	2015 HK\$'000	2014 HK\$'000
(Loss) profit for the year attributable to the owners of the Company for the purpose of basic (loss) earnings per share	(120,082)	138,142

Number of shares

	2015	2014
Number of ordinary shares for the purpose of basic (loss) earnings per share	6,882,448,129	6,882,448,129

No diluted (loss) earnings per share in both years was calculated as there were no potential ordinary shares in issue during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST				
At 1 January 2014	264,192	49,953	650	314,795
Exchange realignment	(1,029)	(196)	–	(1,225)
Additions	67,107	15,570	253	82,930
Disposals	(28,109)	(3,858)	–	(31,967)
At 31 December 2014	302,161	61,469	903	364,533
Exchange realignment	(2,484)	(741)	(18)	(3,243)
Additions	34,143	9,418	–	43,561
Disposals	(32,786)	(1,439)	–	(34,225)
At 31 December 2015	301,034	68,707	885	370,626
DEPRECIATION				
At 1 January 2014	176,045	30,416	590	207,051
Exchange realignment	(729)	(87)	–	(816)
Provided for the year	55,806	8,390	118	64,314
Eliminated on disposals	(26,683)	(3,154)	–	(29,837)
At 31 December 2014	204,439	35,565	708	240,712
Exchange realignment	(1,550)	(248)	–	(1,798)
Provided for the year	53,879	9,573	18	63,470
Eliminated on disposals	(31,523)	(1,298)	–	(32,821)
At 31 December 2015	225,245	43,592	726	269,563
CARRYING VALUES				
At 31 December 2015	75,789	25,115	159	101,063
At 31 December 2014	97,722	25,904	195	123,821

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

Leasehold improvements	16.7% – 33.3%
Furniture, fixtures and equipment	9% – 33.3%
Motor vehicles	18% – 20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

13. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Raw materials	16,917	24,324
Goods held for resale	3,202,279	3,814,204
	3,219,196	3,838,528

14. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 HK\$'000	2014 HK\$'000
Trade receivables	55,336	63,832
Other receivables, deposits and prepayments	63,584	76,795
Other PRC tax recoverable	4,763	21,518
Other Singapore tax recoverable	864	782
	124,547	162,927

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

The following is an ageing analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2015 HK\$'000	2014 HK\$'000
Within 30 days	48,099	51,054
31 – 60 days	3,471	2,149
61 – 90 days	7	119
Over 90 days	3,759	10,510
	55,336	63,832

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

Included in the trade receivables balance are receivables from certain department stores with aggregate carrying amount of HK\$4,712,000 (2014: HK\$12,778,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

14. RECEIVABLES, DEPOSITS AND PREPAYMENTS – *Continued*

Ageing of trade receivables which are past due but not impaired

	2015 HK\$'000	2014 HK\$'000
Overdue 1 – 30 day(s)	1,394	2,149
Overdue 31 – 60 days	449	119
Overdue 61 – 90 days	–	2,617
Overdue more than 90 days	2,869	7,893
	4,712	12,778

Receivables that were past due but not impaired relate to department stores sales that have continuous settlements subsequent to reporting date. The Directors are of opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Trade receivables that are not denominated in the functional currencies of the respective group entities are as follows:

	2015 HK\$'000	2014 HK\$'000
Macau Pataca (“MOP”)	170	732

15. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.0097% to 3.80% (2014: 0.0096% to 3.60%) per annum.

Bank balances and cash that are not denominated in the functional currencies of the respective group entities are as follow:

	2015 HK\$'000	2014 HK\$'000
HKD	191	571
MOP	18,563	22,288
United States dollars (“USD”)	534	1,607
Renminbi (“RMB”)	226,773	109,777

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

16. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2015 HK\$'000	2014 HK\$'000
Trade payables	63,990	190,754
Other payables, deposits received and accrued charges	108,125	140,562
Other PRC tax payables	8,365	218
	180,480	331,534

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

	2015 HK\$'000	2014 HK\$'000
Within 30 days	60,634	171,940
31 – 60 days	3,195	17,113
61 – 90 days	115	1,027
Over 90 days	46	674
	63,990	190,754

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

Trade payables that are not denominated in the functional currencies of the respective group entities are as follows:

	2015 HK\$'000	2014 HK\$'000
MOP	10,656	18,296
USD	939	5,830

17. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies mainly represent the rental, electricity and air-conditioning expenses payable and service charge payable to related companies. These amounts are unsecured, interest-free and repayable on demand. The related companies represent companies controlled by the AY Trust of which STC International is the trustee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

18. DEFERRED TAXATION

The following are the deferred tax (liabilities) assets recognised by the Group and the movements thereon during the current and prior years:

	Accelerated accounting depreciation HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2014	8,268	–	8,268
Credit to profit or loss for the year	1,064	–	1,064
At 31 December 2014	9,332	–	9,332
Credit (charge) to profit or loss for the year	3,987	(444)	3,543
At 31 December 2015	13,319	(444)	12,875

The following is the analysis of the deferred tax balances for financing reporting purpose:

	2015 HK\$'000	2014 HK\$'000
Deferred tax assets	13,731	9,332
Deferred tax liabilities	(856)	–
	12,875	9,332

At the end of the reporting period, the Group has unused tax losses of approximately HK\$283,285,000 (2014: HK\$174,903,000) available for offset against future profits. No deferred taxation asset has been recognised in respect of tax losses due to unpredictability of future profit streams. Included in unrecognised tax losses are losses incurred by subsidiaries in other jurisdictions of HK\$186,096,000 (2014: HK\$172,009,000) that will expire in the coming years (please see the table below). Other losses may be carried forward indefinitely. Tax losses of HK\$27,200,000 (2014: HK\$19,751,000) have been expired during the year. Due to the de-registration of a subsidiary, tax losses amounting to HK\$2,026,000 was forfeited during the year ended 31 December 2014.

The unused tax losses available for offset against future profits are analysed as follows:

	2015 HK\$'000	2014 HK\$'000
Will expire on:		
31 December 2015	–	27,200
31 December 2016	25,772	25,772
31 December 2017	51,156	51,156
31 December 2018	41,632	41,632
31 December 2019	26,249	26,249
31 December 2020	41,287	–
	186,096	172,009
Unrecognised tax losses that will not expire	97,189	2,894
	283,285	174,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

19. SHARE CAPITAL

The movements in the Company's authorised and issued share capital during the year ended 31 December 2014 and 31 December 2015 are as follows:

	Number of share		Amount	
	2015	2014	2015 HK\$'000	2014 HK\$'000
Authorised:				
At the beginning of the year				
– 100,000 million ordinary shares of HK\$0.01 per share	(note a)	100,000,000,000	(note a)	1,000,000
At the end of the year	(note a)	(note a)	(note a)	(note a)
Issued and fully paid				
At the beginning of the year	6,882,448,129	6,882,448,129	3,484,152	68,824
Transfer from share premium upon abolition of par value (note b)	–	–	–	3,415,328
At the end of the year				
– ordinary shares with no par value	6,882,448,129	6,882,448,129	3,484,152	3,484,152

Notes:

- (a) Under the CO (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.
- (b) In accordance with the transitional provisions set out in section 37 of schedule 11 to CO (Cap.622), since 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

20. RESERVES

- (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.
- (b) Other reserve represented the aggregate amount of:
 - (i) the difference between the nominal value of share capital and the amount due to Emperor W&J Holdings capitalised for issue of 344 ordinary shares of US\$1 each in a subsidiary of HK\$343,997,000 prior to the Group Reorganisation;
 - (ii) the capital contribution of HK\$6,000 by Emperor W&J Holdings in Emperor Watch and Jewellery Company Limited (subsequently renamed as Prime Sharp Limited, a then fellow subsidiary of the Company) (“EWJCL”) prior to the Group Reorganisation;
 - (iii) promissory notes in aggregate of HK\$373,006,000 issued in exchange for shares in the subsidiaries 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;
 - (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;
 - (vi) the reversal of reserve of HK\$295,000 arising from the deregistration of a non-wholly owned subsidiary during the year ended 31 December 2011; and
 - (vii) the reversal of HK\$28,000 and HK\$5,000 arising from the deregistration of a wholly owned subsidiary during the year ended 31 December 2015 and 31 December 2014 respectively.
- (c) Capital reserve represented the excess of the value of net assets acquired over purchase consideration paid to EWJCL by Emperor Watch & Jewellery (HK) Company Limited in 1987.

21. 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 Group’s overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure periodically. As part of this review, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

22. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalent)	902,390	552,143
<i>Financial liabilities</i>		
At amortised cost	102,044	262,505

b. Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, bank balances and cash, trade and other payables and amounts due to related companies. Details of these financial instruments are disclosed in their respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. 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 are exposed primarily to the financial risks of changes in interest rates and foreign currency exchange rates (see below).

(i) Interest rate risk

The Group has exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. 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.

Sensitivity analysis

In the opinion of the Directors, no sensitivity analysis is prepared for the interest rate risk for variable-rate bank balances since the interest rates did not fluctuate significantly during the year and the impact on the Group's results for the year is not significant.

(ii) Foreign currency risk

The Group undertakes certain sales and purchases transactions denominated in MOP, USD, RMB and SGD which are the currencies other than the functional currencies of respective group entities. As the foreign exchange rate of HKD is closed to MOP and HKD is pegged with USD, the Directors consider the Group's exposure to foreign currency risk of these currencies is minimal. The Group is mainly exposed to foreign currency fluctuation of HKD, RMB and SGD, as these group entities, whose functional currencies are RMB, HKD and HKD hold certain bank balances and inter-group balances denominated in HKD, RMB and SGD respectively. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

22. FINANCIAL INSTRUMENTS – *Continued*

b. Financial risk management objectives and policies – *Continued*

(ii) Foreign currency risk – *Continued*

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

	2015 HK\$'000	2014 HK\$'000
Assets		
<i>Third parties</i>		
HKD	191	571
MOP	18,733	23,020
USD	534	1,607
RMB	226,773	109,777
<i>Inter-group balances</i>		
SGD	101,079	101,079
Liabilities		
<i>Third parties</i>		
MOP	10,656	18,296
USD	939	5,829
<i>Inter-group balances</i>		
HKD	858,394	858,394

Sensitivity analysis

The sensitivity analysis below details the Group's sensitivity to a 6% (2014:2%) increase in the functional currencies of the relevant group entities, HKD and RMB, relative to respective foreign currencies, HKD, MOP, RMB and SGD. The sensitivity analysis of the Group also includes foreign currency exposure on inter-group balances 6% (2014: 2%) is the sensitivity rate used in the management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only foreign currencies denominated monetary items and adjusts their translation at the end of the reporting period for a 6% (2014: 2%) change in the foreign currency rates. If the functional currencies of the relevant group entities strengthen/weaken 6% (2014: 2%) against respective foreign currencies:

Translation reserve would increase/decrease by HK\$45,439,000 (2014: HK\$15,146,000) as a result of change in foreign currency rates of inter-group balances, as the inter-group balances form part of the Group's net investments in subsidiaries.

Post-tax loss for the year would increase/decrease by HK\$11,776,000 (2014: Post-tax profit for the year would decrease/increase by HK\$1,922,000) as a result of change in foreign currency rates of third parties' assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

22. FINANCIAL INSTRUMENTS – *Continued*

b. Financial risk management objectives and policies – *Continued*

Credit risk

As at 31 December 2015, 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 arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Group has delegated a team responsible for the 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.

The Group has concentration of credit risk as 7% (2014: 17%) 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 no history of default.

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 no history of default.

Liquidity risk

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

22. FINANCIAL INSTRUMENTS – *Continued*

b. Financial risk management objectives and policies – *Continued*

Liquidity risk – *Continued*

	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
At 31 December 2015			
Payables	98,008	98,008	98,008
Amounts due to related companies	4,036	4,036	4,036
	102,044	102,044	102,044
At 31 December 2014			
Payables	258,190	258,190	258,190
Amounts due to related companies	4,315	4,315	4,315
	262,505	262,505	262,505

c. Fair value measurements of financial assets and liabilities

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.

23. OPERATING LEASE ARRANGEMENTS

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

	2015 HK\$'000	2014 HK\$'000
Within one year	469,563	607,563
In the second to fifth year inclusive	326,885	783,828
	796,448	1,391,391

Operating lease payments represent rentals payable by the Group for its offices and shops. Leases are negotiated for terms ranging from one month to four years (2014: one month to four 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

23. OPERATING LEASE ARRANGEMENTS – *Continued*

Included in the above is future lease payments with related companies of approximately HK\$331,270,000 (2014: HK\$782,227,000) which fall due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	192,893	273,602
In the second to fifth year inclusive	138,377	508,625
	331,270	782,227

The related companies are companies controlled by the AY Trust of which STC International is the trustee.

24. CAPITAL COMMITMENTS

	2015 HK\$'000	2014 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	108	371

25. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 19 June 2008. A summary of the Scheme is set out as follows:

1. *Purpose of the Scheme:* To enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.
2. *Eligibility:* Eligible participants include employee (whether full-time or part time, including any Executive Director, Non-executive Director or Independent Non-executive Director) and such other eligible participants.
3. (a) *Total number of Shares available for issue as at the date of this Annual Report under the Scheme:* 688,244,812 Shares; and
(b) *Percentage of the issued shares that it represents as at the date of this Annual Report:* 10%.
4. *Maximum entitlement of each eligible participant under the Scheme:*
 - (a) in aggregate not to exceed 1% of the Shares in issue in any 12-month period unless approved by the Shareholders;
 - (b) options granted to substantial shareholders or Independent Non-executive Directors or their respective associates in any 12-month period exceeding 0.1% of the Shares in issue and with a value in excess of HK\$5,000,000 must be approved by the Shareholders.
5. *Period within which the Shares must be taken up under an option:* At any time from the date of acceptance of the option to such a date determined by the Board but in any event not exceeding 10 years from the date of grant.
6. *Minimum period for which an option must be held before it can be exercised:* No minimum period unless otherwise determined by the Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

25. SHARE OPTION SCHEME – *Continued*

7. (a) Price payable on application or acceptance of the option: HK\$1.00;
 - (b) The period within which payments or calls must or may be made: Within 28 days from the date of grant;
 - (c) Period within which loans for such purposes of the payments or calls must be repaid: No applicable.
8. *Basis for determining the exercise price:* The exercise price is determined by the Board and will not be less than the highest of (a) the closing price of the Share on the date of grant; (b) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share (not applicable due to the abolition of par value upon implementation of the new CO on 3 March 2014).
9. *The remaining life of the Scheme:* Approximately 2 years (expiring on 18 June 2018).

No option was granted by the Company under the Scheme since its adoption and up to 31 December 2015.

26. 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 profit or loss 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\$1,500 (2014: HK\$1,250 before 1 June 2014 and HK\$1,500 on and after 1 June 2014) 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, Macau, Singapore are members of pension schemes operated respective local governments. The subsidiaries in the PRC are required to contribute a certain percentage ranging from 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 while the subsidiary in Singapore is required to contribute 16% of the employee’s monthly gross salary. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contribution under the schemes.

The total expense recognized in profit or loss of HK\$20,971,000 (2014: HK\$19,354,000) represents contribution, payable to those plans by the Group at rate specified in the rules of the plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

27. RELATED PARTY TRANSACTIONS

The terms and balances with related companies at the end of the reporting periods are set out in statements of financial position and note 17.

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

	2015 HK\$'000	2014 HK\$'000
(1) Sales of goods to Directors, their close family members and related companies (note b)	10,327	13,005
(2) Purchases of goods from Director's close family member	760	–
(3) Rental, electricity and air-conditioning expenses paid and payable to related companies (notes a and b)	258,756	250,428
(4) Service charge in respect of information system and administrative work paid and payable to related companies (note b)	19,111	22,472
(5) Advertising expenses paid and payable to related companies (note b)	577	1,774
(6) Financial advisory fee paid and payable to a related company (note b)	420	420

As at 31 December 2015, deposits paid to related companies, which are companies controlled by the AY Trust of which STC International is the trustee amounting to HK\$73,743,000 (2014: HK\$81,430,000) were included in rental deposits under non-current assets.

As at 31 December 2015, no prepaid rental expenses to related companies, which are companies controlled by the AY Trust of which STC International is the trustee, was included in receivables, deposits and prepayments (2014: HK\$3,143,000).

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 "Directors' Interest In Transaction, Arrangement Or Contracts Of Significance And Continuing Connected Transactions" section in the Directors' Report.
- (b) The related companies are companies controlled by Directors of the Company or their associates or the AY Trust of which STC International is the trustee and of which Ms. Cindy Yeung, the Chairperson of the Company, is one of the eligible beneficiaries.

The compensation to the Directors and key management personnel of the Group are disclosed in note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015 HK\$'000	2014 HK\$'000
Non-current assets		
Investments in subsidiaries	1,583,094	1,583,094
Amounts due from a subsidiary	2,460,803	2,344,071
	4,043,897	3,927,165
Current assets		
Deposits and prepayments	617	617
Amount due from a subsidiary	4	4
Bank balances and cash	881	526
	1,502	1,147
Current liabilities		
Other payables and accrued charges	300	300
Amount due to a related company	35	35
	335	335
Net current assets	1,167	812
Net assets	4,045,064	3,927,977
Capital and reserves		
Share capital	3,484,152	3,484,152
Reserves	560,912	443,825
Total equity	4,045,064	3,927,977

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 31 March 2016 and is signed on its behalf by:

CINDY YEUNG
DIRECTOR

CHAN HUNG MING
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

– Continued

Movement in the Company's reserves

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2014	3,415,328	332,515	3,747,843
Profit and total comprehensive income for the year	–	178,758	178,758
Transfer to share capital upon abolition of par value under new CO	(3,415,328)	–	(3,415,328)
Final dividend paid for 2013	–	(39,918)	(39,918)
Interim dividend paid for 2014	–	(27,530)	(27,530)
At 31 December 2014	–	443,825	443,825
Profit and total comprehensive income for the year	–	130,852	130,852
Final dividend paid for 2014	–	(13,765)	(13,765)
At 31 December 2015	–	560,912	560,912

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2015 and 31 December 2014 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up registered ordinary share capital	Attributable equity interest		Principal activities
			held by the Company 2015	2014	
Direct subsidiaries					
Emperor Watch & Jewellery (China) Holdings Limited	Hong Kong ("HK")	HK\$1	100%	100%	Investment holding
Emperor Watch & Jewellery (China) Holdings Limited	BVI	US\$1	100%	100%	Investment holding
Emperor Watch & Jewellery Overseas Holdings Limited	HK	HK\$1	100%	100%	Investment holding
Emperor Watch & Jewellery (HK & Macau) Holdings Limited	BVI	US\$1	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES – *Continued*

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up registered ordinary share capital	Attributable equity interest held by the Company		Principal activities
			2015	2014	
Indirect subsidiaries					
Beauty Royal Limited	HK	HK\$2	100%	100%	Provision of group tenancy agent services
Charter Loyal Limited	HK	HK\$2	100%	100%	Provision of group tenancy agent services
Crescent Gold Limited	HK	HK\$1	100%	100%	Investment holding
Esteem Step Limited	Macau	MOP25,000	100%	100%	Provision of group administration services
Emperor Watch & Jewellery (HK) Company Limited	HK	HK\$100	100%	100%	Sales of watches & jewellery
Emperor Watch & Jewellery (Singapore) Pte. Ltd.	Singapore	SGD1,000,000	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 Macau Company Limited	Macau	MOP25,000	100%	100%	Sales of watches and jewellery
Foremost Resources Limited	HK	HK\$1	100%	100%	Provision of group tenancy agent services
Gold Gatherable Limited	HK	HK\$1	100%	100%	Investment holding
Mount Win Limited	HK	HK\$1,000,000	100%	100%	Provision of group tenancy agent services
Phoenix Noble Limited	Macau	MOP25,000	100%	100%	Provision of group marketing services
Shine Air Limited	HK	HK\$1	100%	100%	Investment holding
Success Wealthy Limited	HK	HK\$1	100%	100%	Provision of group tenancy agent services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES – *Continued*

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up registered ordinary share capital	Attributable equity interest held by the Company		Principal activities
			2015	2014	
Indirect subsidiaries – <i>Continued</i>					
Trillion Winner Limited	HK	HK\$1	100%	100%	Provision of group tenancy agent services
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
Vision Wing Limited	Macau	MOP25,000	100%	100%	Provision of group sourcing services
Wealthy Able Limited	HK	HK\$1	100%	100%	Provision of group tenancy agent services
Zeal Team Limited	HK	HK\$1	100%	100%	Provision of group tenancy agent services
英皇鐘錶珠寶(北京)有限公司 [#]	PRC	HK\$160,000,000	100%	100%	Sales of watches & jewellery
英皇鐘錶珠寶(深圳)有限公司 [#]	PRC	HK\$100,500,000	100%	100%	Sales of watches & jewellery
北京富嘉佳美鐘錶貿易有限公司 [#]	PRC	HK\$73,000,000	100%	100%	Sales of watches & jewellery

[#] The subsidiaries are wholly foreign owned enterprises.

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.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
RESULT					
Revenue	5,862,377	6,531,474	6,624,372	5,924,947	4,430,846
Profit/(loss) before taxation	756,894	495,226	355,830	168,690	(116,609)
Taxation	(129,842)	(90,899)	(65,513)	(30,548)	(3,473)
Profit/(loss) for the year	627,052	404,327	290,317	138,142	(120,082)
Profit/(loss) for the year attributable to:					
Owners of the Company	627,084	404,327	290,317	138,142	(120,082)
Non-controlling interests	(32)	–	–	–	–
	627,052	404,327	290,317	138,142	(120,082)

	As at 31 December				
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
ASSETS AND LIABILITIES					
Total assets	4,667,181	4,467,602	4,795,977	4,796,332	4,466,392
Total liabilities	(808,638)	(366,935)	(388,567)	(338,527)	(191,196)
Net Assets	3,858,543	4,100,667	4,407,410	4,457,805	4,275,196
Equity attributable to owners of the Company	3,858,543	4,100,667	4,407,410	4,457,805	4,275,196
Non-controlling interests	–	–	–	–	–
Total equity	3,858,543	4,100,667	4,407,410	4,457,805	4,275,196