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

70th Anniversary
EMPEROR GROUP
SINCE 1942

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

Eternal Elegance

Annual Report 2011

Contents

Corporate Information

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

Company Secretary
Chung Ho Ying, Frina

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

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

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

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

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

Registered Office And Principal Place Of Business
25th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

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

Principal Bankers
The Hong Kong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Chong Hing Bank Limited

Website
http://www.emperorwatchjewellery.com

Stock Code
887

Key Dates

Annual Results Announcement	19 March 2012
Book Close Dates	
– For AGM	9 May 2012
– For Final Dividend	17 to 18 May 2012
Record Dates	
– For AGM	9 May 2012
– For Final Dividend	18 May 2012
Annual General Meeting	10 May 2012
Payment of Final Dividend	8 June 2012 (HK1.6 cents per share)

CORPORATE COMMUNICATIONS

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

Financial Highlights

	Year ended 31 December (HK$'million)			Changes	
	2011	2011	2010		
	Per Reported	Excluding the net loss on derivative financial instruments[1]			
Revenue	5,862	**5,862**	4,095	**43.1%**	↑
Gross Profit	1,686	**1,686**	1,048	**60.9%**	↑
Gross Profit Margin	28.8%	**28.8%**	25.6%	**3.2% pts**	↑
EBITDA[2]	825	**834**	456	**82.9%**	↑
EBITDA Margin	14.1%	**14.2%**	11.1%	**3.1% pts**	↑
Profit for the Year	627	**636**	332	**91.6%**	↑
Net Profit Margin	10.7%	**10.8%**	8.1%	**2.7% pts**	↑
Basic earnings per share	HK9.7 cents	**HK9.9 cents**	HK6.2 cents	**59.7%**	↑
Dividend per share	HK2.8 cents	**HK2.8 cents**	HK1.77 cents	**58.2%**	↑

1 *Net loss on derivative financial instruments is a non-cash item recognised in consolidated statement of comprehensive income which related to fair value loss on initial recognition and fair value change at year ended.*

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

Management Discussion and Analysis

Dedicated to the continuous efforts of the Group on the growth of business performance and enhancement of investor communication, the Group is awarded by Asia Money Magazine as 2011 Hong Kong Best Managed Companies Award (Small-Cap).

Emperor Watch & Jewellery Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is a leading retailer of European–made luxurious and internationally branded watches, together with self-designed fine jewellery products under its own brand, "***Emperor***", through its extensive retail networks in Hong Kong, Macau and the PRC. The target customers range from middle to high income group from all over the world. With a long history of 70 years since its establishment, the Company owns a balanced and comprehensive watches' dealership list.

Dedicated to the continuous efforts of the Group on the growth of business performance and enhancement of investor communication, the Group is awarded by Asia Money Magazine as 2011 Hong Kong Best Managed Companies Award (Small-Cap).

MARKET REVIEW

With reference to the review conducted by the World Luxury Association, the PRC became the largest luxury goods consumption market in 2011 by taking up 28% of global consumption of luxury goods. Among the consumers for luxury goods in the PRC, 45% were aged from 18 to 34. It shows that the young generation and middle income group are transitioning from a saving culture to a spending culture. With the rising awareness of the quality for life, the wealthy middle age group and emerging middle income group are demanding more on life-style enhancement and personal image, which are the underlying forces for fine-quality and well-branded items.

According to the statistics revealed by the Hong Kong Tourism Board, the total number of mainland visitors amounted to 42 million for the year ended 31 December 2011 (the "Year") with an increase of 16.4% when compared to last year. Hong Kong therefore is still a popular shopping destination from the perspectives of mainland visitors, as Hong Kong offers a broader selection of products and competitive prices due to the absence of luxury goods tax and appreciation of Renminbi against Hong Kong dollars.

FINANCIAL REVIEW

Thanks for the expansion of market demand for luxury goods and substantial increase of purchasing powers of mainland visitors, the general performance for the Year was encouraging.

During the Year, the Group reported revenue of approximately HK$5,862.4 million (2010: HK$4,095.3 million), representing an increase of 43.1%. The Hong Kong market continued to be the key revenue contributor, taking up 83.0% (2010: 82.2%) of the Group's total revenue. During the Year, the revenue contribution from the jewellery sector further increased to 17.6% (2010: 15.4%). Due to the continuous contribution of jewellery business as well as the increase of retail price of watch and diamond during the Year, the overall gross profit margin performance further increased to 28.8% (2010: 25.6%).

Excluding the net loss on derivative financial instruments, EBITDA increased substantially by 82.9% to HK$834 million (2010: HK$456 million) and the profit for the Year surged by 91.6% to HK$636.4 million (2010: HK$331.6 million). Basic earnings per share were HK9.9 cents (2010: HK6.2 cents).

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group was able to maintain its strong and healthy financial position in the market. Bank balances and cash on hand of the Group as at 31 December 2011 amounted to HK$803.8 million (2010: HK$601.5 million), which were mainly denominated in Hong Kong dollars and Renminbi. As at 31 December 2011, the Group had total bank borrowings of approximately HK$340.2 million (2010: HK$67.2 million). These bank borrowings were denominated in Hong Kong dollar, interest bearing, repayable with fixed terms and secured by corporate guarantees of the Company.

The convertible bonds have been converted into equity shares during the Year, nevertheless, due to the temporarily utilization of subsisting banking facilities at the year end, the gearing ratio of the Group (calculated on the basis of the total borrowings over total assets) as at 31 December 2011 increased to 7.3% (2010: 5.7%) incidentally. The Group also had available unutilised banking facilities of approximately HK$375.5 million.

As at 31 December 2011, the Group's current assets and current liabilities were approximately HK$4,407.4 million (2010: HK$2,924.5 million) and HK$808.6 million (2010: HK$555.5 million) respectively. Current ratio and quick ratio of the Group were 5.5 (2010: 5.3) and 1.2 (2010: 1.4) respectively.

In view of the Group's financial position as at 31 December 2011, the Board considered that the Group had sufficient working capital for its operations and future development plans.

BUSINESS REVIEW

Expansion and Optimization of Retail Network

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

As at 31 December 2011, the Group had 80 stores (2010: 61 stores) in Hong Kong, Macau and the PRC. Details of which is listed below:

	Hong Kong	Macau	The PRC
Number of stores	18	05	57

The Group's retail stores in Hong Kong are strategically located at the major high-end shopping places, namely, Russell Street in Causeway Bay, Canton Road and Nathan Road in Tsim Sha Tsui. Russell Street is now recognized as one of the most expensive shopping area in the world, in terms of shop rental rate per square feet. With the lead of iconic flagship store located in 1881 Heritage, Canton Road, Tsim Sha Tsui, the Group can capture the local shoppers as well as mainland visitors.

As the Group focused its resources on the store roll-outs in the PRC during the Year, the number of mainland stores had increased to 57 as at 31 December 2011, covering the first-tier and second-tier cities including Beijing, Guangzhou, Shanghai and Chongqing so as to seize the potential growth opportunities and enhance the Group's market penetration in those regions.

Brand Recognition and Effective Marketing Programme

The Group continued to effectively market and promote the brand through a range of joint promotions, sponsorships and exhibitions during the Year. All of which received positive results. To sustain its decades-old relationship with watch suppliers, the Group separately ran co-op advertising campaigns and organized joint promotion events with world-class watch suppliers to further foster the relationship and enhance the brand reputation for both leading watch brands and "***Emperor***".

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

Enjoying Group Synergies

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

PROSPECTS

Consumption growth will remain rapid in the years to come with the support of sustained economic growth, wealth expansion, dynamic and changing demographics and customer psychology. Luxury watch and fine jewellery market are no doubt the most appealing product segment as they account for the largest share of the PRC's luxury expenditure and register the most prominent growth of the various luxury products.

With reference to The Chinese Millionaire Wealth Report 2011 issued by Hurun Fortune, 145 million people whose annual income ranged from RMB60,000 to RMB500,000 was regarded as middle income group, which accounted for 11.3% of the total population of the PRC. The Group strongly believes that the middle income group will continue to expand in future and such segment therefore cannot be neglected.

Being a prominent watch retailer in Hong Kong with a growing presence in the PRC, it is inevitable that the Group is the best position to capture such market opportunities. With high retail credibility and tax exemption for international branded products, the Group's Hong Kong outlets are anticipated to continue to be patronized by enthusiastic shoppers from the PRC in the coming years.

In view of the increasing number of the mainland visitors to Hong Kong and Macau, the Group is confident to have a further solid growth in Hong Kong and Macau's operations and therefore the Group is determined to enhance the presence in the main tourist areas in these regions. The Group will capitalize the growth potential in the PRC by further expanding its retail networks by both raising its market coverage in first-tier cities and seizing first or earlier advantages in lower-tier cities. Meanwhile, the Group will continue to enhance jewellery business for a better outcome in its dual business models and better marginal performance.

CAPITAL STRUCTURE

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

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

b. Top-up Placing of New Shares

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

c. Unexercised warrant

As a result of Placing and Top-up Subscription above, the exercise price of the warrants, which have not yet been exercised, was adjusted from HK$0.62 to HK$0.61 per share with the underlying shares being adjusted from 161,290,322 shares to 163,934,426 shares of the Company.

As a result of the Placing and Top-up Subscription, the share capital and share premium of the Company increased totally by HK$10,592,000 and HK$1,075,594,000 respectively.

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL EXPENDITURES

As at 31 December 2011, the Group has capital commitments in respect of acquisition of property, plant and equipment of approximately HK$20.7 million (2010: approximately HK$1.5 million) and operating lease commitment of approximately HK$1,260.8 million (2010: approximately HK$359.1 million).

CONTINGENT LIABILITIES

As at 31 December 2011, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2011, the Group has 985 salespersons (2010: 742) and 224 office staff (2010: 190). Total staff costs (including directors' remuneration) were HK$226.7 million (2010: HK$155.7 million) for the Year. Employees' remuneration was determined in accordance with individual's responsibility, performance and experience. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits.

CORPORATE SOCIAL RESPONSIBILITIES

While having embellished the life of the privileged for decades, the Group never stops caring for the disadvantaged. During the Year, the Group worked with PLAN International Hong Kong and became a year-round sponsor of their flagship campaign "Because I am a Girl". The Group found this charity effort meant tremendously to itself realizing there were girls from deprived background around the world facing further discrimination just because of their gender. It was pleased to lend a helping hand to those whose counterparts in the wealthy regions of Hong Kong and China were blessed enough to be the Group's customers.

The Group also continued to be the Platinum Sponsor for DEER Theatre, an NGO engaged in theatre production and theatre education as a means to promote individuals' communication skills and better cooperation among people from different cultures and nationalities.

The Group was once again awarded Caring Company Logo by the Hong Kong Council of Social Service in recognition of its contribution to society.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK1.6 cents (2010: HK1.02 cents) per share ("Final Dividend") for the year ended 31 December 2011, amounting to approximately HK$107.5 million (2010: HK$68.5 million). The Final Dividend, if being approved at the forthcoming annual general meeting of the Company ("AGM"), will be paid on 8 June 2012 (Friday) to shareholders whose names appear on the register of members of the Company on 18 May 2012 (Friday).

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at AGM

Latest time to lodge transfers	4:30 p.m. on 8 May 2012 (Tuesday)
Book close date	9 May 2012 (Wednesday)
Record date	9 May 2012 (Wednesday)
AGM	10 May 2012 (Thursday)

For ascertaining shareholders' entitlement to the proposed Final Dividend

Latest time to lodge transfers	4:30 p.m. on 16 May 2012 (Wednesday)
Book close dates	17 to 18 May 2012 (Thursday – Friday)
Record date	18 May 2012 (Friday)
Final Dividend payment date	8 June 2012 (Friday)

In order to qualify for the right to attend and vote at the AGM and for the proposed Final Dividend, all relevant share certificates and properly completed transfer forms must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration before the above latest time to lodge transfers.

Biographies of Directors and Senior Executives

"Being a prominent watch retailer in Hong Kong with a growing presence in the PRC, it is inevitable that the Group is the best position to capture the enormous opportunities in the Chinese communities. Coupled with the 70th anniversary this year, we will further enhance our competitive strengths and deliver the best return to our shareholders in the years to come."

Cindy Yeung
Chairperson & Managing Director

Emperor Watch and Jewellery

Executive Director, Chairperson & Managing Director

CINDY YEUNG, aged 47, joined the Group in September 1990 and acts as the Chairperson and Managing Director of the Company. She is responsible for the Group's strategic planning, business growth and development and overseeing different operations within the Group. She became a director of Emperor Watch & Jewellery (HK) Company Limited, an operating arm of the retail outlets of the Group in Hong Kong, in April 1999. The Group has been under her management since then. She obtained the qualification of Graduate Gemologist of GIA in 1988. She also graduated from the University of San Francisco in 1989 with a Bachelor's Degree of Science in Business Administration majoring in Management, with emphasis in International Business. She has over 20 years of experience in watch and jewellery industry. Prior to joining the Group in 1990, she joined the sales department of Anju Jewelry Ltd, a US based company engaging in trading of jewellery products. Ms. Yeung is the daughter of Dr. Yeung Sau Shing, Albert who is a deemed controlling shareholder of the Company.

Executive Director

CHAN HUNG MING, aged 63, joined the Group in July 2005. He is responsible for overseeing the retail outlet operations in Macau and Hong Kong. He has over 30 years of experience in watch and jewellery industry. Prior to joining the Group, he acted as general manager in charge of the retail and watch boutique outlets in Hong Kong and the PRC in Dickson Watch & Jewellery division under Dickson Concepts (International) Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, for over 20 years.

"In view of the increasing number of the mainland visitors to Hong Kong and Macau, we are confident to have a further solid growth in Hong Kong and Macau's operations. Therefore, we are determined to enhance the presence in the main tourist areas in these regions."

Henry Chan
Executive Director

Emperor Watch and Jewellery

Biographies of Directors and Senior Executives

Executive Directors

WONG CHI FAI, aged 56, has been involved in the management of the Company since November 1998. He is a member 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 International"), Emperor Entertainment Hotel Limited ("Emperor EH") and New Media Group Holdings Limited ("New Media Group"), the shares of all of which are listed on the Main Board of the Stock Exchange. Having over 20 years experience in finance and management, 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 49, has been involved in the management of the Company since November 1998. She is the Chairperson of the Corporate Governance Committee and a member of the Nomination Committee of the Company. 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, Emperor EH and New Media Group. Besides having over 22 years of experience in corporate management, she possesses diversified experience in different businesses including watch and jewellery retailing, property investment and development, hotel and hospitality, financial and securities operations as well as media and publication.

Non-executive Director

HANJI HUANG, aged 40, was appointed as Non-executive Director of the Company in August 2010. He is a member of the Audit Committee of the Company. He holds a Bachelor of Science Degree in Economics from Ningbo University and a Master's Degree in Business Administration from the University of San Francisco. He is a chartered financial analyst of the Association For Investment Management and Research. He has been holding senior positions in various global investment firms gaining over 10 years of experience in the equity capital market, particularly in private equity investment.

Independent Non-executive Directors

YIP KAM MAN, aged 45, was appointed as Independent Non-executive Director of the Company in June 2008. She is the Chairperson of the Audit Committee and a member of the Remuneration Committee and the Corporate Governance Committee of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants since January 2001. She graduated from The University of Nottingham in the United Kingdom in July 1988 with a Bachelor's Degree in Arts (Hons). She is a Certified Public Accountant and has been engaged in the audit field (including internal audit for listed companies in Hong Kong) for more than 20 years. Currently and also before joining the Company, she has been running an audit firm.

CHAN HON PIU, aged 51, was appointed as Independent Non-executive Director of the Company in June 2008. He is the Chairman of the Nomination Committee and a member of the Audit Committee and the Corporate Governance Committee of the Company. He graduated from The University of Hong Kong with a Bachelor's Degree in Social Sciences in 1983. He also obtained the Certificate of Education in September 1985 and a Master Degree in Laws in November 1995 from The University of Hong Kong. He has been admitted as a solicitor in Hong Kong since September 1991 and is now a practising solicitor in Hong Kong. Currently and also before joining the Company, he has been working as a solicitor in a law firm in Hong Kong.

LAI KA FUNG, MAY, aged 46, was appointed as Independent Non-executive Director of the Company in June 2008. She is the Chairperson of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. She has been a member of the Hong Kong Institute of Certified Public Accountants since 1999 and a fellow of The Association of Chartered Certified Accountants since 2003. She obtained a Master's Degree of Arts in International Accounting from the City University of Hong Kong in 2001. She is a Certified Public Accountant and has been engaged in the audit field for more than 20 years. Currently and also before joining the Company, she has been the sole proprietor of May K.F. Lai & Co., Certified Public Accountants. She is also an Independent Non-executive Director of Chinlink International Holdings Limited (formerly known as Decca Holdings Limited), a company listed on the Main Board of the Stock Exchange.

The directors of the Company (the "Board" or "Directors") present their annual report and the audited consolidated financial statements for the Year.

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 are set out in the consolidated statement of comprehensive income on page 32.

An interim dividend of HK1.2 cents per share for the year ended 31 December 2011, amounting to approximately HK$80,622,000, was paid to the shareholders during the Year.

The Directors recommended the payment of a final dividend of HK1.6 cents per share for the year ended 31 December 2011 to the shareholders whose names appear on the register of members on 18 May 2012 (Friday), amounting to approximately HK$107,496,000, subject to the approval of the shareholders at the forthcoming annual general meeting on 10 May 2012 (Thursday).

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 2011, calculated under Section 79B of the Companies Ordinance, amounted to HK$128,504,000 (2010: HK$43,551,000).

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

DIRECTORS

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

Executive Directors

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

Non-executive Director

Mr. Hanji Huang

Independent Non-executive Directors

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

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

In accordance with Article 83(1) of the Company's Articles of Association, Mr. Chan Hung Ming, Ms. Fan Man Seung, Vanessa 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, date of first listing of the Company on The Stock Exchange of Hong Kong Limited (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.

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.

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

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

As at 31 December 2011, the interests and short positions of the Directors and the chief executive and their associates in the shares of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed 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 of the issued share capital of the Company
Ms. Cindy Yeung	Beneficiary of a trust	3,557,340,000	52.95%

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"), a discretionary trust under which Ms. Cindy Yeung is one of the eligible beneficiaries.

(b) Long position interests in associated corporations

(i) Ordinary shares/underlying shares/debenture

Name of Director	Name of associated corporations	Capacity/nature of interests	Number of issued ordinary share(s) held	Approximate percentage holding
Ms. Cindy Yeung	Million Way *(Note 1)*	Beneficiary of a trust	1	100%
Ms. Cindy Yeung	Emperor International *(Note 1)*	Beneficiary of a trust	2,744,097,823	74.84%
Ms. Cindy Yeung	Emperor EH *(Note 1)*	Beneficiary of a trust	784,367,845	60.68%
Ms. Cindy Yeung	Velba Limited ("Velba") *(Note 2)*	Beneficiary of a trust	1	100%
Ms. Cindy Yeung	New Media Group *(Note 2)*	Beneficiary of a trust	453,080,000	52.44%
Ms. Cindy Yeung	Emperor Capital Group Limited ("Emperor Capital Group") *(Note 3)*	Beneficiary of a trust	1,561,722,907	60.13%

Notes:

1. Emperor International is a company with its shares listed in Hong Kong; 2,744,097,823 shares in Emperor International were held by Charron Holdings Limited ("Charron"). Emperor EH is a company with its shares listed in Hong Kong; 784,367,845 shares in Emperor EH were held by Worthly Strong Investment Limited, being an indirect wholly-owned subsidiary of Emperor International. Emperor International is the holding company of Emperor EH. 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, by virtue of being one of the eligible beneficiaries of the AY Trust, had deemed interests in the said shares.
2. New Media Group is a company with its shares listed in Hong Kong; 453,080,000 shares were held by Velba. The entire issued share capital of Velba was held by Million Way which was in turn 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 had deemed interests in the said shares.
3. Emperor Capital Group is a company with its shares listed in Hong Kong; 1,561,722,907 shares were held by Win Move Group Limited ("Win Move"). The entire issued share capital of Win Move was held by Million Way which was in turn 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 had deemed interests in the said shares.

(ii) Share options

Name of Directors	Name of associated corporations	Capacity/nature of interests	Number of underlying shares held	Approximate percentage holding
Mr. Wong Chi Fai ("Mr. Wong")	Emperor International	Beneficial Owner	16,154,212 *(adjusted)*	0.44%
Ms. Fan Man Seung, Vanessa ("Ms. Fan")	Emperor International	Beneficial Owner	16,154,212 *(adjusted)*	0.44%
Mr. Wong	Emperor EH	Beneficial Owner	5,000,000	0.39%
Ms. Fan	Emperor EH	Beneficial Owner	5,000,000	0.39%

Note: These were share options granted to Mr. Wong and Ms. Fan, being the directors of Emperor International and Emperor EH (also as directors of the Company), under the respective share option scheme of Emperor International and Emperor EH.

Save as disclosed above, none of the Directors and chief executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2011.

SHARE OPTIONS

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at 31 December 2011, so far as is known to the Directors or chief executive of the Company, the following persons or corporations (other than a Director or chief executive of the Company) had, or were deemed or taken to have an interest and short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Ordinary shares of HK$0.01 each of the Company

Name of shareholders	Capacity/Nature of interests	Number of issued ordinary shares/ underlying shares	Approximate percentage holding
Allmighty Group	Beneficial owner	3,557,340,000	52.95%
Million Way	Interest in a controlled corporation	3,557,340,000	52.95%
STC International	Trustee	3,557,340,000	52.95%
Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung")	Founder of a discretionary trust	3,557,340,000	52.95%
Ms. Luk Siu Man, Semon	Interest of spouse	3,557,340,000	52.95%

Note: The above shares were held by Allmighty Group. Allmighty Group was held by Million Way which was in turn wholly-owned by STC International. STC International and Dr. Albert Yeung were the trustee and founder of the AY Trust respectively. By virtue of the SFO, each of Million Way, STC International and Dr. Albert Yeung had deemed interests in the same shares held by Allmighty Group. By virtue of being the spouse of Dr. Albert Yeung, Ms. Luk Siu Man, Semon also had deemed interests in the same shares. The said shares were the same shares as set out under the section (a) headed "Long Position Interests in the Company" under "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

All interests stated above represent long positions. As at 31 December 2011, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 31 December 2011, the Directors were not aware of any persons (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would require to be disclosed to the Company pursuant to Part XV of the SFO, or which were recorded in the register required to kept under section 336 of the SFO.

CONNECTED TRANSACTIONS

1. Connected Transaction – Top-up Placing Agreement

On 19 April 2011, Allmighty Group (the controlling shareholder of the Company) as vendor, the Company and BNP Paribas Capital and Emperor Securities Limited ("ESL") (a company indirectly wholly-owned by the AY Trust, of which STC International is the trustee) as placing agents entered into a top-up placing agreement ("Agreement") pursuant to which Allmighty Group agreed to place 800,000,000 top-up placing shares to independent investors at HK$1.00 per share. As Ms. Cindy Yeung is one of the eligible beneficiaries of the AY Trust, the Agreement and the placing commission paid to ESL by the Company constituted a connected transaction of the Company under the Listing Rules.

2. Continuing Connected Transactions – Tenancy Agreements

During the Year, the Group had the following transactions with connected persons (as defined in The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") of the Company in relation to the tenancy agreements for operation of the Group's business in Hong Kong and Macau.

	Name of counterparty	Date of agreement	Location	Terms	Amount of rental/ effective rental paid and payable for the year ended 31 December 2011 *(HK$'000)*
(1)	Great Future Hong Kong Limited *(note 1)*	31 March 2011	Shops A, D2 and E2, G/F, Harilea Mansion, 81 Nathan Road, Hong Kong	1 April 2011 – 31 March 2014	9,450
(2)	Very Sound Investments Limited ("Very Sound") *(note 1)*	30 March 2010	Shops G03-05, G/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 April 2010 – 31 March 2013	5,040
(3)	Very Sound *(note 1)*	30 March 2010	Units 2501-5, 25/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 April 2010 – 31 March 2013	2,186
(4)	Very Sound *(note 1)*	14 September 2010	Unit 2507, 25/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	13 September 2010 – 31 March 2013	635
(5a)	Planwing Limited ("Planwing") *(note 1)*	25 June 2010	Shops 1 & 2, G/F, 8 Russell Street, Causeway Bay, Hong Kong (together with the right to use three outdoor advertising signs)	1 September 2010 – 31 August 2013	14,850
(5b)	Planwing *(note 1)*	29 November 2011	Shops 1 & 2, G/F, 8 Russell Street, Causeway Bay, Hong Kong (together with the right to use three outdoor advertising signs and signage space A on 1/F)	1 December 2011 – 30 November 2014	1,986
(6)	Planwing *(note 1)*	29 November 2011	The signage space B at the external wall on 1/F, 8 Russell Street, Causeway Bay, Hong Kong	30 November 2011 – 29 November 2014	250
(7)	Planwing *(note 1)*	25 May 2011	Shops 3 & 5, G/F, 8 Russell Street, Causeway Bay, Hong Kong	30 November 2011 – 29 November 2014	2,017
(8a)	Richorse Limited ("Richorse") *(note 1)*	16 May 2008	Ground Floor, (Shop A including the yard), and Office A (50 Russell Street) on First Floor, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong	1 July 2008 – 30 June 2011	4,150

	Name of counterparty	Date of agreement	Location	Terms	Amount of rental/ effective rental paid and payable for the year ended 31 December 2011 *(HK$'000)*
(8b)	Richorse *(note 1)*	25 May 2011	Ground Floor, (Shop A including the yard), and Office A (50 Russell Street) on 1/F, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong	1 July 2011 – 30 June 2014	7,883
(9a)	Richorse *(note 1)*	23 October 2008	G/F, M/F, 54 & 56 Russell Street together with the right to use a LED display on external wall from 2/F – 5/F facing Russell Street and an advertising signboard on roof facing Tang Lung Street, Hong Kong	23 October 2008 – 22 October 2011	23,510
(9b)	Richorse *(note 1)*	25 May 2011	G/F, M/F and Flat A and Flat B on 1/F including the Flat Roof, 54 & 56 Russell Street together with the right to use a LED display on external wall from 1/F – 5/F facing Russell Street and an advertising signboard facing Russell Street and Tang Lung Street, Causeway Bay, Hong Kong	23 October 2011 – 22 October 2014	9,375
(10a)	Richorse *(note 1)*	27 January 2010	Ground Floor (Shop B including the yard), Office B and the Balcony adjacent thereto on First Floor, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong	9 February 2010 – 22 October 2011	6,120
(10b)	Richorse *(note 1)*	25 May 2011	Ground Floor (Shop B including the yard), Office B and the Balcony adjacent thereto on First Floor and Office B and the Balcony adjacent thereto on Second Floor, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong	23 October 2011 – 22 October 2014	3,212
(11)	Gold Pleasure Investment Limited ("Gold Pleasure") *(note 1)*	31 March 2009	G/F, 4 Canton Road, Kowloon, Hong Kong	1 May 2009 – 30 April 2012 *(note 4)*	7,600
(12)	Gold Pleasure *(note 1)*	27 May 2009	G/F, 6 & 8 Canton Road, Kowloon, Hong Kong	1 August 2010 – 31 July 2012 *(note 4)*	17,160
(13)	Gold Pleasure *(note 1)* Happy Rain Limited ("Happy Rain") *(notes 1 and 5)*	31 August 2010	The advertising signage space at the external wall of Tenement A, 4/F, 4 Canton Road, Kowloon, Hong Kong ("Property 4")	1 September 2010 – 31 August 2012 *(note 4)*	288
(14)	Gold Pleasure *(note 1)*	31 August 2010	Portion A of 1/F, 4 Canton Road, Kowloon, Hong Kong	1 September 2010 – 15 June 2013 *(note 4)*	233
(15)	Gold Pleasure *(note 1)*	31 August 2010	Portion of the whole of 1/F, 4 Canton Road, Kowloon, Hong Kong	16 June 2010 – 15 June 2013 *(note 4)*	2,880
(16)	Gold Pleasure *(note 1)*	13 May 2008	Store Room on Ground Floor, 4 Canton Road, Kowloon, Hong Kong	16 June 2010 – 15 June 2013 *(note 4)*	115

	Name of counterparty	Date of agreement	Location	Terms	Amount of rental/ effective rental paid and payable for the year ended 31 December 2011 *(HK$'000)*
(17)	Pacific Strong Bases (Holding) Company Limited ("Pacific Strong") *(note 2)*	25 March 2009	Shops 1-4, G/F, Grand Emperor Hotel, 251-292D Avenida Commercial De Macau, Macau	1 April 2009 – 31 March 2012	2,703
(18a)	Pacific Strong *(note 2)*	2 June 2008	Shop 5, G/F, Grand Emperor Hotel, 251-292D Avenida Commercial De Macau, Macau	1 July 2008 – 30 June 2011	619
(18b)	Pacific Strong *(note 2)*	28 June 2011	Shop 5, G/F, Grand Emperor Hotel, 251-292D Avenida Commercial De Macau, Macau	1 July 2011 – 30 June 2014	884
(19a)	I Soi Limitada ("I Soi") *(note 2)*	28 June 2011	EM Macau, Avenida De Infante D., Henrique N°S 67-69, Res-Do-Chao B & EM Macau Rua Dr., Pedro Jose Lobo N°5, Res-Do-Chao C2, Macau	1 July 2011 – 30 June 2014	2,065
(19b)	I Soi *(note 2)*	28 June 2011	EM Macau, Avenida De Infante D., Henrique N°65-A, lo Andar B, Macau	1 August 2011 – 30 June 2014	35
(20a)	Century Creations Limited ("Century Creations") *(note 1)*	30 June 2011	G/F and 1/F, 24 Russell Street, Causeway Bay, Hong Kong	10 July 2011 – 18 October 2011	5,290
(20b)	Century Creations *(note 1)*	30 June 2011	G/F and 1/F, 24 Russell Street, Causeway Bay, Hong Kong	19 October 2011 – 9 July 2014	3,710
(21)	Century Creations *(note 1)*	29 November 2011	The signboard on external wall, 22-24 Russell Street, Causeway Bay, Hong Kong	1 December 2011 – 30 November 2013	70
(22)	Total Treasure Investment Limited ("Total Treasure") *(notes 1 and 3)*	20 July 2010	Projected signage space at the external wall of 3/F, Tenement A, 4 Canton Road, Kowloon, Hong Kong ("Property 1")	1 August 2010 – 31 July 2012 *(note 4)*	228
(23)	Total Treasure *(notes 1 and 3)*	20 July 2010	The external signage space at the external wall of 3/F, Tenement A, 4 Canton Road, Kowloon, Hong Kong ("Property 2")	1 August 2010 – 31 July 2012 *(note 4)*	190
(24)	Total Treasure *(notes 1 and 3)*	20 July 2010	Tenement A, 3/F, 4 Canton Road, Kowloon, Hong Kong ("Property 3")	1 August 2010 – 31 July 2012 *(note 4)*	114
				Total:	134,848

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

Notes:

(1) These eight companies were indirect wholly-owned subsidiaries of Emperor International. As at 31 December 2011, Emperor International was indirectly owned as to approximately 74.84% by the AY Trust, a discretionary trust set up by Dr. Albert Yeung, a deemed substantial shareholder of the Company.

(2) These companies were indirect subsidiaries of Emperor EH. Emperor EH was indirectly owned as to approximately 60.68% by Emperor International as at 31 December 2011.

(3) Total Treasure became the new landlord of the Property 1, Property 2 and Property 3 upon completion of its acquisition of the respective property on 15 March 2011. The original landlord had assigned its interests in the existing tenancy agreements dated 20 July 2010 to Total Treasure from the original landlord.

(4) On 15 December 2011, Gold Pleasure, Total Treasure and Happy Rain as landlords and Beauty Royal Limited ("Beauty Royal"), Moral Step Limited and Perfect Perform Limited as tenants have entered into the termination agreement in relation to the termination of each of the respective agreements effective on 3 January 2012. On the same day, Gold Pleasure, Total Treasure, Gold Cheer Corporation Limited (an indirect wholly-owned subsidiary of Emperor International) and Happy Rain re-entered into tenancy agreement with Beauty Royal in relation to the tenancies of the properties.

(5) Happy Rain became the new landlord of the Property 4 upon completion of its a acquisition of the respective property on 28 February 2011. The original landlord had assigned its interests in the existing tenancy agreement dated 31 August 2010 to Happy Rain from the original landlord.

The business of Emperor International and its subsidiaries includes property development and investment in prime areas in Hong Kong and the business of Emperor EH and its subsidiaries includes the operation of a hotel in Macau. As Emperor International group and Emperor EH 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.

Compliance with Disclosure Requirements

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above transactions. Save as the above transactions which require reporting and announcements requirements but exempted from independent shareholders' approval requirement under the Listing Rules as included in item (2) (rental payment only) and item (6) in note 34 "Related Party Transactions" to the consolidated financial statements, all other related party transactions as shown in such note are exempted connected transactions under the Listing Rules.

Auditor's Letter on Disclosed Continuing Connected Transactions

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 21 to 23 of the Annual Report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Confirmation of Independent Non-executive Directors

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive Directors of the Company have reviewed the disclosed continuing connected transactions and the aforesaid auditor's letter and have confirmed that these transactions have been entered into:

(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;

(c) have not exceeded the relevant cap amount for the financial year ended 31 December 2011 disclosed in the previous announcements and on page 149 of the prospectus of the Company; and

(d) have been entered into in accordance with the pricing policies of the Company with reference to similar transactions with independent third parties.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, aggregate sales attributable to the Group's five largest customers were less than 1% of total turnover.

During the Year, aggregate purchases attributable to the Group's five largest suppliers represented approximately 75% of the Group's total purchases and the largest supplier accounted for approximately 40% of the Group's total purchases.

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

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 26 to 30.

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

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

DONATIONS

During the Year, the Group made charitable donation amounting to HK$510,000.

AUDITOR

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

On behalf of the Board

Cindy Yeung
Chairperson & Managing Director

Hong Kong, 19 March 2012

The Board 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 Listing Rules. For the Year, the Board is pleased to confirm that the Company has complied fully with the code provisions of the Code.

THE BOARD

Board Composition

As at 31 December 2011, the Board comprised eight Directors, with four Executive Directors, namely Ms. Cindy Yeung (Managing Director), Mr. Chan Hung Ming, Mr. Wong Chi Fai ("Mr. Wong") and Ms. Fan Man Seung, Vanessa ("Ms. Fan"), one Non-executive Director, namely Mr. Hanji Huang and three Independent Non-executive Directors, namely Ms. Yip Kam Man, Mr. Chan Hon Piu and Ms. Lai Ka Fung, May. The Board considers this composition is balanced so that there is a strong independent element on the board. 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.

Roles and Responsibilities of 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.

Chairman and Chief Executive Officer

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

On 19 March 2012, the Board has appointed Ms. Cindy Yeung as the Chairperson of the Board and she will continue to serve as Executive Director and Managing Director of the Company. As the Board members are keeping abreast of the conduct, business activities and development of the Group and as the day-to-day business operations of the Group are properly delegated to the management as formalised by the Board, the Board considers that the structure of vesting roles of Chairperson and Managing Director in Ms. Yeung will not impair the balance of power and authority and that such structure benefits the Company and its shareholders as a whole.

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.

Training and Support for Directors

An induction regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest in shares and competing business of the Group has been provided to all Directors shortly upon their appointment as Directors of the Company. All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Board and Committees Meetings

The attendance record of the Board and Committee meetings in 2011 is set out below:

	Meetings Attended/Held		
Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Ms. Cindy Yeung	12/13		
Mr. Chan Hung Ming	13/13		
Mr. Wong Chi Fai [Note 1]	13/13		1/1
Ms. Fan Man Seung, Vanessa	13/13		
Non-executive Director			
Mr. Hanji Huang	12/13	3/3	
Independent Non-executive Directors			
Ms. Yip Kam Man [Note 2]	12/13	3/3	1/1
Mr. Chan Hon Piu	13/13	3/3	
Ms. Lai Ka Fung, May	13/13	3/3	1/1

Notes:
1 Chairman of Remuneration Committee
2 Chairperson of Audit Committee

Regular board meetings were held at approximately quarterly intervals. The Board held thirteen board meetings during the year ended 31 December 2011.

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

DELEGATION BY THE BOARD

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

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee and Remuneration Committee, both of which were set up on 19 June 2008.

1. Audit Committee

During the Year, the Audit Committee consists of a Non-executive Director, namely Mr. Hanji Huang, and three Independent Non-executive Directors, namely Ms. Yip Kam Man (Chairperson of the Committee), Mr. Chan Hon Piu and Ms. Lai Ka Fung, May. The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditor, approving the remuneration and terms of engagement of external auditor, reviewing financial information and overseeing 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 2011.

A summary of work performed by the Audit Committee during the year ended 31 December 2011 is set out below:

i. approved the audit plans for the financial year ended 31 December 2010, reviewed the independence of external auditor and approved the engagement of external auditor;

ii. met with the external auditor and reviewed their work and findings relating to the audit for the year ended 31 December 2010 and the effectiveness of the audit process;

iii. reviewed with the management/finance-in-charge and/or the external and interim auditor the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual financial statements for the financial year ended 31 December 2010;

iv. reviewed with senior management and finance-in-charge the effectiveness of the internal control system of the Group;

v. annual review of the non-exempt continuing connected transactions of the Group for the year ended 31 December 2010; and

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

2. Remuneration Committee

During the Year, 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. On 19 March 2012, Ms. Lai Ka Fung, May was appointed as the Chairperson of the Committee and Mr. Wong Chi Fai remained a member of the Committee. 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 2011 are set out in note 9 to the consolidated financial statements. The specific written terms of reference of the Remuneration Committee are available at the Company's website at www.emperorwatchjewellery.com. During the year ended 31 December 2011.

A summary of work performed by the Remuneration Committee during the year ended 31 December 2011 is set out below:

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

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

3. Other Committees

The Company had set up the Nomination Committee and the Corporate Governance Committee on 19 March 2012.

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, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct throughout the year ended 31 December 2011.

ACCOUNTABILITY AND AUDIT

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

INTERNAL CONTROLS

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

The Board has set out a direction for the internal control system in order to ensure achievement of the Group's objectives and identify discrepancies so that corrective actions could be taken in an efficient manner. The management is primarily responsible for the design, implementation, and maintenance of the internal control system to safeguard the shareholders' investment and assets of the Group.

The Board, through its Audit Committee, 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 for the year ended 31 December 2011 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. The Board is not aware of any significant areas of concern which may affect the shareholders.

Annual budget and mid-year forecast on all capital and revenue items are prepared and approved by senior management before being adopted. We monitor the business activities closely and review monthly financial results of operations against budgets. We also review and update the internal controls to meet upcoming challenges.

Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the preparation of financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

We take extreme precautionary measures in handling price sensitive information. Such information is restricted to a need-to-know basis.

The internal audit department carries out risk assessment on audit area. The results of internal audit reviews and agreed action plans are reported to the Audit Committee and the Board annually.

The Company has set up a compliance committee, namely CCT Compliance Committee, to monitor, control and review internally both the connected transactions and continuing connected transactions of the Company and ensure that transactions are properly complied with all relevant laws and regulations, listing rules and disclosure requirements.

COMMUNICATION WITH SHAREHOLDERS

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

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

The chairperson of the meetings and the chairman/members of the committees at the last annual general meeting held on 18 May 2011 and the extraordinary general meeting held on 17 March 2011 were available to answer questions from the shareholders.

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	3,327
Non-audit services	
– Agreed-upon procedures for connection transactions	20
– Review of preliminary announcement	10

Deloitte.
德勤

TO THE MEMBERS OF EMPEROR WATCH & JEWELLERY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Emperor Watch & Jewellery Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 85, which comprise the consolidated and the Company's statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, 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
19 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	5	**5,862,377**	4,095,310
Cost of sales		**(4,176,689)**	(3,047,738)
Gross profit		**1,685,688**	1,047,572
Other income	6	**11,277**	12,230
Selling and distribution expenses		**(704,851)**	(472,268)
Administrative expenses		**(224,174)**	(173,045)
Net loss on derivative financial instruments	22	**(9,300)**	(199,010)
Finance costs	7	**(1,746)**	(11,195)
Profit before taxation	8	**756,894**	204,284
Taxation	10	**(129,842)**	(70,423)
Profit for the year		**627,052**	133,861
Other comprehensive income for the year:			
Exchange differences arising from translation of foreign operations		**27,521**	7,149
Total comprehensive income for the year		**654,573**	141,010
Profit (loss) for the year attributable to:			
Owners of the Company		**627,084**	125,641
Non-controlling interests		**(32)**	8,220
		627,052	133,861
Total comprehensive income attributable to:			
Owners of the Company		**654,499**	132,637
Non-controlling interests		**74**	8,373
		654,573	141,010
Earnings per share	12		
– Basic		**HK9.7 cents**	HK2.4 cents
– Diluted		**HK9.6 cents**	HK2.4 cents

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	13	**96,667**	85,360
Deferred tax asset	23	**5,927**	3,811
Rental deposits		**154,624**	101,959
Deposits paid for acquisition of property, plant and equipment		**2,571**	–
		259,789	191,130
Current assets			
Inventories	14	**3,404,176**	2,152,007
Receivables, deposits and prepayments	16	**199,439**	171,010
Bank balances and cash	18	**803,777**	601,484
		4,407,392	2,924,501
Current liabilities			
Payables, deposits received and accrued charges	19	**396,426**	404,661
Amounts due to related companies	20	**4,040**	3,598
Amount due to a former non-controlling shareholder		**–**	45,471
Taxation payable		**67,967**	34,556
Bank borrowings	21	**340,205**	67,241
		808,638	555,527
Net current assets		**3,598,754**	2,368,974
Total assets less current liabilities		**3,858,543**	2,560,104
Non-current liabilities			
Derivative financial instruments	22	**–**	180,320
Liability component of convertible bond	22	**–**	109,541
		–	289,861
Net assets		**3,858,543**	2,270,243

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	24	**67,185**	56,593
Reserves	25	**3,791,358**	2,211,053
Equity attributable to owners of the Company		**3,858,543**	2,267,646
Non-controlling interests		**–**	2,597
Total equity		**3,858,543**	2,270,243

The consolidated financial statements on pages 32 to 85 were approved and authorised for issue by the Board of Directors on 19 March, 2012 and are signed on its behalf by:

CINDY YEUNG
DIRECTOR

CHAN HUNG MING
DIRECTOR

Statement of Financial Position

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Investments in subsidiaries	15	**1,544,485**	1,101,945
Amount due from a subsidiary	17	**1,968,084**	1,239,689
		3,512,569	2,341,634
Current assets			
Deposits and prepayments		**76**	95
Bank balances and cash	18	**314**	505
		390	600
Current liabilities			
Payables and accrued charges		**273**	687
Amount due to a related company	20	**30**	30
		303	717
Net current liabilities		**87**	(117)
Net assets		**3,512,656**	2,341,517
Capital and reserves			
Share capital	24	**67,185**	56,593
Reserves	25	**3,445,471**	2,284,924
Total equity		**3,512,656**	2,341,517

CINDY YEUNG
DIRECTOR

CHAN HUNG MING
DIRECTOR

Consolidated Statement of Changes In Equity

For the year ended 31 December 2011

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (Note 25(a))	Other reserve HK$'000 (Note 25(b))	Capital reserve HK$'000 (Note 25(c))	Translation reserve HK$'000	Convertible bond equity reserve HK$'000	Warrants equity reserve HK$'000 (Note 26)	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	45,000	1,587,063	(373,003)	(29,003)	2,529	(271)	–	–	317,091	1,549,406	9,511	1,558,917
Exchange differences arising on translation of foreign operations	–	–	–	–	–	6,996	–	–	–	6,996	153	7,149
Profit for the year	–	–	–	–	–	–	–	–	125,641	125,641	8,220	133,861
Total comprehensive income for the year	–	–	–	–	–	6,996	–	–	125,641	132,637	8,373	141,010
Shares issued	7,148	365,350	–	–	–	–	–	–	–	372,498	–	372,498
Expenses incurred in connection with issue of new shares	–	(2,810)	–	–	–	–	–	–	–	(2,810)	–	(2,810)
Additional capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	33,320	33,320
Acquisition of additional interests in subsidiaries	–	–	–	3,136	–	–	–	–	–	3,136	(48,607)	(45,471)
Recognition of equity component of convertible bond	–	–	–	–	–	–	58,990	–	–	58,990	–	58,990
Recognition of issuance of warrants	–	–	–	–	–	–	–	53,100	–	53,100	–	53,100
Shares issued upon conversion of convertible bond	4,445	238,670	–	–	–	–	(58,990)	–	–	184,125	–	184,125
Final dividend paid for 2009	–	–	–	–	–	–	–	–	(44,325)	(44,325)	–	(44,325)
Interim dividend paid for 2010	–	–	–	–	–	–	–	–	(39,111)	(39,111)	–	(39,111)
At 31 December 2010	56,593	2,188,273	(373,003)	(25,867)	2,529	6,725	–	53,100	359,296	2,267,646	2,597	2,270,243
Exchange differences arising on translation of foreign operations	–	–	–	–	–	27,415	–	–	–	27,415	106	27,521
Profit (loss) for the year	–	–	–	–	–	–	–	–	627,084	627,084	(32)	627,052
Total comprehensive income for the year	–	–	–	–	–	27,415	–	–	627,084	654,499	74	654,573
Shares issued	8,000	792,000	–	–	–	–	–	–	–	800,000	–	800,000
De-registration of a subsidiary	–	–	–	(295)	–	(342)	–	–	–	(637)	(2,671)	(3,308)
Expenses incurred in connection with issue of new shares	–	(12,975)	–	–	–	–	–	–	–	(12,975)	–	(12,975)
Shares issued upon conversion of convertible bond	2,592	296,569	–	–	–	–	–	–	–	299,161	–	299,161
Final dividend paid for 2010	–	–	–	–	–	–	–	–	(68,529)	(68,529)	–	(68,529)
Interim dividend paid for 2011	–	–	–	–	–	–	–	–	(80,622)	(80,622)	–	(80,622)
At 31 December 2011	67,185	3,263,867	(373,003)	(26,162)	2,529	33,798	–	53,100	837,229	3,858,543	–	3,858,543

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 **HK$'000**	2010 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**756,894**	204,284
Adjustments for:		
Allowance for inventories	**17,841**	1,750
Depreciation of property, plant and equipment	**66,310**	41,504
Loss on disposal/write off of property, plant and equipment	**718**	5,610
Net loss on derivative financial instruments	**9,300**	199,010
Interest expenses	**1,746**	11,195
Interest income	**(3,509)**	(1,799)
Write down of inventories	**1,645**	450
Operating cash flows before movements in working capital	**850,945**	462,004
Increase in inventories	**(1,255,143)**	(841,767)
Increase in receivables, deposits and prepayments	**(81,094)**	(68,342)
(Decrease) increase in payables, deposits received and accrued charges	**(8,235)**	140,815
Increase in amounts due to related companies	**442**	846
Net cash used in operations	**(493,085)**	(306,444)
Profits tax paid	**(98,547)**	(39,652)
NET CASH USED IN OPERATING ACTIVITIES	**(591,632)**	(346,096)
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**21**	–
Interest received	**3,509**	1,799
Purchase of property, plant and equipment	**(77,208)**	(57,320)
Deposits paid for acquisition of property, plant and equipment	**(2,571)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(76,249)**	(55,521)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	**800,000**	372,498
Expenses incurred in connection with issue of shares	**(12,975)**	(2,810)
Proceeds on issue of convertible bonds	**–**	480,000
Repurchase of convertible bond	**–**	(100,000)
Additional capital injection from non-controlling interests	**–**	33,320
Dividends paid	**(149,151)**	(83,436)
Repayments of finance leases	**–**	(436)
Interest paid	**(1,746)**	(4,129)
New bank loans raised	**443,715**	58,241
Repayments of bank loans	**(170,751)**	(4,200)
Repayment to a former non-controlling shareholder	**(45,471)**	–
NET CASH FROM FINANCING ACTIVITIES	**863,621**	749,048
NET INCREASE IN CASH AND CASH EQUIVALENTS	**195,740**	347,431
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**601,484**	252,211
Effect of foreign exchange rate changes	**6,553**	1,842
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**803,777**	601,484

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding 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 holding company is Million Way Holdings Ltd., a company incorporated in BVI with limited liability which is in turn held by STC International Limited ("STC International"), being the trustee of The Albert Yeung Discretionary Trust, the settlor and founder of which is Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung"). The address of the registered office and principal place of business of the Company is 25/F, Emperor Group Centre, 288 Hennessey Road, Wanchai, Hong Kong.

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

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

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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]

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

HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

[2] Effective for annual periods beginning on or after 1 January 2013

[3] Effective for annual periods beginning on or after 1 January 2015

[4] Effective for annual periods beginning on or after 1 January 2012

[5] Effective for annual periods beginning on or after 1 July 2012

[6] Effective for annual periods beginning on or after 1 January 2014

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

The directors anticipate that the adoption of HKFRS 9 in the future will not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on the analysis of the Group's financial instrument as at 31 December 2011.

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of consolidation – Continued

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Revenue recognition

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

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

Service income is recognised when services are provided.

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

Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Property, plant and equipment – Continued

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. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Inventories

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

Investment in subsidiaries

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Financial assets – Continued

Loans and receivables

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

Impairment of financial assets

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

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Financial liabilities and equity instruments

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

Equity instrument

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

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Convertible bonds

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Financial liabilities and equity instruments – Continued

Derivative financial instruments and hedging

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

Embedded derivatives

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

Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Taxation – Continued

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

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

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

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

Current and deferred tax are 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 current deferred tax are 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 are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans, the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised 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 under the heading of the translation reserve (attributable to non-controlling interests as appropriate).

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 such that the cumulative expense reflects the revised estimate, 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.

Impairment losses on 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Impairment losses on assets – Continued

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

Income taxes

As at 31 December 2011, no deferred tax asset has been recognised on the tax losses of HK$81,250,000 (2010: HK$57,359,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. If the future profit streams become predictable in the future, a deferred tax asset will be recognised to the extent that future taxable profits will be available.

Allowance for inventories

The management of the Company estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the subsequent estimated net realisable value of inventories is less than the original estimate, a material impairment loss may arise. As at 31 December 2011, the carrying amount of inventories is HK$3,404,176,000 (net of allowance for inventories of HK$30,999,000) (31 December 2010: carrying amount of HK$2,152,007,000, net of allowance for inventories of HK$13,158,000).

Allowance for trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of trade receivables is HK$88,819,000 (31 December 2010: HK$62,828,000).

5. REVENUE AND SEGMENT INFORMATION

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

Information reported to the chief operating decision maker of the Group, for the purposes of resource allocation and assessment of segment performance focuses on the locations of the operations. This is also the basis upon which the Group is arranged and organised. The Group's operating and reportable segments under HKFRS 8 are operations located in Hong Kong, Macau and other regions in the People's Republic of China (the "PRC"). The revenue generated by each of the operating segments is mainly derived from sales of watch and jewellery.

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

For the year ended 31 December 2011

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Elimination HK$'000	Consolidated HK$'000
Revenue					
External sales	4,862,943	377,361	622,073	–	5,862,377
Inter-segment sales*	196,863	39,898	–	(236,761)	–
	5,059,806	417,259	622,073	(236,761)	5,862,377
* Inter-segment sales are charged at cost					
Segment profit	819,076	82,897	16,726	–	918,699
Unallocated administrative expenses					(154,268)
Interest income					3,509
Net loss on derivative financial instruments					(9,300)
Finance costs					(1,746)
Profit before taxation					756,894

5. REVENUE AND SEGMENT INFORMATION – Continued

For the year ended 31 December 2010

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Elimination HK$'000	Consolidated HK$'000
Revenue					
External sales	3,366,291	266,523	462,496	–	4,095,310
Inter-segment sales*	204,071	113,434	–	(317,505)	–
	3,570,362	379,957	462,496	(317,505)	4,095,310
* Inter-segment sales are charged at cost					
Segment profit	460,459	51,846	24,642	–	536,947
Unallocated administrative expenses					(124,257)
Interest income					1,799
Net loss on derivative financial instruments					(199,010)
Finance costs					(11,195)
Profit before taxation					204,284

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

5. REVENUE AND SEGMENT INFORMATION – Continued

Other segment information

Amounts included in the measure of segment profit or loss:

For the year ended 31 December 2011

	Hong Kong HK$'000	**Macau HK$'000**	**Other regions in the PRC HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Depreciation	**42,974**	**1,290**	**17,873**	**4,173**	**66,310**
Operating lease payments	**289,365**	**6,306**	**102,899**	**6,995**	**405,565**

For the year ended 31 December 2010

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Unallocated HK$'000	Total HK$'000
Depreciation	28,558	685	9,114	3,147	41,504
Operating lease payments	193,170	3,940	70,096	5,494	272,700

Revenue from major products

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

	2011 HK$'000	2010 HK$'000
Watch	**4,831,945**	3,461,439
Jewellery	**1,030,324**	632,837
Others	**108**	1,034
	5,862,377	4,095,310

5. REVENUE AND SEGMENT INFORMATION – Continued

Geographical information

Information about the Group's non-current assets is presented based on the geographical location of assets are detailed below:

As at 31 December 2011

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Consolidated HK$'000
Non-current assets	**184,084**	**7,537**	**62,241**	**253,862**

As at 31 December 2010

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Consolidated HK$'000
Non-current assets	142,673	2,394	42,252	187,319

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

	2011 HK$'000	2010 HK$'000
Interest income from bank deposits	**3,509**	1,799
Others	**7,768**	10,431
	11,277	12,230

7. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest expenses on:		
bank borrowings wholly repayable within five years	1,746	2,638
finance lease	–	47
convertible bonds	–	8,510
	1,746	11,195

8. PROFIT BEFORE TAXATION

	2011 HK$'000	2010 HK$'000
Profit before taxation has been arrived at after charging:		
Allowance for inventories	17,841	1,750
Auditor's remuneration	3,849	2,536
Cost of inventories included in cost of sales	4,140,871	3,037,435
Depreciation of property, plant and equipment	66,310	41,504
Loss on disposal/write off of property, plant and equipment	718	5,610
Net exchange loss	5,620	2,294
Operating lease payments in respect of rented premises		
– minimum lease payments	331,170	239,226
– contingent rent	74,395	33,474
Write down of inventories	1,645	450
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	213,358	148,229
– retirement benefits scheme contributions	13,374	7,507

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

Details of the emoluments paid and payable to the Directors for the year ended 31 December 2011 and 2010 are as follows:

For the year ended 31 December 2011

	Fees HK$'000	Salaries, allowance and benefits–in-kind HK$'000	Performance related incentive payment HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Ms. Cindy Yeung	**100**	**2,520**	**2,000**	**12**	**4,632**
Mr. Chan Hung Ming	**100**	**1,373**	**600**	**12**	**2,085**
Mr. Wong Chi Fai	**100**	**–**	**–**	**–**	**100**
Ms. Fan Man Seung, Vanessa	**100**	**–**	**–**	**–**	**100**
Ms. Yip Kam Man	**150**	**–**	**–**	**–**	**150**
Mr. Chan Hou Piu	**150**	**–**	**–**	**–**	**150**
Ms. Lai Ka Fung, May	**150**	**–**	**–**	**–**	**150**
Mr. Hanji Huang	**100**	**–**	**–**	**–**	**100**
	950	**3,893**	**2,600**	**24**	**7,467**

For the year ended 31 December 2010

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

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – Continued

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2010: two) were Directors whose emoluments are included in the note 9(a) above. The emoluments of the remaining three (2010: three) individuals were as follows:

	2011 HK$'000	2010 HK$'000
Salaries, allowance and benefits-in-kind	**3,890**	1,666
Performance related incentive payment	**449**	73
Retirement benefits scheme contributions	**36**	49
	4,375	1,788

Their emoluments were within the following bands:

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**–**	3
HK$1,000,001 to HK$1,500,000	**3**	–

Notes:

(i) The performance related incentive payment is a discretionary bonus determined based on the financial performance of the Group for the two years end 31 December 2011.

(ii) No Director waived any emoluments during the two years ended 31 December 2011.

10. TAXATION

	2011 HK$'000	2010 HK$'000
The charge comprises:		
Current year:		
Hong Kong	**121,288**	65,490
PRC	**1,675**	6,355
Macau	**9,529**	5,412
	132,492	77,257
(Over) underprovision in prior years:		
Hong Kong	**(396)**	(2,647)
Macau	**(138)**	3
	(534)	(2,644)
Deferred taxation (note 23)	**(2,116)**	(4,190)
	129,842	70,423

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

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

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

Details of deferred taxation are set out in note 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:

	2011 **HK$'000**	2010 HK$'000
Profit before taxation	**756,894**	204,284
Tax charge at Hong Kong Profits Tax rate of 16.5%	**124,888**	33,707
Tax effect of expenses not deductible for tax purpose	**3,505**	35,596
Tax effect of income not taxable for tax purpose	**(924)**	(764)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,005)**	(537)
Tax effect of tax losses not recognised	**4,524**	5,115
Utilisation of tax losses previously not recognised	**(582)**	(45)
Overprovision in respect of prior years	**(534)**	(2,644)
Overprovision of deferred tax asset previously recognised	**1,972**	–
Others	**(2)**	(5)
Taxation for the year	**129,842**	70,423

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 2011 of HK1.60 cent (2010: HK1.02 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 2011, a final dividend of HK1.02 cents per share for the year ended 31 December 2010 amounting to HK$68,529,000 was paid in June 2011 and an interim dividend of HK1.20 cents per share in respect of the year ended 31 December 2011 amounting to HK$80,622,000 was paid in September 2011.

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

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the consolidated profit and loss based on the following data:

Earnings

	Year ended 31/12/2011 HK$'000	Year ended 31/12/2010 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**627,084**	125,641

Number of shares

	Year ended 31/12/2011	Year ended 31/12/2010
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,437,986,052**	5,200,188,904
Effect of dilutive potential ordinary shares:		
Warrants	**81,557,158**	
Convertible bond	**26,991,375**	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,546,534,585**	

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

13. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
COST				
At 1 January 2010	101,095	20,884	1,362	123,341
Exchange realignment	603	72	–	675
Additions	45,594	11,726	–	57,320
Disposals/written off	(7,387)	(356)	–	(7,743)
At 31 December 2010	139,905	32,326	1,362	173,593
Exchange realignment	1,566	166	–	1,732
Additions	69,626	7,582	–	77,208
Disposals	(1,568)	(160)	–	(1,728)
At 31 December 2011	209,529	39,914	1,362	250,805
ACCUMULATED DEPRECIATION				
At 1 January 2010	41,000	7,573	184	48,757
Exchange realignment	104	1	–	105
Provided for the year	37,108	4,123	273	41,504
Eliminated on disposals/written off	(2,066)	(67)	–	(2,133)
At 31 December 2010	76,146	11,630	457	88,233
Exchange realignment	542	42	–	584
Provided for the year	59,578	6,459	273	66,310
Eliminated on disposals	(876)	(113)	–	(989)
At 31 December 2011	135,390	18,018	730	154,138
CARRYING VALUES				
At 31 December 2011	74,139	21,896	632	96,667
At 31 December 2010	63,759	20,696	905	85,360

13. PROPERTY, PLANT AND EQUIPMENT – Continued

THE GROUP – 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 three years, whichever is shorter
Furniture, fixtures and equipment	9% - 33.3%
Motor vehicle	18% - 20%

14. INVENTORIES

	THE GROUP	
	2011 **HK$'000**	2010 HK$'000
Raw materials	**38,604**	22,243
Goods held for resale	**3,365,572**	2,129,764
	3,404,176	2,152,007

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2011 **HK$'000**	2010 HK$'000
Unlisted shares	**373,006**	373,006
Deemed capital contribution (note 17)	**1,171,479**	728,939
	1,544,485	1,101,945

16. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**88,819**	62,828
Other PRC tax recoverable	**47,828**	51,096
Other receivables, deposits and prepayments	**62,792**	57,086
	199,439	171,010

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. Wholesale customers are granted an average credit periods from 7 days to 90 days.

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Within 30 days	**77,845**	47,471
31 - 60 days	**6,920**	5,876
61 - 90 days	**4,054**	9,481
	88,819	62,828

Before accepting any new customer, the Group would assess the potential wholesale customer's credit quality and defines credit limit for each wholesale customer.

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

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$3,009,000 (2010: HK$2,006,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over nor charge any interest on these balances.

16. RECEIVABLES, DEPOSITS AND PREPAYMENTS – Continued

Ageing of trade receivables which are past due but not impaired

	2011 HK$'000	2010 HK$'000
Overdue 1 - 30 days	**2,648**	684
Overdue 31 - 60 days	**361**	1,322
	3,009	2,006

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

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

	2011 HK$'000	2010 HK$'000
Macau Pataca ("MOP")	**1,100**	433

17. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured, interest-free and repayable on demand. Amount due from a subsidiary with principal amount of HK$1,249,829,000 and HK$608,311,000 and HK$1,086,179,000 are expected to be settled by 31 December 2018 and 31 December 2020 and 31 December 2021 respectively. On application of HKAS 39 "Financial Instruments: Recognition and Measurement", the fair value of those amounts is determined based on effective interest rate of 5% per annum. The difference between the principal amount of the advance and its fair value, determined on initial recognition amounting to HK$1,171,479,000 (2010: HK$728,939,000), has been included in the investment cost in a subsidiary as deemed contribution to the subsidiary (note 15).

18. BANK BALANCES AND CASH

THE GROUP/THE COMPANY

Bank balances carry interest at market rates which range from 0.00941% to 1.31% (2010: 0.01% to 1.17%) per annum.

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

	2011 **HK$'000**	2010 HK$'000
HKD	**64,508**	99,965
MOP	**8,937**	15,970
United States dollars ("USD")	**728**	14
Renminbi ("RMB")	**250**	483
Swiss Franc ("CHF")	**434**	466

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

19. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	THE GROUP	
	2011 **HK$'000**	2010 HK$'000
Trade payables	**310,574**	309,115
Other payables, deposits received and accrued charges	**85,852**	95,546
	396,426	404,661

19. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES – Continued

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
0 - 30 days	**284,189**	238,874
31 - 60 days	**9,752**	32,864
61 - 90 days	**15,221**	4,593
Over 90 days	**1,412**	32,784
	310,574	309,115

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

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

	2011	2010
	HK$'000	HK$'000
USD	**11,608**	36,232

20. AMOUNTS DUE TO RELATED COMPANIES

THE GROUP

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

THE COMPANY

The amount due to a related company is unsecured, interest-free and repayable on demand. The related company represents company owned and controlled by STC International.

21. BANK BORROWINGS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Unsecured bank loans, repayable within one year	**340,205**	67,241

The ranges of weighted effective interest rates on the Group's borrowings are ranged from 1.54% to 8.97% (2010: 1.43% to 4.49%) per annum. The bank borrowings are summarised as follows:

Denominated in	**Interest rate**	**2011 HK$'000**	2010 HK$'000
HKD	Hong Kong Interbank Offered Rates ("HIBOR") plus 1.25% (2010: HIBOR plus 1.25%)	**5,150**	9,000
HKD	HIBOR plus 2% (2010: Nil)	**180,000**	–
HKD	HIBOR plus 2.25% (2010: Nil)	**125,327**	–
HKD	HIBOR plus 2.5% (2010: Nil)	**29,728**	–
RMB	95% of People's Bank of China Prescribed Interest Rate	**–**	58,241
		340,205	67,241

22. DERIVATIVE FINANCIAL INSTRUMENTS AND LIABILITY COMPONENT OF CONVERTIBLE BOND

As at 31 December 2010, the convertible bond outstanding comprises the carrying amounts of the liability component of convertible bond with principal of HK$140,000,000 ("HK$140M Bond") carried at amortised cost at an effective interest rate of 16.1% per annum and the derivatives component of HK$140M Bond carried at fair value.

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

During the year ended 31 December 2011, the HK$140M Bond was fully converted into 259,259,259 ordinary shares of HK$0.01 each at conversion price of HK$0.54 per share. The fair value loss as a result of the changes in the fair value of embedded derivative component from 1 January 2011 to the date of conversion, amounting to HK$9,300,000, was recognised in the profit or loss.

Net loss on derivative financial instruments recognised in profit or loss in prior year represented the fair value loss of HK$130,880,000 on initial recognition of the HK$140M Bond and warrants and its changes in fair value during the year ended 31 December 2010 of HK$68,130,000.

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

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

	Conversion date	At 31 December 2010
Share price	HK$1.16	HK$1.12
Conversion price	HK$0.54	HK$0.54
Expected volatility	45%	46%
Remaining life	2.2 years	2.3 years
Risk free rate	0.64%	0.69%
Expected dividend yield	2.6%	2.581%

23. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	**Provision on inventory HK$'000**	**Total HK$'000**
At 1 January 2010	379	–	379
Credited to consolidated statement of comprehensive income	(2,218)	(1,972)	(4,190)
At 31 December 2010	(1,839)	(1,972)	(3,811)
Credited to consolidated statement of comprehensive income	(4,088)	1,972	(2,116)
At 31 December 2011	(5,927)	–	(5,927)

23. DEFERRED TAXATION – Continued

At the end of the reporting period, the Group has unused tax losses of approximately HK$81,250,000 (2010: HK$57,359,000) available to off set against future profits. No deferred taxation asset has been recognised in respect of tax losses due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$80,155,000 (2010: HK$57,359,000) that will expire in the coming years.

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Will expire on:		
31 December 2013	**3,730**	4,484
31 December 2014	**20,392**	21,874
31 December 2015	**29,709**	31,001
31 December 2016	**26,324**	–
	80,155	57,359
Unrecognised tax loses that will not expire	**1,095**	–
	81,250	57,359

24. SHARE CAPITAL

The movements in the Company's authorised and issued share capital during the year ended 31 December 2010 and 31 December 2011 are as follows:

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	100,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2010	4,500,000,000	45,000
Shares issued (Note (a))	714,810,000	7,148
Shares issued upon conversion of convertible bond (Note (b))	444,444,444	4,445
At 31 December 2010	5,659,254,444	56,593
Shares issued (Note (c))	800,000,000	8,000
Shares issued upon conversion of convertible bond (Note (d))	259,259,259	2,592
At 31 December 2011	6,718,513,703	67,185

Notes:

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

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

(c) On 27 April 2011, the Company issued 800,000,000 ordinary shares of HK$0.01 each (the "Placement") to the controlling shareholder at a consideration of HK$1.00 per share pursuant to a Top-up Subscription Agreement dated 19 April 2011. The new shares rank pari passu with the existing shares in all respects.

(d) This represents the shares issued in relation to the conversion of the convertible bond with principal amount of HK$140,000,000 which was issued pursuant to a subscription agreement dated 26 August 2010. The convertible bond was fully converted into 259,259,259 ordinary shares of the Company on 7 February 2011. The new shares rank pari passu with the existing shares in all respects.

25. RESERVES

THE GROUP

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

(b) Other reserve represented the aggregate amount of:

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

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

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

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

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

  (vi) the reversal of reserve of HK$295,000 arising from the deregistration of a non-wholly owned subsidiary during the year ended 31 December 2011.

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

25. RESERVES – Continued

THE COMPANY

	Share premium HK$'000	Accumulated profits HK$'000	Warrants equity reserve HK$'000	Total HK$'000
At 1 January 2010	1,587,063	45,832	–	1,632,895
Profit and total comprehensive income for the year	–	81,155	–	81,155
Shares issued	365,350	–	–	365,350
Expenses incurred in connection with issue of new shares	(2,810)	–	–	(2,810)
Recognition of issuance of warrants	–	–	53,100	53,100
Shares issued upon conversion of convertible bond	238,670	–	–	238,670
Final dividend paid for 2009	–	(44,325)	–	(44,325)
Interim dividend paid for 2010	–	(39,111)	–	(39,111)
At 31 December 2010	2,188,273	43,551	53,100	2,284,924
Profit and total comprehensive income for the year	–	234,104	–	234,104
Shares issued	792,000	–	–	792,000
Expenses incurred in connection with issue of new shares	(12,975)	–	–	(12,975)
Shares issued upon conversion of convertible bond	296,569	–	–	296,569
Final dividend paid for 2010	–	(68,529)	–	(68,529)
Interim dividend paid for 2011	–	(80,622)	–	(80,622)
At 31 December 2011	3,263,867	128,504	53,100	3,445,471

26. WARRANTS

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

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

27. 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 21, convertible bond 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.

28. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalent)	**918,771**	682,882	**1,968,398**	1,240,194
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	**–**	180,320	**–**	–
Other financial liabilities stated at amortised cost	**702,394**	606,610	**303**	717
	702,394	786,930	**303**	717

b. Financial risk management objectives and policies

The Group's financial instruments include receivables, bank balances and cash, payables, amounts due to related companies and bank borrowings. The Company's financial instruments include amounts due from a subsidiary and bank balances and cash, payables and amount due to a related company. 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.

28. FINANCIAL INSTRUMENTS – Continued

b. Financial risk management objectives and policies – Continued

Market risk

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

(i) Interest rate risk

The Group has exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings (see note 21), which carry interest at prevailing market interest rates (i.e. HIBOR plus 1.25% to 2.5%). 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 (2010: 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 (2010: 200 basis points) higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would decrease by HK$5,681,000 (2010: HK$1,123,000). An equal and opposite impact on the Group's post-tax profits for the year would be resulted if the interest rates has been 200 basis points (2010: 200 basis points) lower.

(ii) Foreign currency risk

THE GROUP

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

28. FINANCIAL INSTRUMENTS – Continued

b. Financial risk management objectives and policies – Continued

Market risk – Continued

(ii) Foreign currency risk – Continued

THE GROUP – Continued

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

	2011 HK$'000	2010 HK$'000
Assets		
HKD	**64,508**	99,965
EURO	**8,937**	–
MOP	**1,828**	16,403
USD	**434**	14
RMB	**250**	483
CHF	**–**	466
Liabilities		
HKD	**883,157**	422,891
USD	**11,608**	36,232

Sensitivity analysis

The following table details the Group's sensitivity to a 2% (2010: 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% (2010: 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% (2010: 2%) change in foreign currency rate. A positive number indicates increase in post-tax profit for the year where RMB strengthen 2% against HKD. There would be an equal and opposite impact on the post-tax profit for the year where RMB weakens 2% (2010: 2%) against HKD.

	2011 HK$'000	2010 HK$'000
HKD	**13,671**	5,490

28. FINANCIAL INSTRUMENTS – Continued

b. Financial risk management objectives and policies – Continued

Market risk – Continued

(ii) Foreign currency risk – Continued

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.

Credit risk

THE GROUP

As at 31 December 2011, 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% (2010: 14%) of total trade receivables was due from the Group's largest trade debtor. The Group's largest trade debtor is a department store located in the PRC with good repayment history.

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

THE COMPANY

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

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

28. FINANCIAL INSTRUMENTS – Continued

b. Financial risk management objectives and policies – Continued

Liquidity risk

THE GROUP

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

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

	Weighted average effective interest rate %	Less than 3 months HK$'000	3-6 months HK$'000	6-12 months HK$'000	1-2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
At 31 December 2011							
Payables		**358,149**	**–**	**–**	**–**	**358,149**	**358,149**
Amounts due to related companies		**4,040**	**–**	**–**	**–**	**4,040**	**4,040**
Bank borrowings (a)	**2.35%**	**171,121**	**167,736**	**3,068**	**–**	**341,925**	**340,205**
		533,310	**167,736**	**3,068**	**–**	**704,114**	**702,394**
At 31 December 2010							
Payables	–	380,759	–	–	–	380,759	380,759
Amounts due to related companies	–	3,598	–	–	–	3,598	3,598
Amount due to a non-controlling shareholder	–	45,471	–	–	–	45,471	45,471
Bank borrowings (a)	4.08%	68,034	–	–	–	68,034	67,241
Convertible bond (b)	16.1%	516	141,260	–	–	141,776	109,541
		498,378	141,260	–	–	639,638	606,610

28. FINANCIAL INSTRUMENTS – Continued

b. Financial risk management objectives and policies – Continued

Liquidity risk – Continued

THE GROUP – Continued

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

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

THE COMPANY

As at 31 December 2011, the Company provided corporate guarantees of HK$715,720,000 (2010: HK$408,241,000) to banks in respect of credit facilities grant to its subsidiaries. The aggregate amounts utilised by the subsidiaries as at 31 December 2011 is HK$340,205,000 (2010: HK$67,241,000). 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$715,720,000 (2010: HK$408,241,000). The maturity of the settlement of the financial guarantee contracts will be less than 3 months from the end of the reporting period. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee, which is a function of the likelihood that the counterparty guaranteed suffer credit losses.

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

28. FINANCIAL INSTRUMENTS – Continued

b. Financial risk management objectives and policies – Continued

Liquidity risk – Continued

THE COMPANY – Continued

	Weighted average effective interest rate	Less than 3 months HK$'000	3-6 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
At 31 December 2011					
Payables	–	273	–	273	273
Amount due to a related company	–	30	–	30	30
Financial guarantee contract	–	715,720	–	715,720	–
		716,023	–	716,023	303
At 31 December 2010					
Payables	–	687	–	687	687
Amount due to a related company	–	30	–	30	30
Financial guarantee contract	–	408,241	–	408,241	–
		408,958	–	408,958	717

The Company had no other contractual liability as at 31 December 2011 and 31 December 2010.

c. Fair value measurements of financial assets and liabilities

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

- The fair value of derivative embedded in the convertible bond was based on the Binomial model using prices or rates of similar instruments with key inputs such as weighted average share price, expected volatility, risk-free rate and expected dividend yield. Details are set out in note 22.
- The fair value of warrants is determined in accordance with generally accepted pricing models based on data obtained from current market transactions or dealer quotes for similar instruments. Details are set out in note 26.
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

28. FINANCIAL INSTRUMENTS – Continued

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

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

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

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

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

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

THE GROUP

	31/12/2011			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial liabilities at FVTPL				
Derivative financial instruments	**–**	**–**	**–**	**–**

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

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

29. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2010, the Group acquired additional 49% equity interest in a subsidiary at a consideration of HK$45,471,000. The consideration included in the amount due to a former non-controlling interest as at 31 December 2010 and has been settled during the year.

During the year ended 31 December 2011, the Company issued shares on conversion of the Bond with the principal amount of HK$140,000,000 (2010: HK$240,000,000).

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:

	2011	2010
	HK$'000	HK$'000
Within one year	**409,636**	235,802
In the second to fifth year inclusive	**851,168**	123,334
	1,260,804	359,136

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

Included in the above is future lease payments with related companies of approximately HK$671,751,000 (2010: HK$153,445,000) which fall due as follows:

	2011	2010
	HK$'000	HK$'000
Within one year	**224,298**	98,154
In the second to fifth year inclusive	**447,453**	55,291
	671,751	153,445

The related companies are companies controlled by STC International.

31. CAPITAL COMMITMENTS

	THE GROUP	
	2011	2010
	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	**20,728**	1,536

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

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 of 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 not be 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 2011.

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 terms and balances with related companies at the end of the reporting periods are set out in note 20.

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

		2011 HK$'000	2010 HK$'000
(1)	Sales of goods to Directors and their close family members	**6,253**	5,333
(2)	Rental, electricity and air-conditioning expenses paid and payable to related companies (notes a and b)	**147,005**	94,697
(3)	Service charge in respect of information system and administrative work paid and payable to related companies (note b)	**22,679**	15,559
(4)	Advertising expenses paid and payable to related companies (note b)	**1,293**	781
(5)	Financial advisory fee paid and payable to a related company (note b)	**360**	360
(6)	Placing commission fee paid to a related company (notes b and c)	**12,000**	2,295

As at 31 December 2011, rental deposits paid to related companies, which are companies controlled by STC International, amounted to HK$65,488,197 (2010: HK$33,368,000) were included in receivables, deposits and prepayments.

The Company provided corporate guarantees of approximately HK$715,720,000 (2010: HK$408,241,000) to banks in respect of credit facilities granted to its subsidiaries. The aggregate amounts utilised by the subsidiaries as at 31 December 2011 were approximately HK$340,205,000 (2010: HK$67,241,000).

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 "Continuing Connected Transactions – Tenancy Agreements" section in the Directors' Report.

(b) The related companies are companies controlled by STC International.

(c) The placing commission fee paid is in relation to the placing commission received by a related company of the Company. Details of the transaction are disclosed under "Connected Transaction – Top-Up Placing Agreement" section in the Directors' Report.

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 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up issued/ registered ordinary share capital	Attributable equity interest held by the Company		Principal activities
			2011	2010	
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) Company Limited	HK	HK$1	**100%**	100%	Investment holding
Emperor Watch & Jewellery (China) Holdings Limited	BVI	US$1	**100%**	100%	Investment holding
Emperor Watch & Jewellery (HK) Company Limited	HK	HK$100	**100%**	100%	Sales of watches & jewellery
Emperor Watch & Jewellery Management Limited	BVI	US$1	**100%**	100%	Holding trademarks, logo and domain names of the Group
EWJ Watch and Jewellery Company Limited	Macau	MOP25,000	**100%**	100%	Sales of watches & jewellery
Foremost Resources Limited	HK	HK$1	**100%**	100%	Investment holding
Glad Fortune Limited	HK	HK$1	**100%**	100%	Provision of group tenancy agent services
Glory Wish Limited	HK	HK$2	**100%**	100%	Provision of group tenancy agent services
Gold Gatherable Limited	HK	HK$1	**100%**	100%	Investment holding
Jade Bloom Investments Limited	BVI	US$1	**100%**	–	Investment holding
Moral Step Limited	HK	HK$1	**100%**	100%	Provision of group tenancy agent services
Mount Win Limited	HK	HK$1,000,000	**100%**	100%	Investment holding
Perfect Perform Limited	HK	HK$2	**100%**	100%	Provision of group tenancy agent services
Plus Gain Enterprises Limited	BVI	US$1	**100%**	100%	Investment holding
Shine Air Limited	HK	HK$1	**100%**	100%	Investment holding

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES – Continued

Particulars of the Company's principal subsidiaries as at 31 December 2011 and 2010 are as follows: – Continued

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up issued/ registered ordinary share capital	Attributable equity interest held by the Company 2011	2010	Principal activities
Success Wealthy Limited	HK	HK$1	**100%**	–	Provision of group tenancy agent services
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
Up Success Limited	HK	HK$300,000	**100%**	100%	Provision of group tenancy agent services
Wealthy Able Limited	HK	HK$1	**100%**	100%	Provision of group tenancy agent services
Wealth Luck Investment Limited	HK	HK$1	**100%**	100%	Wholesales of jewellery
Zeal Team Limited	HK	HK$1	**100%**	100%	Provision of group tenancy agent services
英皇鐘錶珠寶(深圳)有限公司 (formerly known as 英皇百達麗鐘錶(深圳)有限公司)#	PRC	HK$100,500,000	**100%**	100%	Sales of watches and jewellery
北京富嘉佳美鐘錶貿易有限公司#	PRC	HK$73,000,000	**100%**	100%	Sales of watches and jewellery
英皇鐘錶珠寶(北京)有限公司#	PRC	HK$160,000,000	**100%**	100%	Sales of watches and jewellery
重慶市盈豐鐘錶珠寶有限公司#	PRC	HK$10,500,000	**100%**	100%	Sales of watches and jewellery
上海裕迅鐘錶珠寶貿易有限公司#	PRC	HK$8,000,000	**100%**	100%	Sales of watches and jewellery

The subsidiaries are wholly foreign owned enterprises.

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.

Financial Summary

	For the year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULT					
Revenue	1,561,463	1,842,469	2,686,463	4,095,310	**5,862,377**
Profit before taxation	191,757	269,303	243,232	204,284	**756,894**
Taxation	(32,969)	(47,081)	(43,046)	(70,423)	**(129,842)**
Profit for the year	158,788	222,222	200,186	133,861	**627,052**
Profit for the year attributable to:					
Owners of the Company	158,788	222,571	195,588	125,641	**627,084**
Non-controlling interests	–	(349)	4,598	8,220	**(32)**
	158,788	222,222	200,186	133,861	**627,052**

	As at 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	909,701	1,540,003	1,845,743	3,115,631	**4,667,181**
Total liabilities	(548,484)	(137,470)	(286,826)	(845,388)	**(808,638)**
Net Assets	361,217	1,402,533	1,558,917	2,270,243	**3,858,543**
Equity attributable to owners of the Company	361,217	1,397,651	1,549,406	2,267,646	**3,858,543**
Non-controlling interests	–	4,882	9,511	2,597	**–**
Total equity	361,217	1,402,533	1,558,917	2,270,243	**3,858,543**