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

ANNUAL REPORT 2009

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

Contents

CORPORATE INFORMATION

DIRECTORS
Cindy Yeung
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
Liu Chui Ying

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

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

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

COMPLIANCE ADVISER
SinoPac Securities (Asia) Limited
21st Floor, One Peking
Tsimshatsui
Kowloon
Hong Kong

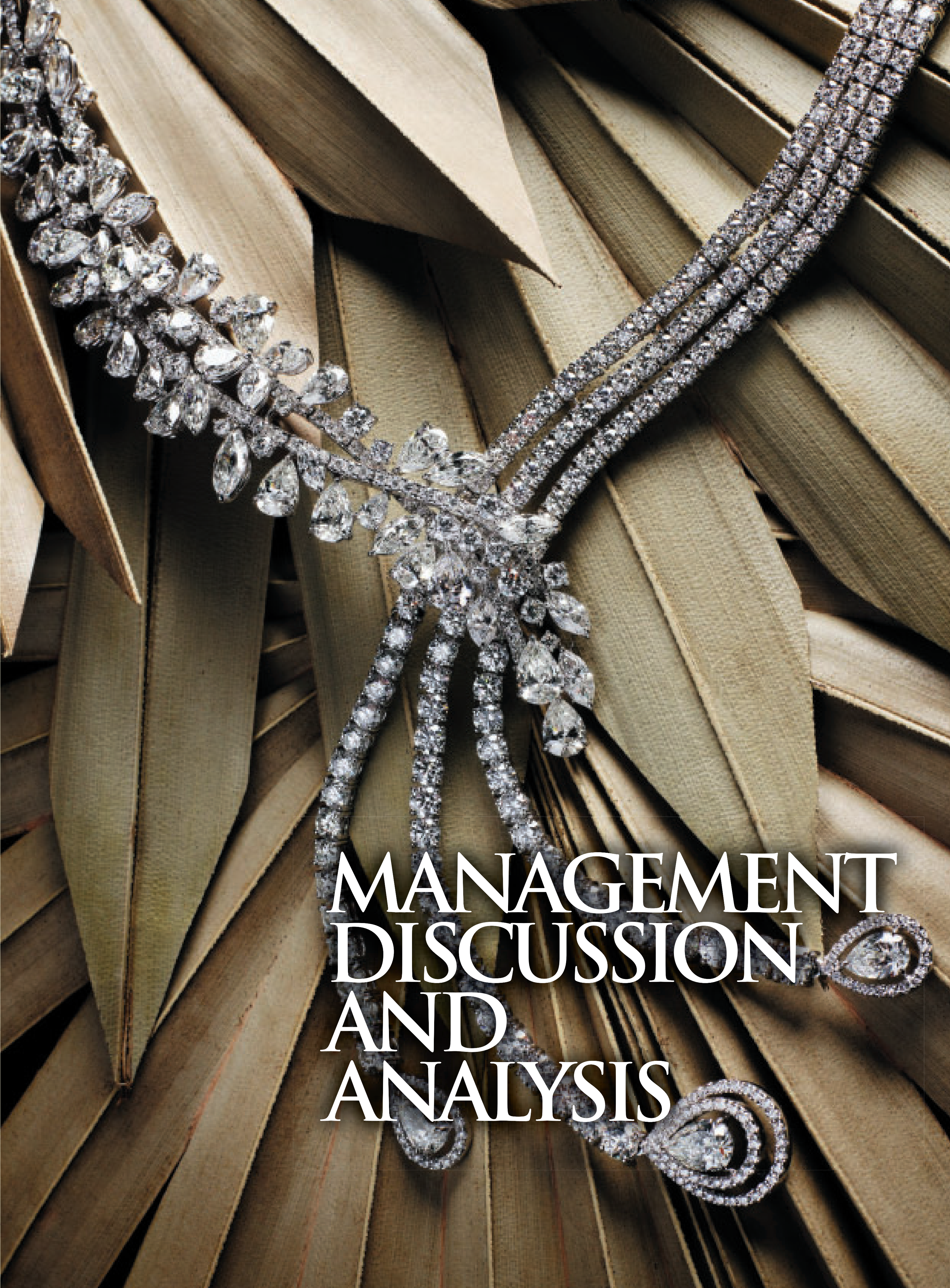
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
25th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

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

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

WEBSITE
http://www.emperorwatchjewellery.com

STOCK CODE
887



MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Year ended 31 December
HK$'000

	2009	2008	2007
Revenue by segments			
Hong Kong	**2,229,496**	1,721,831	1,483,665
Macau	**178,548**	101,993	77,798
PRC	**278,419**	18,645	–
	2,686,463	1,842,469	1,561,463
Revenue by products			
Watch	**2,320,164**	1,622,945	1,346,084
Jewellery	**366,299**	219,524	215,379
	2,686,463	1,842,469	1,561,463
Profit for the year	**200,186**	222,222	158,788
Basic earnings per share	**HK4.3 cents**	HK10.7 cents	HK$15.9

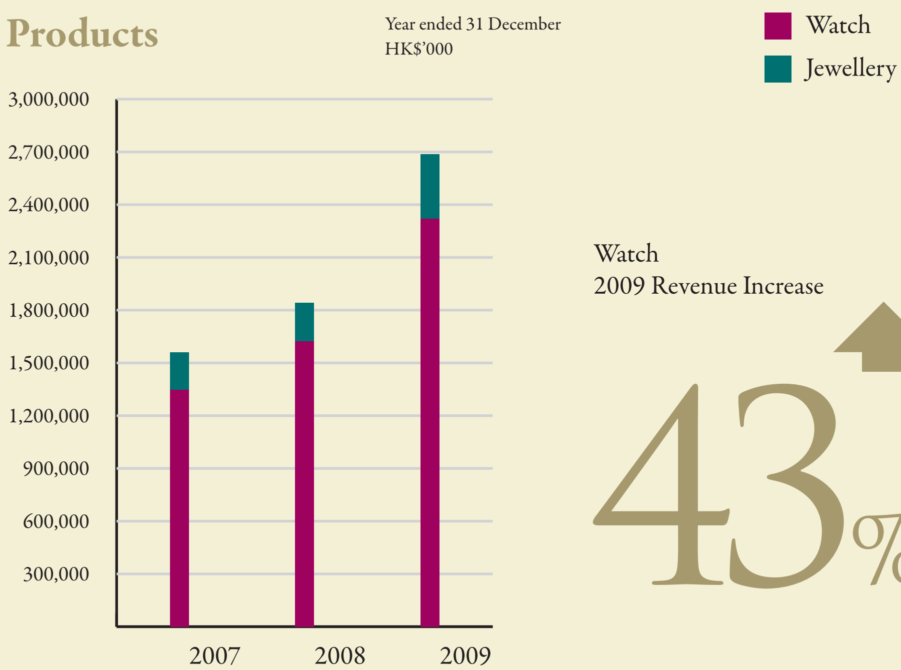
Revenue

Segments

2009 Revenue Increase

46%

Products



Watch
2009 Revenue Increase

43%

Jewellery
2009 Revenue Increase

67%

18K White Gold Black Diamond Pendant

Black diamonds, weighing approximately 3.00 carats;
Round brilliant diamonds, weighing approximately 4.28 carats.
Ref. JDPZ430048

OVERVIEW

Emperor Watch & Jewellery Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is a leading retailer of mainly European made luxurious watches and self-designed fine jewellery products in Hong Kong, Macau and China with over 60 years' history. The Group also provides customized design and production services for customers wishing to create their own exclusive, one-and-only jewellery products. Its target customers range from middle to high income earners from all over the world.

The Group has an extensive network of retail outlets at prime locations in Hong Kong, Macau and China. These include multi-brand shops as well as specialty outlets for specific brands, which enabled the Group to reap synergies with international watch brand suppliers, as well as foster loyalty among customers attracted to specific watch brands.

FINANCIAL REVIEW

Although the Group only saw a mild growth of 9.6% in its revenue during the first half of the year as a result of the financial turmoil starting from the late 2008, the Group's revenue picked up and managed to soar by 78% to HK$1,732.2 million (2008: HK$971.3 million) during the 2nd half, and recorded a total sales revenue of HK$2,686.5 million for the whole year (2008: HK$1,842.5 million), a 45.8% growth compared with last year. The increase in sales was mainly attributable by the strong spending power of mainland tourists in Hong Kong, robust revenue growth of the Group's Macau outlets as well as expansion of the retail network in mainland China.

The year also saw more revenue contribution from the jewellery sector from 11.9% in the year 2008 to 13.6% and from the PRC market from 1% in 2008 to 10.4% in the year under review.

With a strong rebound of the second half, the Group achieved a full year profit attributable to owners of the Company of HK$195.6 million (2008: HK$222.6 million).

18K White and Rose Gold Diamond Ring

Pear-shaped and round brilliant diamonds, weighing approximately 1.47 carats.
Ref. JDB25303

BUSINESS REVIEW

Expansion and Optimization of Retail Network

The Group seized the opportunities arising from the 2008 financial turmoil which extended into the first half of the year to secure good store locations and expand its retail network in mainland China. The expansion enabled the Group to benefit more from the market upturn and the upsurge in the demand for luxury goods in the second half of the year.

As at 31 December, 2009, the Group has 40 stores in Hong Kong, Macau and mainland China with breakdown as follows:

	Number of stores
Hong Kong	12
Macau	4
Mainland China	24

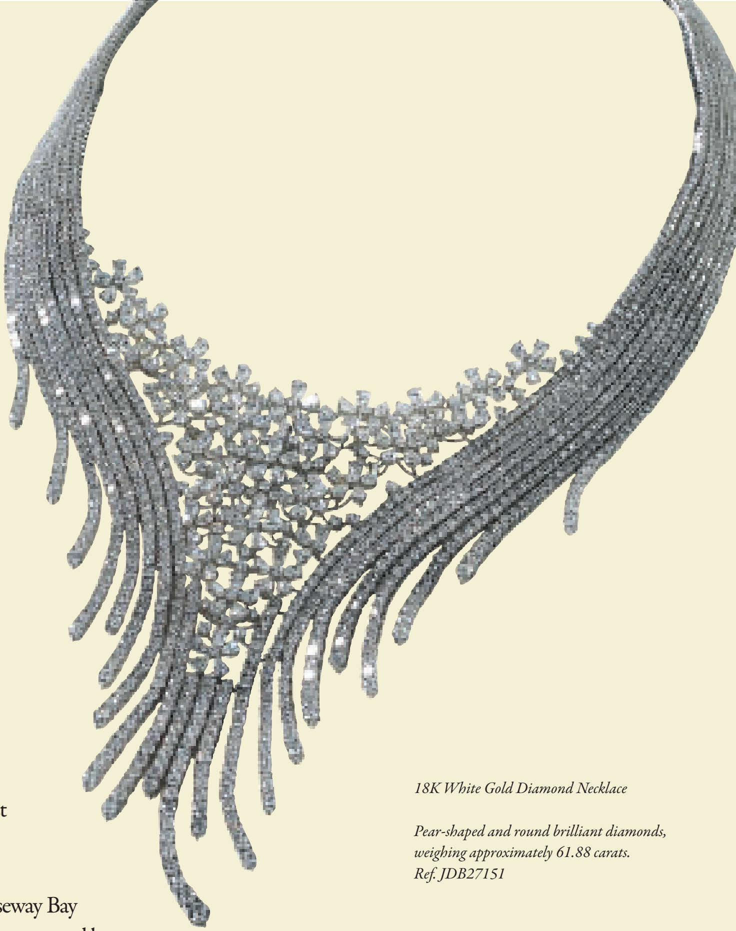
The most important new addition to the Group's fleet of stores during the year under review was the three-in-one 24,000-square-feet Flagship Store of the Group in 1881 Heritage, which was transformed from the 120-year-old historical Marine Police Headquarters and is now a prestigious cultural and shopping landmark in Tsim Sha Tsui.

The Flagship Store comprises the Emperor Jewellery Flagship Store, Asia's largest Rolex and Tudor boutique shop and a new concept café "brother & sister". A historic portal tunnel is specially preserved inside the outlet which adds the nostalgic imprint of the old Hong Kong to its grandeur.

18K White Gold Fancy Yellow Diamond Earrings

Fancy yellow diamonds,
weighing approximately 9.56 carats;
Round brilliant diamonds,
weighing approximately 0.84 carats.
Ref. JDEZ3P0114

Opened in July 2009, the Emperor Jewellery Flagship Store is the Group's first jewellery flagship store, a milestone in its 50-year endeavour in jewellery business since the 1960s. The Rolex and Tudor boutique shop was opened on the floor above Emperor Jewellery Flagship Store one month earlier in June 2009. Subsequent to the year under review in February 2010, "brother & sister" was opened inside the outlet to enrich customers' shopping experience. The Group also took full advantage of the atrium on the floor shared by Emperor Jewellery Flagship Store and "brother & sister" to hold marketing events, professional gatherings and press meetings to enhance the Group's brand awareness.



18K White Gold Diamond Necklace

Pear-shaped and round brilliant diamonds, weighing approximately 61.88 carats. Ref. JDB27151

The Flagship Store together with the expansion of the two existing stores at 81 Nathan Road and 8 Canton Road mark the Group's strong foothold in Canton Road and Tsim Sha Tsui, one of the busiest streets and premier shopping districts in Hong Kong.

During the year under review, the Group has also renovated its Causeway Bay store at 59 Russell Street. As at 31 December 2009, there were 4 stores operated by the Group at Russell Street, including a multi-brand store, a Patek Philippe boutique shop, a Rolex and Tudor specialty store and a jewellery store, which makes the Group the biggest watch and jewellery retailer at Russell Street, another equally busy street on the Hong Kong island.

Developing the market in mainland China has always been one of the Group's long-term goals. Ever since the Group's listing on the Main Board of the Stock Exchange in 2008, the number of PRC stores has grown to 24 as at 31 December 2009, the majority of which are in first-tier cities like Beijing, Shanghai and Chongqing.

Brand Recognition and Effective Marketing Programme

The Group carried out a series of advertising campaigns during the year under review, stretching from print ads, web banners, poster display at MTR station, to TV commercials to enhance its brand awareness and recognition, the highlight of which being the opening of the Flagship Store at 1881 Heritage.

To sustain its decades old relationship with brand suppliers, the Group also separately run co-op advertising campaigns with Patek Philippe, Tudor and IWC. Two in-store exhibitions were also co-organized with Patek Philippe and Cartier respectively.

To promote its self-designed jewellery brand, the Group hosted 2 jewellery shows during the Year, the Hong Kong Annual Jewellery Show and the Macau Annual Jewellery Show in Hong Kong and Macau respectively. Both events were attended by celebrities and secured substantial press coverage.

To showcase the Group's different designs for different ages, the Group sponsored selected female artistes jewellery for their public appearance. During the Year, the Group also sponsored "Joey Yung Perfect 10 Live 2009" and enjoyed synergy with the leading local female vocalist and Emperor Entertainment Group, another business operation under the Emperor Group.

As a result of its continuing marketing efforts, the Group managed to be repeated winners of both "Prime Award for the Best Brand Enterprise in Greater China 2009" and "East Week Hong Kong Service Award 2009", awards it first won in 2008.

PROSPECTS

Looking ahead, the Group is positive on the prospects of the luxurious watch and jewellery retail market, especially in mainland China, which is the fastest growing market in the world, harbouring the greatest demand for quality living style and will continue to capture the increasing purchasing power of the population of mainland China.

Hong Kong will continue to serve as the base of the Group. With high retail credibility and customs free international brand products, the Group's Hong Kong outlets are anticipated to continue to be patronized by enthusiastic shoppers from mainland China all year around. The Group will continue to expand its retail network in key tourist districts in Hong Kong and make use of various tourism-related marketing platforms in the mainland to increase sales from mainland tourists.

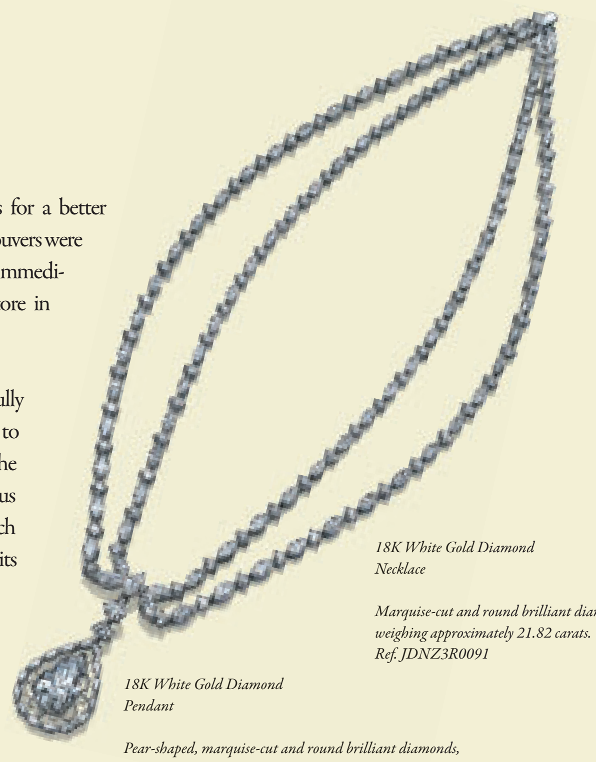
The same marketing tactics will also apply to the Macau stores, which are situated inside Grand Emperor Hotel, another business operation under the Emperor Group. With a positive outlook on the city's tourism, the Group is optimistic of sustaining the growth momentum.

Meanwhile, the Group will capitalize the growth potential in mainland China by further expanding its retail network, both to raise its market share in developed cities and to seize first or early mover advantage in second tier cities. There are now 10-20 store locations scheduled to open in the coming year, including Beijing, Shanghai, Suzhou and Hunan. Among all, the Rolex Flagship Boutique in China World Shopping Mall, Phrase 3, opening in May 2010, will be the most anticipated.

18K Yellow and Black Gold Brown Pearl & Diamond Earrings

Rose-cut and round brilliant diamonds, weighing approximately 0.91carats. Ref. JDB26932

The Group will continue to allocate more resources to jewellery business for a better equilibrium in its dual business model. Two of the Group's recent major maneouvers were the opening of the Emperor Jewellery Flagship Store in 1881 Heritage and, immediately subsequent to the year under review, Emperor Jewellery Flagship Store in Kunming.



18K White Gold Diamond Necklace

Marquise-cut and round brilliant diamonds, weighing approximately 21.82 carats.
Ref. JDNZ3R0091

18K White Gold Diamond Pendant

Pear-shaped, marquise-cut and round brilliant diamonds, weighing approximately 6.33 carats.
Ref. JDPZ3Q0091

Subsequent to the year ended 31 December 2009, the Group has successfully increased its working capital by placement of new shares and has announced to issue convertible bonds. These will provide a strong financial backing for the Group's future development plan. The Group will adopt stable and cautious financial strategies and is determined to sustain its leadership in luxurious watch and jewellery retail market in the region and generate satisfactory returns for its shareholders.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Issued share capital of the Company as at 31 December 2009 amounted to HK$45 million. There were no movements in authorized and issued share capital of the Company in the period under review.

As at 31 December 2009, the Group's current assets and current liabilities were approximately HK$1,771.2 million and HK$277.1 million respectively. Current ratio and quick ratio of the Group were 6.4 and 1.7 respectively.

As at 31 December 2009, the Group had total bank borrowings of approximately HK$13.2 million (2008: HK$17.4 million). These bank borrowings were denominated in Hong Kong dollar, interest bearing, repayable with fixed terms and guaranteed by the Company. The debt to equity ratio of the Group (calculated on the basis of the total borrowings over total equity) as at 31 December 2009 decreased to 0.9% (2008: 1.2%). The Group also has available unutilised banking facilities of approximately HK$215.5 million.

In view of the Group's financial position as at 31 December 2009 together with subsequent share placement and convertible bonds transactions (as described in the following paragraph), the Directors consider that the Group has sufficient working capital for its operations and future development plans.

Subsequent to the year ended 31 December 2009 and up to the date hereof, the Group has placed 714,810,000 new shares which represents 15.9% of the issued shares capital of the Company as at 31 December 2009 or 13.7% of the enlarged issued share capital following completion of the top-up placement on 12 March 2010. Working capital was increased by approximately HK$372 million. The Group has also entered into term sheet on 3 March 2010 with institutional investors for issuance of convertible bonds in the sum of HK$100 million, with an option on the part of such investors to subscribe for additional convertible bonds in the sum of HK$280 million.

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL EXPENDITURES AND OPERATING LEASE ARRANGEMENTS

As at 31 December 2009, the Group has capital commitments in respect of acquisition of property, plant and equipment of HK$10.6 million and operating lease commitment of HK$457.7 million.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2009, the Group has 544 (2008: 257) salespersons and 154 (2008: 139) office staff. Total staff costs (including Directors' remuneration) were HK$115.8 million (2008: HK$80.8 million). Employees' remuneration was determined in accordance with individual's responsibility, performance and experience. Staff benefits include contributions to retirement benefit scheme, medical insurance and other fringe benefit.

USE OF IPO PROCEEDS

The net proceeds from the Company's IPO amounted to approximately HK$549.5 million were fully applied during the period from the listing date up to the date of this report and such application is consistent with the proposed usage of the net proceeds set out in the Prospectus.

CORPORATE SOCIAL RESPONSIBILITIES

During the year under review, the Group fulfilled its corporate social responsibilities by participating in various charity activities, especially those related to the promotion of hospice care. It showed continuous support to the Society for the Promotion of Hospice Care (SPHC) by organizing its staff to join the society's annual fund raising event "Hike for Hospice 2009" in February 2009 and "Walk for Hospice 2009" in November 2009, a charity walk jointly organized by Emperor Foundation and SPHC. Its staff also took part in a volunteer tour organized by Emperor Foundation to Wuhan City, Hubei Province which aimed to bring love to the solitary elderly there.

Besides, the Group utilized its resources to help the underprivileged and support culture development in Hong Kong. It supported various charities by sponsoring jewellery and cash coupons worth over HK$0.78 million. Beneficiaries included Benji's Centre, Chi Heng Foundation, Hong Kong Philharmonic Orchestra, the Y.Elites Group and Hong Kong Ballet.

In recognition of the Group's commitment to corporate social responsibilities, the Hong Kong Council of Social Service awarded "Caring Company Logo" for the year 2008-2009 to the Group. It also won "Platinum Award of Corporate and Employee Contribution Programme 2008/09" and "President's Award by the Community Chest 2008/2009" from the Community Chest.

EMPEROR JEWELLERY FLAGSHIP STORE

at 1881 Heritage in Tsim Sha Tsui with an area of nearly 20,000 square feet


EMPEROR
EMPEROR
since 1942
EMPEROR
since 1942
英皇珠寶

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

EXECUTIVE DIRECTORS

CINDY YEUNG, aged 45, 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 management since then. She obtained the qualification of Graduate Gemologist of GIA in 1988. She also graduated in the University of San Francisco in 1989 with a Bachelor's Degree of Science in Business Administration majoring in Management, with emphasis in International Business. She has over 19 years of experience in watch and jewellery industry. Prior to joining the Group in 1990, she joined the sales department of Anju Jewelry Ltd, a US based company engaging in trading of jewellery products. Ms. Yeung is the daughter of Dr. Yeung Sau Shing, Albert who is a deemed controlling shareholder of the Company.

CHAN HUNG MING, aged 61, joined the Group in July 2005. He is responsible for overseeing the retail outlet operations in Macau and Hong Kong. He has over 29 years of experience in watch and jewellery industry. Prior to joining the Group, he acted as general manager in charge of the retail and watch boutique outlets in Hong Kong and the PRC in Dickson Watch & Jewellery division under Dickson Concepts (International) Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), for over 20 years.

WONG CHI FAI, aged 54, has been involved in the management of the Company since November 1998. He is the Chairman of the Remuneration Committee of the Company. Mr. Wong is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He is also a director of Emperor International Holdings Limited, Emperor Entertainment Hotel Limited and New Media Group Holdings Limited, all are companies listed on the Main Board of the Stock Exchange. He was appointed as director of Emperor Entertainment Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, on 15 November 2000 and resigned on 22 January 2010. Having over 20 years of finance and management experience, Mr. Wong has diversified experience in different businesses ranging from manufacturing to watch & jewellery retailing, property investment and development, hotel and hospitality as well as media and publication.

FAN MAN SEUNG, VANESSA, aged 47, has been involved in the management of the Company since November 1998. She is a lawyer by profession in Hong Kong and a qualified accountant. She also holds a Master's Degree in Business Administration. She is also a director of Emperor International Holdings Limited, Emperor Entertainment Hotel Limited, Emperor Entertainment Group Limited and New Media Group Holdings Limited. Besides having over 20 years of corporate management experience, she possesses diversified experience in different businesses including watch and jewellery retailing, property investment and development, hotel and hospitality, financial and securities operations as well as media and publication.

CINDY YEUNG
EXECUTIVE DIRECTOR

"Our first full fiscal year saw highs and lows for us. We ran into lows as the rest of the world in the first half year. I am glad that we managed to benefit from the increased supply of good store locations and expand at the time. We then picked up swiftly after the economy recovered."

INDEPENDENT NON-EXECUTIVE DIRECTORS

YIP KAM MAN, aged 43, is a Certified Public Accountant. She is a member of the Hong Kong Institute of Certified Public Accountants and has been a fellow of the Association of Chartered Certified Accountants since January 2001. She graduated from The University of Nottingham in the United Kingdom in July 1988 with a Bachelor's Degree in Arts (Hons). She has been engaged in the audit field (including internal audit for listed companies in Hong Kong) for more than 19 years. Currently and also before joining the Company, she has been running an audit firm. She joined the Company in June 2008. She is the Chairperson of the Audit Committee and a member of the Remuneration Committee of the Company.

CHAN HON PIU, aged 49, graduated from The University of Hong Kong with a Bachelor's Degree in Social Sciences in 1983. He also obtained the Certificate of Education in September 1985 and a Master Degree in Laws in November 1995 from The University of Hong Kong. He has been admitted as a solicitor in Hong Kong since September 1991 and is now a practising solicitor in Hong Kong. Currently and also before joining the Company, he has been working as a solicitor in a law firm in Hong Kong. He joined the Company in June 2008. He is a member of the Audit Committee of the Company.

LAI KA FUNG, MAY, aged 44, is a Certified Public Accountant. She has been a member of the Hong Kong Institute of Certified Public Accountants since 1999 and a fellow of The Association of Chartered Certified Accountants since 2003. She obtained a Master's Degree of Arts in International Accounting from City University of Hong Kong in 2001. She has been engaged in the audit field for more than 11 years. Currently and also before joining the Company, she has been the sole proprietor of May K.F. Lai & Co., Certified Public Accountants. She joined the Company in June 2008. She is a member of the Audit Committee and the Remuneration Committee of the Company.

18K Yellow and White Gold Ruby & Diamond Ring

Round ruby, weighing approximately 16.12 carats;
Fancy colour diamonds, weighing approximately 0.58 carats;
Round brilliant diamonds, weighing approximately 1.03 carats.
Ref. JRRZ410003

Directors' Report

The directors (the "Board" or "Directors") of the Company present their annual report and the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 36.

An interim dividend of HK0.35 cent per share for the year ended 31 December 2009 amounting to HK$15,750,000 was paid to the shareholders during the year.

The Directors recommend the payment of a final dividend of HK0.85 cent per share for the year ended 31 December 2009 to the shareholders on the register of members on 18 May 2010, amounting to HK$44,325,885, and the retention of the remaining profit for the year.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2009, calculated under Section 79B of the Companies Ordinance, amounted to HK$45,832,000 (2008: HK$10,512,000).

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

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

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

Subject to the respective service contract, the term of office of each Director, including the Independent Non-executive Directors, is the period up to his/her retirement by rotation in accordance with the Articles of Association of the Company.

In accordance with Article 83(1) of the Company's Articles of Association, Mr. Chan Hung Ming, Ms. Yip Kam Man and Mr. Chan Hon Piu will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

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

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

As at 31 December 2009, the interests and short positions of the Directors and the chief executives and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) Long position interests in the Company
Ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity/ Nature of interests	Number of issued ordinary shares held	Approximate percentage holding
Ms. Cindy Yeung (Note)	Beneficiary of a trust	3,370,480,000	74.90%

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

(b) Long position interests in associated corporations
(i) Ordinary shares

Name of Director	Name of associated corporation	Capacity/nature of interests	Number of issued ordinary share(s) held	Percentage of the issued share capital
Ms. Cindy Yeung	Charron Holdings Limited ("Charron") (Note 1)	Beneficiary of AY Trust	1	100%
Ms. Cindy Yeung	Million Way (Note 1)	Beneficiary of AY Trust	1	100%
Ms. Cindy Yeung	Eternally Smart Limited (Note 1)	Beneficiary of AY Trust	1	100%
Ms. Cindy Yeung	Emperor International Holdings Limited ("EIHL") (Note 1)	Beneficiary of AY Trust	2,070,171,364	105.18%
Ms. Cindy Yeung	Surply Way Profits Limited ("Surplus Way") (Note 2)	Beneficiary of AY Trust	1	100%
Ms. Cindy Yeung	Emperor Entertainment Group Limited ("EEG") (Note 2)	Beneficiary of AY Trust	216,919,714	83.43%
Ms. Cindy Yeung	Velba Limited (Note 3)	Beneficiary of AY Trust	1	100%
Ms. Cindy Yeung	New Media Group Holdings Limited (Note 3)	Beneficiary of AY Trust	450,000,000	75%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

(b) Long position interests in associated corporations (Continued)

(i) Ordinary shares (Continued)

Notes:

1. The 2,070,171,364 shares represented (i) 1,070,171,364 shares held by Charron; and (ii) 1,000,000,000 shares deemed to be owned by Charron upon full conversion of the convertible bonds due 2014 issued by EIHL. Charron was the holding company of Eternally Smart Limited. The entire issued share capital of Charron was held by Million Way which was wholly-owned by STC International, the trustee of the AY Trust. Ms. Cindy Yeung, a director of the Company, by virtue of being one of the eligible beneficiaries of the AY Trust, was deemed to be interested in the said shares.

2. The 216,919,714 shares represented (i) 192,634,000 shares held by Surplus Way; and (ii) 24,285,714 shares deemed to be owned by Surplus Way upon full conversion of the outstanding convertible bonds due 2014 issued by EEG. The entire issued share capital of Surplus Way was held by Million Way which was wholly-owned by STC International, the trustee of the AY Trust. By virtue of being one of the eligible beneficiaries of the AY Trust, Ms. Cindy Yeung was deemed to be interested in the said shares.

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

(ii) Share options

Name of Director	Name of associated corporation	Capacity/nature of interests	Number of underlying share(s) held	Percentage of the issued share capital
Mr. Wong Chi Fai (Note 4)	EIHL	Beneficial Owner	15,000,000	0.76%
	Emperor Entertainment Hotel Limited ("EEH")	Beneficial Owner	5,000,000	0.39%
Ms. Fan Man Seung, Vanessa (Note 4)	EIHL	Beneficial Owner	15,000,000	0.76%
	EEH	Beneficial Owner	5,000,000	0.39%

Note:

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

Other than as disclosed above, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2009.

SHARE OPTIONS

The Company has adopted a share option scheme (the "Share Option Scheme") on 19 June 2008. Particulars of the Scheme are set out in note 32 to the consolidated financial statements.

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

Same as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable any Director or chief executive of the Company or their spouse 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors and chief executives, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

(1) Long positions

Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity/ Nature of interests	Number of issued ordinary shares interest in or deemed to be interested	Approximate percentage holding
Allmighty Group	Legal/beneficial owner	3,370,480,000	74.90%
Million Way	Interest in a controlled corporation	3,370,480,000	74.90%

DIRECTORS' REPORT (CONTINUED)

SUBSTANTIAL SHAREHOLDERS (Continued)

(1) Long positions (Continued)

Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity/ Nature of interests	Number of issued ordinary shares interest in or deemed to be interested	Approximate percentage holding
STC International	Trustee	3,370,480,000	74.90%
Dr. Albert Yeung	Settlor of the AY Trust	3,370,480,000	74.90%
Ms. Luk Siu Man, Semon	Interest of spouse	3,370,480,000	74.90%

Note:

The entire issued share capital of Allmighty Group was held by Million Way which in turn was wholly-owned by STC International. STC International and Dr. Albert Yeung were the trustee and settlor of the AY Trust respectively. By virtue of the SFO, each of STC International and Dr. Albert Yeung was deemed to be interested in the 3,370,480,000 shares held by Allmighty Group. By virtue of being the spouse of Dr. Albert Yeung. Ms. Luk Siu Man, Semon was deemed to be interested in the said shares.

(2) Short positions

Other than as disclosed above, the Company has not been notified of any relevant interests or short positions in the issued share capital of the Company as at 31 December 2009.

CONNECTED TRANSACTIONS

The Group had the following transactions with connected parties of the Company in relation to the tenancy agreements for operation of the Group's business in Hong Kong and Macau.

	Name of counterparty	Date of agreement	Location	Terms	Amount of rental/ effective rental paid and payable for the year ended 31 December 2009 (HK$'000)
(1)	Great Future Hong Kong Limited (note 1)	20 March 2008	Shops A, D2 and E2, G/F, Harilela Mansion, 81 Nathan Road, Tsimshatsui, Kowloon	1 April 2008 – 31 March 2011	5,784
(2)	Very Sound Investments Limited (note 1)	24 July 2007	Shop Unit G03, G/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 September 2007 – 31 March 2010	1,416
(3)	Very Sound Investments Limited (note 1)	22 June 2007	Shop Unit G04 and G05, G/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 April 2007 – 31 March 2010	2,640

CONNECTED TRANSACTIONS (Continued)

	Name of counterparty	Date of agreement	Location	Terms	Amount of rental/ effective rental paid and payable for the year ended 31 December 2009 (HK$'000)
(4)	Very Sound Investments Limited (note 1)	16 May 2008	Units 2501-5, 25/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 April 2008 – 31 March 2010	2,276
(5)	Forever Crown Limited (note 1)	29 June 2006	Shop Q, G/F (including Mezzanine Floor), Hong Kong Mansion, 2-10 Great George Street, Causeway Bay, Hong Kong	16 July 2006 – 15 July 2009 (terminated on 15 June 2009)	2,310
(6)	Planwing Limited (note 1)	24 July 2007	Shops 1 & 2, G/F, 8 Russell Street, Causeway Bay, Hong Kong (together with the right to use an outdoor advertising sign board erected on 5/F)	1 September 2007 – 31 August 2010	12,600
(7)	Richorse Limited (note 1)	16 May 2008	G/F (Shop A including the yard) & 1/F (Office A), Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong	1 July 2008 – 30 June 2011	7,700
(8)	Richorse Limited (note 1)	23 October 2008	G/F & M/F, 54 & 56 Russell Street, Causeway Bay, Hong Kong together with the right to use a LED display on external wall from 2-5/F facing Russell Street and an advertising signboard on roof facing Tang Lung Street, Hong Kong	23 October 2008 – 22 October 2011	27,529

CONNECTED TRANSACTIONS (Continued)

	Name of counterparty	Date of agreement	Location	Terms	Amount of rental/ effective rental paid paid and payable for the year ended 31 December 2009 (HK$'000)
(9)	Golden Pegasus Investment Limited (note 1)	16 May 2008	Portion of 12/F, The Ulferts Centre, 4 Kin Fat Lane, Tuen Mun, New Territories	1 April 2008 – 31 March 2011	41
(10)	Gold Pleasure Investment Limited (note 1)	31 March 2009	G/F, No. 4 Canton Road, Tsimshatsui, Kowloon	1 May 2009 – 30 April 2012	5,067
(11)	Pacific Strong Bases (Holding) Company Limited (note 2)	27 March 2006	Shops 1 – 4, G/F, Grand Emperor Hotel, 288 Avenida Commercial De Macau, Macau	1 April 2006 – 31 March 2009	659
(12)	Pacific Strong Bases (Holding) Company Limited (note 2)	25 March 2009	Shops 1-4, G/F, Grand Emperor Hotel, 288 Avenida Commercial De Macau, Macau	1 April 2009 – 31 March 2012	2,027
(13)	Pacific Strong Bases (Holding) Company Limited (note 2)	2 June 2008	Shop 5, G/F, Grand Emperor Hotel, 288 Avenida Commercial De Macau, Macau	1 July 2008 – 30 June 2011	1,238

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

Notes:

(1) These seven companies were indirect wholly-owned subsidiaries of EIHL. EIHL was indirectly owned as to approximately 54.4% by the AY Trust which is founded by Dr. Albert Yeung, a deemed substantial shareholder of the Company.

(2) Pacific Strong Bases (Holding) Company Limited was an indirect subsidiary of EEH. EEH was indirectly owned as to 57.5% by EIHL.

CONNECTED TRANSACTIONS (Continued)

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

The Directors of the Company engaged the auditor of the Company to perform certain agreed upon procedures in respect of continuing connected transactions of the Group. The procedures were performed solely to assist the Directors of the Company to evaluate, in accordance with Rule 14A.38 of the Listing Rules, whether the continuing connected transactions entered into by the Group for the year ended 31 December 2009:

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

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

(c) have not exceeded the relevant cap amount for the financial year ended 31 December 2009 disclosed in the previous announcements and on page 149 of the prospectus of the Company.

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

MAJOR CUSTOMERS AND SUPPLIERS

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

During the year, aggregate purchases attributable to the Group's five largest suppliers represented approximately 74% of the Group's total purchases and the largest supplier accounted for approximately 26% of the Group's total purchases.

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

Directors' Report (Continued)

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.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 28 to 33.

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

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

To provide incentive to the relevant participants, including the Directors and eligible employees, the Company has adopted a Share Option Scheme, details of which are set out in note 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float under the Listing Rules throughout the year end 31 December 2009.

DONATIONS

During the year, the Group made charitable donation amounting to HK$1,764,626.

AUDITOR

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

On behalf of the Board

Cindy Yeung
Executive Director

Hong Kong, 24 March 2010

Corporate Governance Report

The Board of the Company has adopted various policies to ensure compliance with the code provisions of the Code on Corporate Governance Practices ("the Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). For the year ended 31 December 2009, the Board is pleased to confirm that the Company has complied fully with the code provisions of the Code.

DIRECTORS

The Board

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

As at 31 December 2009, the Board comprised seven Directors, with four Executive Directors, namely Ms. Cindy Yeung, Mr. Chan Hung Ming, Mr. Wong Chi Fai ("Mr. Wong") and Ms. Fan Man Seung, Vanessa ("Ms. Fan") and three Independent Non-executive Directors, namely Ms. Yip Kam Man, Mr. Chan Hon Piu and Ms. Lai Ka Fung, May. The biographies of the Directors are set out on pages 14 to 16 of this annual report under the "Biographies of Directors and Senior Executives" Section.

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

Management functions

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Independent Non-executive Directors

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

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

Board Meetings

The Board met regularly and board meetings were held at approximately quarterly intervals. The Board held seven board meetings during the year ended 31 December 2009 with full attendance by all the Directors.

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

Delegation by the Board

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee and Remuneration Committee. The Board set up the Audit Committee and Remuneration Committee both on 19 June 2008. The members of the Committees mainly consist of Independent Non-executive Directors. Clear written terms of reference are given to these two Committees and details of these two Committees are set out in the paragraphs "Audit Committee" and "Remuneration Committee" below. The Company has not established any nomination committee.

CORPORATE GOVERNANCE REPORT (CONTINUED)

1. *Audit Committee*

   The Audit Committee consists of three Independent Non-executive Directors, namely Ms. Yip Kam Man (Chairperson of the Committee), Mr. Chan Hon Piu and Ms. Lai Ka Fung, May who were appointed on 19 June 2008. The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditor, to approve the remuneration and terms of engagement of external auditor, review financial information and oversight of the financial reporting system and internal control procedures. The specific written terms of reference has been set out in the Company's website at www.emperorwatchjewellery.com. The Audit Committee convened three meetings during the year ended 31 December 2009 which were attended by all committee members.

   A summary of work performed by the Audit Committee during the year ended 31 December 2009 is set out below:

   i. reviewed with the external auditor and finance-in charge of the audit plans for the financial year ended 31 December 2008 and authorized the management to negotiate with the auditor on the audit fee;

   ii. reviewed the independence of external auditor and the effectiveness of the audit process;

   iii. met with the external auditor and reviewed their work and findings relating to the audit for the year ended 31 December 2008;

   iv. reviewed with the management/finance-in-charge and/or the external auditor the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual and interim financial statements for the financial year ended 31 December 2008;

   v. reviewed with finance-in-charge the effectiveness of the internal control system of the Group;

   vi. reviewed the corporate governance in respect of the Non-Competition Deed dated 27 June 2008 and recommended the Board to make relevant disclosure in the annual report for the year ended 31 December 2008;

   vii. made an annual review of the non-exempt continuing connected transactions of the Group for the year ended 31 December 2008;

   viii. recommended the Board on the re-appointment of external auditor; and

   ix. recommended the Board to adopt the revised Terms of Reference of the Audit Committee.

2. *Remuneration Committee*
   The Remuneration Committee consists of three members, namely Mr. Wong Chi Fai (Chairman of the Committee) being an Executive Director, Ms. Yip Kam Man and Ms. Lai Ka Fung, May, both being Independent Non-executive Directors. The primary duties of the Remuneration Committee are making recommendation to the Board on the Company's policy and structure for the remuneration of Directors and senior management and determining specific remuneration package for all Executive Directors. Details of the remuneration of each of the Directors for the year ended 31 December 2009 are set out in note 9(a) to the consolidated financial statements. The specific written terms of reference of the Remuneration Committee are available at the Company's website at www.emperorwatchjewellery.com. The Remuneration Committee convened one meeting during the year ended 31 December 2009 which were attended by all committee members.

   A summary of work performed by the Remuneration Committee during the year ended 31 December 2009 is set out below:

   i. recommended the Board to adopt a written Remuneration Policy;

   ii. reviewed the Directors' fees and recommended the Board to approve the fees for Non-executive Directors and the payment schedule of Directors' fees; and

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

Directors/senior management's securities transaction
The Company has adopted a code of conduct regarding securities transactions by Directors and senior executives on the same terms as the required standard of dealings set out in Appendix 10 of the Listing Rules prior to the listing of its shares on Stock Exchange. Having made specific enquiry to all Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings and the code of conduct throughout the year ended 31 December 2009.

ACCOUNTABILITY AND AUDIT

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

Corporate Governance Report (Continued)

INTERNAL CONTROLS

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

The chairperson of the annual general meeting and the chairman/members of the committees were available at the annual general meeting held on 18 May 2009 to answer questions from the shareholders and the chairperson of the meeting had explained the detailed procedures for conducting a poll during the meeting.

AUDITOR'S REMUNERATION

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

Service rendered	**Fees paid/payable** HK$'000
Audit services	1,995
Non-audit services	70

CORPORATE GOVERNANCE IN RESPECT OF NON-COMPETITION DEED

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

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

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

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

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

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

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Emperor Watch & Jewellery Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 93, which comprise the consolidated and the Company's statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

Independent Auditor's Report (Continued)

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 March 2010

Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2009

	Notes	**2009 HK$'000**	2008 HK$'000
Revenue	5	**2,686,463**	1,842,469
Cost of sales		**(1,992,871)**	(1,328,233)
Gross profit		**693,592**	514,236
Other income	6	**5,016**	1,539
Selling and distribution expenses		**(337,771)**	(169,737)
Administrative expenses		**(115,544)**	(64,879)
Initial Public Offering ("IPO") expenses		**–**	(9,181)
Finance costs	7	**(2,061)**	(2,675)
Profit before taxation	8	**243,232**	269,303
Taxation	10	**(43,046)**	(47,081)
Profit for the year		**200,186**	222,222
Other comprehensive income for the year:			
Exchange differences arising from translation of foreign operations		**(1,052)**	1,116
Total comprehensive income for the year		**199,134**	223,338
Profit for the year attributable to:			
Owners of the Company		**195,588**	222,571
Minority interests		**4,598**	(349)
		200,186	222,222
Total comprehensive income attributable to:			
Owners of the Company		**194,505**	223,383
Minority interests		**4,629**	(45)
		199,134	223,338
Earnings per share	12		
Basic		**HK4.3 cents**	HK10.7 cents

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	13	**74,584**	33,581
Current assets			
Inventories	14	**1,307,703**	1,205,417
Receivables, deposits and prepayments	16	**204,627**	133,497
Amount due from immediate holding company	17	**–**	4
Tax recoverable		**6,618**	–
Bank balances and cash	18	**252,211**	167,504
		1,771,159	1,506,422
Current liabilities			
Payables, deposits received and accrued charges	19	**263,846**	102,264
Amounts due to related companies	20	**2,752**	–
Amount due to a related party	20	**–**	491
Taxation payable		**6,213**	16,418
Obligation under a finance lease			
– due within one year	21	**119**	25
Bank borrowings – due within one year	22	**4,200**	4,200
		277,130	123,398
Net current assets		**1,494,029**	1,383,024
Total assets less current liabilities		**1,568,613**	1,416,605
Non-current liabilities			
Obligation under a finance lease			
– due after one year	21	**317**	–
Bank borrowings – due after one year	22	**9,000**	13,200
Deferred taxation	23	**379**	872
		9,696	14,072
Net assets		**1,558,917**	1,402,533

Consolidated Statement of Financial Position (Continued)

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	24	**45,000**	45,000
Reserves	25	**1,504,406**	1,352,651
Equity attributable to owners of the Company		**1,549,406**	1,397,651
Minority interests		**9,511**	4,882
Total equity		**1,558,917**	1,402,533

The consolidated financial statements on pages 36 to 93 were approved and authorised for issue by the Board of Directors on 24 March 2010 and are signed on its behalf by:

CINDY YEUNG
DIRECTOR

CHAN HUNG MING
DIRECTOR

Statement Of Financial Position

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investments in subsidiaries	15	**855,549**	855,549
Amount due from a subsidiary			
– due after one year	17	**822,548**	739,139
		1,678,097	1,594,688
Current assets			
Amount due from a subsidiary			
– due within one year	17	–	48,254
Amount due from immediate holding company	17	–	4
Bank balances and cash	18	**13**	11
		13	48,269
Current liability			
Accrued charges		**215**	382
Net current (liabilities) assets		**(202)**	47,887
Net assets		**1,677,895**	1,642,575
Capital and reserves			
Share capital	24	**45,000**	45,000
Reserves	25	**1,632,895**	1,597,575
Total equity		**1,677,895**	1,642,575

CINDY YEUNG
DIRECTOR

CHAN HUNG MING
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Other reserve HK$'000 (Note 25(a))	Capital reserve HK$'000 (Note 25(b))	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008 (Note 24(a))	3	–	–	344,003	2,529	–	14,682	361,217	–	361,217
Exchange differences arising on translation of foreign operations	–	–	–	–	–	812	–	812	304	1,116
Profit (loss) for the year	–	–	–	–	–	–	222,571	222,571	(349)	222,222
Total comprehensive income for the year	–	–	–	–	–	812	222,571	223,383	(45)	223,338
Issue of shares by the Company at nil-paid and credited as fully paid arising from the Group Reorganisation (Note 24(b)(iii))	97	372,906	(373,003)	–	–	–	–	–	–	–
Issue of promissory notes arising from the Group Reorganisation (Note 25(a)(iii))	–	–	–	(373,006)	–	–	–	(373,006)	–	(373,006)
Dividend paid by a subsidiary to its then shareholder prior to the Group Reorganisation	–	–	–	–	–	–	(73,000)	(73,000)	–	(73,000)
Issue of shares by way of capitalisation of loan from immediate holding company (Note 24(b)(iv))	31,400	668,865	–	–	–	–	–	700,265	–	700,265
Issue of shares by way of placing and public offering (Note 24(b)(v))	13,500	567,000	–	–	–	–	–	580,500	–	580,500
Expenses incurred in connection with issue of new shares of the Company	–	(21,708)	–	–	–	–	–	(21,708)	–	(21,708)
Acquisition of subsidiaries (Note 28)	–	–	–	–	–	–	–	–	4,927	4,927
At 31 December 2008	45,000	1,587,063	(373,003)	(29,003)	2,529	812	164,253	1,397,651	4,882	1,402,533
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(1,083)	–	(1,083)	31	(1,052)
Profit for the year	–	–	–	–	–	–	195,588	195,588	4,598	200,186
Total comprehensive income for the year	–	–	–	–	–	(1,083)	195,588	194,505	4,629	199,134
Final dividend paid for 2008	–	–	–	–	–	–	(27,000)	(27,000)	–	(27,000)
Interim dividend paid for 2009	–	–	–	–	–	–	(15,750)	(15,750)	–	(15,750)
At 31 December 2009	45,000	1,587,063	(373,003)	(29,003)	2,529	(271)	317,091	1,549,406	9,511	1,558,917

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		243,232	269,303
Adjustments for:			
Allowance for inventories		534	130
Depreciation of property, plant and equipment		22,384	13,834
Loss on disposal of property, plant and equipment		37	99
Impairment loss on goodwill		–	355
Interest expenses		2,061	2,675
Interest income		(164)	(1,190)
Write off of inventories		2,157	–
Operating cash flows before movements in working capital		270,241	285,206
Increase in inventories		(104,977)	(402,794)
Increase in receivables, deposits and prepayments		(71,130)	(44,096)
Increase (decrease) in payables, deposits received and accrued charges		161,582	(32,490)
Increase (decrease) in amounts due to related companies		2,752	(765)
Net cash generated from (used in) operations		258,468	(194,939)
Profits tax paid		(60,362)	(52,584)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		198,106	(247,523)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		141	–
Acquisition of subsidiaries	28	–	14,235
Interest received		164	1,190
Purchase of property, plant and equipment		(62,899)	(24,942)
Repayment by immediate holding company		4	–
NET CASH USED IN INVESTING ACTIVITIES		(62,590)	(9,517)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES			
Proceeds from issue of new shares		–	580,500
Expenses paid in connection with the issue of new shares		–	(21,708)
Dividend paid by a subsidiary to its then shareholders prior to Group Reorganisation		–	(318,000)
Dividends paid		(42,750)	–
Repayments of finance leases		(235)	(75)
Interest paid		(2,061)	(2,675)
New bank loans raised		317,265	170,000
Repayments of bank loans		(321,465)	(174,200)
(Repayment to) advance from a related party		(491)	491
Advance from immediate holding company		–	142,834
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(49,737)	377,167
NET INCREASE IN CASH AND CASH EQUIVALENTS		85,779	120,127
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		167,504	46,706
Effect of foreign exchange rate changes		(1,072)	671
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		252,211	167,504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GENERAL

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

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

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35.

Under a group reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 19 June 2008. Details of the Group Reorganisation were set out in the paragraph headed "Statutory and General Information – Corporate Reorganisation" in Appendix V to the prospectus of the Company dated 30 June 2008.

As part of the Group Reorganisation, promissory notes in aggregate of HK$373,006,000 were issued in April and June 2008 as settlement for transfer of shares in EWJ Watch & Jewellery Company Limited ("EWJ Macau"), Emperor Watch & Jewellery (HK) Company Limited ("EWJ HK") and Treasure Bright Investments Limited from Allmighty Group and its subsidiaries. In addition, an exchange of shares was taken place on 19 June 2008 where Multiford Group Limited, a wholly owned subsidiary of Allmighty Group, sold and the Company purchased the entire issued share capital of Wise Sunshine Enterprise Limited at a consideration satisfied by the allotment and issue of 9,999,999 shares by the Company, credited as fully paid, to Allmighty Group.

The Group Reorganisation completed on 19 June 2008 was in substance to intersperse Wise Sunshine Enterprises Limited and the Company between Allmighty Group and the then companies comprising the Group. The consolidated financial statements for the year ended 31 December 2008 had been prepared by using the principles of merger accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

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

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

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) "Presentation of Financial Statements" has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 "Operating Segments" is a disclosure standard that has resulted in a change in presentation of the segment information (see note 5).

The amendments to HKFRS 7 "Financial Instruments: Disclosures" expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

Except as described above, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below.

Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment loss is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Inventories

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

Investment in subsidiary

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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 as loans and receivables.

Effective interest method

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

Interest income is recognised on an effective interest basis.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Derecognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Taxation

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

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

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

Deferred taxation 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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

All other borrowing costs are recognised as and included in finance costs in the consolidated statement of comprehensive income in the period in which they are incurred.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

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

Share-based payment transactions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets

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

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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.

Allowance for trade receivables from wholesale customers

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

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold less returns and net of trade discounts.

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. HKFRS 8 replaces HKAS 14 "Segment Reporting" which required an entity to identify two sets of segments (business and geographical) using a risk and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The adoption of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The Group's operating and reportable segments under HKFRS 8 are operations located in Hong Kong, Macau and other regions in the People's Republic of China (the "PRC"). However, the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. In prior years, segment profit or loss reported externally represented profit earned by/loss from each segment without allocation of corporate administrative expenses, interest income, IPO expenses, finance costs and taxation. In contrast, segment profit or loss reported to the chief operating decision maker is more specifically focused on the gross profit/loss generated from each segment net of selling and distribution expenses and administrative expenses directly attributable to each segment.

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

For the year ended 31 December 2009

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

* Inter-segment sales are charged at cost

	Hong Kong	Macau	Other regions in the PRC	Elimination	Consolidated
Segment profit	274,302	32,914	10,638	–	317,854
Unallocated administrative expenses					(72,725)
Interest income					164
Finance costs					(2,061)
Profit before taxation					243,232
Taxation					(43,046)
Profit for the year					200,186

5. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 December 2008

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Elimination HK$'000	Consolidated HK$'000
Revenue					
External sales	1,721,831	101,993	18,645	–	1,842,469
Inter-segment sales*	43,907	7,849	2,173	(53,929)	–
	1,765,738	109,842	20,818	(53,929)	1,842,469

* Inter-segment sales are charged at cost

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Elimination HK$'000	Consolidated HK$'000
Segment profit (loss)	306,824	18,837	(729)	–	324,932
Unallocated administrative expenses					(44,963)
Interest income					1,190
IPO expenses					(9,181)
Finance costs					(2,675)
Profit before taxation					269,303
Taxation					(47,081)
Profit for the year					222,222

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the gross profit/loss generated from each segment net of selling and distribution expenses and administrative expenses directly attributable to each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

Amounts included in the measure of segment profit or loss:

For the year ended 31 December 2009

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

For the year ended 31 December 2008

	Hong Kong	Macau	Other regions in the PRC	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
Depreciation	10,302	1,871	348	12,521
Operating lease payments	88,159	3,148	3,019	94,326

The below reconciliation showing the total of the reportable segments' amounts for other segment information disclosed to the corresponding amount for the Group:

For the year ended 31 December 2009

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

For the year ended 31 December 2008

	Reportable segment totals	Adjustments	Group's total
	HK$'000	HK$'000	HK$'000
Depreciation	12,521	1,313	13,834
Operating lease payments	94,326	2,726	97,052

5. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue from major products

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

	2009 HK$'000	2008 HK$'000
Watch	**2,320,164**	1,622,945
Jewellery	**366,299**	219,524
	2,686,463	1,842,469

Geographical information

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

As at 31 December 2009

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

As at 31 December 2008

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Consolidated HK$'000
Property, plant and equipment	25,992	2,016	5,573	33,581

Segment assets and liabilities

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

6. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Interest income from bank deposits	164	1,190
Net exchange gain	454	117
Others	4,398	232
	5,016	1,539

7. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interests on:		
bank borrowings wholly repayable within five years	2,050	2,664
finance lease	11	11
	2,061	2,675

8. PROFIT BEFORE TAXATION

	2009 HK$'000	2008 HK$'000
Profit before taxation has been arrived at after charging:		
Allowance for inventories	534	130
Auditor's remuneration		
– current year	1,995	1,500
– underprovision in prior year	–	353
Cost of inventories included in cost of sales	1,983,267	1,324,515
Depreciation of property, plant and equipment	22,384	13,834
Impairment loss on goodwill	–	355
Loss on disposal of property, plant and equipment	37	99
Operating lease payments in respect of rented premises		
– minimum lease payments	213,965	96,978
– contingent rent	1,194	74
Write off of inventories	2,157	–
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	110,696	78,553
– retirement benefits scheme contributions	5,091	2,290

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

Details of the emoluments paid and payable to the Directors for the year ended 31 December 2009 and 2008 are as follows:

For the year ended 31 December 2009

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

For the year ended 31 December 2008

	Fees	Salaries, allowance and benefits-in-kind	Performance related incentive payment	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Ms. Cindy Yeung	45	1,890	1,000	12	2,947
Mr. Chan Hung Ming	45	1,158	227	12	1,442
Mr. Wong Chi Fai	45	–	–	–	45
Ms. Fan Man Seung, Vanessa	45	–	–	–	45
Ms. Yip Kam Man	67	–	–	–	67
Mr. Chan Hou Piu	67	–	–	–	67
Ms. Lai Ka Fung, May	67	–	–	–	67
	381	3,048	1,227	24	4,680

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2008: two) were Directors whose emoluments are included in the note 9(a) above. The emoluments of the remaining three (2008: three) individuals were as follows:

	2009 HK$'000	2008 HK$'000
Salaries, allowance and benefits-in-kind	3,335	3,205
Performance related incentive payment	701	355
Retirement benefits scheme contributions	49	39
	4,085	3,599

Their emoluments were within the following bands:

	Number of employees	
	2009	2008
Nil to HK$1,000,000	2	–
HK$1,000,001 to HK$1,500,000	–	3
HK$2,500,001 to HK$3,000,000	1	–

Notes:

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

(ii) No Director waived any emoluments during the two years ended 31 December 2009.

10. TAXATION

	2009 HK$'000	2008 HK$'000
The charge comprises:		
Current year:		
Hong Kong	37,148	44,029
PRC	2,811	50
Macau	3,838	2,086
	43,797	46,165
(Over)underprovision in prior year:		
Hong Kong	(260)	(30)
Macau	2	336
	(258)	306
Deferred taxation (note 23):		
Current year	(493)	625
Attributable to a change in tax rate	–	(15)
	(493)	610
	43,046	47,081

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company's subsidiaries in the PRC is 25% from 1 January 2008 onwards.

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

Details of deferred taxation are set out in note 23.

10. TAXATION (Continued)

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

	2009 HK$'000	2008 HK$'000
Profit before taxation	**243,232**	269,303
Tax charge at Hong Kong Profits Tax rate of 16.5%	**40,133**	44,435
Tax effect of expenses not deductible for tax purpose	**312**	2,593
Tax effect of income not taxable for tax purpose	**(205)**	(182)
Effect of different tax rates of subsidiaries operated in other jurisdictions	**(615)**	(914)
Tax effect of tax losses not recognised	**3,637**	875
Utilisation of tax losses previously not recognised	**(118)**	–
(Over)underprovision in respect of prior years	**(258)**	306
Others	**160**	(32)
Taxation for the year	**43,046**	47,081

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

11. DIVIDENDS

A final dividend for the year ended 31 December 2009 of HK0.85 cent (2008: HK0.6 cent) per share has been proposed by the Directors and is subject to approval by the shareholders in forthcoming annual general meeting.

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

During the year ended 31 December 2008, an interim dividend of HK$730,000 per share for the year ended 31 December 2008 amounting to HK$73,000,000 was paid by Emperor Watch & Jewellery (HK) Company Limited ("EWJHK"), a subsidiary of the Company, to its then shareholder in May 2008.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of HK$195,588,000 (2008: HK$222,571,000) attributable to owners of the Company and on the basis of 4,500,000,000 ordinary shares that was issued during the year (2008: 2,070,938,607 weighted average number of ordinary shares and assuming the shares issued pursuant to the Group Reorganisation were outstanding as at 1 January 2008).

There is no potential ordinary shares outstanding during the years ended 31 December 2009 and 2008.

13. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
COST				
At 1 January 2008	29,223	9,245	406	38,874
Additions	17,612	7,330	–	24,942
Acquisition of subsidiaries	406	373	–	779
Disposals	(136)	(51)	–	(187)
At 31 December 2008	47,105	16,897	406	64,408
Exchange realignment	15	6	–	21
Additions	57,932	4,251	1,362	63,545
Disposals	(3,957)	(270)	(406)	(4,633)
At 31 December 2009	101,095	20,884	1,362	123,341
ACCUMULATED DEPRECIATION				
At 1 January 2008	13,632	3,233	216	17,081
Provided for the year	11,792	1,961	81	13,834
Eliminated on disposals	(53)	(35)	–	(88)
At 31 December 2008	25,371	5,159	297	30,827
Exchange realignment	1	–	–	1
Provided for the year	19,535	2,617	232	22,384
Eliminated on disposals	(3,907)	(203)	(345)	(4,455)
At 31 December 2009	41,000	7,573	184	48,757
CARRYING VALUES				
At 31 December 2009	60,095	13,311	1,178	74,584
At 31 December 2008	21,734	11,738	109	33,581

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

The carrying value of a motor vehicle held under a finance lease as at 31 December 2009 was HK$591,984 (2008: HK$92,000).

14. INVENTORIES

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Raw materials	**7,457**	10,588
Goods held for resale	**1,300,246**	1,194,829
	1,307,703	1,205,417

15. INVESTMENT IN SUBSIDIARY

	THE COMPANY	
	2009 HK$'000	2008 HK$'000
Unlisted shares	**373,006**	373,006
Deemed capital contribution (note 17)	**482,543**	482,543
	855,549	855,549

16. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Trade receivables	57,413	8,612
Rental deposits	72,996	58,999
Other receivables, deposits and prepayments	74,218	65,886
	204,627	133,497

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

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

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Within 30 days	31,205	8,612
31 – 60 days	4,816	–
61 – 90 days	16,826	–
91 –120 days	4,566	–
	57,413	8,612

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

Receivables that are neither past due nor impaired relate to wholesale customers for whom there were no history of default.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$4,572,000 (2008: nil) which are past due within 30 days as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over nor charge any interest on these balances.

16. RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

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

	2009 HK$'000	2008 HK$'000
Macau Pataca ("MOP")	**537**	267

17. AMOUNTS DUE FROM IMMEDIATE HOLDING COMPANY/A SUBSIDIARY

THE GROUP/THE COMPANY

The amount due from immediate holding company was unsecured, interest-free and fully repaid during the year.

THE COMPANY

Amount due from a subsidiary with principal amount of HK$1,249,829,000 is expected to be settled by 31 December 2018. On application of HKAS 39 "Financial Instruments: Recognition and Measurement", the fair value of this amount is determined based on effective interest rate of 5% per annum on initial recognition during the year ended 31 December 2008. The difference between the principal amount of the advance and its fair value, determined on initial recognition amounting to HK$482,543,000, has been included in the investment cost in a subsidiary as deemed contribution to the subsidiary (note 15).

	2009 HK$'000	2008 HK$'000
Analysed for reporting purpose as:		
Current	**–**	48,254
Non-current	**822,548**	739,139
	822,548	787,393

18. BANK BALANCES AND CASH

THE GROUP/THE COMPANY

Bank balances carry interest at market rates which range from 0.01% to 0.36% (2008: 0.01% to 1.12%) per annum.

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

	2009 HK$'000	2008 HK$'000
HKD	**54,064**	35,486
MOP	**4,699**	956
United States dollars ("USD")	**119**	67

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

19. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Trade payables	**165,051**	18,745
Other payables, deposits received and accrued charges	**98,795**	83,519
	263,846	102,264

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

	THE GROUP	
	2009 HK$'000	2008 HK$'000
0 – 30 days	**72,958**	16,849
31 – 60 days	**27,849**	1,388
61 – 90 days	**31,142**	43
Over 90 days	**33,102**	465
	165,051	18,745

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

19. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES (Continued)

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

	2009 HK$'000	2008 HK$'000
USD	**10,948**	952

20. AMOUNTS DUE TO RELATED COMPANIES/A RELATED PARTY

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

The amount due to a related party represented amount due to Dr. Albert Yeung, a substantial shareholder of the Company, which was unsecured, interest-free and fully repaid during the year.

21. OBLIGATION UNDER A FINANCE LEASE

THE GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Amount payable under a finance lease:				
Within one year	**140**	28	**119**	25
In more than one year but not more than two years	**140**	–	**119**	–
In more than two years but not more than five years	**234**	–	**198**	–
	514	28	**436**	25
Less: Future finance charges	**(78)**	(3)	**–**	–
Present value of lease obligation	**436**	25	**436**	25
Less: Amount due within one year shown under current liabilities			**(119)**	(25)
Amount due after one year			**317**	–

21. OBLIGATION UNDER A FINANCE LEASE (Continued)

The Group has leased its motor vehicle under a finance lease. The lease term is 4 years (2008: 4 years). Interest rate underlying obligation under a finance lease is fixed at the contract date at 4.5% (2008: 3.5%) per annum.

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

22. BANK BORROWINGS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Bank loans	**13,200**	17,400
Carrying amount repayable:		
Within one year	**4,200**	4,200
In more than one year but not more than two years	**9,000**	13,200
	13,200	17,400
Less: Amount due within one year shown under current liabilities	**(4,200)**	(4,200)
Amount due after one year	**9,000**	13,200

The bank borrowings are denominated in HKD (the functional currency of the relevant group entity) and carry interest at prevailing commercial lending rate (1.6% plus HIBOR). The effective interest rate (which is also equal to contract interest rate) of the Group's bank borrowings at the end of the reporting period is 2.35% (2008: 2.35%). The weighted average effective interest rate for the year is 2.44% (2008: 3.51%) per annum. The bank borrowings are guaranteed by the Company.

23. DEFERRED TAXATION

The following is the deferred tax liability recognised by the Group and the movements thereon during the year:

	Accelerated tax depreciation HK$'000
At 1 January 2008	262
Charged to consolidated statement of comprehensive income	625
Effect of change in tax rate	(15)
At 31 December 2008	872
Credited to consolidated statement of comprehensive income	(493)
At 31 December 2009	379

At the end of the reporting period, the Group had unused tax losses of approximately HK$26,631,000 (2008: HK$5,304,000) available to offset against future profits. No deferred taxation asset has been recognised in respect of tax losses due to unpredictability of future profit streams.

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

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Will expire on:		
31 December 2013	**4,587**	5,304
31 December 2014	**22,044**	–
	26,631	5,304

24. SHARE CAPITAL

(a) The amount of share capital of HK$3,000 as at 1 January 2008 shown on the consolidated statement of changes in equity represented the aggregate issued share capital of Beauty Royal Limited, Charter Loyal Limited, EWJ HK, Glad Fortune Limited, Glory Wish Limited, Moral Step Limited, Perfect Perform Limited, Treasure Bright Investments Limited and Trillion Winner Limited, all of which became subsidiaries of the Company during the year ended 31 December 2008.

(b) The movements in the Company's authorised and issued share capital during the period from 13 March 2008 (date of incorporation) to 31 December 2008 and the year ended 31 December 2009 are as follows:

	Notes	**Number of shares**	**Amount** HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
Upon incorporation on 13 March 2008	(i)	1,000,000	10
Increase on 19 June 2008	(ii)	99,999,000,000	999,990
At 31 December 2008 and 2009		100,000,000,000	1,000,000
Issued and fully paid:			
Issue of share on 18 March 2008	(i)	1	–
Issue of shares by the Company at nil-paid and credited as fully paid	(iii)	9,999,999	100
Issue of shares by way of capitalisation of loan from immediate holding company	(iv)	3,140,000,000	31,400
Issue of shares by way of placing and public offering	(v)	1,350,000,000	13,500
At 31 December 2008 and 2009		4,500,000,000	45,000

24. SHARE CAPITAL (Continued)

(b) (Continued)

Notes:

(i) Upon incorporation, the authorised share capital of the Company was HK$10,000 divided into 1,000,000 ordinary shares of HK$0.01 each. One subscriber's share of HK$0.01 was issued on 18 March 2008 and transferred to Allmighty Group on 19 March 2008.

(ii) On 19 June 2008, the authorised share capital of the Company was increased from HK$10,000 to HK$1,000,000,000 by the creation of an additional 99,999,000,000 ordinary shares of HK$0.01 each.

(iii) On 19 June 2008, as part of the Group Reorganisation, 9,999,999 new ordinary shares of HK$0.01 each were allotted and issued to Allmighty Group at nil-paid and credited as fully paid in exchange of the entire issued share capital of Wise Sunshine Enterprises Limited held by Multifold Group Limited, a wholly owned subsidiary of Allmighty Group.

(iv) On 17 July 2008, as part of the Group Reorganisation, 3,140,000,000 new ordinary shares of HK$0.01 each were allotted and issued to Allmighty Group by way of capitalisation of loan of HK$700,265,000 from Allmighty Group.

(v) On 17 July 2008, 1,350,000,000 new ordinary shares of HK$0.01 each were issued by way of placing to professional, institutional and private investors and public offering at a price of HK$0.43 per share. On 21 July 2008, the Company's shares were listed on the Main Board of the Stock Exchange.

All the shares which were issued by the Company during the period from 13 March 2008 to 31 December 2008 rank pari passu with each other in all aspects.

25. RESERVES

THE GROUP

(a) Other reserve represented the aggregate amount of:

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

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

(iii) promissory notes in aggregate of HK$373,006,000 issued in exchange for shares in EWJ Macau, EWJ HK and Treasure Bright Investments Limited.

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

THE COMPANY

	Share premium HK$'000	Accumulated profits HK$'000	Total HK$'000
At 13 March 2008	–	–	–
Profit and total comprehensive income for the period	–	10,512	10,512
Issue of shares by the Company at nil-paid and credited as fully paid arising from the Group Reorganisation	372,906	–	372,906
Issue of shares by way of capitalisation of loan from immediate holding company	668,865	–	668,865
Issue of shares by way of placing and public offering	567,000	–	567,000
Expenses incurred in connection with issue of new shares	(21,708)	–	(21,708)
At 31 December 2008	1,587,063	10,512	1,597,575
Profit and total comprehensive income for the year	–	78,070	78,070
Final dividend paid for 2008	–	(27,000)	(27,000)
Interim dividend paid for 2009	–	(15,750)	(15,750)
At 31 December 2009	1,587,063	45,832	1,632,895

26. CAPITAL RISK MANAGEMENT

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

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

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

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

27. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalent)	**340,098**	185,273	**822,548**	787,408
Financial liabilities				
At amortised cost	**262,404**	98,772	**–**	–

27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies

The Group's financial instruments include receivables, amount due from immediate holding company, bank balances and cash, payables, amounts due to related companies and a related party, obligation under a finance lease and bank borrowings. The Company's financial instruments include amounts due from a subsidiary and immediate holding company, and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

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

(i) Interest rate risk

The Group has exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings (see note 22), which carry interest at prevailing market interest rates (i.e. 1.6% plus HIBOR). 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

The sensitivity analysis below has been determined based on the exposure to interest rates from the Group's variable-rate bank borrowings. The analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period was outstanding for the whole year. A 200 basis points (2008: 200 basis points) increase or decrease is used, which represents management's assessment of the reasonably possibly change in interest rates.

If interest rates had been 200 basis points (2008: 200 basis points) higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2009 would decrease by HK$220,000 (2008: HK$291,000). An equal and opposite impact on the Group's post-tax profits for the year would be resulted if the interest rates had been 200 basis points (2008: 200 basis points) lower.

27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Foreign currency risk

THE GROUP

The Group undertakes certain sales and purchases transactions denominated in MOP and USD which are the currencies other than the functional currency 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 currency fluctuation of HKD against Reminbi ("RMB"), the functional currency of the relevant group entities, as these group entities held certain HKD denominated bank balances. The Group manages its foreign currency risk by closely monitoring the movements of the foreign currency rates. The Directors conduct periodical review of foreign currency exposure and will consider hedging significant foreign exchange exposure should the need arise.

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

	2009 HK$'000	2008 HK$'000
Assets		
HKD	54,064	35,486
MOP	5,236	1,223
USD	119	67
Liabilities		
HKD	184,885	–
USD	10,948	952

27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Foreign currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 2% (2008: 2%) appreciation in RMB, which is the functional currency of the relevant group entities, relative to HKD. The sensitivity analysis of the Group also includes foreign currency risk exposure on inter-company balances. 2% (2008: 2%) is the sensitivity rate used in the management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis in the following table includes only outstanding HKD denominated monetary items and adjusts their translation at the end of the reporting period for 2% (2008: 2%) change in foreign currency rate. A negative number indicates decrease in post-tax profit for the year where RMB strengthen 2% against HKD. There would be an equal and opposite impact on the post-tax profit for the year where RMB weakens 2% (2008: 2%) against HKD.

	2009	2008
	HK$'000	HK$'000
HKD	**2,616**	(710)

THE COMPANY

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

27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

THE GROUP

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The Group has concentration of credit risk as 10% (2008: 34%) of receivables, deposits and prepayments was placed as consignment deposit to a consignor in the PRC, and 48% (2008: nil) of total trade receivables was due from the Group's largest wholesale customer.

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

THE COMPANY

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

The Company has provided limited financial guarantee to a subsidiary. The management considers the Company's exposure to credit risk arising from default payment by this subsidiary to the bank is limited as this subsidiary has sufficient net assets to repay its borrowing to the bank.

27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

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 management of the Company monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group mainly relies on bank borrowings as a significant source of liquidity. As at 31 December 2009, the Group has available unutilised overdraft and bank loan facilities of HK$215,500,000 (2008: HK$205,550,000).

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.

THE GROUP

	Weighted average effective interest rate	Less than 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at the end of the reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2009								
Payables	–	246,016	–	–	–	–	246,016	246,016
Amounts due to related companies	–	2,752	–	–	–	–	2,752	2,752
Obligation under a finance lease	4.50	35	35	70	140	234	514	436
Bank borrowings	2.35	1,125	1,119	2,220	9,018	–	13,482	13,200
		249,928	1,154	2,290	9,158	234	262,764	262,404
At 31 December 2008								
Payables	–	80,856	–	–	–	–	80,856	80,856
Amount due to a related party	–	491	–	–	–	–	491	491
Obligation under a finance lease	3.50	21	7	–	–	–	28	25
Bank borrowings	2.35	1,150	1,144	2,269	13,464	–	18,027	17,400
		82,518	1,151	2,269	13,464	–	99,402	98,772

27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

THE COMPANY

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

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

c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

28. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2008, the Group acquired 100% of the issued share capital of Nobel Strength Investments Limited, Riverdragon Investments Limited, Famous Gold Investments Limited, Luckcharm Limited, Timejoy Group Limited and their subsidiaries from several vendors for an aggregate consideration of HK$47. The principal activity of these companies is investment holding while their subsidiaries are mainly engaged in sales of watches and jewellery. The acquisitions had been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$355,000 and was fully impaired and charged to the profit or loss during the year ended 31 December 2008.

The aggregated net assets acquired in the transactions, and the goodwill arising, were as follows:

	Fair value HK$'000
Net assets acquired:	
Property, plant and equipment	779
Inventories	1,851
Receivables, deposits and prepayments	48,110
Bank balances and cash	14,235
Payables, deposits received and accrued charges	(60,403)
	4,572
Minority interests	(4,927)
	(355)
Goodwill	355
Total consideration satisfied by cash	–
Net cash inflow arising on the acquisition:	
Cash consideration paid	–
Bank balances and cash acquired	14,235
	14,235

28. ACQUISITION OF SUBSIDIARIES (Continued)

The Directors considered the carrying value of net assets acquired approximated its fair value.

The acquired subsidiaries contributed HK$7.6 millions of net loss to the Group for the period between the date of acquisition and 31 December 2008.

If the acquisition had been completed on 1 January 2008, total revenue of the acquired subsidiaries for the year ended 31 December 2008 was HK$37 millions (unaudited), and net loss for the year ended 31 December 2008 was HK$4.9 millions (unaudited). The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is intended to be a projection of future results.

29. MAJOR NON-CASH TRANSACTIONS

As part of the Group Reorganisation, promissory notes in aggregate of HK$373,006,000 were issued in April and June 2008 as settlement for transfer of shares in EWJ Macau, EWJ HK and Treasure Bright Investments Limited.

On 19 June 2008, the Company issued 9,999,999 new ordinary shares of HK$0.01 each to Allmighty Group at nil-paid and credited as fully paid in exchange of the investment in Wise Sunshine Enterprises Limited held by Multifold Group Limited.

On 17 July 2008, the Company issued 3,140,000,000 new ordinary shares of HK$0.01 each to Allmighty Group by the way of capitalisation of a loan of HK$700,265,000 from Allmighty Group.

During the year ended 31 December 2009, the Group entered into finance lease arrangement for acquisition of asset with a capital value at the inception of the lease of HK$646,000 (2008: nil).

30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2009 HK$'000	2008 HK$'000
Within one year	**191,047**	153,113
In the second to fifth year inclusive	**266,649**	243,706
	457,696	396,819

Operating lease payments represent rentals payable by the Group for its offices and shops. Leases are negotiated for terms ranging from one month to three years with fixed monthly rentals and certain arrangements are subject to contingent rents based on a fixed percentage of the monthly gross turnover in excess of the monthly minimum lease payments.

Included in the above is future lease payments with related companies of approximately HK$167,200,000 (2008: HK$164,464,000) which fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**89,100**	69,353
In the second to fifth year inclusive	**78,100**	95,111
	167,200	164,464

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

31. CAPITAL COMMITMENTS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**10,649**	6,601

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

32. SHARE OPTION SCHEME

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

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

No option was granted by the Company under the Share Option Scheme since its adoption and up to 31 December 2009.

33. RETIREMENT BENEFITS SCHEMES

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

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

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

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

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

34. RELATED PARTY TRANSACTIONS

The balances with related companies or a related party at the end of the reporting period is set out in note 20.

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

	2009 HK$'000	2008 HK$'000
Sales of goods to Directors and their close family members	6,254	3,963
Purchase of inventories from related companies (note b)	–	555
Purchase of inventories from fellow subsidiaries	–	41
Rental, electricity and air-conditioning expenses paid and payable to related companies (notes a and b)	70,764	37,979
Rental expenses paid and payable to a fellow subsidiary	–	2,114
Service charge paid and payable to related companies (note b)	9,811	2,454
Advertising expenses paid and payable to related companies (note b)	1,078	1,544
Advisory fee paid and payable to a related company (note b)	360	1,133
Commission fee paid and payable to a related company (note b)	–	387

As at 31 December 2009, rental deposits paid to related companies, which are companies owned and controlled by a substantial shareholder of the Company, amounted to HK$23,615,000 (2008: HK$20,326,000) were included in receivables, deposits and prepayments.

The Company provided a guarantee of HK$350,000,000 (2008: HK$455,000,000) to banks in respect of credit facilities granted to a subsidiary. The aggregate amounts utilised by the subsidiary as at 31 December 2009 was HK$13,200,000 (2008: HK$17,400,000).

34. RELATED PARTY TRANSACTIONS (Continued)

Note:

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

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

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

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up issued/ registered ordinary share capital	Attributable equity interest held by the Company 2009	2008	Principal activities
Beauty Royal Limited	Hong Kong ("HK")	HK$2	100%	100%	Provision of group tenancy agent services
Bloom Gold Limited	HK	HK$1	100%	100%	Investment holding
Charter Loyal Limited	HK	HK$2	100%	100%	Provision of group tenancy agent services
Crescent Gold Limited	HK	HK$1	100%	100%	Investment holding
Emperor Watch & Jewellery (China) Holdings Limited (formerly known as Elite Ever Enterprises Limited)	BVI	US$1	100%	100%	Investment holding
Emperor Watch & Jewellery (HK) Company Limited	HK	HK$100	100%	100%	Sales of watches & jewellery

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up issued/ registered ordinary share capital	Attributable equity interest held by the Company 2009	2008	Principal activities
Emperor Watch & Jewellery Management Limited	BVI	US$1	**100%**	100%	Holding trademarks, logo and domain names of the Group
EWJ Watch and Jewellery Company Limited	Macau	MOP25,000	**100%**	100%	Sales of watches &. jewellery
First Elite Limited	HK	HK$1	**100%**	100%	Investment holding
Foremost Resources Limited	HK	HK$1	**100%**	100%	Provision of group tenancy agent services
Glad Fortune Limited	HK	HK$1	**100%**	100%	Provision of group tenancy agent services
Gold Gatherable Limited	HK	HK$1	**100%**	100%	Investment holding
Glory Wish Limited	HK	HK$2	**100%**	100%	Provision of group tenancy agent services
Great Joyful Investments Limited	BVI	US$1	**100%**	100%	Investment holding
Moral Step Limited	HK	HK$1	**100%**	100%	Provision of group tenancy agent services
Noble Strength Investments Limited	BVI	US$50,000	**100%**	100%	Investment holding
Perfect Perform Limited	HK	HK$2	**100%**	100%	Provision of group tenancy agent services

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up issued/ registered ordinary share capital	Attributable equity interest held by the Company		Principal activities
			2009	2008	
Plus Gain Enterprises Limited	BVI	US$1	100%	100%	Investment holding
Shine Air Limited	HK	HK$1	100%	100%	Investment holding
Smart Take Limited	HK	HK$1	100%	100%	Investment holding
Treasure Bright Investments Limited	BVI	US$345	100%	100%	Investment holding and group treasury services
Trillion Winner Limited	HK	HK$1	100%	100%	Provision of group tenancy agent services
Uni-Champ Limited	HK	HK$1	100%	100%	Investment holding
Winner Sea Enterprises Limited	BVI	US$1	100%	100%	Investment holding
Zeal Team Limited	HK	HK$1	100%	100%	Provision of group tenancy agent services
百達麗鐘錶（深圳）有限公司#	PRC	HK$30,500,000	100%	100%	Sales of watches and jewellery
北京富嘉佳美鐘錶貿易有限公司*	PRC	HK$5,000,000	51%	51%	Sales of watches and jewellery

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up issued/ registered ordinary share capital	Attributable equity interest held by the Company 2009	Attributable equity interest held by the Company 2008	Principal activities
金匡匯鐘錶珠寶商貿(北京)有限公司#	PRC	HK$30,000,000	100%	100%	Sales of watches and jewellery
重慶市盈豐鐘錶珠寶有限公司#	PRC	HK$10,500,000	100%	100%	Sales of watches and jewellery
上海裕迅鐘錶珠寶貿易有限公司#	PRC	HK$8,000,000	100%	100%	Sales of watches and jewellery
天津盈富鐘錶珠寶商貿有限公司#	PRC	HK$5,000,000	100%	100%	Sales of watches and jewellery

* The subsidiaries are Sino-foreign equity joint venture.

The subsidiaries are wholly foreign owned enterprises.

For the year ended 31 December 2009, other than Plus Gain Enterprises Limited and Emperor Watch & Jewellery (China) Holdings Limited, all other subsidiaries are indirectly held by the Company.

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

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

36. EVENTS AFTER THE REPORTING PERIOD

a. **New share placing**
On 13 January 2010, the Company entered into an agreement with the placing agent for 450,000,000 new share placing ("New Share Placing") through the placing agent to third party placees at a price of HK$0.51 per share. The New Share Placing was completed on 25 January 2010 and new shares issued rank pari passu with the existing shares in issue of the Company. The aggregate gross proceeds from the New Share Placing is HK$229,500,000. The Company intends to use the net proceeds of HK$227,100,000 mainly for expansion of its retail outlets in Hong Kong, Macau and the PRC.

36. EVENTS AFTER THE REPORTING PERIOD (Continued)

b. Top-up placing of new shares

On 3 March 2010, Allmighty Group, has agreed to place 264,810,000 shares of the Company ("Placing") to independent investors at a price of HK$0.54 per share, and has also agreed to subscribe for 264,810,000 new shares of the Company (the "Top-Up Shares") at the price of HK$0.54 per share ("Top-Up Subscription") conditional upon the completion of the Placing. The Top-Up Shares will rank pari passu with the existing shares in issue of the Company, when fully paid. The gross proceeds from the Top-Up Subscription is approximately HK$143,000,000 and the net proceeds is approximately HK$142,500,000 after deduction of placing brokerage commission and related expenses. The Company intends to use the net proceeds as general working capital of the Group including the expansion of the Group's business in the PRC.

The Placing and Top-Up Subscription were completed on 9 March 2010 and 12 March 2010 respectively.

c. Issue of convertible bonds

On 3 March 2010, the Company entered into a non-binding convertible bonds subscription term sheet with three independent investors for the Company to issue 1.5% convertible bonds with aggregate principal amount of HK$380,000,000 ("CB") in two tranches ("CB Subscription"). The CB will rank as direct, unsubordinated, unconditional and unsecured obligation of the Company and will rank pari passu with the other unsecured debts of the Company. The net proceeds from the CB Subscription will be approximately HK$378,500,000 after deducting all related expenses (including professional advisors fees and printing costs). The Company intends to use the net proceeds from the CB Subscription as general working capital of the Group including the expansion of the Group's business in the PRC.

The CB will be convertible into conversion shares at the conversion price of HK$0.54 per conversion share, subject to customary adjustment provisions. Upon the exercise of the conversion rights attached to the CB in full, a total of 703,703,702 conversion shares ("Conversion Shares") will be allotted and issued. Conversion Shares will be fully paid and non-assessable and will rank pari passu in all respects with the shares in issue of the Company on the conversion date, including with regard to trading and settlement. Unless previously converted or purchased or redeemed, the Company will redeem (together with unpaid accrued interest) at 106% of the outstanding principal amount of the CB on maturity date, the third anniversary date from the issue of CB.

The signing of a formal agreement and the completion of the issue of CB have not been taken place up to the approval date of the consolidated financial statements.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
RESULT					
Revenue	645,264	1,084,395	1,561,463	1,842,469	**2,686,463**
Profit before taxation	31,731	65,084	191,757	269,303	**243,232**
Taxation	(5,605)	(11,121)	(32,969)	(47,081)	**(43,046)**
Profit for the year	26,126	53,963	158,788	222,222	**200,186**
Profit for the year attributable to :					
Owners of the Company	26,126	53,963	158,788	222,571	**195,588**
Minority interests	–	–	–	(349)	**4,598**
	26,126	53,963	158,788	222,222	**200,186**

	As at 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
ASSETS AND LIABILITIES					
Total assets	530,883	757,416	909,701	1,540,003	**1,845,743**
Total liabilities	(481,417)	(309,987)	(548,484)	(137,470)	**(286,826)**
Net Assets	49,466	447,429	361,217	1,402,533	**1,558,917**
Equity attributable to owners of the Company	49,466	447,429	361,217	1,397,651	**1,549,406**
Minority interests	–	–	–	4,882	**9,511**
Total equity	49,466	447,429	361,217	1,402,533	**1,558,917**

Notes:

1. The Company was incorporated in Hong Kong on 13 March 2008 and became the holding company of the Group with effect from 19 June 2008 upon the completion of the Group Reorganisation as set out in the Prospectus.

2. The results and summary of assets and liabilities for each of the three years ended 31 December 2007 which were extracted from the Prospectus have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout those years.