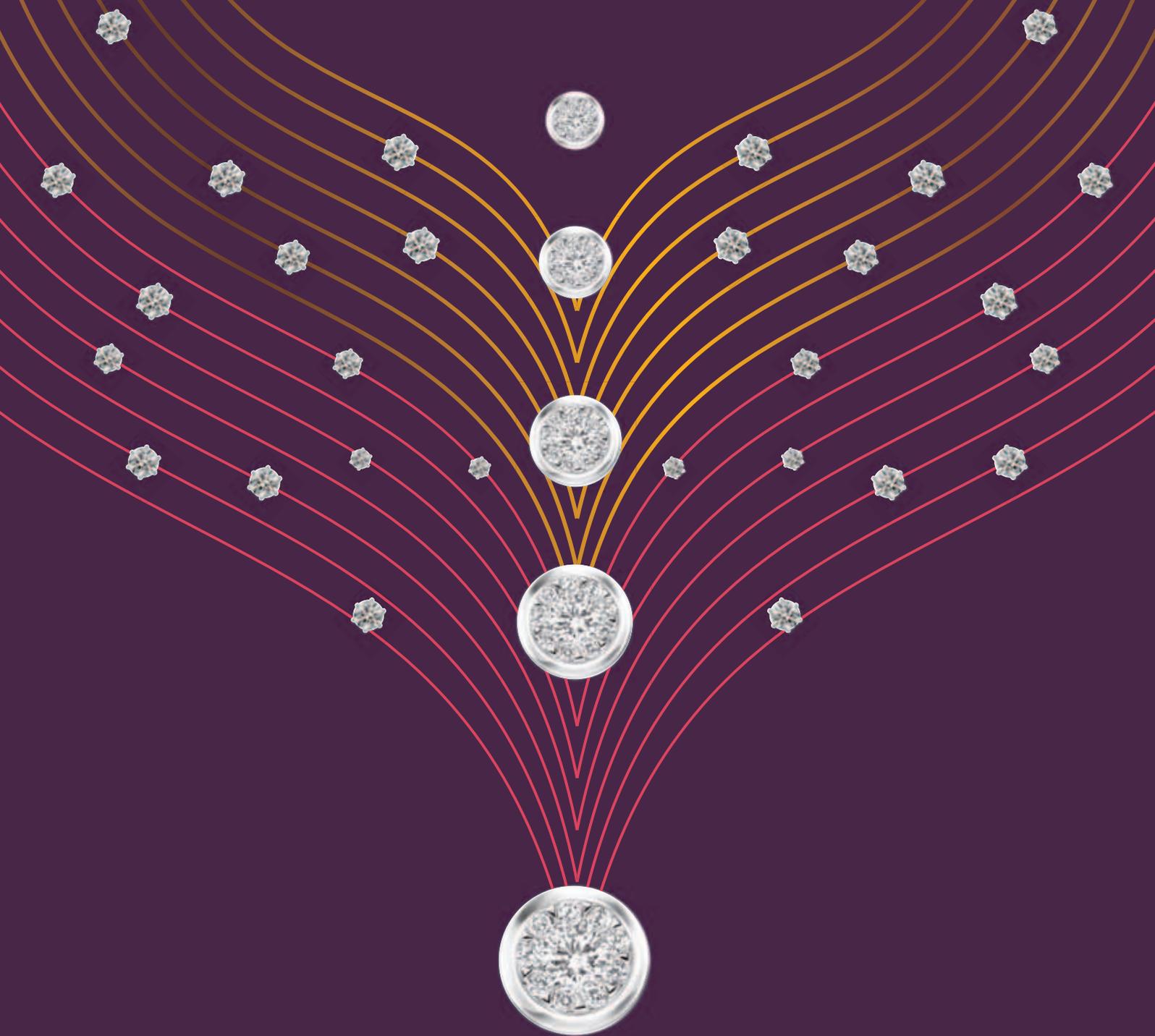




英皇鐘錶珠寶有限公司
EMPEROR WATCH & JEWELLERY LIMITED

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



Annual Report 2014

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CORPORATE INFORMATION AND KEY DATES

DIRECTORS

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

* Independent Non-executive Directors

COMPANY SECRETARY

Chung Ho Ying, Frina

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

EXECUTIVE COMMITTEE

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

AUDITOR

Deloitte Touche Tohmatsu

INVESTOR RELATIONS CONTACT

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

25th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

SHARE REGISTRAR

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 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

WEBSITE

<http://www.emperorwatchjewellery.com>

STOCK CODE

Hong Kong Stock Exchange: 887

KEY DATES

Annual Results Announcement 30 March 2015
Book Close Dates
– For AGM 15 and 18 May 2015
– For Final Dividend 22 May 2015
Record Dates
– For AGM 18 May 2015
– For Final Dividend 22 May 2015
Annual General Meeting 18 May 2015
Payment of Final Dividend 17 June 2015
(HK0.2 cent per share)

CORPORATE COMMUNICATIONS

This Annual Report (in both English and Chinese versions) is available to any shareholder either in printed form or on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) and the Company. In order to protect the environment, the Company highly recommends shareholders to elect to receive electronic copy of this Annual Report. Upon written request, a free printed version of 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.

RESULTS SUMMARY

Revenue decreased by 10.6% to HK\$5,924.9 million (2013: HK\$6,624.4 million), due to weak consumption sentiment in relation to continued austerity initiatives and local protest in the second half of 2014.

Watch segment was relatively resilient amid a consumption market slowdown with its revenue decreased by 6.2% to HK\$4,824.2 million (2013: HK\$5,143.7 million) and continued to be the key contributor, accounting for 81.4% (2013: 77.6%) of the total revenue.

Gross profit margin improved to 25.1% (2013: 24.1%), attributable to a more stabilised pricing environment since late 2013 and price hikes exercised by many watch brands during 2014.

Net profit decreased to HK\$138.1 million (2013: HK\$290.3 million), mainly due to an uprise of rental pressure.

Maintained a strong cash debt-free position as at 31 December 2014.

Revenue from Singapore market increased by 39.4% to HK\$164.6 million (2013: HK\$118.1 million). Subsequent to the successful initiation in Singapore with sound and proven track record since 2013, the Group continues to eye further expansion opportunities in Asian markets and beyond, riding on the compelling prospects of Chinese travellers around the world.

ACHIEVEMENTS



1



4



2



5



3



6

1. Standard Chartered Bank Women on Boards Hong Kong 2014
*Ranked 1st on the Hang Seng Composite Index (HSCI), in terms of Board Gender Diversity
Community Business, March 2014*
2. Hong Kong Service Awards 2014
*Watch Retailer Category
East Week, March 2014*
3. Hong Kong Asia's Best Companies Poll 2014
*Best Mid-Cap Company (2nd)
Best Investor Relations (3rd)
Best Managed Company (6th)
Best Corporate Governance (6th)
Best Corporate Social Responsibility (8th)
FinanceAsia, April 2014*

4. The Outstanding Brand Awards 2014
Economic Digest, May 2014
5. Yahoo! Big Idea Chair Awards 2014
*"Emperor Jewellery Starry Campaign" was granted with
(1) Best Mobile Ad Merit Award
(2) Best Content Marketing Merit Award
Yahoo!, November 2014*
6. 5 Years+ Caring Company Logo
The Hong Kong Council of Social Service

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

Driven by the increasing consumption power of middle class, watches and jewellery market presents abundant opportunities for us to further establish our presence across Greater China and even beyond. We will continue to look for other expansion opportunities in Asia, in order to fully capitalise on the compelling prospects of Chinese travellers.



CINDY YEUNG

Chairperson

Executive Director (Chairperson)

CINDY YEUNG, aged 50, the Chairperson and Managing Director of the Company as well as the Chairperson of the Executive Committee of the Company and a director of certain subsidiaries of the Company. Ms. Yeung joined the Group in September 1990. She is responsible for the Group's strategic planning, business growth and development and overseeing different operations within the Group. She became a director of Emperor Watch & Jewellery (HK) Company Limited, an operating arm of the retail outlets of the Group in Hong Kong, in April 1999. The Group has been under her management since then. Ms. Yeung is the Director of Examination of Hong Kong Jewellers' and Goldsmiths' Association. She is also the ambassador of "Because I am a Girl" organized by a charity body, PLAN International Hong Kong. Ms. Yeung has over 20 years of experience in watch and jewellery industry. Prior to joining the Group in 1990, she joined the sales department of Anju Jewelry Ltd., a US based company engaging in trading of jewellery products. She has obtained the qualification of the Graduate Gemologist of Gemological Institute of America (GIA) and subsequently graduated from University of San Francisco with a Bachelor's Degree of Science in Business Administration majoring in Management, with emphasis on International Business.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

Building on the Group's strong presence in prime retail locations, its prestigious gem settings with unique designs, its comprehensive watch offerings, and the strong recognition of the "**Emperor**" brand, we are optimistic to tap market potential and reinforce its position as a leading luxury watch and jewellery retailer in Chinese-speaking communities.



HENRY CHAN

Executive Director

Executive Director

CHAN HUNG MING, aged 66, an Executive Director of the Company as well as a member of the Executive Committee of the Company and a director of certain subsidiaries of the Company. Mr. Chan joined the Group in July 2005. He is responsible for overseeing the retail outlet operations in Macau and Hong Kong. Mr. Chan is one of the Governing Council members under the "Retailer" category of the Quality Tourism Services Association. He has over 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.

Executive Directors

WONG CHI FAI, aged 59, an Executive Director of the Company. Mr. Wong has been involved in the management of the Group since November 1998. He is a member of the Executive Committee and Remuneration Committee of the Company as well as a director of certain subsidiaries of the Company. He is also a director of two listed companies in Hong Kong, namely Emperor International Holdings Limited (Stock Code: 163) (“Emperor International”) and Emperor Entertainment Hotel Limited (Stock Code: 296) (“Emperor E Hotel”), both being associated companies of the Company. He was previously a director of another Hong Kong listed company, New Media Group Holdings Limited (Stock Code: 708) (“New Media Group”) and resigned on 27 March 2015. Having over 20 years of finance and management experience, Mr. Wong has diversified experience in different businesses ranging from retailing of watch & jewellery to manufacturing, property investment and development, hotel and hospitality, financial and securities services, artiste management, entertainment production as well as media and publication. Mr. Wong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants.

FAN MAN SEUNG, VANESSA, aged 52, an Executive Director of the Company. Ms. Fan has been involved in the management of the Group since November 1998. She is also the Chairperson of the Corporate Governance Committee, a member of the Executive Committee and the Nomination Committee of the Company as well as a director of certain subsidiaries of the Company. Ms. Fan is also a director of Emperor International and Emperor E Hotel. She was previously a director of New Media Group and resigned on 27 March 2015. Having over 26 years of corporate management experience, Ms. Fan possesses diversified experience in different businesses ranging from retailing of watch & jewellery, property investment and development, hotel and hospitality, financial and securities services, artiste management, entertainment production as well as media and publication. Ms. Fan is a lawyer by profession in Hong Kong and a qualified accountant, and holds a Master’s Degree in Business Administration.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

Independent Non-executive Directors

YIP KAM MAN, aged 48, was appointed as Independent Non-executive Director of the Company in June 2008. She is the Chairperson of the Audit Committee as well as a member of the Remuneration Committee and the Corporate Governance Committee of the Company. Ms. Yip is a Certified Public Accountant and has been engaged in the audit field (including internal audit for various listed companies in Hong Kong) for more than 20 years. She is currently running an audit firm. Ms. Yip is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants. She graduated from The University of Nottingham in the United Kingdom with a Bachelor's Degree in Arts (Hons).

CHAN HON PIU, aged 54, was appointed as Independent Non-executive Director of the Company in June 2008. He is the Chairman of the Nomination Committee as well as a member of the Audit Committee and the Corporate Governance Committee of the Company. Mr. Chan has been admitted as a solicitor in Hong Kong since 1991 and is now a partner of a law firm in Hong Kong. Mr. Chan graduated from The University of Hong Kong with a Bachelor's Degree in Social Sciences. He also obtained the Certificate of Education and a Master's Degree in Laws from The University of Hong Kong.

LAI KA FUNG, MAY, aged 49, was appointed as Independent Non-executive Director of the Company in June 2008. She is the Chairperson of the Remuneration Committee as well as a member of the Audit Committee and the Nomination Committee of the Company. Ms. Lai is a Certified Public Accountant and has been engaged in the audit field for more than 20 years. She is a Principal Partner of May K.F. Lai & Co. & H.H. Liu & Co., Certified Public Accountants. She is also an independent non-executive director of another listed company in Hong Kong, Chinlink International Holdings Limited (Stock Code: 997). Ms. Lai is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants. She obtained a Master's Degree of Arts in International Accounting from City University of Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Emperor Watch & Jewellery Limited (the “Company”) together with its subsidiaries (collectively referred to as the “Group”) is a leading retailer of European-made luxurious and internationally renowned watches, together with self-designed fine jewellery products under its own brand, “**Emperor Jewellery**”. The Group has extensive retail networks in Hong Kong, Macau, 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 history of over 70 years since its establishment, the Company carries a balanced and comprehensive watch dealership list.

MARKET REVIEW

The year ended 31 December 2014 (the “Year”) was undoubtedly challenging. The luxury consumption market was weakening following China’s slowing economic growth and austerity initiatives. Local consumption sentiment further deteriorated in the wake of local protests that started in late September 2014. With the exit of demand for high-ticket items and irrational purchasing, consumers were tending to be more rational and looking for luxury items within an affordable range.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

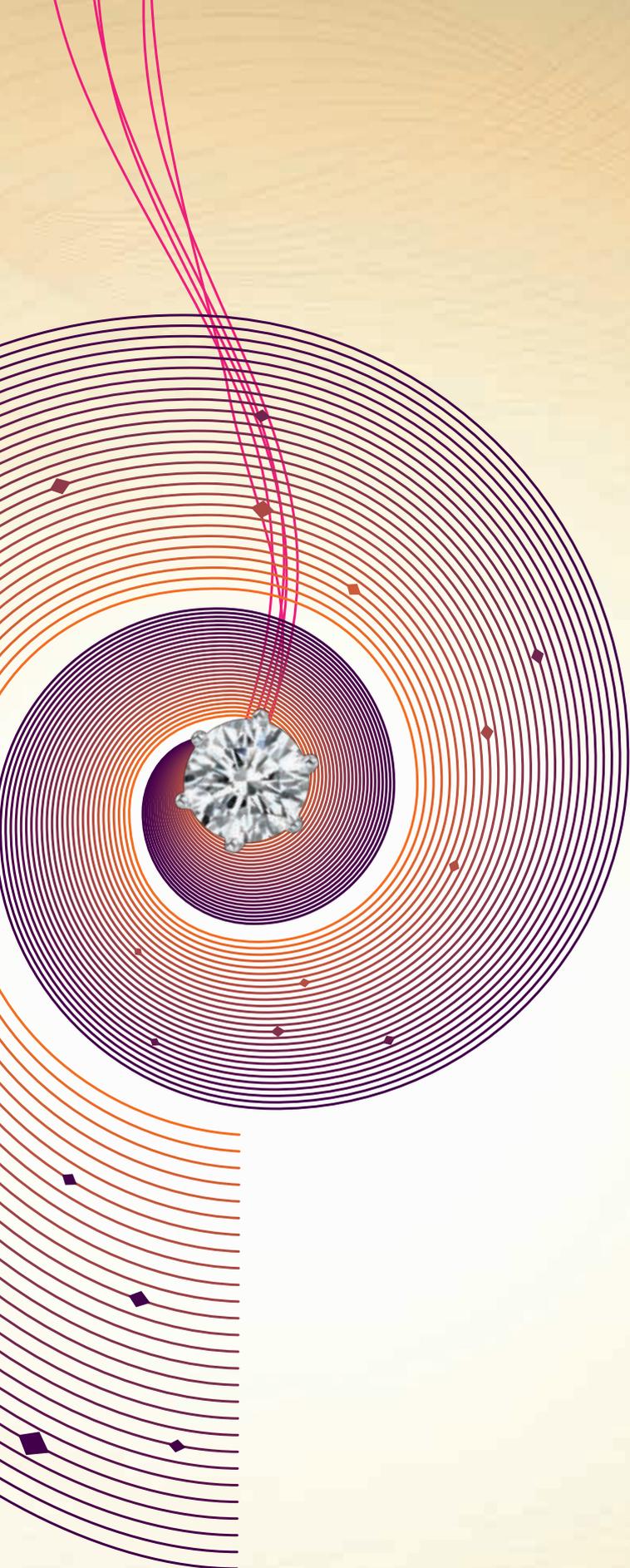
Overall Review

During the Year, the Group's revenue decreased by 10.6% to HK\$5,924.9 million (2013: HK\$6,624.4 million) due to weak consumption sentiment. Against the backdrop of the challenging market environment, revenue from the watch segment inevitably decreased, by 6.2% to HK\$4,824.2 million (2013: HK\$5,143.7 million), which accounted for 81.4% (2013: 77.6%) of the Group's revenue and continued to be the key revenue contributor. The revenue from the jewellery segment slumped by 25.7% to HK\$1,100.7 million (2013: HK\$1,480.7 million). The higher revenue from the jewellery segment in 2013 was due to the special promotion campaigns on jewellery items and "gold fever" which brought additional traffic to **Emperor Jewellery** stores. 83.1% (2013: 83.7%) of the Group's total revenue was supported by the Hong Kong market.

Gross profit decreased by 6.9% to HK\$1,488.9 million (2013: HK\$1,600.0 million). Following the stabilised pricing environment of watches in late 2013, there were price hikes for several watch brands during the Year. As a result of the competitive advantages of the Group's retail network spanning prime locations and diverse product portfolio, the overall gross profit margin improved to 25.1% from 24.1% in the previous year.

EBITDA and net profit were HK\$233.0 million (2013: HK\$414.7 million) and HK\$138.1 million (2013: HK\$290.3 million) respectively. The decrease of EBITDA and net profit was largely due to an increase in rental expenses. Basic earnings per share was HK2.00 cents (2013: HK4.20 cents). The board of directors of the Company (the "Board" or "Directors") recommends the payment of a final dividend of HK0.20 cent (2013: HK0.58 cent) per share. Together with the interim dividend of HK0.40 cent (2013: HK0.68 cent) per share, the total dividends per share for the Year were HK0.60 cent (2013: HK1.26 cents).





Capital Structure, Liquidity and Financial Resources

During the Year, there was no change in the capital structure of the Group. Bank balances and cash on hand of the Group as at 31 December 2014 amounted to HK\$443.8 million (2013: HK\$657.1 million), which were mainly denominated in Hong Kong dollars (“HKD”) and Renminbi (“RMB”). As at 31 December 2014, the Group had no bank borrowings (2013: Nil). The Group also had available unutilised banking facilities of approximately HK\$852.9 million. The strong liquidity with debt-free position and considerable unutilised banking facilities enables the Group to retain high flexibility for future development.

As at 31 December 2014, the Group’s current assets and current liabilities were approximately HK\$4,461.6 million (2013: HK\$4,481.4 million) and HK\$338.5 million (2013: HK\$388.6 million) respectively. Current ratio and quick ratio of the Group were 13.2 (2013: 11.5) and 1.8 (2013: 2.1) respectively.

In view of the Group’s financial position as at 31 December 2014, the Board considered that the Group had sufficient working capital for its operations and future development plans.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Further Strengthening Presence in Prime Locations

As at 31 December 2014, the Group had 88 stores (2013: 74) in Hong Kong, Macau, the PRC and Singapore. Details are as follows:

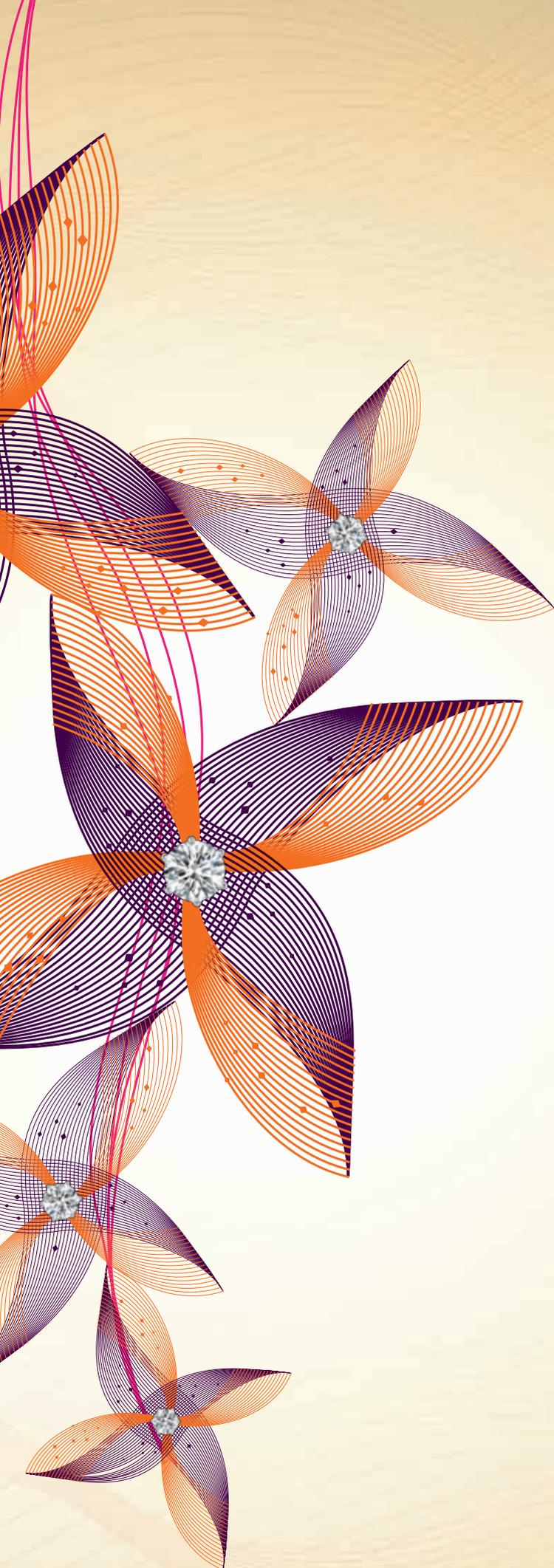
	Number of stores
Hong Kong	24
Macau	6
The PRC	54
Singapore	4
Total	88

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

The Group's retail stores in Hong Kong are strategically located in major high-end shopping areas, including Russell Street in Causeway Bay, Canton Road in Tsim Sha Tsui and Queen's Road Central in Central. During the Year, these three shopping streets remained in the global top ranking of rental per square foot. Having a solid presence in these extremely prime locations is of paramount importance for a leading retailer of watches. The Group enjoys a high penetration rate amongst visitors and brand enhancement through its presence in these extremely prime areas.



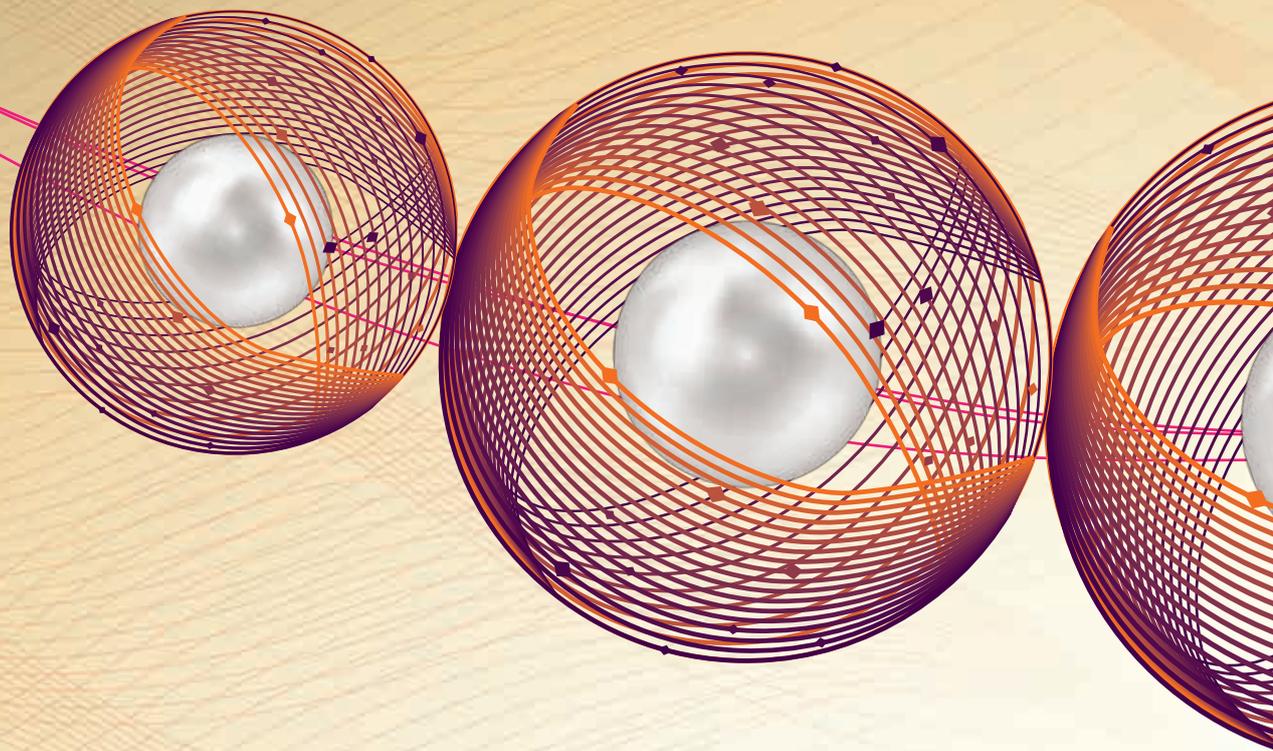
(From the left) Ms. Joey Yung, Pop Singer, Mr. Justin Chiu, Executive Director of CK Hutchison Holdings Limited, Mrs. Rita Hämmerli-Weschke, Consul General of Switzerland in Hong Kong, Ms. Cindy Yeung, Chairperson of Emperor W&J and Mr. Leo Ku, Pop Singer officiating the grand opening ceremony for the new store at 1881 Heritage.



During the Year, the Group further expanded its presence in prime retail locations. In June 2014, Patek Philippe independent corner, Chopard boutique and **Emperor Jewellery** store were opened in 1881 Heritage, which is the cultural and shopping hub in Tsim Sha Tsui featuring iconic and luxury shops. This collaboration once again demonstrated the management's dedication to fostering solid relationships with leading watch brand suppliers, thereby achieving win-win situations where both leading watch brands and the Group enjoy brand enhancement through a presence in extremely prime areas.



MANAGEMENT DISCUSSION AND ANALYSIS



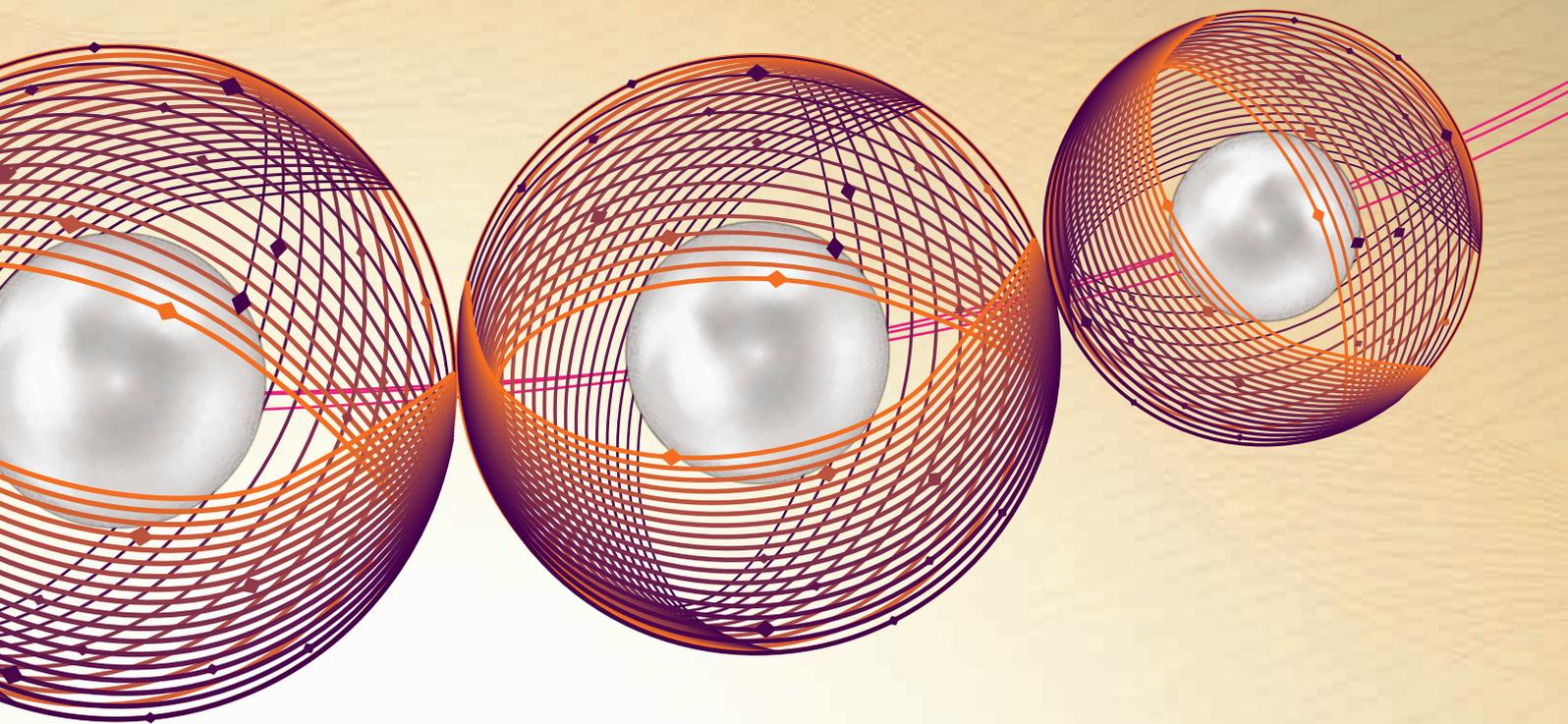
Solidifying Leading Position in Hong Kong

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

Enriching Jewellery Product Portfolio

During the Year, the Group continued to offer premium quality “**Emperor Jewellery**” products to customers. With the key focus on quality gem settings and fine jadeites among the comprehensive product range and commitment to high service standards, the Group enriched the design features to satisfy diverse customer tastes and enhanced the charisma of signature “**Emperor Jewellery**” collections to raise brand loyalty. Stylish and prestigious gem settings, bridal collections and fine jadeites remained popular. Meanwhile, new collections with unique themed designs were regularly launched at different price points, to boost loyalty of sophisticated customers and target new shoppers in different income groups.





Enhancing Brand Image

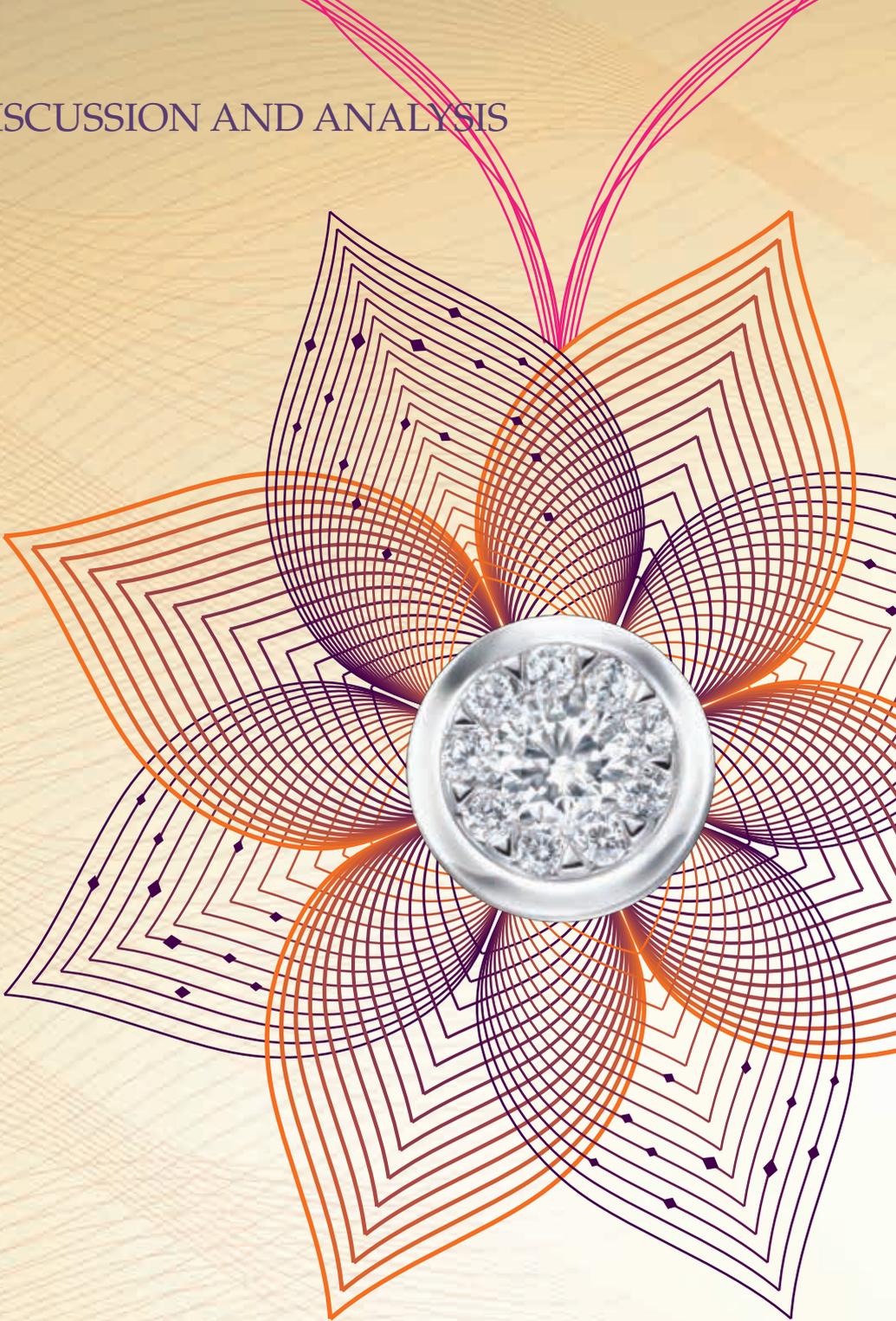
During the Year, the Group continued to effectively promote various watch brands through a range of joint promotions, sponsorships and exhibitions, which all achieved positive results. To sustain its decades-old relationships with watch suppliers, the Group ran co-op advertising campaigns and organised joint promotion events with individual world-class watch suppliers. These enhanced the relationships and brand reputation for both leading watch brands and “**Emperor**”.

The Group also made special use of numerous celebrity endorsements, print advertisements and social media to promote its jewellery products and build brand equity. The Group hosted a variety of jewellery shows to consolidate VIP customers and widen the new customer base. By capturing ever-expanding opportunities via online and social media, the Group also strengthened its relevant marketing efforts and enhanced brand awareness of “**Emperor Jewellery**” through various cost-effective advertising campaigns.

Leveraging Group Synergies

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

MANAGEMENT DISCUSSION AND ANALYSIS





PROSPECTS

As urbanisation continues being promoted by the Chinese government, the population of the middle class will keep on growing. The Group holds a cautiously optimistic view regarding the consumption power of the middle class, which is driven by the gradual improvement of the economic environment and their growing wealth. This presents abundant opportunities for the Group to further establish its presence across Greater China and even beyond. The Group will continue to look for other expansion opportunities in Asia, in order to fully capitalise on Chinese consumers' rising demand for watches and jewellery.

Significant regional watch price differences, absence of a sales tax on luxury goods, authenticity assurance and full assortments continue providing strong incentives for mainland visitors to purchase luxury watches in Hong Kong. The Group believes that jewellery market is set for long-term growth, driven by rising demand for gem-set jewellery alongside the gradual increase in disposable income of Chinese consumers and stable demand arising from various celebratory occasions. The Group is striving to expand its product mix to offer customers an even wider selection of choices.

Success in the luxury market is linked to brand image and distinctiveness. These features depend on many factors, like the style and design of products, the quality of materials, production techniques, the image and location of stores, and communications activities spanning public relations, advertising and marketing. Building on the Group's strong presence in prime retail locations, its prestigious gem settings with unique designs, its comprehensive watch offerings, and the strong recognition of the "**Emperor**" brand, the Group is optimistic to tap market potential and reinforce its position as a leading luxury watch and jewellery retailer in Chinese-speaking communities.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group has 1,040 salespersons (2013: 938) and 222 office staff (2013: 211). Total staff costs (including directors' remuneration) were HK\$280.4 million (2013: HK\$274.8 million) for the Year. Employees' remuneration was determined in accordance with individual's responsibility, competence & skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK0.20 cent (2013: HK0.58 cent) per share ("Final Dividend") for the Year, amounting to approximately HK\$13.8 million (2013: HK\$39.9 million). The Final Dividend, if being approved at the forthcoming annual general meeting of the Company ("AGM"), will be paid on 17 June 2015 (Wednesday) to shareholders whose names appear on the register of members of the Company on 22 May 2015 (Friday).

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at AGM

Latest time to lodge transfers	4:30 p.m. on 14 May 2015 (Thursday)
Book close date	15 and 18 May 2015 (Friday and Monday)
Record date	18 May 2015 (Monday)
AGM	18 May 2015 (Monday)

For ascertaining shareholders' entitlement to the proposed Final Dividend

Latest time to lodge transfers	4:30 p.m. on 21 May 2015 (Thursday)
Book close date	22 May 2015 (Friday)
Record date	22 May 2015 (Friday)
Final Dividend payment date	17 June 2015 (Wednesday)

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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before the above latest time to lodge transfers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

WORKPLACE QUALITY

Workforce

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

As at 31 December 2014, the permanent employees of the Group totalled 1,259, working in the headquarters in Hong Kong, and in retail outlets and regional offices in Hong Kong, Macau, the PRC and Singapore.

The demographics of the Group's workforce (as at 31 December 2014) are summarised below:

By Region		Age Distribution	
Hong Kong	44%	≤25	20%
Macau	6%	26-35	42%
The PRC	48%	36-45	24%
Others	2%	46-55	10%
		≥56	4%
	100%		100%

The Group has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competencies that contribute to the Group's success. The Group is firmly committed to gender equality, and therefore particularly encourages female participation in the Board, and at managerial and operational level. Women represent approximately 60% of the total employment in the Group. The Group's commitment to gender diversity has been recognised in the Standard Chartered Bank Women on Boards Hong Kong 2014 report released by Community Business, ranking first on the Hang Seng Composite Index (HSCI) in terms of percentage of women on the board (57.1%).

Staff turnover rate among managerial positions is relatively low, reflecting a high level of employee satisfaction and engagement with the Group.

The management believes people are important assets for the Group, and therefore implements equality measures to retain staff in the long term. As at 31 December 2014, approximately 12% of the staff had been with the Group for five years or more. Service awards are presented at the Group's annual dinner, to congratulate those staff who have contributed for 10, 15, 20 and 25 years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and safety

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

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

Development and training

The Group supports its staff to develop and enhance their knowledge, skills and work capability. Staff are encouraged to pursue educational or training opportunities that achieve personal growth and professional development. Various training courses are regularly conducted to promote loyalty, occupational safety, customer servicing skills and product knowledge, etc. In 2014, the Group dedicated around 15,000 hours to staff training, representing approximately 12 hours per employee.

ENVIRONMENTAL PROTECTION

Use of resources

The Group recognises its responsibility to protect the environment from its business activities, products and services. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities, in order to minimise these impacts if possible.

Further, the Group aims to maximise energy conservation in its retail outlets and offices by promoting efficient use of resources and adopting green technologies. The retail branches contribute most of the Group's carbon footprint. To identify energy efficiency opportunities, the Group measures and collects the energy consumption intensity from time to time.

The Group continues to upgrade equipment such as lighting and air-conditioning systems, in order to increase overall operating efficiency. One of the Group's latest environmental initiatives, **Emperor Jewellery** new image store, was launched in June 2014 at 1881 Heritage in Tsim Sha Tsui, Hong Kong. This store has adopted an eco-lighting system to optimise cost efficiency. The Group has also installed some lighting systems with automatic shut-off features for outdoor signboards, to minimise light pollution and reduce energy consumption during non-business hours.

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

The environment and natural resources

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

OPERATING PRACTICES

Supply chain management

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

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

Product responsibility

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

The Group establishes and protects its intellectual property rights including trademarks, and domain names. The trademarks "**Emperor**" and "**Emperor Jewellery**" have been applied or registered under various classes in Hong Kong, Macau, the PRC, Singapore and other relevant jurisdictions.

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

The frontline team comprises experienced and well-trained sales executives. In "**Emperor Jewellery**" stores in Hong Kong, around 16% of the sales executives are Gemological Institute of America qualified gemologists, who can provide invaluable advice to customers. To gather valuable customer feedback, the Group collects customer satisfaction questionnaires in its retail outlets from time to time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

The privacy of every individual shall be respected and protected. The Group is concerned regarding staff privacy, and continues to comply with relevant laws and regulations. The Group also ensures that customers' personal data is securely kept and used only for the purpose for which it has been collected. Only authorised staff are permitted to access such personal data. Staff are provided with adequate training in compliance with the Personal Data (Privacy) Ordinance.

Anti-corruption

The Group has adopted an anti-money laundering policy, to ensure that all employees strictly comply with anti-money laundering procedures. Anti-money laundering training has been provided to all employees. For high value transactions conducted in cash but not using other popular and safe payment methods (e.g. using credit card or cashier order), customers' identification information is required, to verify their identities. Records are required to be kept properly in strict confidentiality. The Group considers the current practice adequate for safeguarding against money laundering.

To demonstrate its commitment to the highest standards of openness, probity and accountability, the Group has established a written Whistle-blowing Policy and Reporting Procedures for reporting any suspected misconduct or malpractice within the Group, in compliance with all applicable rules and regulations. Procedures are designed to ensure that proper arrangements are in place for fair and independent investigation of each case, and to implement appropriate follow-up action.

Community Involvement

During the Year, the Group and its staff made efforts to serve those in need. During annual participation in an outbound volunteering activity organised by Emperor Foundation, staff joined a tour to Hubei Province, the PRC, in September 2014 for a four-day service dedicated to some underprivileged elderly people in Hubei Hong Kong Emperor Elderly Care Centre, the daily operations of which have been partially funded by Emperor Foundation since 2006, as well as a suburb “welfare centre” in Huangshi city, southeastern Hubei. In the same month, the Group also took part in Hong Kong’s Dress Casual Day 2014, organised by the Community Chest.

In Hong Kong, staff donated mooncakes via the “Mooncake Transfer Campaign” launched by Emperor Group. All mooncakes were donated to Pok Oi Hospital Wai Yin Association Youth City, for distribution to underprivileged families in Tin Shui Wai.

Special charity donations were channelled to Chi Heng Foundation and Plan International Hong Kong, to support their missions to help AIDS affected communities in the PRC and disadvantaged children worldwide, respectively.

The Group was awarded Caring Company Logo 2013/2014 by the Hong Kong Council of Social Service, in recognition of its long term commitment to helping build a better community.

With the support of green charities, the Group organises various activities to reduce its environmental damage to society, and engages its staff in these initiatives. In June 2014, the Group supported the “Used Book Recycling Campaign” in conjunction with Sowers Action. Used books were collected, and funds raised from reselling them were donated to those in need in rural areas of the PRC.

The Group is devoted to promoting environmental awareness through green education. In May 2014, staff participated in a tree planting day organised by the Committee of International Million Trees (Forest) Project and Network. Staff enjoyed a pleasant outing, which enhanced their awareness of the importance of protecting the environment. Led by experts from WWF Hong Kong, staff also enjoyed a guided field trip to the Mai Po Nature Reserve, which protects rare wildlife and beautiful scenery. Through this meaningful tour, staff could explore wetland biodiversity and get closer to nature.



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 32 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 48. 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 HK0.40 cent per share for the Year (2013: HK0.68 cent), amounting to approximately HK\$27,530,000 (2013: HK\$46,799,000), was paid to the shareholders of the Company ("Shareholders") during the Year.

The Directors recommended the payment of a final dividend of HK0.20 cent per share for the Year (2013: HK0.58 cent), amounting to approximately HK\$13,800,000 (2013: HK\$39,918,000) to those Shareholders whose names appear on the register of members on 22 May 2015 (Friday), subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on 18 May 2015 (Monday) ("AGM").

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 22 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the Year are set out on page 51.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 December 2014, calculated in accordance with the Companies Ordinance, amounted to HK\$443,825,000 (2013: HK\$332,515,000).

DIRECTORS' REPORT

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

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

In accordance with Article 83(1) and (3) of the Company's Articles of Association, Mr. Chan Hung Ming, 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 ("Mr. Bryan Wong") and Ms. Fan Man Seung, Vanessa ("Ms. Vanessa Fan") entered into a service agreement with the Company for a term of three years commencing from 21 July 2008, 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 with written notice.

Pursuant to an appointment letter given by the Company, each of the Independent Non-executive Directors 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 with written notice.

All the Directors are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association and the Listing Rules. 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' REPORT

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

As at 31 December 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long position interests in the Company

Ordinary shares of the Company ("Shares")

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

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

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

(i) Ordinary Shares

Name of Director	Name of associated corporations	Capacity/ Nature of interests	Number of shares held	Approximate percentage holding
Ms. Cindy Yeung	Emperor International	Beneficiary of a trust	2,747,610,489 (Note 1)	74.83%
	Emperor E Hotel	Beneficiary of a trust	816,287,845 (Note 1)	62.67%
	Emperor Capital Group Limited ("Emperor Capital Group")	Beneficiary of a trust	1,773,516,907 (Note 1)	67.38%
	New Media Group	Beneficiary of a trust	647,950,000 (Note 2)	74.99%
Ms. Vanessa Fan	Emperor International	Beneficial Owner	5,000,000	0.14%

Notes:

- (1) Emperor International, Emperor E Hotel and Emperor Capital Group are companies with their shares listed in Hong Kong. These respective shares were ultimately owned by AY Holdings which was in turn held by STC International, 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 these shares.
- (2) As at the date of this Report, Ms. Cindy Yeung ceased to have deemed interests in these shares as New Media Group was no longer an associated corporation of the Company.

DIRECTORS' REPORT

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

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

(ii) Share options

Name of Directors	Name of associated corporations	Capacity/ Nature of interests	Number of underlying shares held	Approximate percentage holding
Mr. Bryan Wong	Emperor International	Beneficial Owner	10,769,475 <i>(adjusted)</i>	0.29%
Ms. Vanessa Fan	Emperor International	Beneficial Owner	5,769,475 <i>(adjusted)</i>	0.15%

Note: These were share options granted to Mr. Bryan Wong and Ms. Vanessa Fan, both being directors of Emperor International and Emperor E Hotel, under the respective share option schemes of Emperor International and Emperor E Hotel.

Save as disclosed above, as at 31 December 2014, 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 29 to the consolidated financial statements.

No option was granted 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 2014, 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.

DIRECTORS' REPORT

OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at 31 December 2014, so far as is known to the Directors or chief executive of the Company, the following persons or corporations (other than a Director or chief executive of the Company) had, or were deemed or taken to have an interest and short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO ("SFO Register") or as otherwise notified to the Company were as follows:

Long Position in the Shares

Name	Capacity/ Nature of interests	Number of issued Shares interested in or deemed to be interested	Approximate percentage holding
Emperor W&J Holdings	Beneficial owner	3,617,860,000 (Note)	52.57%
AY Holdings	Interest in controlled corporation	3,617,860,000 (Note)	52.57%
STC International	Trustee	3,617,860,000 (Note)	52.57%
Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung")	Founder of a discretionary trust	3,617,860,000 (Note)	52.57%
Ms. Luk Siu Man, Semon	Interest of spouse	3,617,860,000 (Note)	52.57%
Mondrian Investment Partners Limited	Investment manager	415,910,000	6.04%

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

All interests stated above represent long positions. As at 31 December 2014, no short positions were recorded in the SFO Register of the Company.

Save as disclosed above, as at 31 December 2014, the Directors or chief executive of the Company were not aware of any person or corporation (other than the Directors and chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares as recorded in the SFO Register of the Company or as otherwise notified to the Company.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions

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

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

	Name of counterparty	Date of agreement	Location	Terms	Amount for the Year (HK\$'000)
Harilela Mansion, 81 Nathan Road					
(1a)	Great Future Hong Kong Limited ("Great Future") (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	3,150
(1b)	Great Future	28 February 2014	Shops A, D2 and E2, G/F and the projected signage on external wall, Harilela Mansion, 81 Nathan Road, Hong Kong	1 April 2014 – 31 March 2017	11,250
Emperor Group Centre, 288 Hennessy Road					
(2a)	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	1,110
(2b)	Very Sound (Note 1)	28 March 2013	Shops G03-05, G/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 April 2013 – 31 March 2016 (early terminated on 16 November 2014)	5,793
(2c)	Very Sound (Note 1)	14 November 2014	Shops G01 - G05, G/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	17 November 2014 – 16 November 2017	916
(3)	Very Sound (Note 1)	28 March 2013	The whole of 25/F & Car Parking Space No. 27, B2/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 April 2013 – 31 March 2016	3,480
(4)	Headwise Investment Limited ("Headwise") (Note 1)	31 December 2013	Unit 1505, 15/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 January 2014 – 31 March 2016	316

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONTINUING CONNECTED TRANSACTIONS – *Continued*

Continuing Connected Transactions – *Continued*

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

	Name of counterparty	Date of agreement	Location	Terms	Amount for the Year (HK\$'000)
	Russell Street				
(5a)	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 (early terminated on 11 September 2014)	15,266
(5b)	Planwing (Note 1)	12 September 2014	Shops 1 & 2 on Ground Floor together with a right to use (i) External Wall Unit 1 on 1st Floor; (ii) External Wall Unit 2 on 6th – 29th Floor and Roof; (iii) a LED Display on the External Wall on 5th Floor; (iv) 2 Signboards on External Wall on 1st – 3rd Floor; (v) 2 Signboards on External Wall on 5th Floor; and (vi) Signage Space A on 1st Floor, Emperor Watch and Jewellery Centre, No. 8 Russell Street, Causeway Bay, Hong Kong	12 September 2014 – 11 September 2017	11,228
(6a)	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	2,742
(6b)	Planwing (Note 1)	14 November 2014	Signage Space B on 1/F facing Russell Street, Emperor Watch and Jewellery Centre, No. 8 Russell Street, Causeway Bay, Hong Kong	30 November 2014 – 29 November 2017	258
(7a)	Planwing (Note 1)	25 May 2011	Shops 3 & 5, G/F, 8 Russell Street, Causeway Bay, Hong Kong	30 November 2011 – 29 November 2014	22,116
(7b)	Planwing (Note 1)	22 October 2014	Shops 3 & 5, G/F, Emperor Watch and Jewellery Centre, No. 8 Russell Street, Causeway Bay, Hong Kong	30 November 2014 – 29 November 2017	2,737

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONTINUING CONNECTED TRANSACTIONS – *Continued*

Continuing Connected Transactions – *Continued*

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

	Name of counterparty	Date of agreement	Location	Terms	Amount for the Year (HK\$'000)
(8a)	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	7,883
(8b)	Richorse (Note 1)	28 May 2014	– same as above –	1 July 2014 – 30 June 2017	11,160
(9a)	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	39,756
(9b)	Richorse (Note 1)	22 October 2014	– same as above –	23 October 2014 – 22 October 2017	11,699
(10a)	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	13,647
(10b)	Richorse (Note 1)	22 October 2014	– same as above –	23 October 2014 – 22 October 2017	4,348
(11)	Cape Point Limited (Note 1)	29 May 2014	Flat B and the adjacent flat roofs on 4/F, Tak Fat Building, Nos. 50-52 Russell Street, Causeway Bay, Hong Kong	1 June 2014 – 31 May 2016	58

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONTINUING CONNECTED TRANSACTIONS – *Continued*

Continuing Connected Transactions – *Continued*

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

Name of counterparty	Date of agreement	Location	Terms	Amount for the Year (HK\$'000)
Canton Road				
(12a) Gold Pleasure Investment Limited ("Gold Pleasure"), Happy Rain Limited ("Happy Rain"), Total Treasure Investment Limited ("Total Treasure") & Gold Cheer Corporation Limited ("Gold Cheer") (Note 1)	15 December 2011	G/F and 1/F, Tenement A & B on 3/F, Portion A of Tenements A on 4/F and roof, 4-8 Canton Road, Kowloon, Hong Kong together with a right to use four outdoor advertising signs on the external walls to the building	4 January 2012 – 3 January 2015	63,445
(12b) Gold Pleasure, Happy Rain, Total Treasure & Gold Cheer (Note 1)	23 December 2014	– same as above –	4 January 2015 – 3 January 2018	0
(13a) Gold Pleasure (Note 1)	29 January 2014	Projected signage of 4-8 Canton Road, Kowloon	February, August, October and December 2014	2,380
(13b) Gold Pleasure (Note 1)	28 February 2014	– same as above –	March, April and June 2014	1,710
Macau				
(14) Grand Emperor Entertainment & Hotel (Macau) Limited ("Grand Emperor") (Note 2)	28 March 2012	Shops 1-4, G/F, Grand Emperor Hotel, 251-292D Avenida Comercial De Macau, Macau	1 April 2012 – 31 March 2015	4,128
(15a) Grand Emperor (Note 2)	28 June 2011	Shop 5, G/F, Grand Emperor Hotel, 251-292D Avenida Comercial De Macau, Macau	1 July 2011 – 30 June 2014	884
(15b) Grand Emperor (Note 2)	30 June 2014	– same as above –	1 July 2014 – 30 June 2017	1,123

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONTINUING CONNECTED TRANSACTIONS – *Continued*

Continuing Connected Transactions – *Continued*

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

Name of counterparty	Date of agreement	Location	Terms	Amount for the Year (HK\$'000)
(16a) I Soi Limited (“I Soi”) (Note 2)	30 June 2011	EM Macau, Avenida De Infante D., Henrique, NoS 67-69 Res-Do-Chao B & EM Macau, Rua Do Dr., Pedro Jose Lobo N°5, Res-Do-Chao C2, Macau	1 July 2011 – 30 June 2014	2,065
(16b) I Soi (Note 2)	30 June 2014	– same as above –	1 July 2014 – 30 June 2017	2,833
(17a) I Soi (Note 2)	30 June 2011	EM Macau, Avenida De Infante D., Henrique N°65-A, 1° Andar B, Macau	1 August 2011 – 30 June 2014	43
(17b) I Soi (Note 2)	30 June 2014	– same as above –	1 July 2014 – 30 June 2017	51
			Total:	247,575

Notes:

1. The counterparties of the agreements (being indirect wholly-owned subsidiaries of Emperor International) are indirectly owned by the AY Trust under which Ms. Cindy Yeung is one of the eligible beneficiaries. As such, Ms. Cindy Yeung has deemed interest in the agreements.
2. The counterparties of the agreements (being indirect subsidiaries of Emperor E Hotel) are indirectly owned by the AY Trust under which Ms. Cindy Yeung is one of the eligible beneficiaries. As such, Ms. Cindy Yeung has deemed interest in the agreements.

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

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

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\$247,575,000 as incorporated in item 2 in note 31 on “Related Party Transactions” to the consolidated financial statements, all other transactions as shown in such note are connected transactions exempted from reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONTINUING CONNECTED TRANSACTIONS – *Continued*

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 Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group ("Disclosed CCTs") on page 29 to 33 of this annual report in accordance with Main Board Listing Rule 14A.49. 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.55 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed the Disclosed CCTs and the aforesaid auditor's letter and have confirmed that these transactions have been entered into:

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate sales to the Group's five largest customers accounted for approximately 0.6% of the total turnover of the Group. The Group's five largest suppliers contributed to approximately 84% of the purchases of the Group during the Year.

None of the Directors, their associates or any Shareholders which, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any beneficial interest in the share capital of any of 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 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.

DIRECTORS' REPORT

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

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

EMOLUMENT POLICY

Employee's remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits. Details of the emoluments of the Directors and the five highest paid individuals in the Group are set out in note 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 29 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 36 to 46.

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\$1,015,000.

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, 30 March 2015

CORPORATE GOVERNANCE REPORT

The Board has adopted various policies to ensure compliance with the code provisions of the Corporate Governance Code (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 2014, 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 5 to 8 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 Managing Director, 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/or accounting aspects who provide valuable advice to the Board, including advice on corporate governance related matters without any undue influence. They are appointed for an initial term of two years and shall continue thereafter from year to year subject to early termination by either party with written notice and retirement by rotation and re-election provision under the Articles of Association of the Company.

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

Roles and Responsibilities of the Board

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

CORPORATE GOVERNANCE REPORT

THE BOARD – *Continued*

Delegation to the Management

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

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

Relationship between the Board Members

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

Directors' insurance

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

Induction, Support and Professional Development of Directors

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

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

CORPORATE GOVERNANCE REPORT

THE BOARD – Continued

Induction, Support and Professional Development of Directors – Continued

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

Note:

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

Directors' attendance and time commitment

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

Name of Directors	Meetings attended/held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Annual General Meeting
Executive Directors						
Ms. Cindy Yeung (Note 1)	12/12	3/3	N/A	N/A	N/A	1/1
Mr. Chan Hung Ming	12/12	N/A	N/A	N/A	N/A	1/1
Mr. Wong Chi Fai	12/12	N/A	2/2	N/A	N/A	1/1
Ms. Fan Man Seung, Vanessa (Note 2)	12/12	N/A	N/A	1/1	1/1	1/1
Independent Non-executive Directors						
Ms. Yip Kam Man (Note 3)	12/12	3/3	2/2	N/A	1/1	1/1
Mr. Chan Hon Piu (Note 4)	12/12	3/3	N/A	1/1	1/1	1/1
Ms. Lai Ka Fung, May (Note 5)	12/12	3/3	2/2	1/1	N/A	1/1
Total number of meetings held:	12	3	2	1	1	1

CORPORATE GOVERNANCE REPORT

THE BOARD – *Continued*

Directors' attendance and time commitment – *Continued*

Notes:

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

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

Board Meetings and Proceedings

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

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

Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Director.

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

Board Committees

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

The majority of the members of the Audit Committee, Remuneration Committee and Nomination Committee are 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:

CORPORATE GOVERNANCE REPORT

THE BOARD – *Continued*

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

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.

The specific written terms of reference of the Audit Committee 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 Management and finance-in-charge and/or the external auditor the effectiveness of the audit process and the Group's financial and accounting policies and practices, and monitored the integrity of the annual financial statements for the year ended 31 December 2013 as well as the interim financial statements for the six months ended 30 June 2014 and reviewed significant financial reporting judgements contained therein;
- ii. reviewed with the Management and finance-in-charge the effectiveness of the internal control system of the Group;
- iii. reviewed of the non-exempt continuing connected transactions of the Group for the year ended 31 December 2013;
- iv. approved the audit plan for the Year, reviewed the external auditor's independence and approved the engagement of external auditor; and
- v. recommended the Board on the re-appointment of external auditor.

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

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

The specific written terms of reference of the Remuneration Committee is available on the Company's website. The primary duties of Remuneration Committee is are making recommendation to the Board on (a) the Company's policies and structure for the remuneration of Directors and senior management; (b) the remuneration package for of non-executive directors; and (c) the specific remuneration packages of individual executive directors and senior management. Details of the remuneration of each of the Directors for the Year are set out in note 9 to the consolidated financial statements. The Remuneration Committee held two meetings during the Year.

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

- i. reviewed and recommended the Board to approve the Directors' fee;
- ii. reviewed the current structure/package of the Executive Directors and senior management and recommended the Board to approve their specific packages; and
- iii. made recommendation to the Board on the remuneration of the Chief Operation Officer of the Company.

CORPORATE GOVERNANCE REPORT

THE BOARD – *Continued*

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

The Nomination Committee consists of three members, namely Mr. Chan Hon Piu (Chairman of the Committee) and Ms. Lai Ka Fung, May, both being Independent Non-executive Directors, and Ms. Fan Man Seung, Vanessa, the 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 diversity of the Board; (b) determining the policy for the nomination of Directors and identifying potential candidates for directorship; (c) assessing the independence of Independent Non-executive Directors; (d) reviewing the time commitment of each Director; (e) reviewing the Board Diversity Policy; and (f) making recommendations to the Board on any proposed changes to the Board or selection of individual nominated for directorships, or on the appointment or re-appointment of Directors. The Nomination Committee held one meeting during the Year.

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

- i. review the structure, size and diversity of the Board;
- ii. review the independence of the Independent Non-executive Directors; and
- iii. recommended to the Board on nomination of Directors for re-election at the annual general meeting held on 8 May 2014.

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

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

The Corporate Governance Committee consists of five members, namely Ms. Fan Man Seung, Vanessa (Chairperson of the Committee), the Executive Director, Ms. Yip Kam Man and Mr. Chan Hon Piu, both being 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 relevant employees on dealings with the Company's securities; and (d) reviewing the Company's compliance with the Code and disclosure in this Report. The Corporate Governance Committee held one meeting during the Year.

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

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

CORPORATE GOVERNANCE REPORT

THE BOARD – *Continued*

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

The Executive Committee consists of four members, namely Ms. Cindy Yeung (Chairperson of the Committee), the Chairperson and Managing Director, Mr. Chan Hung Ming, Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, all being the Executive Directors. The primary duties of the Executive Committee are (a) formulating business policies and making decision on matters relating to the management and operations of the Company; and (b) having all power and authorities of the Board except those matters specifically reserved for the full Board as set out in the “Formal Schedule on matters reserved for and delegated by the Board” adopted by the Board from time to time.

SECURITIES TRANSACTION OF DIRECTORS

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

ACCOUNTABILITY AND AUDIT

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

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

CORPORATE GOVERNANCE REPORT

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 quarterly forecast on all capital and revenue items are prepared and approved by the Management before being adopted. The Management monitors the business activities closely and reviews monthly financial results of operations against budgets/forecast.

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 implementation 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, developing recommendations for improvement and assessing the effectiveness of such implementation, where appropriate. The scope and findings of the review had been reported to and reviewed by the Audit Committee.

The following key control measures are also in place to monitor and control the effectiveness of the internal control system:

- i. Safeguard assets under risk management: insurance coverage on inventory is periodically reviewed by the Management for sufficiency, and to ensure compliance with the terms and conditions of the insurance policies. To safeguard shops' assets, security systems are installed in each shop, are daily tested and are properly maintained in good condition;
- ii. Quality control: Diamonds are either sent to authoritative and reliable organizations for checking and certification or are tested internally with our own professional equipment to assure the quality fulfills good standard;
- iii. Proper authorization on sales discounts: Discount policies are properly maintained and controlled by electronic point-of-sales systems. Discount authorities and pricing strategy are jointly reviewed from time to time;
- iv. Cash flow management: Daily available fund report is reviewed to monitor the cash flows against budgets/forecast;
- v. Financial reporting management: Monthly updates on internal financial statements are provided to the management for review of monthly financial results of operations against budgets/forecast;

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS – *Continued*

- vi. 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;
- vii. the policies and practices on compliance with legal and regulatory requirements which shall be reviewed and monitored by the Corporate Governance Committee;
- viii. the establishment of a CCT Compliance Committee to monitor, control and review internally connected transactions and continuing connected transactions of the Company and ensure proper compliance with all relevant laws and regulations and the Listing Rules; and
- ix. 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. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters.

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, 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 had 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 the Board shall review it on a regular basis to ensure its effectiveness. The Company communicates with the Shareholders mainly in the following ways: (i) the holding of annual general meeting ("AGM") and other general meetings, if any, which may be convened for specific purpose which provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports, circulars on the websites of the Company; (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 availability 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 2014 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 Board, the chairperson/chairman of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee and the external auditor were available at the last AGM held on 8 May 2014 to answer questions from the Shareholders. The Chairperson of the meeting had explained the procedures for conducting a poll during the meeting.

The forthcoming annual general meeting will be held on 18 May 2015 which will be conducted by way of poll.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

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

Shareholder(s) representing at least 5% of the total voting rights of all the members of the Company having a right to vote at general meetings can make a requisition to convene a general meeting pursuant to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The requisition must state the general nature of the business to be dealt with at the meeting, signed by the relevant shareholder(s) and deposited at our registered office for the attention of the Company Secretary, and may consist of several documents in like form, each signed by one or more requisitionists.

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

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 the "Corporate Information and Key Dates" section of this Annual Report.

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the Year. However, the Board will propose the adoption of the new Articles of Association in order to bring the existing Articles of Association in line with the Companies Ordinance, Chapter 622 of the Laws of Hong Kong ("New Co"), which came into effect on 3 March 2014. The New Articles of Association align with the provisions/requirements under the New Co and certain amendments are proposed for administrative efficiency and house keeping purposes.

CORPORATE GOVERNANCE REPORT

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 <i>HK\$'000</i>
Audit services	3,363
Non-audit services:	
– Agreed-upon procedures for continuing connection transactions	20
– Review of preliminary announcement	10
– Transfer Pricing documentation service	112



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 48 to 95, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance (Cap. 622) (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 80 of Schedule 11 to 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 2014, 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, 30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Revenue	5	5,924,947	6,624,372
Cost of sales		(4,436,042)	(5,024,681)
Gross profit		1,488,905	1,599,691
Other income	6	7,563	9,913
Selling and distribution expenses		(1,135,906)	(1,072,464)
Administrative expenses		(191,872)	(181,308)
Finance costs	7	-	(2)
Profit before taxation	8	168,690	355,830
Taxation	10	(30,548)	(65,513)
Profit for the year		138,142	290,317
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(20,376)	18,286
Total comprehensive income for the year and attributable to owners of the Company		117,766	308,603
Earnings per share	12		
– Basic		HK2.0 cents	HK4.2 cents
– Diluted		HK2.0 cents	HK4.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment	13	123,821	107,744
Deferred tax asset	21	9,332	8,268
Rental deposits		200,174	194,893
Deposit paid for acquisition of property, plant and equipment		1,373	3,675
		334,700	314,580
Current assets			
Inventories	14	3,838,528	3,649,813
Receivables, deposits and prepayments	16	162,927	172,903
Taxation recoverable		16,366	1,582
Bank balances and cash	18	443,811	657,099
		4,461,632	4,481,397
Current liabilities			
Payables, deposits received and accrued charges	19	331,534	378,349
Amounts due to related companies	20	4,315	3,899
Taxation payable		2,678	6,319
		338,527	388,567
Net current assets		4,123,105	4,092,830
Net assets		4,457,805	4,407,410
Capital and reserves			
Share capital	22	3,484,152	68,824
Reserves	23	973,653	4,338,586
Total equity		4,457,805	4,407,410

The consolidated financial statements on pages 48 to 95 were approved and authorised for issue by the Board of Directors on 30 March 2015 and are signed on its behalf by:

CINDY YEUNG
DIRECTOR

CHAN HUNG MING
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Investments in subsidiaries	15	1,583,094	1,583,094
Amounts due from a subsidiary	17	2,344,071	2,232,978
		3,927,165	3,816,072
Current assets			
Amount due from a subsidiary	17	4	4
Deposits and prepayments		617	617
Bank balances and cash	18	526	309
		1,147	930
Current liabilities			
Other payables and accrued charges		300	300
Amount due to a related company	20	35	35
		335	335
Net current assets		812	595
Net assets		3,927,977	3,816,667
Capital and reserves			
Share capital	22	3,484,152	68,824
Reserves	23	443,825	3,747,843
Total equity		3,927,977	3,816,667

CINDY YEUNG
DIRECTOR

CHAN HUNG MING
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (note 23(a))	Other reserve HK\$'000 (note 23(b))	Capital reserve HK\$'000 (note 23(c))	Translation reserve HK\$'000	Warrants		Total HK\$'000
							equity reserve HK\$'000 (note 24)	Accumulated profits HK\$'000	
At 1 January 2013	67,185	3,263,867	(373,003)	(26,162)	2,529	44,932	53,100	1,068,219	4,100,667
Exchange differences arising on translation of foreign operations	-	-	-	-	-	18,286	-	-	18,286
Profit for the year	-	-	-	-	-	-	-	290,317	290,317
Total comprehensive income for the year	-	-	-	-	-	18,286	-	290,317	308,603
Issue of shares upon exercise of warrants	1,639	151,461	-	-	-	-	(53,100)	-	100,000
Final dividend paid for 2012	-	-	-	-	-	-	-	(55,061)	(55,061)
Interim dividend paid for 2013	-	-	-	-	-	-	-	(46,799)	(46,799)
At 31 December 2013	68,824	3,415,328	(373,003)	(26,162)	2,529	63,218	-	1,256,676	4,407,410
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(20,376)	-	-	(20,376)
Profit for the year	-	-	-	-	-	-	-	138,142	138,142
Total comprehensive income for the year	-	-	-	-	-	(20,376)	-	138,142	117,766
De-registration of subsidiaries	-	-	-	(5)	-	82	-	-	77
Transfer upon abolition of par value under the new Companies Ordinance	3,415,328	(3,415,328)	-	-	-	-	-	-	-
Final dividend paid for 2013	-	-	-	-	-	-	-	(39,918)	(39,918)
Interim dividend paid for 2014	-	-	-	-	-	-	-	(27,530)	(27,530)
At 31 December 2014	3,484,152	-	(373,003)	(26,167)	2,529	42,924	-	1,327,370	4,457,805

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	168,690	355,830
Adjustments for:		
Allowance for inventories	1,534	19,294
Depreciation of property, plant and equipment	64,314	58,874
Loss on disposal of property, plant and equipment	2,029	2,322
Interest expenses	-	2
Interest income	(5,964)	(4,907)
Operating cash flows before movements in working capital	230,603	431,415
Increase in inventories	(200,534)	(132,854)
Decrease in receivables, deposits and prepayments	4,695	5,870
(Decrease) increase in payables, deposits received and accrued charges	(48,073)	24,471
Increase (decrease) in amounts due to related companies	416	(950)
Net cash (used in) generated from operations	(12,893)	327,952
Income taxes paid	(50,037)	(60,814)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(62,930)	267,138
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	101	507
Interest received	5,964	4,907
Purchase of property, plant and equipment	(77,997)	(66,889)
Deposit paid for acquisition of property, plant and equipment	(1,373)	(3,675)
NET CASH USED IN INVESTING ACTIVITIES	(73,305)	(65,150)
FINANCING ACTIVITIES		
Proceeds from issue of shares upon exercise of warrants	-	100,000
Dividends paid	(67,448)	(101,860)
Interest paid	-	(2)
Repayments of bank loans	-	(950)
NET CASH USED IN FINANCING ACTIVITIES	(67,448)	(2,812)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(203,683)	199,176
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	657,099	454,768
Effect of foreign exchange rate changes	(9,605)	3,155
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	443,811	657,099

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

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

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 32.

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 new and revised Hong Kong Accounting Standards (“HKASs”), HKFRSs, amendments and interpretations (“INTs”) (hereinafter collectively referred to as the “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year.

Amendments to HKFRS 10,
HKFRS 12 and HKAS 27

Amendments to HKAS 32

Amendments to HKAS 36

Amendments to HKAS 39

HK(IFRIC*) – INT 21

Investment Entities

Offsetting Financial Assets and Financial Liabilities

Recoverable Amount Disclosures for Non-Financial Assets

Novation of Derivatives and Continuation of Hedge Accounting
Levies

* *IFRIC represents the International Financial Reporting Interpretations Committee.*

The application of the above new and revised HKFRSs has had no material effect on the amounts reported and disclosures set out in the consolidated financial statements of the Group for the current or prior accounting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ⁴
HKFRS 9	Financial Instruments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ³
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴

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

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 July 2014

⁴ Effective for annual periods beginning on or after 1 January 2016

⁵ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Directors will assess the impact on the application of HKFRS 9. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

The Directors are in the process of assessing the potential impact of the remaining new and revised standards, and at this stage have not yet determined the effect of the application of these standards on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period. 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 and its subsidiaries. Control is achieved when the Company:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Basis of consolidation – *Continued*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

Revenue recognition

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Leasing

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

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 profit or loss and other comprehensive income because 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Taxation – *Continued*

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

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

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

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

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.

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.

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 at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Foreign currencies – *Continued*

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 items 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.

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

Share-based payment transactions

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

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

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

Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Investment in subsidiaries

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

Impairment on assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Inventories

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Financial instruments – *Continued*

Financial assets

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

Effective interest method

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

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

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, bank balances and cash and amounts due from a subsidiary) are measured at amortised cost using the effective interest method, less any identified impairment losses at the end of each reporting period.

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Financial instruments – *Continued*

Financial assets – Continued

Impairment of financial assets – Continued

For financial assets that are 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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in 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.

Financial liabilities and equity instruments

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

Equity instruments

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

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.

Financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Financial instruments – *Continued*

Financial liabilities and equity instruments – Continued

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 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 are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured 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 policies.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

Income taxes

As at 31 December 2014, no deferred tax asset has been recognised on the tax losses of HK\$174,903,000 (2013: HK\$179,632,000) 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 2014, the carrying amount of inventories is HK\$3,838,528,000 (net of allowance for inventories of HK\$52,947,000) (31 December 2013: carrying amount of HK\$3,649,813,000, net of allowance for inventories of HK\$53,425,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. REVENUE AND SEGMENT INFORMATION

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

Information reported to the chief operating decision maker of the Group, for the purposes of resource allocation and assessment of segment performance, focuses on the locations of the operations. This is also the basis upon which the Group is arranged and organised. The Group's operating segments under HKFRS 8 are operations located in Hong Kong, Macau and other regions in Asia Pacific. The revenue generated by each of the operating segments is mainly derived from sales of watch and jewellery. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

For the year ended 31 December 2014

	Hong Kong HK\$'000	Macau HK\$'000	Other regions in Asia Pacific HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue					
External sales	4,924,624	351,048	649,275	-	5,924,947
Inter-segment sales*	96,703	18,790	-	(115,493)	-
	5,021,327	369,838	649,275	(115,493)	5,924,947
*Inter-segment sales are charged at cost					
Segment profit	298,184	39,994	14,907	-	353,085
Unallocated administrative expenses					(190,359)
Interest income					5,964
Profit before taxation					168,690

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. REVENUE AND SEGMENT INFORMATION – *Continued*

For the year ended 31 December 2013

	Hong Kong HK\$'000	Macau HK\$'000	Other regions in Asia Pacific HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue					
External sales	5,545,186	404,120	675,066	–	6,624,372
Inter-segment sales*	153,504	18,238	–	(171,742)	–
	5,698,690	422,358	675,066	(171,742)	6,624,372
*Inter-segment sales are charged at cost					
Segment profit (loss)	485,234	53,810	(11,709)	–	527,335
Unallocated administrative expenses					(176,410)
Interest income					4,907
Finance costs					(2)
Profit before taxation					355,830

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 2014

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

For the year ended 31 December 2013

	Hong Kong HK\$'000	Macau HK\$'000	Other regions in Asia Pacific HK\$'000	Unallocated HK\$'000	Total HK\$'000
Operating lease payments	540,749	10,542	107,297	7,472	666,060

Revenue from major products

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

	2014 HK\$'000	2013 HK\$'000
Watch	4,824,200	5,143,745
Jewellery	1,100,747	1,480,627
	5,924,947	6,624,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 2014

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

As at 31 December 2013

	Hong Kong HK\$'000	Macau HK\$'000	Other regions in Asia Pacific HK\$'000	Consolidated HK\$'000
Non-current assets	256,061	14,055	36,196	306,312

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

	2014 HK\$'000	2013 HK\$'000
Interest income from bank deposits	5,964	4,907
Others	1,599	5,006
	7,563	9,913

7. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest expenses on bank loans wholly repayable within five years	–	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. PROFIT BEFORE TAXATION

	2014 HK\$'000	2013 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Allowance for inventories	1,534	19,294
Auditor's remuneration	3,505	3,361
Cost of inventories included in cost of sales	4,420,118	4,993,270
Depreciation of property, plant and equipment	64,314	58,874
Loss on disposal of property, plant and equipment	2,029	2,322
Net exchange loss (gain)	2,839	(2,423)
Operating lease payments in respect of rented premises		
– minimum lease payments	663,091	615,915
– contingent rent	40,832	50,145
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	261,073	255,309
– retirement benefits scheme contributions	19,354	19,485

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

(a) Directors and chief executive

Details of the emoluments paid and payable to the Directors and Chief Executive for the year ended 31 December 2014 and 31 December 2013 are as follows:

For the year ended 31 December 2014

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

(a) Directors and chief executive – *Continued*

For the year ended 31 December 2013

	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)	150	2,798	2,000	15	4,963
Mr. Chan Hung Ming	150	1,680	1,000	11	2,841
Mr. Wong Chi Fai	150	–	–	–	150
Ms. Fan Man Seung, Vanessa	150	–	–	–	150
Ms. Yip Kam Man	200	–	–	–	200
Mr. Chan Hou Piu	200	–	–	–	200
Ms. Lai Ka Fung, May	200	–	–	–	200
	1,200	4,478	3,000	26	8,704

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2013: two) were Directors and Chief Executive whose emoluments are included in note 9(a) above. The emoluments of the remaining three (2013: three) individuals were as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and allowance	4,102	4,126
Performance related incentive payment	380	587
Retirement benefits scheme contributions	53	45
	4,535	4,758

Their emoluments were within the following bands:

	Number of employees	
	2014	2013
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	2	1

Notes:

- (i) The performance related incentive payment is a discretionary bonus determined based on the financial performance of the Group.
- (ii) No Director waived any emoluments in the years ended 31 December 2014 and 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

10. TAXATION

	2014 HK\$'000	2013 HK\$'000
The charge comprises:		
Current year:		
Hong Kong	29,370	60,785
Macau	2,504	5,779
	31,874	66,564
(Over)underprovision in prior years:		
Hong Kong	87	(291)
Macau	(349)	25
	(262)	(266)
Deferred taxation (note 21)	(1,064)	(785)
	30,548	65,513

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

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

The Macau Complementary Income Tax is calculated at 12% of the estimated assessable profits for both years.

Details of deferred taxation are set out in note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

10. TAXATION – *Continued*

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

	2014 HK\$'000	2013 HK\$'000
Profit before taxation	168,690	355,830
Tax charge at Hong Kong Profits Tax rate of 16.5%	27,834	58,712
Tax effect of expenses not deductible for tax purpose	1,807	2,150
Tax effect of income not taxable for tax purpose	(944)	(557)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(760)	(2,210)
Tax effect of tax losses not recognised	4,372	8,177
Utilisation of tax losses previously not recognised	(1,534)	(322)
Overprovision in respect of prior years	(262)	(266)
Others	35	(171)
Taxation for the year	30,548	65,513

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

11. DIVIDENDS

	2014 HK\$'000	2013 HK\$'000
Dividends recognised as distribution during the year:		
2013 Final: HK0.58 cent per share (2013: 2012 final dividend HK0.80 cent per share)	39,918	55,061
2014 Interim: HK0.40 cent per share (2013: 2012 interim dividend HK0.68 cent per share)	27,530	46,799
	67,448	101,860

A final dividend for the year ended 31 December 2014 of HK0.20 cent per share (2013: HK0.58 cent per share) has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 following data:

	2014 HK\$'000	2013 HK\$'000
Earnings		
Earnings (profit for the year attributable to the owners of the Company) for the purposes of basic and diluted earnings per share	138,142	290,317

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	6,882,448,129	6,875,711,098
Effect of dilutive potential ordinary shares:		
Warrants	–	2,545,831
Weighted average number of ordinary shares for the purpose of diluted earnings per share	6,882,448,129	6,878,256,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 2013	250,745	45,642	1,362	297,749
Exchange realignment	1,336	185	4	1,525
Additions	61,879	5,010	–	66,889
Disposals	(49,768)	(884)	(716)	(51,368)
At 31 December 2013	264,192	49,953	650	314,795
Exchange realignment	(1,029)	(196)	–	(1,225)
Additions	67,107	15,570	253	82,930
Disposals	(28,109)	(3,858)	–	(31,967)
At 31 December 2014	302,161	61,469	903	364,533
DEPRECIATION				
At 1 January 2013	171,126	23,601	1,002	195,729
Exchange realignment	912	75	–	987
Provided for the year	51,247	7,442	185	58,874
Eliminated on disposals	(47,240)	(702)	(597)	(48,539)
At 31 December 2013	176,045	30,416	590	207,051
Exchange realignment	(729)	(87)	–	(816)
Provided for the year	55,806	8,390	118	64,314
Eliminated on disposals	(26,683)	(3,154)	–	(29,837)
At 31 December 2014	204,439	35,565	708	240,712
CARRYING VALUES				
At 31 December 2014	97,722	25,904	195	123,821
At 31 December 2013	88,147	19,537	60	107,744

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. INVENTORIES

	THE GROUP	
	2014	2013
	HK\$'000	HK\$'000
Raw materials	24,324	18,334
Goods held for resale	3,814,204	3,631,479
	3,838,528	3,649,813

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2014	2013
	HK\$'000	HK\$'000
Unlisted shares	373,006	373,006
Deemed capital contribution (note 17)	1,210,088	1,210,088
	1,583,094	1,583,094

16. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2014	2013
	HK\$'000	HK\$'000
Trade receivables	63,832	78,645
Other receivables, deposits and prepayments	76,795	76,462
Other PRC tax recoverable	21,518	16,521
Other Singapore tax recoverable	782	1,275
	162,927	172,903

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

16. RECEIVABLES, DEPOSITS AND PREPAYMENTS – *Continued*

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	
	2014	2013
	HK\$'000	HK\$'000
Within 30 days	51,054	61,412
31 – 60 days	2,149	6,556
61 – 90 days	119	5,187
91 – 120 days	–	5,490
Over 120 days	10,510	–
	63,832	78,645

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\$12,778,000 (2013: HK\$17,233,000) 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.

Ageing of trade receivables which are past due but not impaired:

	2014	2013
	HK\$'000	HK\$'000
Overdue 1 – 30 days	2,149	6,556
Overdue 31 – 60 days	119	5,187
Overdue 61 – 90 days	2,617	5,490
Overdue more than 90 days	7,893	–
	12,778	17,233

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:

	2014	2013
	HK\$'000	HK\$'000
MOP	732	960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. AMOUNTS DUE FROM A SUBSIDIARY

The amount 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, HK\$1,086,179,000 and HK\$100,000,000 (2013: HK\$1,249,829,000, HK\$608,311,000, HK\$1,086,179,000 and HK\$100,000,000 respectively) are expected to be settled by 31 December 2018, 31 December 2020, 31 December 2021 and 31 December 2023 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\$1,210,088,000 (2013: HK\$1,210,088,000), 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 0.00960% to 3.60% (2013: 0.00960% to 3.60%) 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:

	2014 HK\$'000	2013 HK\$'000
HKD	571	1,025
MOP	22,288	8,795
USD	1,607	1,949
RMB	109,777	143,995

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	
	2014 HK\$'000	2013 HK\$'000
Trade payables	190,754	245,982
Other payables, deposits received and accrued charges	140,562	131,962
Other PRC tax payables	218	405
	331,534	378,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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	
	2014	2013
	HK\$'000	HK\$'000
Within 30 days	171,940	242,936
31 – 60 days	17,113	2,129
61 – 90 days	1,027	917
Over 90 days	674	–
	190,754	245,982

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:

	2014	2013
	HK\$'000	HK\$'000
USD	5,830	20,892
MOP	18,296	9,733

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

21. DEFERRED TAXATION

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

	Accelerated accounting depreciation HK\$'000
At 1 January 2013	(7,483)
Credited to consolidated statement of profit or loss and other comprehensive income	(785)
At 31 December 2013	(8,268)
Credited to consolidated statement of profit or loss and other comprehensive income	(1,064)
At 31 December 2014	(9,332)

At the end of the reporting period, the Group has unused tax losses of approximately HK\$174,903,000 (2013: HK\$179,632,000) available for offset against future profits. No deferred taxation asset has been recognised in respect of tax losses due to unpredictability of future profit streams. Included in unrecognised tax losses are losses incurred by subsidiaries in other jurisdictions of HK\$172,009,000 (2013: HK\$167,637,000) that will expire in the coming years (please see the table below). Other losses may be carried forward indefinitely. Tax losses of HK\$19,751,000 have been expired during the year. Due to the deregistration of subsidiary, tax losses amounting to HK\$2,026,000 was forfeited during the year.

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

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Will expire on:		
31 December 2014	–	19,751
31 December 2015	27,200	29,326
31 December 2016	25,772	25,772
31 December 2017	51,156	51,156
31 December 2018	41,632	41,632
31 December 2019	26,249	–
	172,009	167,637
Unrecognised tax losses that will not expire	2,894	11,995
	174,903	179,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. SHARE CAPITAL

The movements in the Company's authorised and issued share capital during the year ended 31 December 2013 and 31 December 2014 are as follows:

	Number of share		Amount	
	2014	2013	2014 HK\$'000	2013 HK\$'000
Authorised:				
100,000 million ordinary shares of HK\$0.01 per share	(note a)	100,000,000,000	(note a)	1,000,000
Issued and fully paid:				
At the beginning of the year	6,882,448,129	6,718,513,703	68,824	67,185
Transfer from share premium upon abolition of par value (note b)	-	-	3,415,328	-
Shares issued upon exercise of warrants (note 24)	-	163,934,426	-	1,639
At the end of the year	6,882,448,129	6,882,448,129	3,484,152	68,824

Notes:

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

23. 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 a subsidiary of HK\$343,997,000 prior to the Group Reorganisation;
 - (ii) the capital contribution of HK\$6,000 by Emperor W&J Holdings in Emperor Watch and Jewellery Company Limited (subsequently renamed as Prime Sharp Limited, a then fellow subsidiary of the Company) ("EWJCL") prior to the Group Reorganisation;
 - (iii) promissory notes in aggregate of HK\$373,006,000 issued in exchange for shares in the subsidiaries as a part of Group Reorganisation;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

23. RESERVES – Continued

THE GROUP – Continued

- (iv) the excess of the consideration paid for acquisition of additional interest in a subsidiary from a non-controlling shareholder over the carrying amount of non-controlling interest of HK\$927,000 during the year ended 31 December 2010;
 - (v) the shortfall of the consideration paid for acquisition of additional interest in a subsidiary from a non-controlling interest of HK\$4,063,000 during the year ended 31 December 2010;
 - (vi) the reversal of reserve of HK\$295,000 arising from the deregistration of a non-wholly owned subsidiary during the year ended 31 December 2011; and
 - (vii) the reversal of HK\$5,000 arising from the deregistration of a wholly owned subsidiary during the year ended 31 December 2014.
- (c) Capital reserve represented the excess of the value of net assets acquired over purchase consideration paid to EWJCL by Emperor Watch & Jewellery (HK) Company Limited in 1987.

THE COMPANY

	Share premium HK\$'000	Accumulated profits HK\$'000	Warrants equity reserve HK\$'000	Total HK\$'000
At 1 January 2013	3,263,867	226,623	53,100	3,543,590
Profit and total comprehensive income for the year	–	207,752	–	207,752
Issue of shares upon exercise of warrants	151,461	–	(53,100)	98,361
Final dividend paid for 2012	–	(55,061)	–	(55,061)
Interim dividend paid for 2013	–	(46,799)	–	(46,799)
At 31 December 2013	3,415,328	332,515	–	3,747,843
Profit and total comprehensive income for the year	–	178,758	–	178,758
Transfer from share premium upon abolition of par value	(3,415,328)	–	–	(3,415,328)
Final dividend paid for 2013	–	(39,918)	–	(39,918)
Interim dividend paid for 2014	–	(27,530)	–	(27,530)
At 31 December 2014	–	443,825	–	443,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. WARRANTS

On 16 January 2013, 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 in 2013.

25. 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 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.

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Financial assets</i>				
Loans and receivables (including cash and cash equivalent)	552,143	779,237	2,344,601	2,233,291
<i>Financial liabilities</i>				
At amortised cost	262,505	313,046	335	335

(b) Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, bank balances and cash, trade and other payables and amounts due to related companies. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. 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 balances. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management of the Company will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

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

(ii) *Foreign currency risk*

THE GROUP

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. 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:

	2014 HK\$'000	2013 HK\$'000
Assets		
<i>Third parties</i>		
HKD	571	1,025
MOP	23,020	9,755
USD	1,607	1,949
RMB	109,777	143,995
<i>Inter-group balances</i>		
SGD	101,079	101,079
Liabilities		
<i>Third parties</i>		
MOP	18,296	9,733
USD	5,829	20,892
<i>Inter-group balances</i>		
HKD	858,394	858,394

Sensitivity analysis

The sensitivity analysis below details the Group's sensitivity to a 2% (2013:2%) increase in the functional currencies of the relevant group entities, RMB and HKD, relative to respective foreign currencies, HKD, RMB and SGD. The sensitivity analysis of the Group also includes foreign currency exposure on inter-group balances. 2% (2013: 2%) is the sensitivity rate used in the management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only foreign currencies denominated money items and adjusts their translation at the end of the reporting period for a 2% (2013:2%) change in the foreign currency rates. If the functional currencies of the relevant group entities strengthen/weaken 2% against respective foreign currencies:

Translation reserve would increase/decrease by HK\$15,146,000 (2013: HK\$15,146,000) as a result of change in foreign currency rates of inter-group balances, as the inter-group balances form part of the Group's net investments in subsidiaries.

Post-tax profit for the year would decrease/increase by HK\$1,922,000 (2013: HK\$2,422,000) as a result of change in foreign currency rates of third parties' assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. FINANCIAL INSTRUMENTS – *Continued*

(b) Financial risk management objectives and policies – *Continued*

Market risk – *Continued*

(ii) *Foreign currency risk* – *Continued*

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 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The Group has concentration of credit risk as 17% (2013: 23%) of total trade receivables was due from the Group's largest trade debtor. The Group's largest trade debtor is a department store located in the PRC with good repayment history.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. 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 and concentrated on amount due from a subsidiary. In order to minimise the credit risk, the Directors are responsible to exercise control on the financial and operating activities of the subsidiary to ensure the subsidiary 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 (note 26b). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. 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	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
At 31 December 2014				
Payables	–	258,190	258,190	258,190
Amounts due to related companies	–	4,315	4,315	4,315
		262,505	262,505	262,505
At 31 December 2013				
Payables	–	309,147	309,147	309,147
Amounts due to related companies	–	3,899	3,899	3,899
		313,046	313,046	313,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. FINANCIAL INSTRUMENTS – Continued

(b) Financial risk management objectives and policies – Continued

Liquidity risk – Continued

THE COMPANY

As at 31 December 2014, the Company provided corporate guarantees of HK\$912,358,000 (2013: HK\$834,093,000) to banks in respect of credit facilities granted to its subsidiaries. No facilities have been utilised by the subsidiaries at the end of the reporting period (2013: nil). 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\$912,358,000 (2013: HK\$834,093,000). 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 %	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
At 31 December 2014				
Other payables	–	300	300	300
Amount due to a related company	–	35	35	35
Financial guarantee contract	–	912,358	912,358	–
		912,693	912,693	335
At 31 December 2013				
Other payables	–	300	300	300
Amount due to a related company	–	35	35	35
Financial guarantee contract	–	834,093	834,093	–
		834,428	834,428	335

The Company had no other contractual liability as at 31 December 2014 and 31 December 2013.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. 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:

	2014 HK\$'000	2013 HK\$'000
Within one year	607,563	631,973
In the second to fifth year inclusive	783,828	562,919
	1,391,391	1,194,892

Operating lease payments represent rentals payable by the Group for its offices and shops. Leases are negotiated for terms ranging from one month to four years 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\$782,227,000 (2013: HK\$238,050,000) which fall due as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	273,602	222,627
In the second to fifth year inclusive	508,625	15,423
	782,227	238,050

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

28. CAPITAL COMMITMENTS

	THE GROUP	
	2014 HK\$'000	2013 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	371	964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. 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, non-executive director and independent non-executive director) and such other eligible participants 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 or their respective associates 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 from the date of grant. The exercise price is determined by the Directors and will not be less than the highest of (i) the closing price of the Company’s share on the date of grant; (ii) the average closing price of the Company’s shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Company’s share.

No option was granted by the Company under the Share Option Scheme since its adoption and up to 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. 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 profit or loss and other 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\$1,500 (2013: HK\$1,250) per each employee.

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

The eligible employees of the Company’s subsidiaries in the PRC, Macau, Singapore are members of pension schemes operated respective local governments. The subsidiaries in the PRC are required to contribute a certain percentage ranging from 38% to 44% of the relevant cost of the payroll of these employees to the pension schemes to fund the benefits. The subsidiary in Macau is required to contribute MOP30 for every employee per month while the subsidiary in Singapore is required to contribute 16% of the employee’s monthly gross salary. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contribution under the schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

31. RELATED PARTY TRANSACTIONS

The terms and balances with related companies at the end of the reporting periods are set out in statements of financial position and notes 17 and 20.

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

	2014 HK\$'000	2013 HK\$'000
(1) Sales of goods to Directors, their close family members and related companies (note b)	13,005	7,307
(2) Rental, electricity and air-conditioning expenses paid and payable to related companies (notes a and b)	250,428	242,905
(3) Service charge in respect of information system and administrative work paid and payable to related companies (note b)	22,472	18,563
(4) Advertising expenses paid and payable to related companies (note b)	1,774	2,186
(5) Financial advisory fee paid and payable to a related company (note b)	420	420

As at 31 December 2014, deposits paid to related companies, which are companies controlled by the AY Trust of which STC International is the trustee amounting to HK\$81,430,000 (2013: HK\$70,186,000) were included in rental deposits under non-current assets.

As at 31 December 2014, prepaid rental expenses to related companies, which are companies controlled by the AY Trust of which STC International is the trustee amounting to HK\$3,143,000 (2013: nil) were included in receivables, deposits and prepayments.

The Company provided corporate guarantees of approximately HK\$912,358,000 (2013: HK\$834,093,000) to banks in respect of credit facilities granted to its subsidiaries. No facilities have been utilised by the subsidiaries at the end of the reporting period (2013: nil).

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2014 and 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up registered ordinary share capital	Attributable equity interest held by the Company		Principal activities
			2014	2013	
Direct subsidiaries					
Emperor Watch & Jewellery (China) Holdings Limited	Hong Kong ("HK")	HK\$1	100%	100%	Investment holding
Emperor Watch & Jewellery (China) Holdings Limited	BVI	US\$1	100%	100%	Investment holding
Emperor Watch & Jewellery Overseas Holdings Limited	HK	HK\$1	100%	100%	Investment holding
Emperor Watch & Jewellery (HK & Macau) Holdings Limited	BVI	US\$1	100%	100%	Investment holding
Indirect subsidiaries					
Beauty Royal Limited	HK	HK\$2	100%	100%	Provision of group tenancy agent services
Charter Loyal Limited	HK	HK\$2	100%	100%	Provision of group tenancy agent services
Crescent Gold Limited	HK	HK\$1	100%	100%	Investment holding
Esteem Step Limited	Macau	MOP25,000	100%	100%	Provision of group administration services
Emperor Watch & Jewellery (HK) Company Limited	HK	HK\$100	100%	100%	Sales of watches & jewellery
Emperor Watch & Jewellery (Singapore) Pte. Ltd.	Singapore	SGD1,000,000	100%	100%	Sales of watches & jewellery

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES – *Continued*

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up registered ordinary share capital	Attributable equity interest held by the Company		Principal activities
			2014	2013	
Indirect subsidiaries – <i>Continued</i>					
Emperor Watch & Jewellery Management Limited	BVI	US\$1	100%	100%	Holding trademarks, logo and domain names of the Group
EWJ Macau Company Limited	Macau	MOP25,000	100%	100%	Sales of watches and jewellery
EWJ Watch and Jewellery (Macau) Company Limited	Macau	MOP25,000	100%	100%	Sales of watches & jewellery
Foremost Resources Limited	HK	HK\$1	100%	100%	Provision of group tenancy agent services
Glory Wish Limited	HK	HK\$2	100%	100%	Provision of group tenancy agent services
Gold Gatherable Limited	HK	HK\$1	100%	100%	Investment holding
Mount Win Limited	HK	HK\$1,000,000	100%	100%	Provision of group tenancy agent services
Phoenix Noble Limited	Macau	MOP25,000	100%	100%	Provision of group marketing services
Shine Air Limited	HK	HK\$1	100%	100%	Investment holding
Success Wealthy Limited	HK	HK\$1	100%	100%	Provision of group tenancy agent services
Trillion Winner Limited	HK	HK\$1	100%	100%	Provision of group tenancy agent services
Uni-Champ Limited	HK	HK\$1	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES – *Continued*

Name of subsidiary	Place of incorporation/ registration/ operation	Paid up registered ordinary share capital	Attributable equity interest held by the Company		Principal activities
			2014	2013	
Indirect subsidiaries – <i>Continued</i>					
Up Success Limited	HK	HK\$300,000	100%	100%	Provision of group tenancy agent services
Vision Wing Limited	Macau	MOP25,000	100%	100%	Provision of group sourcing services
Wealthy Able Limited	HK	HK\$1	100%	100%	Provision of group tenancy agent services
Zeal Team Limited	HK	HK\$ 1	100%	100%	Provision of group tenancy agent services
英皇鐘錶珠寶(北京)有限公司#	PRC	HK\$160,000,000	100%	100%	Sales of watches & jewellery
英皇鐘錶珠寶(深圳)有限公司#	PRC	HK\$100,500,000	100%	100%	Sales of watches & jewellery
北京富嘉佳美鐘錶貿易有限公司#	PRC	HK\$73,000,000	100%	100%	Sales of watches & jewellery

The subsidiaries are wholly foreign owned enterprises.

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

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

FINANCIAL SUMMARY

	For the year ended 31 December				
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
RESULT					
Revenue	4,095,310	5,862,377	6,531,474	6,624,372	5,924,947
Profit before taxation	204,284	756,894	495,226	355,830	168,690
Taxation	(70,423)	(129,842)	(90,899)	(65,513)	(30,548)
Profit for the year	133,861	627,052	404,327	290,317	138,142
Profit for the year attributable to:					
Owners of the Company	125,641	627,084	404,327	290,317	138,142
Non-controlling interests	8,220	(32)	–	–	–
	133,861	627,052	404,327	290,317	138,142

	As at 31 December				
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
ASSETS AND LIABILITIES					
Total assets	3,115,631	4,667,181	4,467,602	4,795,977	4,796,332
Total liabilities	(845,388)	(808,638)	(366,935)	(388,567)	(338,527)
Net Assets	2,270,243	3,858,543	4,100,667	4,407,410	4,457,805
Equity attributable to owners of the Company	2,267,646	3,858,543	4,100,667	4,407,410	4,457,805
Non-controlling interests	2,597	–	–	–	–
Total equity	2,270,243	3,858,543	4,100,667	4,407,410	4,457,805