英皇鐘錶珠寶有限公司

EMPEROR WATCH & JEWELLERY LIMITED

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

Blossom of Exquisite Grace

Annual Report 2012

Contents

Corporate Information and Key Dates

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

COMPANY SECRETARY
Chung Ho Ying, Frina

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

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

NOMINATION COMMITTEE
Chan Hon Pui *(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
Hong Kong

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

INVESTOR RELATIONS CONTACT
Luk Man Ching, Anna
Email: ir@emperorgroup.com

WEBSITE
http://www.emperorwatchjewellery.com

STOCK CODE
Hong Kong Stock Exchange: 887

KEY DATES

Annual Results Announcement	18 March 2013
Book Close Dates	
– For AGM	7 May 2013
– For Final Dividend	14 to 15 May 2013
Record Dates	
– For AGM	7 May 2013
– For Final Dividend	15 May 2013
Annual General Meeting	8 May 2013
Payment of Final Dividend	7 June 2013 (HK0.8 cent 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 this Annual Report. Upon written request, a free printed version of Corporate Communication will be sent to shareholders who have elected to receive electronic copies but for any reason have difficulty in receiving or gaining access to any Corporate Communication 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

HK$'million	Year ended 31 December 2011 Per Reported	2011 Excluding the net loss on derivative financial instruments[1]	**2012** **Per Reported**	**Changes**
Revenue	5,862	5,862	**6,531**	**+11.4%**
Gross Profit	1,686	1,686	**1,697**	**+0.7%**
Gross Profit Margin	28.8%	28.8%	**26.0%**	**-2.8% pts**
EBITDA[2]	825	834	**572**	**-31.4%**
EBITDA Margin	14.1%	14.2%	**8.8%**	**-5.4% pts**
Profit for the Year	627	636	**404**	**-36.5%**
Net Profit Margin	10.7%	10.8%	**6.2%**	**-4.6% pts**
Basic Earnings per Share	HK9.7 cents	HK9.9 cents	**HK6.0 cents**	**-39.4%**
Dividend per Share	HK2.8 cents	HK2.8 cents	**HK1.78 cents**	**-36.4%**

[1] Net loss on derivative financial instruments is a non-cash item recognised in consolidated statement of comprehensive income which was in relation to fair value loss on initial recognition and fair value change of derivative financial instruments at year end.

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

Management Discussion and Analysis

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***". The Group has extensive retail networks in Hong Kong, Macau, the People's Republic of China (the "PRC") and Singapore. The target customers range from middle to high income groups in the world. With a long history of over 70 years since its establishment, the Group is carrying a balanced and comprehensive watches' dealership list.

In 2012, the total number of mainland visitor arrivals to Hong Kong amounted to 34.9 million, representing a 24.2% increase when compared with 2011. It shows that Hong Kong remains attractive to mainland visitors.

MARKET REVIEW

For the year ended 31 December 2012 (the "Year"), the global economy remained volatile with full of challenges, which caused consumers to become more cautious on spending. Having said that, the appetite of mainland consumers towards luxury watch items was relative resilience with gradual and continuous growth throughout the Year.

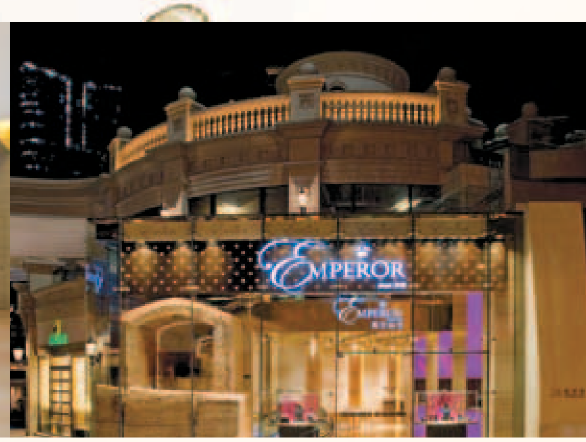
According to the statistics revealed by the Hong Kong Tourism Board, the total number of mainland visitor arrivals to Hong Kong amounted to 34.9 million for the Year with an increase of 24.2% when compared with 2011. Hong Kong is still a popular shopping destination of mainland visitors, in particular for high-net wealth population. The latest Hong Kong retail sales data showed that luxury goods sector has driven the overall retail sales up-tick, indicating a continuous growth momentum on luxury consumption supported by the pent-up demand and better consumption atmosphere starting from the second half of 2012.

Management Discussion and Analysis

FINANCIAL REVIEW

Despite the unfavourable conditions and an extraordinary high base comparison from last year, the Group was still able to achieve a revenue growth of 11.4% to approximately HK$6,531.5 million (2011: HK$5,862.4 million). The Hong Kong market continued to be the key revenue contributor, with its revenue increased by 13.5% to HK$5,519.9 million (2011: HK$4,862.9 million), accounting for 84.5% (2011: 83.0%) of the Group's total revenue. During the Year, 81.5% (2011: 82.4%) of the Group's total revenue was generated from watch segment. Gross profit amounted to HK$1,696.7 million (2011: HK$1,685.7 million). Gross profit margin was 26.0% (2011: 28.8%).

The Group faced a high base when compared with 2011. This was driven by two factors, namely (1) revenue boosted in Hong Kong market in 2011 triggered by a shift of luxury shopping destination from Tokyo to other Asian regions (including Hong Kong) following the Great East Japan Earthquake in March 2011; and (2) gross profit margin was relatively high in last year due to the substantial and frequent price hikes implemented by watch suppliers as a result of Swiss Franc's appreciation and rising raw material costs.



EBITDA and net profit were HK$572.3 million and HK$404.3 million respectively, as compared to HK$834.3 million and HK$636.4 million respectively in 2011 excluding the net loss on derivative financial instruments. The decrease of EBITDA and net profit were owing to the decrease in gross profit margin and rising rental expenses. Basic earnings per share were HK6.0 cents (2011: HK9.9 cents, excluding the net loss on derivative financial instruments). The board of directors of the Company (the "Board" or "Directors") recommends the payment of a final dividend of HK0.8 cent (2011: HK1.6 cents) per share. Together with the interim dividend of HK0.98 cent per share, the total dividend per share for the Year was HK1.78 cents (2011: HK2.8 cents).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

During the Year, there was no change in the capital structure of the Group. 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 2012 amounted to HK$454.8 million (2011: HK$803.8 million), which were mainly denominated in Hong Kong dollars and Renminbi. As at 31 December 2012, the Group had total bank borrowings of approximately HK$1.0 million (2011: HK$340.2 million). Due to the decrease of bank borrowings and strong cash position, the gearing ratio of the Group (calculated on the basis of the total borrowings over total equity) as at 31 December 2012 decreased to 0.02% (2011: 8.8%). The Group also had available unutilised banking facilities of approximately HK$772.2 million.

As at 31 December 2012, the Group's current assets and current liabilities were approximately HK$4,180.8 million (2011: HK$4,407.4 million) and HK$366.9 million (2011: HK$808.6 million) respectively. Current ratio and quick ratio of the Group were 11.4 (2011: 5.5) and 1.8 (2011: 1.2) respectively.

In view of the Group's financial position as at 31 December 2012, the Board considered that the Group had sufficient working capital for its operations and future development plans.

Management Discussion and Analysis

BUSINESS REVIEW

Optimising 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 watch shops (with or without jewellery counters) as well as specialty outlets for specific watch brands.

During the Year, a total of 6 new stores were opened in Hong Kong and the PRC. As at 31 December 2012, the Group had 80 stores in Hong Kong, Macau and the PRC. Details of which are listed below:

	Number of stores
Hong Kong	21
Macau	5
The PRC	54
Total	80

The Group's retail stores in Hong Kong are strategically located at the major high-end shopping places, including Russell Street in Causeway Bay, Canton Road in Tsim Sha Tsui and Queen's Road Central in Central. In terms of shop rental rate per square feet during the Year, these three shopping streets were ranked as world-class top five most valuable shopping streets. Russell Street was even well recognized as the most valuable shopping street in the world. The Group enjoys a high penetration rate amongst the mainland visitors and brand enhancement through its presence in these extremely prime areas. With the lead of iconic flagship store located in 1881 Heritage, Canton Road, Tsim Sha Tsui, the Group is able to capture local shoppers as well as mainland visitors.

Solidifying Brand Image

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 organised 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 utilised the spacious area in ***Emperor Jewellery Flagship Store*** in 1881 Heritage and continuously hosted joint promotion events with investment banks, insurance companies, charity organisations and academic institutions in order to widen the customer base and strengthen a sense of signature on the flagship store.

Management Discussion and Analysis

Enjoying Group Synergies

The ability to (1) leverage other businesses and (2) enjoy the synergies effect with companies within Emperor Group are two of the advantages for the Group. Emperor International Holdings Limited, a separate listed company under Emperor Group, owns many premium retail properties at renowned shopping districts. By leasing the prime retail locations from it, the Group is able to generate higher sales productivity. As one of the synergies brought by Emperor Entertainment Group, the Group also invited VIP guests to its movie premiere and sponsored jewellery for the artistes. Such exposure opportunities, with pop artists and high profile celebrities, serve as an important tool to enhance the reputation of the brand of "***Emperor***", particularly in the Chinese-speaking communities.

Originated from a watch boutique in 1942, the Group has devoted to create values through enhancing customers' experience. To celebrate the 70th anniversary of Emperor Group during the Year, companies within Emperor Group had initiated a series of promotional campaigns. Benefiting from the enhanced "***Emperor***" brand exposure, the Group had enjoyed extensive media coverage and strengthened brand image in cost-effective manner.

Leveraging on its prime retail network, prestigious brand reputation and unique group synergies, the Group is well-positioned to capture the growing luxury consumption market.

PROSPECTS

Supported by the rising spending power and expansion of middle income group in the PRC, luxury consumption market in the region remains optimistic. Being a prominent retailer offering luxury watches and self-designed fine jewellery, the Group will seek to achieve a desired product and geographic mix in order to achieve a sustainable profit.

Hong Kong, as one of the hot-pick destinations for luxury goods consumption in the region, should be one of the most leveraged places against recovery in consumer sentiment. In addition to the significant regional price differential set by the watch brands, authenticity assurance, better assortments and absence of sales tax on luxury goods, Hong Kong is able to have a faster pace of recovery. The Group stays positive to capture the opportunities from the recovery, as more than 80% of its sales are originated from Hong Kong. The Group also believes that a better recovery sign will be revealed in 2013.

The Group believes that Southeast Asia will become a new revenue contributor. In early 2013, the Group has successfully expanded the coverage from Greater China to Southeast Asia by initiating a presence in Singapore. The Group will continue to look for other expansion opportunities in Southeast Asia in order to fully capture the luxury consumption growth momentum.

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 2012, the Group has capital commitments in respect of acquisition of property, plant and equipment of approximately HK$6.8 million (2011: HK$20.7 million) and operating lease commitment of approximately HK$1,132 million (2011: HK$1,260.8 million).

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group has 870 salespersons (2011: 985) and 209 office staff (2011: 224). Total staff costs (including directors' remuneration) were HK$242.9 million (2011: HK$226.7 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

The Group always shows compassion for those who are less fortunate and in need. It continued to be a sponsor of PLAN International Hong Kong's flagship campaign "Because I am a Girl" and DEER Theatre during the Year. It also made a special sponsorship to Chi Heng Foundation, which is dedicated to helping children affected by AIDS.

The Group mobilised its staff to join a volunteer trip to Chongqing organised by Emperor Group. Participants visited a rural secondary school and met some of the students whose parents were away from home working in the city. Such children and teenagers, found in most rural areas in China, are deprived of parental care and connection with the world outside. This constitutes to a rising nationwide social issue. Participants showed their concern for the students in a 4-days tour with interactive activities and in-kind donations to complement their newly built music and art rooms.

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK0.8 cent (2011: HK1.6 cents) per share ("Final Dividend") for the Year, amounting to approximately HK$55.1 million (2011: HK$107.5 million). The Final Dividend, if being approved at the forthcoming annual general meeting of the Company ("AGM"), will be paid on 7 June 2013 (Friday) to shareholders whose names appear on the register of members of the Company on 15 May 2013 (Wednesday).

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 6 May 2013 (Monday)
Book close date	7 May 2013 (Tuesday)
Record date	7 May 2013 (Tuesday)
AGM	8 May 2013 (Wednesday)

For ascertaining shareholders' entitlement to the proposed Final Dividend

Latest time to lodge transfers	4:30 p.m. on 13 May 2013 (Monday)
Book close dates	14 -15 May 2013 (Tuesday – Wednesday)
Record date	15 May 2013 (Wednesday)
Final Dividend payment date	7 June 2013 (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, Hong Kong for registration before the above latest time to lodge transfers.

Biographies of Directors and Senior Executives

CINDY YEUNG

Chairperson
Emperor Watch and Jewellery

Foothold in Hong Kong for over 70 years, we are now a prominent luxury watches and jewellery retailer with footprints spread over the PRC, Macau and Singapore. Looking ahead, the Group will fully utilise its core competencies and seek to achieve a desired product and geographic mix in order to maintain a sustainable profit.

Executive Director (Chairperson)

CINDY YEUNG, aged 48, the Chairperson and Managing Director of the Company as well as a director of certain subsidiaries of the Company. Ms. Yeung joined the Group in September 1990. She is responsible for the Group's strategic planning, business growth and development and overseeing different operations within the Group. She became a director of Emperor Watch & Jewellery (HK) Company Limited, an operating arm of the retail outlets of the Group in Hong Kong, in April 1999. The Group has been under her management since then. She has obtained the qualification of the Graduate Gemologist of Gemological Institute of America (GIA) and subsequently graduated from University of San Francisco with a Bachelor's Degree of Science in Business Administration majoring in Management, with emphasis on International Business. 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 ("Dr. Albert Yeung") who is a deemed substantial shareholder of the Company.

HENRY CHAN

Executive Director
Emperor Watch and Jewellery

In early 2013, we have successfully extended the coverage from Greater China to Southeast Asia by initiating a presence in Singapore. We will actively seek for opportunities to grow our presence in Southeast Asia in order to fully capture the luxury consumption growth momentum in Chinese-speaking communities.

Executive Director

CHAN HUNG MING, aged 64, an Executive Director of the Company and a director of various subsidiaries of the Company. Mr. Chan joined the Group in July 2005. He is responsible for overseeing the retail outlet operations in Macau and Hong Kong. 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 listed company in Hong Kong, for over 20 years.

Biographies of Directors and Senior Executives

Executive Director

WONG CHI FAI, aged 57, an Executive Director of the Company and a director of certain subsidiaries of the Company. Mr. Wong 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 three listed companies in Hong Kong, namely Emperor International Holdings Limited (Stock Code: 163), Emperor Entertainment Hotel Limited (Stock Code: 296) and New Media Group Holdings Limited (Stock Code: 708), all being associated companies of the Company. Having over 20 years of finance and management experience, Mr. Wong has diversified experience in different businesses ranging from manufacturing to retailing of watch & jewellery, property investment and development, hotel and hospitality as well as media and publication.

FAN MAN SEUNG, VANESSA, aged 50, an Executive Director of the Company and a director of certain subsidiaries of the Company. Ms. Fan 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. Ms. Fan 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 three listed companies in Hong Kong, namely Emperor International Holdings Limited (Stock Code: 163), Emperor Entertainment Hotel Limited (Stock Code: 296) and New Media Group Holdings Limited (Stock Code: 708), all being associated companies of the Company. Besides having over 23 years of corporate management experience, Ms. Fan possesses diversified experience in different businesses ranging from retailing of watch & jewellery, property investment and development, hotel and hospitality, financial and securities operations as well as media and publication.

Independent Non-Executive Director

YIP KAM MAN, aged 46, was appointed as Independent Non-executive Director of the Company in June 2008. She is the Chairperson of the Audit Committee as well as a member of the Remuneration Committee and the Corporate Governance Committee of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. She graduated from The University of Nottingham in the United Kingdom with a Bachelor's Degree in Arts (Hons). She is a Certified Public Accountant and has been engaged in the audit field (including internal audit for various listed companies in Hong Kong) for more than 20 years. She is currently running an audit firm.

CHAN HON PIU, aged 52, was appointed as Independent Non-executive Director of the Company in June 2008. He is the Chairman of the Nomination Committee as well as a member of the Audit Committee and the Corporate Governance Committee of the Company. He graduated from The University of Hong Kong with a Bachelor's Degree in Social Sciences. He also obtained the Certificate of Education and a Master's Degree in Laws from The University of Hong Kong. He has been admitted as a solicitor in Hong Kong since 1991 and is now a practising solicitor in Hong Kong. He is currently working as a solicitor in a law firm in Hong Kong.

LAI KA FUNG, MAY, aged 47, was appointed as Independent Non-executive Director of the Company in June 2008. She is the Chairperson of the Remuneration Committee as well as a member of the Audit Committee and the Nomination Committee of the Company. She has been a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants. She obtained a Master's Degree of Arts in International Accounting from City University of Hong Kong. She is a Certified Public Accountant and has been engaged in the audit field for more than 20 years. She is a Principal Partner of May K.F. Lai & Co. and H.H. Liu & Co., Certified Public Accountants. She is also an independent non-executive director of another Hong Kong listed company, Chinlink International Holdings Limited (Stock Code: 997).

Directors' Report

The Board 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 41. The dividend paid during the Year and proposed to be paid for the Year are set out in note 11 to the consolidated financial statements.

An interim dividend of HK0.98 cent per share for the Year (2011: HK1.2 cents), amounting to approximately HK$65,841,000 (2011: HK$80,622,000), was paid to the shareholders of the Company ("Shareholders") during the Year.

The Directors recommended the payment of a final dividend of HK0.8 cent (2011: HK1.6 cents) per share for the Year amounting to approximately HK$55,060,000 (2011: HK$107,496,000) to those Shareholders whose names appear on the register of members on 15 May 2013 (Wednesday), subject to the approval of the Shareholders at the forthcoming AGM to be held on 8 May 2013 (Wednesday).

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 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 December 2012, calculated in accordance with Section 79B of the Companies Ordinance, amounted to HK$226,623,000 (2011: HK$128,504,000).

DIRECTORS

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

Executive Directors

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

Non-executive Director

Mr. Hanji Huang *(resigned on 31 December 2012)*

Independent Non-executive Directors

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

Subject to the respective service contract/letter of appointment, 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) and (3) of the Company's Articles of Association, Mr. Wong Chi Fai, Ms. Yip Kam Man and Ms. Lai Ka Fung, May shall retire by rotation at the AGM 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. Mr. Huang subsequently resigned as Non-executive Director of the Company on 31 December 2012.

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

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

As at 31 December 2012, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long position interests in the Company

Ordinary shares of HK$0.01 each of the Company ("Shares")

Name of Director	Capacity / Nature of interests	Number of issued Shares held	Approximate percentage holding
Ms. Cindy Yeung	Beneficiary of The Albert Yeung Discretionary Trust ("AY Trust")	3,617,860,000	53.85%

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

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

(i) Ordinary Shares

Name of Director	Name of associated corporations	Capacity / Nature of interests	Number of shares held	Approximate percentage holding
Ms. Cindy Yeung	Emperor International Holdings Limited ("Emperor International") *(Note 1)*	Beneficiary of AY Trust	2,747,493,823	74.93%
Ms. Cindy Yeung	Emperor Entertainment Hotel Limited ("Emperor E Hotel") *(Note 1)*	Beneficiary of AY Trust	808,907,845	62.58%
Ms. Cindy Yeung	Emperor Capital Group Limited ("Emperor Capital Group") *(Note 2)*	Beneficiary of AY Trust	1,666,254,907	64.15%
Ms. Cindy Yeung	New Media Group Holdings Limited ("New Media Group") *(Note 3)*	Beneficiary of AY Trust	472,015,000	54.63%

Notes:

1. Emperor International is a company with its shares listed in Hong Kong: 2,747,493,823 shares in Emperor International were held by Emperor International Group Holdings Limited ("Emperor International Group Holdings"). Emperor E Hotel is a company with its shares listed in Hong Kong; 808,907,845 shares in Emperor E Hotel were held by Emperor Entertainment Hotel Holdings Limited, being an indirect wholly-owned subsidiary of Emperor International. The entire issued share capital of Emperor International Group Holdings was held by AY Holdings which was in turn held 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. Emperor Capital Group is a company with its shares listed in Hong Kong: 1,666,254,907 shares were held by Emperor Capital Group Holdings Limited ("Emperor Capital Holdings"). The entire issued share capital of Emperor Capital Holdings was held by AY Holdings which was in turn held 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.
3. New Media Group is a company with its shares listed in Hong Kong: 472,015,000 shares were held by New Media Group Investment Limited ("New Media Investment"). The entire issued share capital of New Media Investment was held by AY Holdings which was in turn held 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.

(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. Bryan Wong")	Emperor International	Beneficial Owner	16,154,212 *(adjusted)*	0.44%
Ms. Fan Man Seung, Vanessa ("Ms. Vanessa Fan")	Emperor International	Beneficial Owner	16,154,212 *(adjusted)*	0.44%
Mr. Bryan Wong	Emperor E Hotel	Beneficial Owner	5,000,000	0.39%
Ms. Vanessa Fan	Emperor E Hotel	Beneficial Owner	5,000,000	0.39%

Note: These were share options granted to Mr. Bryan Wong and Ms. Vanessa Fan, being directors of Emperor International and Emperor E Hotel (also being Directors of the Company).

Save as disclosed above, as at 31 December 2012, none of the Directors nor chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTIONS

The Company has adopted a share option scheme (the "Scheme") on 19 June 2008. Particulars of the Scheme are set out in note 31 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 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2012, none of the Directors nor their respective associates was interested in any business which is considered to compete or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at 31 December 2012, 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 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:

Long Position in the Ordinary Shares

Name of shareholders	Capacity / Nature of interests	Number of issued Shares interested in or deemed to be interested	Approximate percentage holding
Emperor W&J Holdings *(Note)*	Beneficial owner	3,617,860,000	53.85%
AY Holdings *(Note)*	Interest in controlled corporation	3,617,860,000	53.85%
STC International *(Note)*	Trustee	3,617,860,000	53.85%
Dr. Albert Yeung *(Note)*	Founder of AY Trust	3,617,860,000	53.85%
Ms. Luk Siu Man, Semon *(Note)*	Interest of spouse	3,617,860,000	53.85%
Mondrian Investment Partners Limited	Investment manager	415,910,000	6.19%

Note: The entire issued share capital of Emperor W&J Holdings was owned by AY Holdings which was in turn held by STC International, the trustee of the AY Trust. Dr. Albert Yeung, as the founder of the AY Trust, had deemed interests in the above shares held by Emperor W&J Holdings. By virtue of being the spouse of Dr. Albert Yeung, Ms. Luk Siu Man, Semon also had deemed interests in the said shares. The said shares were the same shares as those 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 2012, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 31 December 2012, the Directors were not aware of any person or corporation (other than the Directors and chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares as recorded in the register required to kept under Section 336 of the SFO or as otherwise notified to the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONTINUING CONNECTED TRANSACTIONS

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

	Name of counterparty	Date of agreement	Location	Terms	Amount for the Year (HK$'000)
	Harilela Mansion, 81 Nathan Road				
(1)	Great Future Hong Kong Limited *(Note 1)*	31 March 2011	Shops A, D2 and E2, G/F, Harilela Mansion, 81 Nathan Road, Hong Kong	1 April 2011 – 31 March 2014	12,600
	Emperor Group Centre, 288 Hennessy Road				
(2)	Very Sound Investments Limited ("Very Sound") *(Note 1)*	16 November 2012	Shops G01-02, G/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	17 November 2012 – 16 November 2014	155
(3)	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
(4)	Headwise Investment Limited *(Note 1)*	16 December 2011	Unit 1505, 15/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 January 2012 – 31 December 2013	299

	Name of counterparty	Date of agreement	Location	Terms	Amount for the Year (HK$'000)
(5)	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
(6)	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
	Russell Street				
(7)	Planwing Limited ("Planwing") *(Note 1)*	29 November 2011	Shops 1 & 2, G/F, 8 Russell Street, Causeway Bay, Hong Kong (together with a right to use three outdoor advertising signs and signage space A on 1/F)	1 December 2011 – 30 November 2014	23,836
(8)	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	3,000
(9)	Planwing *(Note 1)*	25 May 2011	Shops 3 & 5, G/F, 8 Russell Street, Causeway Bay, Hong Kong	30 November 2011 – 29 November 2014	24,200
(10)	Richorse Limited ("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	15,767
(11)	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	49,134
(12)	Richorse *(Note 1)*	25 May 2011	G/F (Shop B including the yard), Office B and the Balcony adjacent thereto on 1/F and Office B and the Balcony adjacent thereto on 2/F, Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong	23 October 2011 – 22 October 2014	16,867

	Name of counterparty	Date of agreement	Location	Terms	Amount for the Year (HK$'000)
(13)	Century Creations Limited ("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	17,876
(14)	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	840
	Canton Road				
(15)	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 (Early termination on 3 January 2012) *(Note 4)*	62
(16)	Gold Pleasure *(Note 1)*	27 May 2009	G/F, 6 & 8 Canton Road, Kowloon, Hong Kong	1 August 2010 – 31 July 2012 (Early termination on 3 January 2012) *(Note 4)*	139
(17)	Gold Pleasure *(Note 1)* Happy Rain Limited ("Happy Rain") *(Notes 1 & 2)*	31 August 2010	The advertising signage space at the external wall of Tenement A, 4/F, 4 Canton Road, Kowloon, Hong Kong ("Property 1")	1 September 2010 – 31 August 2012 (Early termination on 3 January 2012) *(Note 4)*	2
(18)	Gold Pleasure *(Note 1)*	31 August 2010	Portion A of 1/F, 4 Canton Road, Kowloon, Hong Kong	1 September 2010 – 15 June 2013 (Early termination on 3 January 2012) *(Note 4)*	2
(19)	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 (Early termination on 3 January 2012) *(Note 4)*	24
(20)	Gold Pleasure *(Note 1)*	13 May 2008	Store Room on Ground Floor, 4 Canton Road, Kowloon, Hong Kong	16 June 2010 – 15 June 2013 (Early termination on 3 January 2012) *(Note 4)*	1

	Name of counterparty	Date of agreement	Location	Terms	Amount for the Year (HK$'000)
(21)	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 2")	1 August 2010 – 31 July 2012 (Early termination on 3 Jan 2012) *(Note 4)*	2
(22)	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 3")	1 August 2010 – 31 July 2012 (Early termination on 3 January 2012) *(Note 4)*	2
(23)	Total Treasure *(Notes 1 and 3)*	20 July 2010	Tenement A, 3/F, 4 Canton Road, Kowloon, Hong Kong ("Property 4")	1 August 2010 – 31 July 2012 (Early termination on 3 Jan 2012) *(Note 4)*	1
(24)	Gold Pleasure *(Note 1)*	15 December 2011	G/F and 1/F, 4-8 Canton Road, Kowloon, Hong Kong	4 January 2012 – 3 January 2015 *(Note 4)*	59,172
(25)	Gold Pleasure *(Note 1)*	15 December 2011	Four outdoor advertising signs on the external walls, 4-8 Canton Road, Kowloon, Hong Kong	4 January 2012 – 3 January 2015 *(Note 4)*	3,411
(26)	Gold Pleasure *(Note 1)*	29 March 2012	Projected signage of 4-8 Canton Road, Kowloon	1 May 2012 – 31 May 2012 and 1 August 2012 – 31 December 2012	2,280
(27)	Total Treasure *(Note 1)*	15 December 2011	Tenement A on 3/F, 4-8 Canton Road, Kowloon, Hong Kong	4 January 2012 – 3 January 2015 *(Note 4)*	129
(28)	Gold Cheer Corporation Limited ("Gold Cheer") *(Note 1)*	15 December 2011	Tenement B on 3/F., 4-8 Canton Road, Kowloon, Hong Kong	4 January 2012 – 3 January 2015 *(Note 4)*	129
(29)	Happy Rain *(Note 1)*	15 December 2011	Portion A of Tenement A on 4/F and roof, 4-8 Canton Road, Kowloon, Hong Kong	4 January 2012 – 3 January 2015 *(Note 4)*	93

	Name of counterparty	Date of agreement	Location	Terms	Amount for the Year (HK$'000)
	Macau				
(30a)	Pacific Strong Bases (Holding) Company Limited ("Pacific Strong") *(Note 5)*	25 March 2009	Shops 1-4, G/F, Grand Emperor Hotel, 251-292D Avenida Commercial De Macau, Macau	1 April 2009– 31 March 2012	676
(30b)	Pacific Strong *(Note 5)*	28 March 2012	Shops 1-4, G/F, Grand Emperor Hotel, 251-292D Avenida Commercial De Macau, Macau	1 April 2012 – 31 March 2015	3,096
(31)	Pacific Strong *(Note 5)*	28 June 2011	Shop 5, G/F, Grand Emperor Hotel, 251-292D Avenida Commercial De Macau, Macau	1 July 2011 – 30 June 2014	1,768
(32)	I Soi Limitada ("I Soi") *(Note 5)*	30 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	4,131
(33)	I Soi *(Note 5)*	30 June 2011	EM Macau, Avenida De Infante D., Henrique N°65-A, lo Andar B, Macau	1 August 2011 – 30 June 2014	85
				Total:	247,640

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

Notes:

1. These companies were indirect wholly-owned subsidiaries of Emperor International. As at 31 December 2012, Emperor International was indirectly owned as to approximately 74.93% by the AY Trust, a discretionary trust set up by Dr. Albert Yeung, a deemed substantial shareholder of the Company. Ms. Cindy Yeung, the Chairperson of the Company, is one of the eligible beneficiaries of the AY Trust.
2. Happy Rain became the new landlord of Property 1 upon completion of its acquisition on 28 February 2011. The original landlord had assigned its interests in the tenancy to Happy Rain by operation of law.
3. Total Treasure became the new landlord of Property 2, Property 3 and Property 4 upon completion of its acquisition of the properties on 15 March 2011. The original landlord had assigned its interests in the existing tenancies to Total Treasure by operation of law.
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 had entered into a termination agreement in relation to the early termination of tenancies effective on 3 January 2012. On the same day, Gold Pleasure, Total Treasure, Gold Cheer and Happy Rain re-entered into a new tenancy agreement with Beauty Royal in relation to the tenancies of the properties.
5. These companies were indirect subsidiaries of Emperor E Hotel which was indirectly owned as to approximately 62.58% by Emperor International as at 31 December 2012. Emperor International was ultimately owned as to 74.93% by the AY Trust, of which Ms. Cindy Yeung is one of the eligible beneficiaries.

Compliance with Disclosure Requirements

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above transactions. Save as "rental" in the amount of HK$247,640,000 as incorporated in item 2 of note 34 "Related Party Transactions" to the consolidated financial statements, all other transactions as shown in such note are connected transactions exempted from reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Auditor's Letter on Disclosed Continuing Connected Transactions

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "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 ("Disclosed CCTs") in pages 22 to 26 of this 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 Company's Independent Non-executive Directors have reviewed the Disclosed CCTs and the aforesaid auditor's letter and have confirmed that these transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate sales to the Group's five largest customers accounted for approximately 1% of the total turnover of the Group and the largest customer accounted for approximately 0.4% of the Group's total turnover. The Group's five largest suppliers contributed to approximately 65% of the purchases of the Group during the Year and the largest supplier accounted for approximately 36% of the Group's total purchases.

None of the Directors, their associates or any Shareholders which, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any interests in the above major customers and suppliers of the Group.

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.

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. The Company considers all of the Independent Non-executive Directors are independent.

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.

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 basic salary, Director's fee, housing allowances, discretionary bonus and other fringe benefits, including medical insurance and the Group's contribution to retirement benefits schemes. Details of the emoluments of the Directors and the five highest paid individuals in the Group are set out in note 9 to the consolidated financial statements.

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 31 to the consolidated financial statements.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 30 to 39.

SUFFICIENCY OF PUBLIC FLOAT

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

DONATIONS

During the Year, the Group made charitable donation amounting to HK$2,413,000.

AUDITOR

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

On behalf of the Board

Cindy Yeung
Chairperson

Hong Kong, 18 March 2013

Corporate Governance Report

The Board has adopted various policies to ensure compliance with the code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) (the "Code") as set out in Appendix 14 of the Listing Rules. For the Year, the Company has complied with all code provisions of the Code except with a deviation from code provision A.2.1 which requires the roles of chairman and chief executive officer be separate and not be performed by the same individual as explained below.

THE BOARD

Board Composition

As at 31 December 2012, the Board comprised seven Directors, with four Executive Directors, namely Ms. Cindy Yeung (Chairperson and Managing Director), Mr. Chan Hung Ming, Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa and three Independent Non-executive Directors, namely Ms. Yip Kam Man, Mr. Chan Hon Piu and Ms. Lai Ka Fung, May. The Board considers that this composition ensures a strong independent element with a balance of power and influence between individuals on the Board. The biographies of the Directors are set out on pages 14 to 16 of this annual report under the "Biographies of Directors and Senior Executives" section.

Chairperson and Chief Executive Officer

Code provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Taking up the role of Chairperson and being the leader of the Board, Ms. Cindy Yeung provides the Group with strong and consistent leadership, and at the same time, drives the strategic growth of the Group. 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 team of the Company (the "Management") as formalized by the Board, the Board considers that the current Board structure functions effectively and does not intend to make any change thereof.

Independent Non-executive Directors

The Independent Non-executive Directors are all professionals with well recognized experience and expertise in legal and finance/audit 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 from year to year 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 as set out in Rule 3.13 of 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.

Roles and Responsibilities of the Board

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

Delegation to the Management

The Management is led by the Executive Directors of the Board and has delegated powers and authorities to carry out the day-to-day management and operation of the Group, formulate business policies and make decision on key business issues and exercise power and authority delegated by the Board from time to time.

There is a formal schedule of matters specifically reserved to and delegated by the Board. The Board had given clear directions to the Management that certain matters (including the followings) must be reserved to the Board:

- Publication of final and interim results of the Company
- Dividend distribution or other distribution
- Major issues of treasury policy, accounting policy and remuneration policy
- Review on internal control system and risk management
- Changes to major group structure or Board composition requiring notification by announcement
- Notifiable transaction and non-exempted connected transaction/continuing connected transaction
- Proposed transaction requiring Shareholders' approval
- Capital restructuring
- Joint venture with outside party involving substantial capital commitment from the Group that requires notification by announcement
- Financial assistance to Directors

Relationship between the Board Members

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

Induction, Support and Professional Development of Directors

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

The Directors confirmed that they have complied with the Code Provision A.6.5 of the Code effective on 1 April 2012 on Directors' training. During the Year or since the effective date of the Code, each Director has participated in continuous professional development by attending seminars/in-house briefing/reading materials on the following areas to develop and refresh their knowledge and skills and provided a record of training to the Company.

Name of Directors	Areas on training covered (Note)
Ms. Cindy Yeung	(a) & (b)
Mr. Chan Hung Ming	(a) & (b)
Mr. Wong Chi Fai	(a) & (b)
Ms. Fan Man Seung, Vanessa	(a), (b) & (c)
Mr. Hanji Huang *(resigned on 31 December 2012)*	(a) & (b)
Ms. Yip Kam Man	(a), (b) & (c)
Mr. Chan Hon Piu	(a) & (b)
Ms. Lai Ka Fung, May	(a) & (b)

Notes: (a) corporate governance

(b) regulatory

(c) finance

Directors' insurance

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

Directors' attendance and time commitment

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

	Meetings Attended/Held			
	Board	Audit Committee	Remuneration Committee	AGM
Executive Directors				
Ms. Cindy Yeung *(Note 1)*	6/6	3/3	N/A	1/1
Mr. Chan Hung Ming	6/6	N/A	N/A	1/1
Mr. Wong Chi Fai *(Note 2)*	6/6	N/A	1/1	1/1
Ms. Fan Man Seung, Vanessa	6/6	N/A	N/A	1/1
Non-executive Director				
Mr. Hanji Huang *(Note 3)* *(resigned on 31 December 2012)*	6/6	2/3	N/A	0/1
Independent Non-executive Directors				
Ms. Yip Kam Man *(Note 4)*	6/6	3/3	1/1	1/1
Mr. Chan Hon Piu	6/6	3/3	N/A	1/1
Ms. Lai Ka Fung, May *(Note 2)*	6/6	3/3	1/1	1/1
Total number of meetings held:	6	3	1	1

Notes:

1. Ms. Cindy Yeung was invited to attend the Audit Committee meetings as non-member.
2. With effect from 19 March 2012, Mr. Wong Chi Fai ceased to be the Chairman of the Remuneration Committee whilst Ms. Lai Ka Fung, May was appointed to take up his position in the Committee. Mr. Wong Chi Fai remains as a member of the Remuneration Committee.
3. Mr. Hanji Huang automatically ceased to be a member of the Audit Committee upon his resignation as director.
4. Chairperson of Audit Committee

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

Board Meetings and Proceedings

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

With the assistance of the Company Secretary, the meeting agenda is set by the Chairperson of the meeting in consultation with other Board members. Board meeting notice was sent to the Directors at least 14 days prior to each regular Board meeting. 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.

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

Board Committees

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee.

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

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

   During the Year, the Audit Committee consists of three Independent Non-executive Directors, namely Ms. Yip Kam Man (Chairperson of the Committee), Mr. Chan Hon Piu, Ms. Lai Ka Fung, May and a Non-executive Director Mr. Hanji Huang. Mr. Hanji Huang automatically ceased to be a member of the Audit Committee upon his resignation as Director on 31 December 2012.

   The specific written terms of reference of the Audit Committee which was re-adopted on 19 March 2012 in light of the amendments of the Listing Rules, is available on the Company's website. The Audit Committee is primarily responsible for (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (b) approving the remuneration and terms of engagement of external auditor; and (c) reviewing financial information and overseeing the financial reporting system and internal control procedures. The Audit Committee held three meetings during the Year.

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

   i. reviewed with the senior management and finance-in-charge and/or the external auditor the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual and interim financial statements for the year ended 31 December 2011 and for the six-months ended 30 June 2012 respectively;

   ii. met with the external auditor and reviewed their work and findings relating to the audit for the year ended 31 December 2011 and the effectiveness of the audit process;

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

   iv. annual review of the non-exempt continuing connected transactions of the Group for the year ended 31 December 2011;

v. approved the audit plan for the financial year ended 31 December 2011, reviewed the external auditor's independence, approved the engagement of external auditor and recommended the Board on the re-appointment of external auditor; and

vi. reviewed the terms of reference of the Audit Committee in light of the relevant amendments to the Listing Rules and recommended the Board to re-adopt such terms and to adopt the whistle-blowing policy of the Company.

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

The Remuneration Committee consists of three members, namely Ms. Lai Ka Fung, May (Chairperson of the Committee since 19 March 2012) and Ms. Yip Kam Man, both being Independent Non-executive Directors, and Mr. Wong Chi Fai, being an Executive Director.

The specific written terms of reference of the Remuneration Committee which was re-adopted on 19 March 2012 in light of the amendments of the Listing Rules, is available on the Company's website. Pursuant to the revised terms of reference, the primary duties of the Remuneration Committee are making recommendation to the Board on the Company's policies and structure for the remuneration of Directors and senior management and the remuneration package for individual Executive Directors and senior management. Details of the remuneration of each of the Directors for the Year are set out in note 9 to the consolidated financial statements. The Remuneration Committee held one meeting during the Year.

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

i. reviewed the Directors' fees and recommended the Board on the fees of the Non-executive Directors; and

ii. assessed the performance of Executive Directors and reviewed their current level and remuneration structure/package and approved their specific package of Executive Directors.

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

The Nomination Committee consists of three members, namely Mr. Chan Hon Piu (Chairman of the Committee) and Ms. Lai Ka Fung, May, both being Independent Non-executive Directors, and Ms. Fan Man Seung, Vanessa being an Executive Director. The specific written terms of reference of the Nomination Committee is available on the Company's website. The primary duties of the Nomination Committee are (a) reviewing the structure, size and composition of the Board; (b) identifying individuals suitably qualified to become board members; (c) assessing the independence of Independent Non-executive Directors; and (d) making recommendations to the Board on any proposed changes to the Board or selection of individual nominated for directorships, or on appointment or re-appointment of Directors. No meeting was held by the Nomination Committee during the Year.

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

The Corporate Governance Committee consists of five members, namely Ms. Fan Man Seung, Vanessa (Chairperson of the Committee), being an Executive Director, Ms. Yip Kam Man and Mr. Chan Hon Piu, both being Independent Non-executive Directors, a representative from company secretarial function and a representative from finance and accounts function. The specific written terms of reference of the Corporate Governance Committee is available on the Company's website. The primary duties of the Corporate Governance Committee are (a) reviewing the policies and practices on corporate governance and compliance with legal and regulatory requirements of the Company; (b) reviewing and monitoring the training and continuous professional development of directors and senior management; (c) reviewing the code of conduct of Directors; and (d) reviewing the Company's compliance with the Code and disclosure in this Report. No meeting was held by the Corporate Governance Committee during the Year.

SECURITIES TRANSACTION OF DIRECTORS

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

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibilities to prepare the financial statements of the Group and other financial disclosures required under the Listing Rules and the Management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believe that they have selected suitable accounting policies and applied them consistently, made judgment and estimates that are prudent and reasonable and ensured the financial statements are prepared on a "going concern" basis. The auditor of the Company has made a statement about their reporting responsibilities in the Independent Auditor's Report.

The Management has provided all members of the Board with monthly updates on internal financial statements so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

INTERNAL CONTROLS

The Board acknowledges its responsibility 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 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. Annual budget and mid-year forecast on all capital and revenue items are prepared and approved by Management before being adopted. The Management monitors the business activities closely and reviews monthly financial results of operations against budgets/forecast.

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 are carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

The internal audit department is assigned with the task to carry out risk assessment on selected audit area on monthly basis and will report audit review findings and irregularities, if any, to the Management and advise on the implement of necessary steps for future control. The result of internal audit reviews and agreed action plans are reported to the Audit Committee and the Board.

During the Year, the Management had analyzed the control environment and risk assessment, identified the various control implemented. The approach of the review includes conducting interviews with relevant Management and staff members, reviewing relevant documentation of the internal control system and evaluating findings on any deficiencies in the design of the internal controls and developing recommendations for improvement, where appropriate. The scope and findings of the review had been reported to and reviewed by the Audit Committee.

The following policies and procedures are also in place to enhance the internal control system:

i. the Systems and Procedures on Disclosure of Inside Information to ensure, with the assistance of an internal work team (if required), that any material information which comes to the knowledge of any one or more officers should be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure;

ii. the policies and practices on compliance with legal and regulatory requirements which shall be reviewed and monitored by the Corporate Governance Committee regularly as delegated by the Board;

iii. the establishment of a CCT Compliance Committee to monitor, control and regularly review connected transactions and continuing connected transactions of the Company and ensure proper compliance with all relevant laws and regulations, the Listing Rules and disclosure requirements; and

iv. a whistle-blowing policy for employees of the Group to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters to his/her immediate supervisor or department head or to the head of the internal audit department who would report the case directly to the Audit Committee for further investigation, if required.

The Board and the Audit Committee had conducted a review on the effectiveness of internal control system of the Group (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, training programmes and budget of the Company's accounting and financial reporting function for the Year. The Board 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 in this respect in general.

COMMUNICATION WITH SHAREHOLDERS

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

There is regular dialogue with institutional shareholders and general presentations are usually made when financial results are announced. Shareholders and investors are welcome to visit the Company's website to raise enquiries through our Investor Relations Department whose contact details are available on the website and page 2 of this annual report.

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

Separate resolutions are proposed at the general meetings for substantial issues, including re-election of retiring Directors. The Company's notice to Shareholders for the 2012 AGM was sent to Shareholders at least 20 clear business days before such meeting and notices of EGM will be sent to Shareholders at least 10 clear business days before such meetings.

The chairperson of the AGM, the chairperson of the Audit Committee and the Remuneration Committee and the external auditor were available at the last AGM held on 10 May 2012 to answer questions from the Shareholders. The Chairperson of the meeting had explained the procedures for conducting a poll during the meeting.

The forthcoming AGM will be held on 8 May 2013 which will be conducted by way of poll.

SHAREHOLDERS' RIGHTS

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

Convening an EGM

Pursuant to Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), Shareholder(s) holding at the date of the deposit of the requisition not less than one-twentieth (5%) of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, can submit a written requisition to convene an EGM.

The written requisition (i) must state the object(s) of the meeting; and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for the attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists.

Such requisitions will be verified with the Company's share registrar and upon its confirmation that the requisition is proper and in order, the Company Secretary of the Company will ask the Board to convene an EGM by serving sufficient notice to all Shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the EGM will not be convened as requested.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of 3 months from the said date of deposit of the requisition. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors. Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors duly to convene a meeting shall be repaid to the requisitionists by the Company.

Moving a resolution at general meetings of the Company

Pursuant to Section 115A of the Companies Ordinance, Shareholder(s) can submit a written requisition to move a resolution at general meeting if they (i) represent not less than one-fortieth (2.5%) of the total voting rights of all Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) are no less than 50 Shareholders holding the Company's shares on which there has been paid up an average sum, per shareholder, of not less than HK$2,000.

The written requisition must (i) state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the meeting; (ii) contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form); (iii) be deposited at the Company's registered office, for the attention of the Company Secretary of the Company, not less than 6 weeks before the meeting (in the case of a requisition requiring notice of a resolution) and not less than 1 week before the meeting (in the case of any other requisition); and (iv) be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all Shareholders in accordance with the requirements under the applicable laws and rules.

Enquires from Shareholders

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

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the Year.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standard. Members of the Committee were of the view that the Company's auditor, Messrs. Deloitte Touche Tomatsu is independent and has recommended the Board to re-appoint it as the Company's auditor at the forthcoming AGM. During the Year, Messrs. Deloitte Touche Tohmatsu, has rendered audit services and certain non-audit services to the Company and the remuneration paid/payable to it by the Company is set out as follows:

Service rendered		Fees paid/payable
		HK$'000
Audit services		3,386
Non-audit services:		
–	Agreed-upon procedures for connection transactions	20
–	Review of preliminary announcement	10
–	Transfer pricing documentation service	80

Independent Auditor's Report

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 41 to 91, which comprise the consolidated and the Company's statements of financial position as at 31 December 2012, 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 entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, 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
18 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 **HK$'000**	2011 HK$'000 (Restated)
Revenue	5	6,531,474	5,862,377
Cost of sales		(4,834,734)	(4,176,689)
Gross profit		1,696,740	1,685,688
Other income	6	5,050	11,277
Selling and distribution expenses		(992,072)	(739,266)
Administrative expenses		(210,177)	(189,759)
Net loss on derivative financial instruments		–	(9,300)
Finance costs	7	(4,315)	(1,746)
Profit before taxation	8	495,226	756,894
Taxation	10	(90,899)	(129,842)
Profit for the year		404,327	627,052
Other comprehensive income for the year:			
Exchange differences arising from translation of foreign operations		11,134	27,521
Total comprehensive income for the year		415,461	654,573
Profit for the year attributable to:			
Owners of the Company		404,327	627,084
Non-controlling interests		–	(32)
		404,327	627,052
Total comprehensive income attributable to:			
Owners of the Company		415,461	654,499
Non-controlling interests		–	74
		415,461	654,573
Earnings per share	12		
– Basic		HK6.0 cents	HK9.7 cents
– Diluted		HK6.0 cents	HK9.6 cents

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	13	102,020	96,667
Deferred tax asset	22	7,483	5,927
Rental deposits		177,347	154,624
Deposits paid for acquisition of property, plant and equipment		–	2,571
		286,850	259,789
Current assets			
Inventories	14	3,521,660	3,404,176
Receivables, deposits and prepayments	16	196,319	199,439
Taxation receivable		8,005	–
Bank balances and cash	18	454,768	803,777
		4,180,752	4,407,392
Current liabilities			
Payables, deposits received and accrued charges	19	353,878	396,426
Amounts due to related companies	20	4,849	4,040
Taxation payable		7,258	67,967
Bank borrowings	21	950	340,205
		366,935	808,638
Net current assets		3,813,817	3,598,754
Net assets		4,100,667	3,858,543
Capital and reserves			
Share capital	23	67,185	67,185
Reserves	24	4,033,482	3,791,358
Total equity		4,100,667	3,858,543

The consolidated financial statements on pages 41 to 91 were approved and authorised for issue by the Board of Directors on 18 March 2013 and are signed on its behalf by:

CINDY YEUNG
DIRECTOR

CHAN HUNG MING
DIRECTOR

Statement of Financial Position

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	15	1,544,485	1,544,485
Amounts due from a subsidiary	17	2,065,692	1,968,084
		3,610,177	3,512,569
Current assets			
Amounts due from a subsidiary	17	4	–
Deposits and prepayments		617	76
Taxation receivables		42	–
Bank balances and cash	18	270	314
		933	390
Current liabilities			
Other payables and accrued charges		300	273
Amount due to a related company	20	35	30
		335	303
Net current assets		598	87
Net assets		3,610,775	3,512,656
Capital and reserves			
Share capital	23	67,185	67,185
Reserves	24	3,543,590	3,445,471
Total equity		3,610,775	3,512,656

CINDY YEUNG
DIRECTOR

CHAN HUNG MING
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (Note 24(a))	Other reserve HK$'000 (Note 24(b))	Capital reserve HK$'000 (Note 24(c))	Translation reserve HK$'000	Warrants equity reserve HK$'000 (Note 25)	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011	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 a 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
Exchange differences arising on translation of foreign operations	–	–	–	–	–	11,134	–	–	11,134	–	11,134
Profit for the year	–	–	–	–	–	–	–	404,327	404,327	–	404,327
Total comprehensive income for the year	–	–	–	–	–	11,134	–	404,327	415,461	–	415,461
Final dividend paid for 2011	–	–	–	–	–	–	–	(107,496)	(107,496)	–	(107,496)
Interim dividend paid for 2012	–	–	–	–	–	–	–	(65,841)	(65,841)	–	(65,841)
At 31 December 2012	67,185	3,263,867	(373,003)	(26,162)	2,529	44,932	53,100	1,068,219	4,100,667	–	4,100,667

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	495,226	756,894
Adjustments for:		
Allowance for inventories	3,090	17,841
Depreciation of property, plant and equipment	72,805	66,310
Loss on disposal of property, plant and equipment	4,885	718
Net loss on derivative financial instruments	–	9,300
Interest expenses	4,315	1,746
Interest income	(1,568)	(3,509)
Write down of inventories	2,106	1,645
Operating cash flows before movements in working capital	580,859	850,945
Increase in inventories	(113,567)	(1,255,143)
Increase in receivables, deposits and prepayments	(19,603)	(81,094)
Decrease in payables, deposits received and accrued charges	(42,548)	(8,235)
Increase in amounts due to related companies	809	442
Net cash from (used in) operations	405,950	(493,085)
Profits tax paid	(161,169)	(98,547)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	244,781	(591,632)
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	–	21
Interest received	1,568	3,509
Purchase of property, plant and equipment	(79,814)	(77,208)
Deposits paid for acquisition of property, plant and equipment	–	(2,571)
NET CASH USED IN INVESTING ACTIVITIES	(78,246)	(76,249)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	–	800,000
Expenses incurred in connection with issue of shares	–	(12,975)
Dividends paid	(173,337)	(149,151)
Interest paid	(4,315)	(1,746)
New bank loans raised	552,516	443,715
Repayments of bank loans	(891,771)	(170,751)
Repayment to a former non-controlling shareholder	–	(45,471)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(516,907)	863,621
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(350,372)	195,740
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	803,777	601,484
Effect of foreign exchange rate changes	1,363	6,553
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	454,768	803,777

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Emperor Watch & Jewellery Group Holdings Limited (formerly known as Allmighty Group Limited) ("Emperor W&J Holdings") which was incorporated in the British Virgin Islands ("BVI") with limited liability. The directors of the Company (the "Directors") consider that its ultimate holding company is Albert Yeung Holdings Limited (formerly known as Million Way Holdings Limited), a company incorporated in the BVI with limited liability which is in turn held by STC International Limited ("STC International"), being the trustee of The Albert Yeung Discretionary Trust ("AY Trust"), the settlor and founder of which is Dr. Yeung Sau Shing, Albert. The address of the registered office and principal place of business of the Company is 25/F, Emperor Group Centre, 288 Hennessey Road, Wanchai, Hong Kong.

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

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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets*
Amendments to HKFRS 7	*Financial Instruments: Disclosures – Transfers of Financial Assets*

The application of the amendments to 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.

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2014
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 July 2012

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:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are 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.

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

HKFRS 9 Financial Instruments – Continued

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss. HKFRS 9 is effective for the Group for the annual period beginning on 1 January 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 in the future is not expected to have significant impact on the 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 2012. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. 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 items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

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 future accounting periods.

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

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. 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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and 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.

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 have passed.

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

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of 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 depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated 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 debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Financial instruments – *Continued*

Financial assets – *Continued*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each 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 categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, 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 trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the 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

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group 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, other payables, amounts due to related companies and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Financial instruments – *Continued*

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, 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.

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.

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Taxation – *Continued*

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when 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 sales, 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) using exchange rate prevailing at the end of each reporting period. 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).

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

Share-based payment transactions

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates 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.

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 retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Impairment losses on assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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.

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 application of 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 and liabilities within the next financial year in the future.

Income taxes

As at 31 December 2012, no deferred tax asset has been recognised on the tax losses of HK$131,868,000 (2011: HK$81,250,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. If the future profit streams become predictable in the future, a deferred tax asset will be recognised to the extent that future taxable profits will be available in the future.

Allowance for inventories

The management of the Company estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the subsequent estimated net realisable value of inventories is less than the original estimate, a material impairment loss may arise. As at 31 December 2012, the carrying amount of inventories is HK$3,521,660,000 (net of allowance for inventories of HK$34,089,000) (31 December 2011: carrying amount of HK$3,404,176,000, net of allowance for inventories of HK$30,999,000).

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. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

For the year ended 31 December 2012

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Elimination HK$'000	Consolidated HK$'000
Revenue					
External sales	5,519,856	353,745	657,873	–	6,531,474
Inter-segment sales*	77,249	41,565	–	(118,814)	–
	5,597,105	395,310	657,873	(118,814)	6,531,474
* Inter-segment sales are charged at cost					
Segment profit	626,715	62,642	16,002	–	705,359
Unallocated administrative expenses					(207,386)
Interest income					1,568
Finance costs					(4,315)
Profit before taxation					495,226

5. REVENUE AND SEGMENT INFORMATION – *Continued*

For the year ended 31 December 2011 (Restated)

	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	837,654	82,444	26,411	–	946,509
Unallocated administrative expenses					(182,078)
Interest income					3,509
Net loss on derivative financial instruments					(9,300)
Finance costs					(1,746)
Profit before taxation					756,894

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

In order to conform with current year's presentation, expenses relating to the retail shops included in administrative expenses have been reclassified to selling and distribution expenses. Accordingly, the comparative figures of consolidated segment profit and unallocated administrative expenses have been restated by HK$27,810,000.

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 2012

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Unallocated HK$'000	Total HK$'000
Operating lease payments	486,022	9,755	111,797	7,279	614,853

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
Operating lease payments	289,365	6,306	102,899	6,995	405,565

Revenue from major products

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

	2012 HK$'000	2011 HK$'000
Watch	5,319,978	4,831,945
Jewellery	1,211,496	1,030,324
Others	–	108
	6,531,474	5,862,377

5. REVENUE AND SEGMENT INFORMATION – *Continued*

Geographical information

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

As at 31 December 2012

	Hong Kong HK$'000	Macau HK$'000	Other regions in the PRC HK$'000	Consolidated HK$'000
Non-current assets	224,865	13,449	41,053	279,367

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

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

	2012 HK$'000	2011 HK$'000
Interest income from bank deposits	1,568	3,509
Others	3,482	7,768
	5,050	11,277

7. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest expenses on bank loans wholly repayable within five years	4,315	1,746

8. PROFIT BEFORE TAXATION

	2012 HK$'000	2011 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Allowance for inventories	3,090	17,841
Auditor's remuneration	3,386	3,849
Cost of inventories included in cost of sales	4,811,497	4,140,871
Depreciation of property, plant and equipment	72,805	66,310
Loss on disposal of property, plant and equipment	4,885	718
Net exchange (gain) loss	(2,330)	5,620
Operating lease payments in respect of rented premises		
– minimum lease payments	529,104	331,170
– contingent rent	85,749	74,395
Write down of inventories	2,106	1,645
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	225,343	213,358
– retirement benefits scheme contributions	17,554	13,374

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

(a) Directors

Details of the emoluments paid and payable to the Directors and Chief Executive for the year ended 31 December 2012 and 2011 are as follows:

For the year ended 31 December 2012

	Fees HK$'000	Salaries and allowance HK$'000	Performance related incentive payment HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Ms. Cindy Yeung (Chief Executive)	138	2,683	3,000	14	5,835
Mr. Chan Hung Ming	138	1,560	1,200	14	2,912
Mr. Wong Chi Fai	138	–	–	–	138
Ms. Fan Man Seung, Vanessa	138	–	–	–	138
Ms. Yip Kam Man	188	–	–	–	188
Mr. Chan Hou Piu	188	–	–	–	188
Ms. Lai Ka Fung, May	188	–	–	–	188
Mr. Hanji Huang (resigned on 31 December 2012)	138	–	–	–	138
	1,254	4,243	4,200	28	9,725

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – *Continued*

(a) Directors – Continued

For the year ended 31 December 2011

	Fees HK$'000	Salaries and allowance HK$'000	Performance related incentive payment HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Ms. Cindy Yeung (Chief Executive)	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

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2011: two) were Directors and Chief Executive whose emoluments are included in note 9(a) above. The emoluments of the remaining three (2011: three) individuals were as follows:

	2012 HK$'000	2011 HK$'000
Salaries and allowance	4,079	3,890
Performance related incentive payment	543	449
Retirement benefits scheme contributions	41	36
	4,663	4,375

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – *Continued*

(b) Employees – Continued

Their emoluments were within the following bands:

	Number of employees	
	2012	2011
HK$1,000,001 to HK$1,500,000	2	3
HK$1,500,001 to HK$2,000,000	1	–

Notes:

(i) The performance related incentive payment is a discretionary bonus determined based on the financial performance of the Group for the two years end 31 December 2012.

(ii) No Director waived any emoluments during the two years ended 31 December 2012.

10. TAXATION

	2012 HK$'000	2011 HK$'000
The charge comprises:		
Current year:		
Hong Kong	83,598	121,288
PRC	313	1,675
Macau	7,149	9,529
	91,060	132,492
Underprovision (overprovision) in prior years:		
Hong Kong	238	(396)
Macau	564	(138)
PRC	593	–
	1,395	(534)
Deferred taxation (note 22)	(1,556)	(2,116)
	90,899	129,842

10. TAXATION – *Continued*

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

Under the Law of the People's Republic of China ("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 22.

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

	2012 HK$'000	2011 HK$'000
Profit before taxation	495,226	756,894
Tax charge at Hong Kong Profits Tax rate of 16.5%	81,712	124,888
Tax effect of expenses not deductible for tax purpose	1,684	3,505
Tax effect of income not taxable for tax purpose	(673)	(924)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,257)	(3,005)
Tax effect of tax losses not recognised	8,638	4,524
Utilisation of tax losses previously not recognised	–	(582)
Under(over)provision in respect of prior years	1,395	(534)
Overprovision of deferred tax asset previously recognised	–	1,972
Others	400	(2)
Income tax expenses for the year	90,899	129,842

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 2012 of HK0.8 cent (2011: HK1.60 cents) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

During the year ended 31 December 2012, a final dividend of HK1.60 cents per share for the year ended 31 December 2011 amounting to HK$107,496,000 was paid in June 2012 and an interim dividend of HK0.98 cent per share in respect of the year ended 31 December 2012 amounting to HK$65,841,000 was paid in September 2012.

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.

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 or loss based on the following data:

Earnings

	2012 HK$'000	2011 HK$'000
Earnings for the purposes of basic and diluted earnings per share	404,327	627,084

Number of shares

	2012	2011
Weighted average number of ordinary shares for the purpose of basic earnings per share	6,718,513,703	6,437,986,052
Effect of dilutive potential ordinary shares:		
Warrants	51,950,902	81,557,158
Convertible bond	–	26,991,375
Weighted average number of ordinary shares for the purpose of diluted earnings per share	6,770,464,605	6,546,534,585

13. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 January 2011	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
Exchange realignment	1,040	99	–	1,139
Additions	74,300	8,085	–	82,385
Disposals	(34,124)	(2,456)	–	(36,580)
At 31 December 2012	250,745	45,642	1,362	297,749
DEPRECIATION				
At 1 January 2011	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
Exchange realignment	458	23	–	481
Provided for the year	65,098	7,435	272	72,805
Eliminated on disposals	(29,820)	(1,875)	–	(31,695)
At 31 December 2012	171,126	23,601	1,002	195,729
CARRYING VALUES				
At 31 December 2012	79,619	22,041	360	102,020
At 31 December 2011	74,139	21,896	632	96,667

13. PROPERTY, PLANT AND EQUIPMENT – *Continued*

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

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

14. INVENTORIES

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Raw materials	24,567	38,604
Goods held for resale	3,497,093	3,365,572
	3,521,660	3,404,176

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2012 HK$'000	2011 HK$'000
Unlisted shares	373,006	373,006
Deemed capital contribution (note 17)	1,171,479	1,171,479
	1,544,485	1,544,485

16. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Trade receivables	89,465	88,819
Other PRC tax recoverable	43,432	47,828
Other receivables, deposits and prepayments	63,422	62,792
	196,319	199,439

Retail sales are normally settled in cash or by credit card with the settlement from the corresponding banks or other financial institutions within 7 days. Receivables from retail sales in department stores are collected within one month.

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

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Within 30 days	82,020	77,845
31 – 60 days	6,995	6,920
61 – 90 days	450	4,054
	89,465	88,819

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

Included in the Group's trade receivables balance are receivables from department stores with aggregate carrying amount of HK$7,445,000 (2011: HK$3,009,000) 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

	2012 HK$'000	2011 HK$'000
Overdue 1 – 30 days	5,663	2,648
Overdue 31 – 60 days	1,782	361
	7,445	3,009

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

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

	2012 HK$'000	2011 HK$'000
Macau Pataca ("MOP")	865	1,100

17. AMOUNTS DUE FROM A SUBSIDIARY

The amounts due from a subsidiary is unsecured, interest-free and repayable on demand. Amounts due from a subsidiary with principal amounts of HK$1,249,829,000, HK$608,311,000 and HK$1,086,179,000 (2011: HK$1,249,829,000, HK$608,311,000 and HK$1,086,179,000 respectively) are expected to be settled by 31 December 2018, 31 December 2020 and 31 December 2021 respectively. On application of HKAS 39 "Financial Instruments: Recognition and Measurement", the fair value of those amounts on initial recognition 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 (2011: HK$1,171,479,000), 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% (2011: 0.00941% to 1.31%) 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:

	2012 **HK$'000**	2011 HK$'000
HKD	2,294	64,508
MOP	13,398	8,937
United States dollars ("USD")	5,715	728
Renminbi ("RMB")	855	250
Swiss Franc ("CHF")	431	434

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

19. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	THE GROUP	
	2012 **HK$'000**	2011 HK$'000
Trade payables	229,114	310,574
Other PRC tax payables	1,506	–
Other payables, deposits received and accrued charges	123,258	85,852
	353,878	396,426

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	
	2012	2011
	HK$'000	HK$'000
Within 30 days	227,080	284,189
31 – 60 days	1,226	9,752
61 – 90 days	623	15,221
Over 90 days	185	1,412
	229,114	310,574

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:

	2012	2011
	HK$'000	HK$'000
USD	15,497	11,608

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. These amounts are unsecured, interest-free and repayable on demand. The related companies represent companies controlled by the AY Trust of which STC International is the trustee.

THE COMPANY

The amount due to a related company is unsecured, interest-free and repayable on demand. The related company represents a company controlled by the AY Trust of which STC International is the trustee.

21. BANK BORROWINGS

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Unsecured bank loans, repayable within one year	950	340,205

The weighted effective interest rate on the Group's borrowings is 1.48% (2011: ranges from 1.54% to 8.97%) per annum. The bank borrowings are summarised as follows:

Denominated in	Interest rate	2012 HK$'000	2011 HK$'000
HKD	Hong Kong Interbank Offered Rates ("HIBOR") plus 1.25% (2011: HIBOR plus 1.25%)	950	5,150
HKD	HIBOR plus 2%	–	180,000
HKD	HIBOR plus 2.25%	–	125,327
HKD	HIBOR plus 2.5%	–	29,728
		950	340,205

22. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Provision on inventory HK$'000	Total HK$'000
At 1 January 2011	(1,839)	(1,972)	(3,811)
(Credited) charged to consolidated statement of comprehensive income	(4,088)	1,972	(2,116)
At 31 December 2011	(5,927)	–	(5,927)
Credited to consolidated statement of comprehensive income	(1,556)	–	(1,556)
At 31 December 2012	(7,483)	–	(7,483)

22. DEFERRED TAXATION – *Continued*

At the end of the reporting period, the Group has unused tax losses of approximately HK$131,868,000 (2011: HK$81,250,000) available for offset against future profits. No deferred taxation asset has been recognised in respect of tax losses due to unpredictability of future profit streams. Included in unrecognised tax losses are losses incurred by PRC subsidiaries of HK$129,574,000 (2011: HK$80,155,000) that will expire in the coming years (please see the table below). Other losses may be carried forward indefinitely. Due to the deregistration of subsidiaries, HK$1,736,000 (2011: HK$286,000) of tax losses in prior year has been forfeited in the current year.

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

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Will expire on:		
31 December 2013	3,569	3,730
31 December 2014	19,751	20,392
31 December 2015	29,326	29,709
31 December 2016	25,772	26,324
31 December 2017	51,156	–
	129,574	80,155
Unrecognised tax loses that will not expire	2,294	1,095
	131,868	81,250

23. SHARE CAPITAL

The movements in the Company's authorised and issued share capital during the year ended 31 December 2011 and 31 December 2012 are as follows:

	Number of shares	**Amount HK$'000**
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2011, 31 December 2011 and 31 December 2012	100,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2011	5,659,254,444	56,593
Shares issued (Note (a))	800,000,000	8,000
Shares issued upon conversion of convertible bond (Note (b))	259,259,259	2,592
At 31 December 2011 and 31 December 2012	6,718,513,703	67,185

23. SHARE CAPITAL – *Continued*

Notes:

(a) On 27 April 2011, the Company issued 800,000,000 ordinary shares of HK$0.01 each 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 ranked pari passu with the existing shares in all respects.

(b) The shares were issued in relation to the conversion of the convertible bond with principal amount of HK$140,000,000 ("HK$140M Bond") 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 ranked pari passu with the existing shares in all respects.

24. 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 Emperor W&J Holdings 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 Emperor W&J Holdings in Emperor Watch and Jewellery Company Limited (subsequently renamed as Prime Sharp Limited, a then fellow subsidiary of the Company) ("EWJCL") prior to the Group Reorganisation;

(iii) promissory notes in aggregate of HK$373,006,000 issued in exchange for shares in 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 EWJCL by EWJ HK in 1987.

24. RESERVES – *Continued*

THE COMPANY

	Share premium HK$'000	Accumulated profits HK$'000	Warrants equity reserve HK$'000	Total HK$'000
At 1 January 2011	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
Profit and total comprehensive income for the year	–	271,456	–	271,456
Final dividend paid for 2011	–	(107,496)	–	(107,496)
Interim dividend paid for 2012	–	(65,841)	–	(65,841)
At 31 December 2012	3,263,867	226,623	53,100	3,543,590

25. WARRANTS

Warrants were issued on 22 September 2010 by way of bonus to the subscriber, a then substantial shareholder of the Company, 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.

Pursuant to the terms and conditions of the Warrant Instrument dated 26 August 2010, the exercise price of warrants issued by the Group has been adjusted from HK$0.62 per share to HK$0.61 per share and the number of shares falling to be issued upon full exercise of warrants increased from 161,290,322 shares to 163,934,426 shares as a result of the issuance of 800,000,000 ordinary shares on 27 April 2011.

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.

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes borrowings disclosed in note 21, 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. As part of this review, the Group considers the cost of capital and risks associated with the capital, and will balance its overall capital structure through new share issues of the Company as well as raising of bank borrowings.

27. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalent)	574,742	918,771	2,065,966	1,968,398
Financial liabilities				
At amortised cost	282,898	702,394	335	303

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, other payables and amount due to a related company. Details of these financial instruments are disclosed in their respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

27. FINANCIAL INSTRUMENTS – *Continued*

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

Market risk

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

(i) Interest rate risk

The Group has exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings (see note 21), which carry interest at prevailing market interest rates (i.e. HIBOR plus 1.25% (2011: 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 (2011: 200 basis points) increase or decrease is used, which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 200 basis points (2011: 200 basis points) higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2012 would decrease by HK$16,000 (2011: HK$5,681,000). An equal and opposite impact on the Group's post-tax profits for the year would result if the interest rates had been 200 basis points (2011: 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 currencies 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.

27. 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-group balances at the respective reporting dates are as follows:

	2012 HK$'000	2011 HK$'000
Assets		
HKD	2,625	64,508
MOP	14,263	8,937
USD	5,715	728
RMB	855	250
CHF	431	434
Liabilities		
Third parties		
USD	15,497	11,608
Inter-group balances		
HKD	853,351	883,157

Sensitivity analysis

The sensitivity analysis below details the Group's sensitivity to a 2% (2011: 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-group balances. 2% (2011: 2%) is the sensitivity rate used in the management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding HKD denominated monetary items and adjusts their translation at the end of the reporting period for a 2% (2011: 2%) change in the foreign currency rate.

27. FINANCIAL INSTRUMENTS – *Continued*

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

Market risk – *Continued*

(ii) Foreign currency risk – Continued

THE GROUP – *Continued*

If RMB strengthen/weaken 2% against HKD:

- translation reserve would increase/decrease by HK$17,067,000 (2011: HK$17,663,000) as a result of change in foreign currency rate of inter-group balances, as the inter-group balances form part of the Group's net investments in subsidiaries.
- Post-tax profit for the year would decrease/increase by HK$44,000 (2011: HK$1,077,000) as a result of change in foreign currency rate of third parties' liabilities.

THE COMPANY

The Company is not exposed 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 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The Group has no 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.

27. FINANCIAL INSTRUMENTS – *Continued*

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

Credit risk – *Continued*

THE COMPANY

The Company's credit risk is primarily attributable to amounts 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 maintains a favourable financial position. In this regard, the Directors consider that the Company's credit risk is significantly reduced.

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

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.

27. FINANCIAL INSTRUMENTS – *Continued*

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

Liquidity risk *– Continued*

THE GROUP – *Continued*

	Weighted average effective interest rate %	On demand or less than 3 months HK$'000	3-6 months HK$'000	6-12 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
At 31 December 2012						
Payables	–	277,099	–	–	277,099	277,099
Amounts due to related companies	–	4,849	–	–	4,849	4,849
Bank borrowings (note)	1.52	950	–	–	950	950
		282,898	–	–	282,898	282,898
At 31 December 2011						
Payables	–	358,149	–	–	358,149	358,149
Amounts due to related companies	–	4,040	–	–	4,040	4,040
Bank borrowings (note)	2.35	171,121	167,736	3,068	341,925	340,205
		533,310	167,736	3,068	704,114	702,394

Note: The amounts included above for variable interest rate bank borrowings are subject to change if changes in variable interest rates differ from the estimates of interest rates determined at the end of the reporting period.

27. FINANCIAL INSTRUMENTS – *Continued*

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

Liquidity risk *– Continued*

THE COMPANY

As at 31 December 2012, the Company provided corporate guarantees of HK$773,106,000 (2011: HK$715,720,000) to banks in respect of credit facilities granted to its subsidiaries. The aggregate amounts utilised by the subsidiaries as at 31 December 2012 is HK$950,000 (2011: HK$340,205,000). 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$773,106,000 (2011: HK$715,720,000). 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 Company'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 for financial liabilities based on the earliest date on which the Company can be required to pay.

	Weighted average effective interest rate HK$'000	Less than 3 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
At 31 December 2012				
Other payables	–	300	300	300
Amount due to a related company	–	35	35	35
Financial guarantee contract	–	773,106	773,106	–
		773,441	773,441	335
At 31 December 2011				
Other 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

The Company had no other contractual liability as at 31 December 2012 and 31 December 2011.

27. FINANCIAL INSTRUMENTS – *Continued*

c. Fair value measurements of financial assets and liabilities

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

28. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2011, the Company issued shares on conversion of HK$140M Bond with the principal amount of HK$140,000,000.

29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2012 **HK$'000**	2011 HK$'000
Within one year	516,232	409,636
In the second to fifth year inclusive	615,794	851,168
	1,132,026	1,260,804

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$460,414,000 (2011: HK$671,751,000) which fall due as follows:

	2012 **HK$'000**	2011 HK$'000
Within one year	240,900	224,298
In the second to fifth year inclusive	219,514	447,453
	460,414	671,751

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

30. CAPITAL COMMITMENTS

	THE GROUP	
	2012	2011
	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	6,752	20,728

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

31. SHARE OPTION SCHEME

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

The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the Company's issued share capital, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders. Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price is determined by the Directors and will 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 2012.

32. 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$1,250 (2011: HK$1,200) 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 ranging from 38% to 44% of the relevant cost of the payroll of these employees to the pension schemes to fund the benefits. The subsidiary in Macau is required to contribute MOP30 for every employee per month. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contribution under the schemes.

33. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, 163,934,426 units of warrants with an aggregate subscription value of approximately HK$100,000,000 were exercised at a subscription price of HK$0.61 per share and, accordingly, an addition 163,934,426 ordinary shares of HK$0.01 each were subsequently issued and allotted.

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:

		2012 **HK$'000**	2011 HK$'000
(1)	Sales of goods to Directors and their close family members	2,930	6,253
(2)	Rental, electricity and air-conditioning expenses paid and payable to related companies (notes a and b)	250,216	137,935
(3)	Service charge in respect of information system and administrative work paid and payable to related companies (note b)	24,050	22,679
(4)	Advertising expenses paid and payable to related companies (note b)	5,199	1,293
(5)	Financial advisory fee paid and payable to a related company (note b)	385	360
(6)	Placing commission fee paid and payable to a related company (note b)	–	12,000

As at 31 December 2012, rental deposits paid to related companies, which are companies controlled by the AY Trust of which STC International is the trustee, amounting to HK$73,069,000 (2011: HK$65,488,000) were included in rental deposits under non-current assets.

The Company provided corporate guarantees of approximately HK$773,106,000 (2011: HK$715,720,000) to banks in respect of credit facilities granted to its subsidiaries. The aggregate amounts utilised by the subsidiaries as at 31 December 2012 were approximately HK$950,000 (2011: HK$340,205,000).

Notes:

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

(b) The related companies are companies controlled by Directors of the Company or their associates or the AY Trust of which STC International is the trustee.

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 2012 and 2011 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 2012	2011	Principal activities
Beauty Royal Limited	Hong Kong ("HK")	HK$2	100%	100%	Provision of group tenancy agent services
Bloom Gold Limited	HK	HK$1	100%	100%	Investment holding
Charter Loyal Limited	HK	HK$2	100%	100%	Provision of group tenancy agent services
Crescent Gold Limited	HK	HK$1	100%	100%	Investment holding
Emperor Watch & Jewellery (China) 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 Overseas Holdings Limited (formerly known as Glad Fortune Limited)	HK	HK$1	100%	100%	Investment holding
Emperor Watch & Jewellery (HK) Holdings Limited (formerly known as Plus Gain Enterprises Limited)	BVI	US$1	100%	100%	Investment holding
Emperor Watch & Jewellery (Singapore) Pte. Ltd. (formerly known as Funaro Pte. Ltd.) (incorporated on 6 August 2012)	Singapore	SGD300,000	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

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES – *Continued*

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up issued/ registered ordinary share capital	Attributable equity interest held by the Company 2012	2011	Principal activities
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%	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
Shine Air Limited	HK	HK$1	100%	100%	Investment holding
Success Wealthy Limited	HK	HK$1	100%	100%	Provision of group tenancy agent services
Treasure Bright Investments Limited	BVI	US$345	100%	100%	Investment holding
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

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES – *Continued*

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up issued/ registered ordinary share capital	Attributable equity interest held by the Company 2012	2011	Principal activities
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#	PRC	HK$100,500,000	100%	100%	Sales of watches & jewellery
北京富嘉佳美鐘錶貿易有限公司#	PRC	HK$73,000,000	100%	100%	Sales of watches & jewellery
英皇鐘錶珠寶(北京)有限公司#	PRC	HK$160,000,000	100%	100%	Sales of watches & jewellery
重慶市盈豐鐘錶珠寶有限公司#	PRC	HK$10,500,000	100%	100%	Sales of watches & 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 & jewellery

The subsidiaries are wholly foreign owned enterprises.

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

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

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

36. COMPARATIVE FIGURES

In order to conform with current year's presentation, expenses relating to the retail shops of HK$34,415,000 for the year ended 31 December 2011 included in administrative expenses have been reclassified to selling and distribution expenses.

Financial Summary

	For the year ended 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULT					
Revenue	1,842,469	2,686,463	4,095,310	5,862,377	**6,531,474**
Profit before taxation	269,303	243,232	204,284	756,894	**495,226**
Taxation	(47,081)	(43,046)	(70,423)	(129,842)	**(90,899)**
Profit for the year	222,222	200,186	133,861	627,052	**404,327**
Profit for the year attributable to:					
Owners of the Company	222,571	195,588	125,641	627,084	**404,327**
Non-controlling interests	(349)	4,598	8,220	(32)	**–**
	222,222	200,186	133,861	627,052	**404,327**

	As at 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	1,540,003	1,845,743	3,115,631	4,667,181	**4,467,602**
Total liabilities	(137,470)	(286,826)	(845,388)	(808,638)	**(366,935)**
Net Assets	1,402,533	1,558,917	2,270,243	3,858,543	**4,100,667**
Equity attributable to owners of the Company	1,397,651	1,549,406	2,267,646	3,858,543	**4,100,667**
Non-controlling interests	4,882	9,511	2,597	–	**–**
Total equity	1,402,533	1,558,917	2,270,243	3,858,543	**4,100,667**