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

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 887)

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>FINANCIAL HIGHLIGHTS</b>		
Revenue by segments:		
Hong Kong	<b>2,229,496</b>	1,721,831
Macau	<b>178,548</b>	101,993
PRC	<b>278,419</b>	18,645
	<b><u>2,686,463</u></b>	<b><u>1,842,469</u></b>
Revenue by products:		
Watch	<b>2,320,164</b>	1,622,945
Jewellery	<b>366,299</b>	219,524
	<b><u>2,686,463</u></b>	<b><u>1,842,469</u></b>
Profit for the year	<b>200,186</b>	222,222
Basic earnings per share	<b>HK4.3 cents</b>	HK10.7 cents

The board of directors (the “Board” or “Directors”) of Emperor Watch & Jewellery Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2009 (the “Year”) together with the comparative figures for the year 2008 as set out below.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2009*

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<u>74,584</u>	<u>33,581</u>
<b>Current assets</b>			
Inventories		1,307,703	1,205,417
Receivables, deposits and prepayments	8	204,627	133,497
Amount due from immediate holding company		–	4
Tax recoverable		6,618	–
Bank balances and cash		<u>252,211</u>	<u>167,504</u>
		<u>1,771,159</u>	<u>1,506,422</u>
<b>Current liabilities</b>			
Payables, deposits received and accrued charges	9	263,846	102,264
Amounts due to related companies		2,752	–
Amount due to a related party		–	491
Taxation payable		6,213	16,418
Obligation under a finance lease			
– due within one year		119	25
Bank borrowings – due within one year		<u>4,200</u>	<u>4,200</u>
		<u>277,130</u>	<u>123,398</u>
<b>Net current assets</b>		<u>1,494,029</u>	<u>1,383,024</u>
<b>Total assets less current liabilities</b>		<u>1,568,613</u>	<u>1,416,605</u>
<b>Non-current liabilities</b>			
Obligation under a finance lease			
– due after one year		317	–
Bank borrowings – due after one year		9,000	13,200
Deferred taxation		<u>379</u>	<u>872</u>
		<u>9,696</u>	<u>14,072</u>
<b>Net assets</b>		<u>1,558,917</u>	<u>1,402,533</u>
<b>Capital and reserves</b>			
Share capital		45,000	45,000
Reserves		<u>1,504,406</u>	<u>1,352,651</u>
Equity attributable to owners of the Company		1,549,406	1,397,651
Minority interests		<u>9,511</u>	<u>4,882</u>
<b>Total equity</b>		<u>1,558,917</u>	<u>1,402,533</u>

Notes:

## 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“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 (the “Stock Exchange”) and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below.

### Basis of consolidation

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

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

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

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

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

## 2. APPLICATION OF NEW AND REVISED HKFRSs

In the Year, the Group has applied the following new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments

Notes:

**2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)**

HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

HKFRS 8 “Operating Segments” is a disclosure standard that has resulted in a change in presentation of the segment information (see note 3).

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

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

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

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

Notes:

**2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)**

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

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

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

**3. REVENUE AND SEGMENT INFORMATION**

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

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

Notes:

**3. REVENUE AND SEGMENT INFORMATION (Continued)**

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

**For the year ended 31 December 2009**

	<b>Hong Kong</b>	<b>Other regions</b>			
	<b>Hong Kong</b>	<b>Macau</b>	<b>in the PRC</b>	<b>Elimination</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue					
External sales	2,229,496	178,548	278,419	–	2,686,463
Inter-segment sales*	130,223	56,452	–	(186,675)	–
	<u>2,359,719</u>	<u>235,000</u>	<u>278,419</u>	<u>(186,675)</u>	<u>2,686,463</u>
* Inter-segment sales are charged at cost					
Segment profit	<u>274,302</u>	<u>32,914</u>	<u>10,638</u>	<u>–</u>	317,854
Unallocated administrative expenses					(72,725)
Interest income					164
Finance costs					<u>(2,061)</u>
Profit before taxation					243,232
Taxation					<u>(43,046)</u>
Profit for the year					<u>200,186</u>

Notes:

**3. REVENUE AND SEGMENT INFORMATION (Continued)**

**For the year ended 31 December 2008**

	<b>Hong Kong</b>	<b>Other regions</b>		<b>Elimination</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>Macau</i>	<i>in the PRC</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue					
External sales	1,721,831	101,993	18,645	–	1,842,469
Inter-segment sales*	43,907	7,849	2,173	(53,929)	–
	<u>1,765,738</u>	<u>109,842</u>	<u>20,818</u>	<u>(53,929)</u>	<u>1,842,469</u>
* Inter-segment sales are charged at cost					
Segment profit (loss)	<u>306,824</u>	<u>18,837</u>	<u>(729)</u>	<u>–</u>	324,932
Unallocated administrative expenses					(44,963)
Interest income					1,190
IPO expenses					(9,181)
Finance costs					<u>(2,675)</u>
Profit before taxation					269,303
Taxation					<u>(47,081)</u>
Profit for the year					<u>222,222</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit/loss represents the gross profit/loss generated from each segment net of selling and distribution expenses and administrative expenses directly attributable to each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.



Notes:

**3. REVENUE AND SEGMENT INFORMATION (Continued)**

**Other segment information**

Amounts included in the measure of segment profit or loss:

**For the year ended 31 December 2009**

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

**For the year ended 31 December 2008**

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

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

**For the year ended 31 December 2009**

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

**For the year ended 31 December 2008**

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

Notes:

**3. REVENUE AND SEGMENT INFORMATION (Continued)**

**Revenue from major products**

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

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Watch	<b>2,320,164</b>	1,622,945
Jewellery	<b>366,299</b>	219,524
	<b><u>2,686,463</u></b>	<b><u>1,842,469</u></b>

**Geographical information**

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

**As at 31 December 2009**

	<b>Hong Kong</b>	<b>Macau</b>	<b>Other regions</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>in the PRC</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>	
Property, plant and equipment	<u>55,444</u>	<u>1,396</u>	<u>17,744</u>	<u>74,584</u>

**As at 31 December 2008**

	<b>Hong Kong</b>	<b>Macau</b>	<b>Other regions</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>in the PRC</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>	
Property, plant and equipment	<u>25,992</u>	<u>2,016</u>	<u>5,573</u>	<u>33,581</u>

**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.

Notes:

#### 4. PROFIT BEFORE TAXATION

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

#### 5. TAXATION

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

*Notes:*

**5. TAXATION (Continued)**

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

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

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

**6. DIVIDENDS**

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

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

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

**7. EARNINGS PER SHARE**

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

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

Notes:

## 8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<b>57,413</b>	8,612
Rental deposits	<b>72,996</b>	58,999
Other receivables, deposits and prepayments	<b>74,218</b>	65,886
	<hr/>	<hr/>
	<b>204,627</b>	133,497
	<hr/> <hr/>	<hr/> <hr/>

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

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

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<b>31,205</b>	8,612
31 – 60 days	<b>4,816</b>	–
61 – 90 days	<b>16,826</b>	–
91 –120 days	<b>4,566</b>	–
	<hr/>	<hr/>
	<b>57,413</b>	8,612
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

Receivables that were past due but not impaired relate to wholesale customers 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 balance are still considered fully receivable.

Notes:

**8. RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)**

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

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Macau Pataca ("MOP")	<u>537</u>	<u>267</u>

**9. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES**

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade payables	<b>165,051</b>	18,745
Other payables, deposits received and accrued charges	<b>98,795</b>	83,519
	<u><b>263,846</b></u>	<u>102,264</u>

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

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 – 30 days	<b>72,958</b>	16,849
31 – 60 days	<b>27,849</b>	1,388
61 – 90 days	<b>31,142</b>	43
Over 90 days	<b>33,102</b>	465
	<u><b>165,051</b></u>	<u>18,745</u>

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:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
United States Dollars ("USD")	<u><b>10,948</b></u>	<u>952</u>

*Notes:*

## **10. EVENTS AFTER THE REPORTING PERIOD**

### **a. New Share Placing**

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

### **b. Top-up placing of new shares**

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

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

*Notes:*

**10. EVENTS AFTER THE REPORTING PERIOD (Continued)**

**c. Issue of convertible bonds**

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

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

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



## **FINAL DIVIDEND**

The Board recommended the payment of a final dividend of HK0.85 cent per share (“Final Dividend”) for the year ended 31 December 2009, amounting to HK\$44,325,885. The Final Dividend, if being approved at the forthcoming annual general meeting of the Company, will be paid on or around 15 June 2010 to shareholders whose names appear on the register of members of the Company on 18 May 2010 (Tuesday).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed, from 17 May 2010 (Monday) to 18 May 2010 (Tuesday) (both days inclusive), during which period no share transfer will be effected. In order to qualify for the proposed Final Dividend, all relevant share certificates and properly completed transfer forms must be lodged with the Company’s Share Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 14 May 2010 (Friday).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

The Group is a leading retailer of mainly European made luxurious watches and self-designed fine jewellery products in Hong Kong, Macau and China with over 60 years’ history. The Group also provides customized design and production services for customers wishing to create their own exclusive, one-and-only jewellery products. Its target customers range from middle to high income earners from all over the world.

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

### **FINANCIAL REVIEW**

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

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

## **FINANCIAL REVIEW (Continued)**

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

## **BUSINESS REVIEW**

### **Expansion and Optimization of Retail Network**

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

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

	<b>Number of stores</b>
Hong Kong	12
Macau	4
Mainland China	24

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

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

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

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

## **BUSINESS REVIEW (Continued)**

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

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

### **Brand Recognition and Effective Marketing Programme**

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

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

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

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

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

## **PROSPECTS**

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

## **PROSPECTS (Continued)**

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

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

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

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

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

## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

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

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

## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

(Continued)

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

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

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

### **FOREIGN EXCHANGE EXPOSURE**

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

### **CAPITAL EXPENDITURES AND OPERATING LEASE ARRANGEMENTS**

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

### **CONTINGENT LIABILITIES**

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

### **EMPLOYEE AND REMUNERATION POLICY**

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

## **USE OF IPO PROCEEDS**

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

## **REVIEW OF ANNUAL RESULTS**

The annual results for the Year have been reviewed by the audit committee of the Company, which comprises the three Independent Non-Executive Directors of the Company.

## **CORPORATE GOVERNANCE**

### **Code on Corporate Governance Practices**

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year under review.

### **Model Code for Securities Transactions**

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

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

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

## **PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT**

The annual results announcement is published on the Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.emperorwatchjewellery.com>). The annual report will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

By order of the Board  
**Emperor Watch & Jewellery Limited**  
**Cindy Yeung**  
*Executive Director*

Hong Kong, 24 March 2010

*As at the date hereof, the Board comprised:*

*Executive Directors:*

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

*Independent Non-Executive Directors:*

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