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

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 887)

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

|                             | <b>Year ended 31 December</b> |                 |
|-----------------------------|-------------------------------|-----------------|
|                             | <b>2008</b>                   | <b>2007</b>     |
|                             | <i>HK\$'000</i>               | <i>HK\$'000</i> |
| <b>FINANCIAL HIGHLIGHTS</b> |                               |                 |
| Revenue                     |                               |                 |
| Watch                       |                               |                 |
| Hong Kong                   | <b>1,521,615</b>              | 1,292,120       |
| Macau                       | <b>79,864</b>                 | 53,964          |
| PRC                         | <b>14,539</b>                 | –               |
| Jewellery                   |                               |                 |
| Hong Kong                   | <b>200,214</b>                | 191,545         |
| Macau                       | <b>22,130</b>                 | 23,834          |
| PRC                         | <b>4,107</b>                  | –               |
|                             | <b>1,842,469</b>              | 1,561,463       |
| Profit for the year         | <b>222,222</b>                | 158,788         |
| Basic earnings per share    | HK10.7 cents                  | HK\$15.9        |

The board of directors (the “Board” or “Directors”) of Emperor Watch & Jewellery Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2008 (the “Year”) together with the comparative figures for the year 2007 as set out below.

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2008*

|  | <i>Notes</i> | <b>2008</b><br><b>HK\$’000</b> | 2007<br>HK\$’000 |
|--|--------------|--------------------------------|------------------|
| Revenue                                  | 3            | <b>1,842,469</b>               | 1,561,463        |
| Cost of sales                            |              | <b>(1,328,233)</b>             | (1,211,673)      |
| Gross profit                             |              | <b>514,236</b>                 | 349,790          |
| Other income                             |              | <b>1,539</b>                   | 109              |
| Selling and distribution expenses        |              | <b>(169,737)</b>               | (115,486)        |
| Administrative expenses                  |              | <b>(64,879)</b>                | (39,488)         |
| Initial Public Offering (“IPO”) expenses |              | <b>(9,181)</b>                 | –                |
| Finance costs                            |              | <b>(2,675)</b>                 | (3,168)          |
| Profit before taxation                   | 4            | <b>269,303</b>                 | 191,757          |
| Taxation                                 | 5            | <b>(47,081)</b>                | (32,969)         |
| Profit for the year                      |              | <b>222,222</b>                 | 158,788          |
| Attributable to:                         |              |                                |                  |
| Equity holders of the Company            |              | <b>222,571</b>                 | 158,788          |
| Minority interests                       |              | <b>(349)</b>                   | –                |
|  |              | <b>222,222</b>                 | 158,788          |
| Dividends                                | 6            | <b>73,000</b>                  | 245,000          |
| Earnings per share                       | 7            |                                |                  |
| Basic                                    |              | <b>HK10.7 cents</b>            | HK\$15.9         |

## CONSOLIDATED BALANCE SHEET

At 31 December 2008

|  | <i>Notes</i> | <b>2008</b><br><i>HK\$'000</i> | 2007<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>Non-current asset</b>                             |              |                                |                         |
| Property, plant and equipment                        |              | <u>33,581</u>                  | <u>21,793</u>           |
| <b>Current assets</b>                                |              |                                |                         |
| Inventories  |              | 1,205,417                      | 800,799                 |
| Receivables, deposits and prepayments                | 8            | 133,497                        | 40,403                  |
| Amount due from immediate holding company            |              | 4                              | –                       |
| Bank balances and cash                               |              | <u>167,504</u>                 | <u>46,706</u>           |
|  |              | <b>1,506,422</b>               | <b>887,908</b>          |
| <b>Current liabilities</b>                           |              |                                |                         |
| Payables, deposits received and accrued charges      | 9            | 102,264                        | 73,805                  |
| Amount due to immediate holding company              |              | –                              | 184,421                 |
| Amounts due to related companies                     |              | –                              | 765                     |
| Amount due to a related party                        |              | 491                            | –                       |
| Dividend payable                                     |              | –                              | 245,000                 |
| Taxation payable                                     |              | 16,418                         | 22,531                  |
| Obligation under a finance lease                     |              |                                |                         |
| – due within one year                                |              | 25                             | 75                      |
| Bank borrowings – due within one year                |              | <u>4,200</u>                   | <u>4,200</u>            |
|  |              | <b>123,398</b>                 | <b>530,797</b>          |
| <b>Net current assets</b>                            |              | <u><b>1,383,024</b></u>        | <u>357,111</u>          |
| <b>Total assets less current liabilities</b>         |              | <u><b>1,416,605</b></u>        | <u>378,904</u>          |
| <b>Non-current liabilities</b>                       |              |                                |                         |
| Obligation under a finance lease                     |              |                                |                         |
| – due after one year                                 |              | –                              | 25                      |
| Bank borrowings – due after one year                 |              | 13,200                         | 17,400                  |
| Deferred taxation                                    |              | 872                            | 262                     |
|  |              | <u>14,072</u>                  | <u>17,687</u>           |
| <b>Net Assets</b>                                    |              | <u><b>1,402,533</b></u>        | <u>361,217</u>          |
| <b>Capital and reserves</b>                          |              |                                |                         |
| Share capital  |              | 45,000                         | 3                       |
| Reserves   |              | <u>1,352,651</u>               | <u>361,214</u>          |
| Equity attributable to equity holders of the Company |              | 1,397,651                      | 361,217                 |
| Minority interests                                   |              | <u>4,882</u>                   | –                       |
| <b>Total equity</b>                                  |              | <u><b>1,402,533</b></u>        | <u>361,217</u>          |

Notes:

## 1. GROUP REORGANISATION AND BASIS OF PREPARATION

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

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

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

In the current year, the Group has applied the following amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are or have become effective.

|                                |   |
|--------------------------------|---|
| HKAS 39 & HKFRS 7 (Amendments) | Reclassification of Financial Assets  |
| HK(IFRIC) – Int 11             | HKFRS 2 – Group and Treasury Share Transactions   |
| HK(IFRIC) – Int 12             | Service Concession Arrangements   |
| HK(IFRIC) – Int 14             | HKAS 19 – The Limit on a Defined Benefit Asset,<br>Minimum Funding Requirements and their Interaction |

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Notes:

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

|  |  |
|--|--|
| HKFRSs (Amendments)                      | Improvements to HKFRSs <sup>1</sup>  |
| HKAS 1 (Revised)                         | Presentation of Financial Statements <sup>2</sup>  |
| HKAS 23 (Revised)                        | Borrowing Costs <sup>2</sup>   |
| HKAS 27 (Revised)                        | Consolidated and Separate Financial Statements <sup>3</sup>                                |
| HKAS 32 & 1 (Amendments)                 | Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>         |
| HKAS 39 (Amendment)                      | Eligible Hedged Items <sup>3</sup>   |
| HKFRS 1 & HKAS 27 (Amendments)           | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup> |
| HKFRS 2 (Amendment)                      | Vesting Conditions and Cancellations <sup>2</sup>  |
| HKFRS 3 (Revised)                        | Business Combinations <sup>3</sup>   |
| HKFRS 7 (Amendment)                      | Improving Disclosures about Financial Instruments <sup>2</sup>                             |
| HKFRS 8                                  | Operating Segments <sup>2</sup>  |
| HK(IFRIC) – Int 9 & HKAS 39 (Amendments) | Embedded Derivatives <sup>4</sup>  |
| HK(IFRIC) – Int 13                       | Customer Loyalty Programmes <sup>5</sup>   |
| HK(IFRIC) – Int 15                       | Agreements for the Construction of Real Estate <sup>2</sup>                                |
| HK(IFRIC) – Int 16                       | Hedges of a Net Investment in a Foreign Operation <sup>6</sup>                             |
| HK(IFRIC) – Int 17                       | Distribution of Non-cash Assets to Owners <sup>3</sup>                                     |
| HK(IFRIC) – Int 18                       | Transfers of Assets from Customers <sup>7</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>4</sup> Effective for annual periods ending on or after 30 June 2009

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>6</sup> Effective for annual periods beginning on or after 1 October 2008

<sup>7</sup> Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group’s accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary. The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Notes:

### 3. REVENUE AND SEGMENT INFORMATION

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

#### Geographical segments

In prior year, the operations of the Group were located in Hong Kong and Macau only. Subsequent to the acquisition of several subsidiaries during the year, the Group has expanded its operations to other regions in the People's Republic of China ("PRC").

The operations of the Group are currently located in Hong Kong, Macau and other regions in the PRC. The corresponding geographical locations of the Group's assets, which are the same as locations of customers, are the basis on which the Group reports its primary segment information.

#### Consolidated income statement for the year ended 31 December 2008

|   | Hong Kong<br><i>HK\$'000</i> | Macau<br><i>HK\$'000</i> | Other<br>regions in<br>the PRC<br><i>HK\$'000</i> | Elimination<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|---|------------------------------|--------------------------|---|--------------------------------|---------------------------------|
| <b>REVENUE</b>                            |                              |                          |   |                                |                                 |
| External sales                            | 1,721,831                    | 101,993                  | 18,645  | –                              | 1,842,469                       |
| Inter-segment sales*                      | 43,907                       | 7,849                    | 2,173   | (53,929)                       | –                               |
|   | <u>1,765,738</u>             | <u>109,842</u>           | <u>20,818</u>                                     | <u>(53,929)</u>                | <u>1,842,469</u>                |
| * Inter-segment sales are charged at cost |                              |                          |   |                                |                                 |
| <b>RESULTS</b>                            |                              |                          |   |                                |                                 |
| Segment profit (loss)                     | <u>280,756</u>               | <u>17,493</u>            | <u>(8,587)</u>                                    | <u>–</u>                       | 289,662                         |
| Unallocated corporate expenses            |                              |                          |   |                                | (9,693)                         |
| Interest income                           |                              |                          |   |                                | 1,190                           |
| IPO expenses                              |                              |                          |   |                                | (9,181)                         |
| Finance costs                             |                              |                          |   |                                | <u>(2,675)</u>                  |
| Profit before taxation                    |                              |                          |   |                                | 269,303                         |
| Taxation                                  |                              |                          |   |                                | <u>(47,081)</u>                 |
| Profit for the year                       |                              |                          |   |                                | <u>222,222</u>                  |

Notes:

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

**Geographical segments (Continued)**

**Other information for the year ended 31 December 2008**

|   | <b>Hong Kong</b>  | <b>Macau</b>      | <b>Other regions<br/>in the PRC</b> | <b>Consolidated</b> |
|---|-------------------|-------------------|-------------------------------------|---------------------|
|   | <i>HK\$'000</i>   | <i>HK\$'000</i>   | <i>HK\$'000</i>                     | <i>HK\$'000</i>     |
| Additions to property, plant and equipment        | 18,384            | 1,274             | 6,063                               | 25,721              |
| Depreciation                                      | (11,449)          | (1,895)           | (490)                               | (13,834)            |
| Loss on disposal of property, plant and equipment | (99)              | –                 | –                                   | (99)                |
| Impairment loss on goodwill                       | –                 | –                 | (355)                               | (355)               |
|   | <u>          </u> | <u>          </u> | <u>          </u>                   | <u>          </u>   |

**Consolidated balance sheet as at 31 December 2008**

|                                   | <b>Hong Kong</b> | <b>Macau</b>    | <b>Other regions<br/>in the PRC</b> | <b>Consolidated</b>     |
|-----------------------------------|------------------|-----------------|-------------------------------------|-------------------------|
|                                   | <i>HK\$'000</i>  | <i>HK\$'000</i> | <i>HK\$'000</i>                     | <i>HK\$'000</i>         |
| <b>ASSETS</b>                     |                  |                 |                                     |                         |
| Segment assets                    | 1,199,915        | 107,752         | 64,828                              | 1,372,495               |
| Unallocated corporate assets      |                  |                 |                                     | <u>167,508</u>          |
| Consolidated total assets         |                  |                 |                                     | <u><u>1,540,003</u></u> |
| <b>LIABILITIES</b>                |                  |                 |                                     |                         |
| Segment liabilities               | 46,409           | 1,335           | 54,398                              | 102,142                 |
| Unallocated corporate liabilities |                  |                 |                                     | <u>35,328</u>           |
| Consolidated total liabilities    |                  |                 |                                     | <u><u>137,470</u></u>   |

Notes:

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

**Geographical segments (Continued)**

Consolidated income statement for the year ended 31 December 2007

|                      | Hong Kong<br><i>HK\$'000</i> | Macau<br><i>HK\$'000</i> | Elimination<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|----------------------|------------------------------|--------------------------|--------------------------------|---------------------------------|
| <b>REVENUE</b>       |                              |                          |                                |                                 |
| External sales       | 1,483,665                    | 77,798                   | –                              | 1,561,463                       |
| Inter-segment sales* | 33,138                       | –                        | (33,138)                       | –                               |
|                      | <u>1,516,803</u>             | <u>77,798</u>            | <u>(33,138)</u>                | <u>1,561,463</u>                |

\* Inter-segment sales are charged at cost

**RESULTS**

|                                |                |               |          |                 |
|--------------------------------|----------------|---------------|----------|-----------------|
| Segment profit                 | <u>188,897</u> | <u>10,813</u> | <u>–</u> | 199,710         |
| Unallocated corporate expenses |                |               |          | (4,808)         |
| Interest income                |                |               |          | 23              |
| Finance costs                  |                |               |          | <u>(3,168)</u>  |
| Profit before taxation         |                |               |          | 191,757         |
| Taxation                       |                |               |          | <u>(32,969)</u> |
| Profit for the year            |                |               |          | <u>158,788</u>  |

Other information for the year ended 31 December 2007

|   | Hong Kong<br><i>HK\$'000</i> | Macau<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|---|------------------------------|--------------------------|---------------------------------|
| Additions to property, plant and equipment        | 17,135                       | 406                      | 17,541                          |
| Depreciation                                      | (7,647)                      | (1,660)                  | (9,307)                         |
| Loss on disposal of property, plant and equipment | <u>(2,959)</u>               | <u>–</u>                 | <u>(2,959)</u>                  |



Notes:

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

#### Geographical segments (Continued)

Consolidated balance sheet as at 31 December 2007

|                                   | Hong Kong<br><i>HK\$'000</i> | Macau<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|-----------------------------------|------------------------------|--------------------------|---------------------------------|
| <b>ASSETS</b>                     |                              |                          |                                 |
| Segment assets                    | 795,365                      | 67,630                   | 862,995                         |
| Unallocated corporate assets      |                              |                          | 46,706                          |
| Consolidated total assets         |                              |                          | <u>909,701</u>                  |
| <b>LIABILITIES</b>                |                              |                          |                                 |
| Segment liabilities               | 71,026                       | 2,879                    | 73,905                          |
| Unallocated corporate liabilities |                              |                          | 474,579                         |
| Consolidated total liabilities    |                              |                          | <u>548,484</u>                  |

#### Business segment

The Group is principally engaged in the sales of watches and jewellery. No business segment analysis is presented as the management of the Company considers this as a single business segment.

### 4. PROFIT BEFORE TAXATION

|  | 2008<br><i>HK\$'000</i> | 2007<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit before taxation has been arrived at after charging: |                         |                         |
| Allowance for inventories                                  | 130                     | 6,369                   |
| Auditor's remuneration                                     |                         |                         |
| – current year   | 1,500                   | 1,415                   |
| – underprovision in prior year                             | 353                     | –                       |
| Cost of inventories included in cost of sales              | 1,324,515               | 1,200,388               |
| Depreciation of property, plant and equipment              | 13,834                  | 9,307                   |
| Impairment loss on goodwill                                | 355                     | –                       |
| Loss on disposal of property, plant and equipment          | 99                      | 2,959                   |
| Operating lease payment in respect of rented premises      | 97,052                  | 49,503                  |
| Staff costs, including Directors' remuneration             |                         |                         |
| – salaries and other benefits costs                        | 78,553                  | 69,988                  |
| – retirement benefits scheme contribution                  | 2,290                   | 1,512                   |
|  | <u>2,290</u>            | <u>1,512</u>            |

Notes:

## 5. TAXATION

|                                       | <b>2008</b>               | 2007               |
|---------------------------------------|---------------------------|--------------------|
|                                       | <i>HK\$'000</i>           | <i>HK\$'000</i>    |
| The charge comprises:                 |                           |                    |
| Current year                          |                           |                    |
| Hong Kong                             | <b>44,029</b>             | 31,813             |
| PRC                                   | <b>50</b>                 | –                  |
| Macau                                 | <b>2,086</b>              | 1,261              |
|                                       | <hr/> <b>46,165</b> <hr/> | <hr/> 33,074 <hr/> |
| Under (over) provision in prior year: |                           |                    |
| Hong Kong                             | <b>(30)</b>               | –                  |
| Macau                                 | <b>336</b>                | –                  |
|                                       | <hr/> <b>306</b> <hr/>    | <hr/> – <hr/>      |
| Deferred taxation:                    |                           |                    |
| Current year charge (credit)          | <b>625</b>                | (105)              |
| Attributable to a change in tax rate  | <b>(15)</b>               | –                  |
|                                       | <hr/> <b>610</b> <hr/>    | <hr/> (105) <hr/>  |
|                                       | <hr/> <b>47,081</b> <hr/> | <hr/> 32,969 <hr/> |

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. The brought forward deferred taxation liability balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group’s subsidiaries in the PRC was 25% from 1 January 2008 onwards.

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

Notes:

## 6. DIVIDENDS

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

No dividend has been paid or declared by the Company since its incorporation and up to the year ended 31 December 2008.

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

During the year ended 31 December 2007, EWJHK declared and approved an interim dividend of HK\$2,450,000 per share in respect of the year ended 31 December 2007 amounting to HK\$245,000,000. The interim dividend was subsequently paid to its then shareholder in February 2008.

## 7. EARNINGS PER SHARE

The calculations of basic earnings per share are based on the profit for the year of HK\$222,571,000 (2007: HK\$158,788,000) attributable to equity holders of the Company and on the basis of 2,070,983,607 weighted average number of ordinary shares that would have been issued throughout the year (2007: 10,000,000 shares in issue on the assumption that the Group Reorganisation had been effective on 1 January 2007).

No diluted earnings per share has been presented as there is no potential dilutive ordinary shares outstanding during the years ended 31 December 2008 and 2007.

## 8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

|   | 2008<br>HK\$'000 | 2007<br>HK\$'000 |
|---|------------------|------------------|
| Trade receivables                           | 8,612            | 9,997            |
| Rental deposits                             | 58,999           | 18,363           |
| Other receivables, deposits and prepayments | 65,886           | 12,043           |
|   | <u>133,497</u>   | <u>40,403</u>    |

The sales are normally settled within 7 days.

All trade receivables at the respective balance sheet dates are aged less than 7 days. Whole of the trade receivables are neither past due nor impaired. The concentration of risk is limited as majority of sales transactions are settled by credit card and cash, while the counterparties are either banks or other financial institutions with minimal credit risk.

Notes:

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

|  | <b>2008</b>           | 2007            |
|--|-----------------------|-----------------|
|  | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Trade payables                                       | <b>18,745</b>         | 48,072          |
| Other payables, deposit received and accrued charges | <b>83,519</b>         | 25,733          |
|  | <u><b>102,264</b></u> | <u>73,805</u>   |

The aged analysis of trade payables at the respective balance sheet dates are as follows:

|              | <b>2008</b>          | 2007            |
|--------------|----------------------|-----------------|
|              | <i>HK\$'000</i>      | <i>HK\$'000</i> |
| 0 – 30 days  | <b>16,849</b>        | 33,709          |
| 31 – 60 days | <b>1,388</b>         | 13,531          |
| 61 – 90 days | <b>43</b>            | 767             |
| Over 90 days | <b>465</b>           | 65              |
|              | <u><b>18,745</b></u> | <u>48,072</u>   |

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

## **FINAL DIVIDEND**

The Board recommended the payment of a final dividend of HK0.6 cent per share (“Final Dividend”) for the year ended 31 December 2008, amounting to HK\$27,000,000. The Final Dividend, if being approved at the forthcoming annual general meeting of the Company, will be paid on 17 June 2009 to shareholders whose names appear on the register of members of the Company on 18 May 2009.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed, from 14 May 2009 (Thursday) to 18 May 2009 (Monday) (both days inclusive), during which period no share transfer will be effected. In order to qualify for the proposed Final Dividend, all relevant share certificates and properly completed transfer forms must be lodged with the Company’s Share Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 13 May 2009 (Wednesday).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Emperor Watch and Jewellery (“EWJ” or “the Group”) is a leading retailer of mainly Swiss-made luxurious watches in Hong Kong and Macau with target customers ranging from middle to high income earners from all over the world. Having established its foothold for over 60 years, the Group has developed a long standing relationship with renowned watch manufacturers offering a wide range of prestigious and luxury watch brands.

EWJ also offers self-designed fine jewellery products, predominantly diamond, jade, pearl, 999.9 fine gold and precious stone products. EWJ’s in-house designers regularly launch stylish jewellery products so as to keep up with the ever-changing trends and fashion styles. Apart from its self-designed jewellery products, the Group can also provide customized design and production services for customers wishing to create their own exclusive, one-and-only jewellery products.

The Group takes pride in its extensive network of retail outlets at prime locations in Hong Kong and Macau. These include multi-brand shops as well as specialty outlets for specific brands. Anchor shops have not only enabled the Group to reap synergies with international watch brand suppliers, but have also helped to foster loyalty among customers attracted to specific watch brands.

The Company was successfully listed on the main board of the Stock Exchange on 21 July 2008 through IPO under the stock code of 887. It marks a milestone for the Group to further enhance market recognition of its high-end jewellery and watches retailing business as well as solidify its brand name.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

### **Financial Review**

For the year under review, EWJ reported revenue growth of 18.0% to HK\$1,842.5 million. Approximately 87.7% of turnover was from watch retailing while the remaining was from sale of jewellery products. The increase in turnover was attributable to sales growth from existing shops, expansion in retail network as well as strong demand of tourists from mainland China.

During the year, the Group has benefitted from the increase in spending power and thus demand for luxury products. A tight discount control policy was implemented with lesser discount being offered to customers. Hence, the Group recorded a handsome and substantial gross profit margin, with gross profit rising 47.0% to HK\$514.2 million and margin improved to 27.9% from 22.4% as compared with last year.

Profit after tax for the year rose by a robust 39.9% to HK\$222.2 million.

### **Business Review**

#### **Expansion of Retail Network at Prime Locations**

In line with the Group's focus on tourists and high-end market, the Group has a total of 11 outlets in Hong Kong and four in Macau, amongst which four has been opened during the year under review. All outlets are located in prime shopping areas, namely Central, Wanchai, Causeway Bay and Tsimshatsui, and inside the Grand Emperor Hotel in Macau.

The opening of new shops further solidified the Group's relationship with brand suppliers. The success of the outlets has encouraged the management of the Group to develop similar stores with watch brands in different areas in Hong Kong and Macau to further propel sales and revenue.

EWJ has launched during the year two additional retail outlets for international watch brands, namely a Patek Philippe retailer in Causeway Bay, Hong Kong and a Cartier retailer at Grand Emperor Hotel, Macau. The shops offer elegant and fine timepieces for the specific Swiss brands and are well-positioned in the prime shopping areas where the overwhelming demand for luxurious products can be captured.

The Group has also expanded its footprint in Central and Causeway Bay, the two most prominent shopping districts for tourists and the middle and elite demographics. Located in the pivotal heart of the city, the outlets have supplemented the existing shops in the districts by offering a different brand mix and received vast support from customers.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

### **Business Review (Continued)**

#### **Expansion of Retail Network at Prime Locations (Continued)**

Meanwhile, EWJ has leveraged on its popularity and brought its expertise and experience across the border. During the year under review, the Group has set up its PRC headquarter in Beijing and opened a total of four outlets in mainland China, including two in Shanghai, and one in each of Chongqing and Tianjin. Extending footprint to one of the highest economic growth countries in the world marks an important milestone for the Group.

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

Leveraging its long history with loyal customers, EWJ regularly launches marketing campaigns both individually and jointly with brand suppliers. EWJ held the “Precious Jade” Jewellery Exhibition at the Grand Emperor Hotel in Macau in May 2008 to showcase its latest jade collection, reflecting nobility and elegance.

EWJ also joined hands with Henderson Land Development Company Limited last July to showcase dazzling designs by the world’s leading jewellery experts at the “Royal Jewellery Show at the Beverly Hills”. The value of the jewellery totalled at an overwhelming HK\$100 million.

In November 2008, EWJ organized a jewellery event in IFC Hong Kong, featuring gorgeous jewellery pieces under the theme of “Glittering Insane”. Many of Hong Kong’s industry tycoons, top celebrities and socialites attended the event to witness the sheer glamour and classic beauty of the exquisite Emperor jewellery collections.

Enjoying synergies with other business operations under the Emperor Group. EWJ was a proud sponsor of the Joey Yung Starlight Concert in January and April 2008.

The EWJ brand is highly regarded in Hong Kong. The Group was awarded the “Prime Awards for the Best Brand Enterprise in Greater China 2008” in February 2008, the “East Week Hong Kong Service Awards – Watch Retailer” in March 2008 and the “East Week Best Brand in Greater China 2008” in September 2008.

The Group has also gained much popularity amongst brand suppliers. During the year under review, Patek Philippe has launched a limited edition exclusively for EWJ called the “Serata High Jewellery Set”. This beautiful and rare timepiece set is only available at EWJ outlets.

EWJ has also proudly co-organised timepiece exhibitions with individual watch brands. In October 2008, a very successful Audemars Piguet and Emperor Watch and Jewellery Rose Gold Exhibition was held at the nostalgically chic restaurant, The Pawn to compliment the heritage, class and beauty of the renowned Audemars Piguet brand. In November 2008, the Piaget Polo Chronograph Exhibition was held in EWJ’s Tsimshatsui outlet to celebrate the watch brand’s timeless beauty and impeccable craftsmanship.

## **PROSPECTS**

Looking forward, EWJ is positive about the prospects of the luxurious watch and jewellery retail market. The Group will continue to expand its retail network in key tourist districts in Hong Kong as well as mainland China.

In Hong Kong, the Group has planned to open a 17,000-sf outlet in a heritage location in Tsimshatsui. In an effort to meet the constantly changing demands and styles and trends, EWJ will be offering a younger and trendier line of jewellery designs in a beautifully designed decor. In addition to jewellery, there will also be a very unique F&B outlet within the shop, so as to provide a one-stop shopping and relaxing environment for its customers. This new outlet will be part of a new retail promenade that promises to be the talk of town not just locally but internationally. Many prominent international fashion labels and watch brands have already confirmed the opening of their new shops in this soon-to-be-opened retail utopia.

In China, EWJ plans to boost its marketing share in first and second tier cities such as Beijing, Shanghai and Chongqing . The Group hopes to open more outlets in mainland China by the end of 2009, capturing the economic and spending growth in the country.

In order to increase profit growth and margin, the Group will diversify its product offerings in jewellery products. It will also continue to strengthen its relationship with brand suppliers through individual and jointly-organised marketing events as well as enhance its own corporate image.

The Group will adopt stable and cautious financial strategies and is determined to sustain its leadership in the luxurious watch and jewellery retail market in the region and generate satisfactory returns for its shareholders.

## **CORPORATE SOCIAL RESPONSIBILITIES**

During the year under review, EWJ has utilised its resources to support charitable organisations and cultural development. It has donated jewellery to charitable organisations including Lions Club of Tsing Ma Hong Kong, Lifeline Express, Benji's Centre and Wai Yin Association for fund raising purposes, and also to Hong Kong Philharmonic Orchestra to boost local cultural development.

EWJ has also actively encouraged its staff to contribute to the community. Its colleagues have enthusiastically participated in "Tree Planting Challenge", an event jointly organised by Emperor Foundation and Friends of the Earth in May 2008, and a friendship tour to the quake-hit area in Sichuan jointly organised by Emperor Foundation, Emperor Entertainment Group and Social Workers Across Borders in September 2008. The Group's staff have also participated in the Blood Donation Day of Hong Kong Red Cross and Dress Special Day of the Community Chest.

EWJ has been awarded the Caring Company Logo 2008/09 during the year in recognition of its community involvements.



## **CAPITAL STRUCTURE**

On 13 March 2008, the Company was incorporated in Hong Kong with authorised share capital of HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each.

On 19 March 2008, 1 share of HK\$0.01 was transferred by the subscriber to Allmighty Group Limited (“Allmighty Group”).

Pursuant to the written resolutions of the Company’s sole shareholder passed on 19 June 2008:

- (i) the authorised share capital of the Company was increased from HK\$10,000 to HK\$1,000,000,000 by the creation of an additional 99,999,000,000 shares of HK\$0.01 each;
- (ii) 9,999,999 shares of HK\$0.01 each were issued to Allmighty Group to rank pari passu in all respects with the existing shares pursuant to the Group Reorganisation.

Pursuant to the Loan Capitalisation Issue, (details of which were set out in the section “Share Capital” of the Prospectus), Allmighty Group were further allotted and issued 3,140,000,000 shares of HK\$0.01 each on 17 July 2008;

Pursuant to the IPO Share Offer, a total of 1,350,000,000 shares of HK\$0.01 each were issued on 17 July 2008.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2008, the Group’s current assets and current liabilities were approximately HK\$1,506.4 million and HK\$123.4 million respectively. Both current ratio (the ratio of current assets over current liabilities) and quick ratio (the ratio of current assets less inventories over current liabilities) of the Group enhanced significantly to 12.2 and 2.4 from 1.7 and 0.2 in the preceding year respectively. Total equity of the Group also increased to approximately HK\$1,402.5 million (2007: approximately HK\$361.2 million) as at 31 December 2008. The enhancement in liquidity and equity was mainly attributable to its IPO proceeds and the profit after taxation for the Year.

As at 31 December 2008, the Group had total bank loans and bank overdrafts of approximately HK\$17.4 million. These bank borrowings were denominated in Hong Kong dollar, interest bearing, repayable with fixed terms and secured by corporate guarantee of the Company. The gearing ratio of the Group (expressed as percentage of total debt over total assets) decreased to 1.2% from 22.7% in the preceding year. The Group also has available utilised banking facilities of approximately HK\$205.5 million.

With sufficient bank balances and cash of HK\$167.5 million as well as existing banking facilities, the Directors consider that the Group has sufficient working capital for its operations and the future development of the Group.

## **FOREIGN EXCHANGE EXPOSURE**

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

## **CAPITAL EXPENDITURES**

During the year ended 31 December 2008, the Group acquired property, plant and equipment of approximately HK\$24.9 million, which was financed by the Group's internal resources. As at 31 December 2008, the Group had operating lease commitment of HK\$396.8 million.

## **CONTINGENT LIABILITIES**

As at 31 December 2008, the Group did not have any material contingent liabilities.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 31 December 2008, the Group has 257 (2007: 136) salespersons and 139 (2007: 58) office staff. Total staff costs (including directors' remuneration) were HK\$80.8 million (2007: HK\$71.5 million). Employees' remuneration was determined in accordance with individual's responsibility, performance and experience. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefit.

## **USE OF IPO PROCEEDS**

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

## **REVIEW OF ANNUAL RESULTS**

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

## **CORPORATE GOVERNANCE**

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

The Company's shares were listed on the Main Board of the Stock Exchange on 21 July 2008. The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules since the listing of shares of the Company.

## **CORPORATE GOVERNANCE (Continued)**

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

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules. Having made specific enquiry to the Directors, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code since the listing of shares of the Company.

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

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

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

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

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

Hong Kong, 1 April 2009

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

*Executive Directors:*

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

*Independent Non-Executive Directors:*

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