

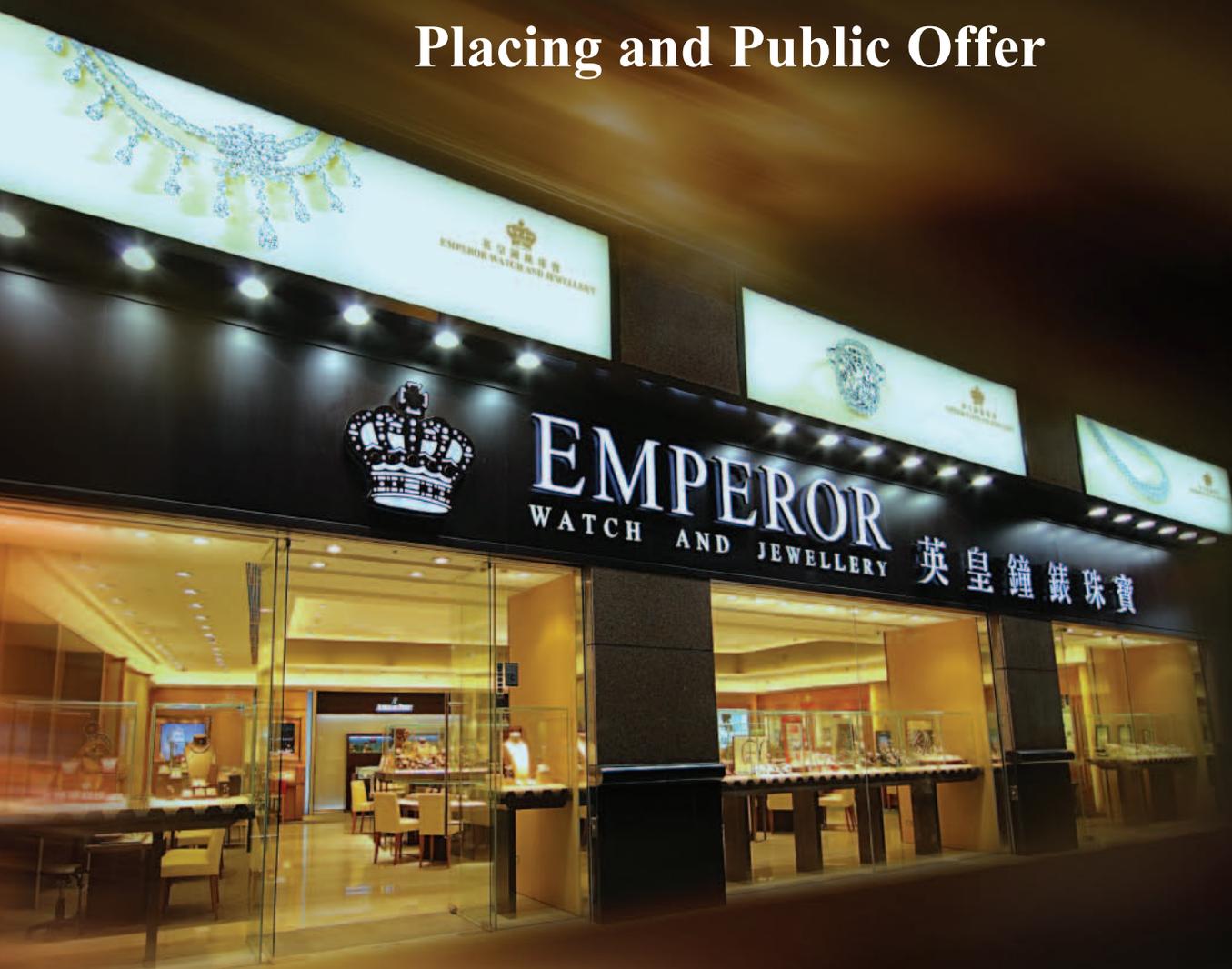


英皇鐘錶珠寶有限公司
EMPEROR WATCH & JEWELLERY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code : 887)

Placing and Public Offer



Joint Sponsors



英皇融資有限公司
Emperor Capital Limited

Joint Lead Managers



英皇證券(香港)有限公司
Emperor Securities Limited



3V Capital Limited

Co-Manager



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



英皇鐘錶珠寶有限公司 Emperor Watch & Jewellery Limited

(incorporated in Hong Kong with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING AND PUBLIC OFFER

Number of Offer Shares	:	1,350,000,000 Shares
Number of Public Offer Shares	:	135,000,000 Shares (subject to re-allocation)
Number of Placing Shares	:	1,215,000,000 Shares (subject to re-allocation)
Offer Price	:	Not more than HK\$0.43 per Offer Share and expected to be not less than HK\$0.30 per Offer Share plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee (payable in full on application and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	887

Joint Sponsors



Joint Lead Managers



Co-Manager



The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in Appendix VI "Documents delivered to the Registrar of Companies and available for inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 38D of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between Emperor Securities (for itself and on behalf of the Underwriters) and the Company on the Price Determination Time. The Price Determination Time is expected to be at or around 6:00 p.m. on Monday, 14 July 2008. The Offer Price will not be more than HK\$0.43 per Offer Share and is currently expected to be not less than HK\$0.30 per Offer Share, unless otherwise announced. Applicants for Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.43 for each Public Offer Share together with 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy, subject to refund if the Offer Price as finally determined is less than HK\$0.43 per Offer Share.

Emperor Securities (for itself and on behalf of the Underwriters) may, with the Company's consent, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications. In such a case, a notice of the reduction in the indicative Offer Price range will be published in The Standard (in English) and the Sing Tao Daily and the Hong Kong Daily News (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer. **If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. Further details are set out in the sections entitled "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares".** If, for any reason, the final Offer Price is not agreed upon between Emperor Securities (for itself and on behalf of the Underwriters) and the Company by the Price Determination Time, the Share Offer (including the Public Offer) will not proceed, will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should read the entire document carefully and, in particular, should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Underwriters under the Underwriting Agreement are subject to termination of their obligations under the Underwriting Agreement by notice in writing to the Company given by Emperor Securities (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set out under the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, but without limitation to, acts of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lockout involving Hong Kong, the PRC or any other jurisdiction. It is important that you refer to that section for further details.

An announcement will be issued in Hong Kong to be published in The Standard (in English) and the Sing Tao Daily and the Hong Kong Daily News (in Chinese) if there is any change to the expected timetable.

30 June 2008

EXPECTED TIMETABLE

Date ^(Note 1)

Application lists of the Public Offer open ^(Note 2) 11:45 a.m. on Friday, 11 July 2008

Latest time to:

lodging **WHITE** and **YELLOW**
application forms 12:00 noon on Friday, 11 July 2008

giving **electronic application instructions**
to HKSCC ^(Note 3) 12:00 noon on Friday, 11 July 2008

Application lists of the Public Offer close ^(Note 2) 12:00 noon on Friday, 11 July 2008

Expected Price Determination Time ^(Note 4) 6:00 p.m. on Monday, 14 July 2008

Announcement of the Offer Price and the level of
the indication of interests in the Placing,
the level of application of the Public Offer and
the basis of allotment of Public Offer Shares
to be published in The Standard (in English) and
the Sing Tao Daily and the Hong Kong Daily News
(in Chinese) Thursday, 17 July 2008

Announcement of results of allocations
(with successful applicants' identification
document numbers, where applicable)
to be available through a variety of channels
as described under the paragraph headed
"Publication of results" in the section headed
"How to apply for the Public Offer Shares"
in this prospectus Thursday, 17 July 2008

Despatch/collection of Share certificates in respect of
wholly or partially successful applicants ^(Note 5) Thursday, 17 July 2008

Despatch/collection of refund cheques in respect of
wholly successful (if applicable) or wholly or
partially unsuccessful applications ^(Note 5 and 6) Thursday, 17 July 2008

Dealings in Shares on the Main Board of
the Stock Exchange expected to commence on Monday, 21 July 2008

The application for the Offer Shares will commence on Monday, 30 June 2008 up to Friday, 11 July 2008 for ten days, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Thursday, 17 July 2008. Investors should aware that the dealings in the Shares on the Stock Exchange are expected to commence on Monday, 21 July 2008.

EXPECTED TIMETABLE

Notes:

- (1) All times refer to Hong Kong local time. If there is a change to the above expected timetable for the Public Offer, the Company will issue an announcement in Hong Kong to be published in The Standard (in English) and the Sing Tao Daily and the Hong Kong Daily News (in Chinese). Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 11 July 2008, the application lists will not open on that day. Further information is set out in the paragraph headed “Effect of bad weather on the opening of the application lists” under the section headed “How to apply for the Public Offer Shares” in this prospectus.
- (3) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to apply for the Public Offer Shares – Applying by giving **electronic application instructions** to HKSCC” of this prospectus.
- (4) The Offer Price is expected to be determined by the Price Determination Agreement between the Company and Emperor Securities (for itself and on behalf of the Underwriters) at or before 6:00 p.m. on Monday, 14 July 2008 or such later date or time as may be agreed by Emperor Securities (for itself and on behalf of the Underwriters) and the Company, but in any event not later than 12:00 noon on Tuesday, 15 July 2008. The Offer Price will be not more than HK\$0.43 per Share and is expected to be not less than HK\$0.30 per Share. Emperor Securities (for itself and on behalf of the Underwriters) may, with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the indicative Offer Price range will be published in The Standard (in English) and the Sing Tao Daily and the Hong Kong Daily News (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price range is so reduced, such applications cannot be subsequently withdrawn. Investors applying for Public Offer Shares must pay the maximum Offer Price of HK\$0.43 per Share, together with brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.004%, subject to refund if the Offer Price, as finally determined, is lower than the maximum Offer Price of HK\$0.43 per Share. If, for any reason, the Offer Price is not agreed between the Company and Emperor Securities (for itself and on behalf of the Underwriters) by 12:00 noon on Tuesday, 15 July 2008, the Share Offer will not proceed and will lapse.

Refunds in respect of wholly or partially unsuccessful applications, or where the Offer Price as finally determined is less than HK\$0.43 per Share, will be made without interest. Investors may not be able to sell or otherwise deal in the Shares before the commencement of dealings in the Shares on the Main Board.

- (5) Applicants who have applied on **WHITE** application forms for 1,000,000 Public Offer Shares or more may collect their Share certificates and/or refund cheques (if any) in person. In order to do so, applicants must tick the appropriate box on their **WHITE** application forms and provide the particulars specified in that form. These applicants may collect their Share certificates and refund cheques (if any) from the Company’s share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, between 9:00 a.m. and 1:00 p.m. on Thursday, 17 July 2008. Applicants being individuals who opt for personal collection must not authorise any other persons to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations duly stamped with the corporations’ chops. Both individuals and authorised representatives of corporations (where applicable) must produce, at the time of collection, evidence of identity acceptable to the Company’s share registrar.
- (6) Applicants who have applied on **YELLOW** application forms for 1,000,000 Public Offer Shares or more may collect their refund cheques (if any) in person but may not elect to collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS participants’ stock accounts or investor participants’ stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** application form applicants are the same as those for **WHITE** application form applicants as set out above.

EXPECTED TIMETABLE

Uncollected Share certificates and/or refund cheques (if any) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms promptly after the expiry of the time for their collection. Please refer to the paragraph headed "Despatch/collection of Share certificates and refund cheques" under the section headed "How to apply for the Public Offer Shares" of this prospectus for further details.

Share certificates will only become valid certificates of title of the Shares to which they relate provided that the Share Offer has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at any time prior to 8:00 a.m. on the Listing Date. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision.

The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms.

Any information or representation not made in this prospectus or the related Application Forms must not be relied on by you as having been authorised by the Company, the Joint Sponsors, the Underwriters, the Joint Lead Managers, any of their respective directors, officers, employees, advisers, agents or representatives or affiliates of any of them or any other parties involved in the Share Offer.

The contents on the Group's website at www.emperorwatchjewellery.com do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

The Group is a retailer principally engaged in the sales of luxurious branded watches, and the design and sales of jewellery products in Hong Kong and Macau. Positioning itself as a luxurious watch and jewellery retailer, the Group targets high income group as its customers. The Group offers a wide range of watches of famous international brands and fashionable jewellery products designed by the Group's in-house designers. As at the Latest Practicable Date, the Group is the non-exclusive authorised retailer for 29 international brands of luxurious watches. Out of these 29 brands, the Group has entered into dealership agreements for retailing 11 brands with terms ranging from 1 to 3 years or for an indefinite period of time unless notice of termination is served by either party while for the remaining 18 brands, the dealership relationships have not been reduced into any written agreement. The Group is also a retailer of fine jewellery products, offering a wide range of self-designed products focusing on diamond alongside with jade, pearl and 999.9 fine gold jewellery products. The Group also offers tailor-made design and production services for unique and exclusive jewellery products to its customers.

The following table shows a breakdown of the Group's turnover by geographical locations and products for the financial years ended 31 December 2005, 2006 and 2007:

	Year ended 31 December					
	2005		2006		2007	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Hong Kong						
Watches	554,974	86.0%	890,429	82.1%	1,292,119	82.7%
Jewellery	90,290	14.0%	143,660	13.3%	191,546	12.3%
Macau						
Watches	–	–	34,663	3.2%	53,965	3.5%
Jewellery	–	–	15,643	1.4%	23,833	1.5%
Total	<u>645,264</u>	<u>100.0%</u>	<u>1,084,395</u>	<u>100.0%</u>	<u>1,561,463</u>	<u>100.0%</u>

Sales of watches accounted for a predominant portion of the Group's revenue. During the Track Record Period, approximately 86.0%, 85.3% and 86.2% respectively of the Group's total revenue was generated from sales of watches. With an aim to further develop its jewellery business, sales of jewellery are expected to contribute a more substantial portion of the Group's total revenue in future.

SUMMARY

The Group sources its products from international watch suppliers of different watch brands and jewellery suppliers for mainly diamonds. During the Track Record Period, purchases from the Group's five largest suppliers amounted to approximately HK\$633.2 million, HK\$967.5 million and HK\$1,180.0 million, respectively, representing approximately 88.4%, 88.4% and 81.9% of the Group's total purchases. EJM was one of the top five suppliers of the Group during the Track Record Period for the sourcing of jewellery for the Group. Since 1 July 2007, the Group has taken up the sourcing function itself and EJM was no longer a supplier of the Group since then. The remaining four suppliers are international watch suppliers who are all Independent Third Parties to the Group.

The jewellery products which are designed and offered by the Group predominantly consist of diamond products. The Group also offers jade, pearl, 999.9 fine gold and precious stones products to meet the needs of the customers. Most of the Group's jewellery products are self-designed by the Group's jewellery designers who have been engaged in the jewellery design industry for approximately 8 to 20 years. For the financial year ended 31 December 2005, 2006 and 2007, the Group has employed 3, 4 and 4 designers respectively. 3 of the existing designers have obtained diploma or certificate in jewellery design from reputed academic institutes in Hong Kong.

Sales Network

The Group has established an extensive sales network in Hong Kong. As at the Latest Practicable Date, the Group has 7 retail outlets and 1 boutique outlet in Hong Kong, all of which are located in prime shopping areas including Causeway Bay, Tsimshatsui, Central and Wanchai. In 2006, the Group expanded its retail business geographically to Macau and has established 1 retail outlet at Grand Emperor Hotel, which is situated at one of the major tourist areas in Macau.

All of the premises for the Group's retail outlets are leased properties, from Independent Third Parties or connected persons of the Group. The Group had entered into tenancy agreements in respect of its existing retail outlets, the terms of which are ranging from approximately 2 years to 3 years. The expiry dates of these tenancy agreements, excluding any option to renew, range from July 2008 to March 2011. Rental, rates and building management fee expense of retail outlets is one of the Group's major cost in its business operations which amounted to approximately HK\$16.5 million, HK\$32.2 million and HK\$51.4 million respectively during the Track Record Period.

The Group intends to renew the tenancies or to exercise the renewal option upon expiry. The Directors consider that as long as the rental is not unreasonably above the market rental rate, the Group prefers to maintain the leases at the existing locations. The Group has no present intention to acquire any leased premises for its retail business.

As at the Latest Practicable Date, the Group has also entered into leases for premises situated in Central, Causeway Bay and Macau for the purpose of setting up new retail outlets after the Listing.

SUMMARY

Terms of dealership arrangements

As at the Latest Practicable Date, the Group has entered into dealership agreements with 3 watch suppliers for 11 international brands on a non-exclusive basis. Among these 11 dealership agreements, the dealership agreements for 4 brands are renewable automatically on annual basis, 1 brand is renewable every year as determined by the watch supplier and the remaining 6 brands are for an indefinite period of time unless notice of termination, normally 3 months, is served by either party prior to the termination of the respective dealership agreements.

Pursuant to the terms of the dealership agreements, the Group and the watch suppliers agreed to the following:–

- the Group shall acquire the watches exclusively from specific supplier and the watches can only be sold to customers at specific retail outlets as agreed between the Group and the watch suppliers;
- the Group is required to follow the pricing and discounting policies set out by the watch suppliers from time to time;
- the Group is normally given credit periods by the suppliers for not more than 60 days;
- the Group is required to keep sufficient stock of watches or to maintain minimum stock levels preset by watch suppliers for some specific watch brands. The suppliers may terminate the relevant dealership agreements if the Group fails to maintain the required stock levels and fails to remedy the breach after a notice of breach is given by the suppliers;
- the Group is granted incentive bonus from certain watch suppliers if the Group meets agreed purchase targets. The incentive bonus is determined and reviewed by the watch suppliers from time to time based on the level of purchases made by the Group;
- there is no sales return arrangement between the Group and the watch suppliers. However there are normally 2 years of warranty provided by the suppliers. For certain brands, defective watches may be replaced by the suppliers; and
- the watch suppliers agree to provide support and assistance to the Group from time to time during the term of the agreements, including the provision of promotional materials, brochures, pamphlets and display materials.

For the remaining 18 brands, the dealership relationships have not been reduced into any written agreement. The Group purchases from these suppliers on an order-by-order basis under the terms similar to those brands for which dealership agreements are entered into.

SUMMARY

Financial Information

Financial performances

Summarised below are the key financial information of the Group during the Track Record Period:–

	Year ended 31 December		
	2005	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue			
Watches	555.0	925.1	1,346.1
Jewellery	90.3	159.3	215.4
	<u> </u>	<u> </u>	<u> </u>
Sub-total	<u>645.3</u>	<u>1,084.4</u>	<u>1,561.5</u>
Gross profit			
Watches	75.1	136.1	291.6
Jewellery	17.7	35.5	58.2
	<u> </u>	<u> </u>	<u> </u>
Sub-total	<u>92.8</u>	<u>171.6</u>	<u>349.8</u>
Net profit	<u>26.1</u>	<u>54.0</u>	<u>158.8</u>

The increase in revenue was primarily due to the opening and expansion of the retail outlets of the Group, price increment of watches and jewellery and larger quantity of watches and jewellery sold during the Track Record Period. With the continuous economic growth in Hong Kong, Macau and the PRC and the strong demand for luxurious products, the Group offered less discounts to customers for both watches and jewellery products which directly increased the gross profit margin and the net profit margin of the Group as a result. Apart from the development plan and business strategy of the Group, there are other factors affecting the growth of the Group which are beyond the control of the Group, such as economic condition and customer's preference. There can be no assurance that the Group will be able to achieve or maintain similar level of growth in turnover and profit in the future.

Retailing of luxurious branded watches is the major income source of the Group. For the financial year ended 31 December 2005, 2006 and 2007, turnover attributable to the Group's watch business amounted to approximately HK\$555.0 million, HK\$925.1 million and HK\$1,346.1 million respectively, representing approximately 86.0%, 85.3% and 86.2% of the Group's total turnover for each of the corresponding periods. The sales of watches of top five brands accounted for approximately 79.2%, 78.2% and 75.7% of total watch sales of each financial years respectively.

SUMMARY

Net operating cash outflows and negative cash and cash equivalents

During the Track Record Period, the Group recorded net cash used in operating activities of approximately HK\$115.6 million, HK\$114.3 million and HK\$9.1 million respectively. As a result, the Group recorded a negative cash and cash equivalents of approximately HK\$14.2 million and HK\$2.8 million as at 31 December 2005 and 2006 and a turnaround positive cash and cash equivalents of approximately HK\$46.7 million as at 31 December 2007.

Relationship of the Group with the Controlling Shareholders

Prior to Listing, Allmighty Group is the beneficial owner of 100% interests of the issued share capital of the Company. Allmighty Group is held by Diamond Palace, which in turn is wholly-owned by Jumbo Gold acting as trustee of the Albert Yeung Unit Trust, a unit trust under the AY Discretionary Trust. Dr. Yeung is the founder and settlor of the AY Discretionary Trust. Upon Listing, Allmighty Group will be interested in 3,150,000,000 Shares, representing 70% of the enlarged issued share capital of the Company immediately following the allotment of the Offer Shares and the Loan Capitalisation Issue. As such, Dr. Yeung is a Controlling Shareholder of the Company deemed to be interested in 3,150,000,000 Shares upon Listing.

Dr. Yeung, aged 64, being the founder of the AY Discretionary Trust, is deemed to be a controlling shareholder of the Emperor Group comprising EIHL, EEH, Emperor Entertainment Group Limited, Emperor Capital Group Limited and New Media, all being listed companies in Hong Kong. Dr. Yeung obtained a Degree of Doctor of Commerce (Honoris Causi) from University of West Alabama, USA in 2007.

Before Listing, Bright Queen Limited and Global Gold Developments Limited have been directors of EWJ HK, the operating arm of the Group's retail outlets in Hong Kong, since November 1988 and resigned on 1 April 2008, and they represented the interests of Dr. Yeung in the Group. These are companies of which Dr. Yeung is the sole shareholder and sole director. During such period, Dr. Yeung rarely involved personally in the day-to-day management of the Group, but authorised Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, to represent Bright Queen Limited and Global Gold Developments Limited. Dr. Yeung would be informed of the Group's business and development when the Group required funding from Dr. Yeung, but the overall management has been vested with Ms. Cindy Yeung, Mr. Wong, Ms. Fan and other senior management of the Group during the Track Record Period. The Directors confirm that Dr. Yeung will not play any role in the management (both operation and overall strategic development) of the Group after Listing.

Other than the retailing business operated by the Company, Allmighty Group is operating the Franchising Business through a number of wholly-owned subsidiaries.

SUMMARY

EJM, a wholly-owned subsidiary of Allmighty Group, was the sourcing arm for jewellery and jewellery products for both the Group and the Franchising Business and it appointed contractors to manufacture jewellery products for them during the Track Record Period. With effect from 1 July 2007, the Group performed the sourcing itself and the Group ceased to have any business relationships with EJM since then.

The Directors consider that there is clear delineation of business between the Group and the Franchising Business for the reasons as set out under the section headed “Relationship with Controlling Shareholders” in this prospectus. The Franchising Business is in the process of winding down and is expected to be completely ceased upon the expiration of the existing terms of all franchising agreements. By the end of June 2009, all franchising agreements in respect of the Franchising Business are expected to expire.

As at the Latest Practicable Date, the Group is operating 9 retail outlets which are located in prime shopping locations in Hong Kong and Macau. Out of the 9 retail outlets, 4 outlets of them are leased from Independent Third Parties and 5 are leased from associates of the Controlling Shareholders. The Group is also leasing premises for office purposes from associates of the Controlling Shareholders. For the financial year ended 31 December 2005, 2006 and 2007, the aggregate rental expenses paid to the connected persons under the tenancy agreements were approximately HK\$2.6 million, HK\$7.4 million and HK\$14.8 million respectively. Turnover generated from outlets leased from the connected persons amounted to approximately HK\$226.2 million, HK\$303.8 million and HK\$495.8 million for the financial year ended 31 December 2005, 2006 and 2007 respectively. As at the Latest Practicable Date, the Group has also entered into tenancy agreements with associates of the Controlling Shareholders for the leasing of 2 premises for the purpose of setting up new retail outlets after the Listing and 1 premise for warehouse purpose.

Upon Listing, the Company will also from time to time engage connected parties for the provision of various services including office administrative and back office support, printing services and the promotional and advertising services.

During the Track Record Period, the business operations of the Group were mainly financed by advances from related parties and bank borrowings. Bank borrowings of the Group were secured by guarantees/pledges from the Controlling Shareholders and their associates and other related parties. Such guarantees/pledges will be released/discharged by the bankers and to be replaced by the corporate guarantee(s) of the Company and/or its subsidiaries (if applicable) upon Listing. Upon Listing, the Group’s business operations will be financed by its own internal resources and third party borrowings.

As at the Latest Practicable Date, the outstanding advances from related parties of the Company amounted to approximately HK\$757.56 million. Any outstanding advances immediately prior to the Listing will be capitalised as share capital of the Company in full by issuance of 3,140,000,000 Shares to Allmighty Group. Upon completion of the said Loan Capitalisation Issue and the Share Offer, Allmighty Group will own 3,150,000,000 Shares, representing 70% of the total enlarged issued share capital of the Company upon Listing.

SUMMARY

PRINCIPAL STRENGTH OF THE GROUP

The Directors believe that the historical success of the Group and its future prospects are underpinned by the principal strength of the Group, which include the following:

- Established business relationships with well-known international watch brands suppliers and jewellery suppliers;
- Long operating history in Hong Kong and well-developed reputation;
- Experienced management team;
- Extensive retail network in prime locations; and
- Experienced design team for fashionable jewellery products.

BUSINESS STRATEGIES AND FUTURE PLANS

The Group targets to maintain and further strengthen its position as a luxurious watch and jewellery retailer in Hong Kong and Macau, through the following strategies:

- Further expand its existing retail network;
- Establish boutique outlets with variety of international watch brands;
- Expand portfolio of watch brands and product offerings;
- Enhance jewellery product designs and varieties;
- Establish boutique outlets for jewellery products; and
- Expand geographically outside Hong Kong and Macau.

SUMMARY

RISKS FACTORS

The Directors consider that the Group's business is subject to a number of risk factors which can be generally categorised into (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to conducting business in Hong Kong and Macau; (iv) risks relating to the Share Offer and (v) risks associated with this prospectus, details of which are set out in the section headed "Risk factors" in this prospectus. The following is a summary of these risk factors:

Risks relating to the Group

- Reliance on major watch suppliers and watch brands
- Potential competitions from new watch retailers
- No assurance of the watch suppliers to develop and maintain the watch brands
- Exposure to price increment on diamond supply
- No assurance of sufficient supply of diamond with good quality
- No assurance to continue to source watches and design jewellery products of customers' preferences
- Obsolete and slow-moving inventory
- Reliance on the retail market and tourism of Hong Kong and Macau
- Reliance on key management personnel
- Non-renewal of tenancy or potential rental expenses increment of the Group's retail outlets
- No assurance of retaining skilled and qualified personnel
- Net cash outflow from operating activities and negative cash and cash equivalents position
- No assurance on sustainability of the growth of the Group
- No assurance on success of planned business expansion
- Licensing of the PRC Trademarks and Logo
- Violation of discounting policies imposed by watch suppliers
- Quality and supply of the goods sold by the Group
- Orders issued by Building Authority
- No assurance of declaring high rate of dividend as in the past
- Non-registration of tenancy agreements

SUMMARY

Risks relating to the industry

- Highly competitive industry
- Seasonal fluctuation
- Counterfeit products
- Import tariffs and sales tax

Risks relating to conducting business in Hong Kong and Macau

- PRC travelers to Hong Kong and Macau
- Economic, political and social condition in Hong Kong and Macau

Risks relating to the Share Offer

- Liquidity and possible price volatility of the Shares
- Dilution of Shareholders' equity interest

Risks associated with this prospectus

- Certain facts and statistics contained in this prospectus relating to Hong Kong and Macau and their economies and retail industries are derived from various government official publications including their respective websites and have not been independently verified
- Reliance on forward-looking statements contained in this prospectus involve risks and uncertainties

SUMMARY

TRADING RECORD

The table below sets forth a summary of the audited combined results of the Group for the Track Record Period on the assumption that the current structure of the Group had been in existence throughout the Track Record Period. The summary should be read in conjunction with the accountants' report set forth in Appendix I to this prospectus.

	Year ended 31 December		
	2005	2006	2007
	(Audited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>
Turnover	645,264	1,084,395	1,561,463
Cost of sales	(552,438)	(912,779)	(1,211,673)
	<hr/>	<hr/>	<hr/>
Gross profit	92,826	171,616	349,790
Other income	2,050	(607)	109
Selling and distribution expenses	(37,633)	(67,025)	(115,486)
Administrative expenses	(22,610)	(33,763)	(39,488)
Finance costs	(2,902)	(5,137)	(3,168)
	<hr/>	<hr/>	<hr/>
Profit before taxation	31,731	65,084	191,757
Taxation	(5,605)	(11,121)	(32,969)
	<hr/>	<hr/>	<hr/>
Profit for the year	<u>26,126</u>	<u>53,963</u>	<u>158,788</u>

SUMMARY

USE OF PROCEEDS

The net proceeds from the Share Offer (after deducting related expenses payable by the Company for the purposes of the Share Offer and assuming an Offer Price of HK\$0.30 per Share, being the low-end of the indicative Offer Price range) are estimated to be approximately HK\$377.3 million. The Company currently intends to apply the net proceeds on a pro-rata basis as follows:–

Approximate amount	Intended use	Percentage to the total net proceeds
HK\$366.1 million	For establishment of new retail outlets and expansion of existing outlets or for repayment of banking facilities which have been used for the same purpose: (i) approximately HK\$308.5 million (approximately 84.3% of the proceeds intended for establishment of new outlets and expansion of existing outlets) will be used for purchase of stocks of watches and jewellery for (a) enhancement of variety of products and increase of the quantity of products for existing outlets, and (b) for four new retail outlets, one watch boutique outlet and one jewellery boutique outlet to be set up in Hong Kong and Macau by 2008; (ii) approximately HK\$52.7 million will be used for renovation and rental deposits for the new retail outlets; (iii) approximately HK\$4.9 million will be used for renovation for existing outlets.	97.04%

Depending on the exact timing of the establishment or expansion of the outlets, some of the aforesaid expenses for establishing new outlets or for expansion of existing outlets have been/will be financed by two banking facilities prior to the completion of the Share Offer. The amount of drawdown of the facilities is approximately HK\$113.3 million as at the Latest Practicable Date. As such, part of the aforesaid portion of the proceeds will be used for repayment of the bank borrowings.

SUMMARY

Approximate amount	Intended use	Percentage to the total net proceeds
	The aforementioned banking facilities are secured, interest-bearing at the rate between HIBOR plus 1.25% to HIBOR plus 2.0% and repayable within one year. These banking facilities are secured by joint and several personal guarantees of HK\$39.0 million given by Mr. Ricky Yeung, Ms. Teresa Yeung and Dr. Yeung and personal guarantees of HK\$426.5 million given by Dr. Yeung. These personal guarantees will be released and replaced by the Company's corporate guarantee upon Listing.	
HK\$5.0 million	For the Group's marketing and promotional activities expected to be held in 2008/2009 including approximately HK\$4.0 million for television commercials and HK\$1.0 million for opening ceremonies and advertisements.	1.33%
HK\$6.2 million	As the general working capital of the Group.	1.63%

In the event that the Offer Price is determined at a price other than HK\$0.30, the Directors will apply the net proceeds in the same proportion as shown above. If the Offer Price is set as the high end of the indicative price range, i.e. HK\$0.43, the net proceeds from the Share Offer will be approximately HK\$547.5 million, and the Company will apply the net proceeds as follows:

Approximate amount	Intended use	Percentage to the total net proceeds
HK\$531.3 million	For establishing new retail outlets and expansion of existing outlets or for repayment of banking facilities which have been used for the same purpose: <ul style="list-style-type: none"> (i) approximately HK\$366.1 million will be used in the same manner as stated in the scenario when the Offer Price is HK\$0.30; (ii) an addition of approximately HK\$151.7 million will be used for purchase of stocks for establishing one new outlet for watches and jewellery and one jewellery boutique outlet by 2009; 	97.04%

SUMMARY

Approximate amount	Intended use	Percentage to the total net proceeds
	(iii) an addition of HK\$9.1 million for renovation and rental deposits for the new retail outlets; and	
	(iv) an addition of HK\$4.4 million for renovation for existing outlets.	
HK\$7.3 million	For the Group's marketing and promotional activities including approximately HK\$5.0 million for television commercials and HK\$2.3 million for opening ceremonies and advertisements.	1.33%
HK\$8.9 million	As the general working capital of the Group.	1.63%

The Group will issue an announcement in case if there is any material change in the use of proceeds described above. To the extent that the net proceeds are not immediately required for the above purposes, the Directors will monitor and ensure the net proceeds will not be used for other purposes.

DIVIDEND POLICY

On 4 October 2005, Charter Loyal Limited declared and paid special interim dividend of HK\$162,000 to its shareholders.

No dividend has been declared by the Group for the financial year ended 31 December 2006.

On 28 December 2007 and 28 April 2008, EWJ HK declared special interim dividends of HK\$245.0 million and HK\$73.0 million respectively. Such amounts were paid to its shareholder on 20 February 2008 and 15 May 2008 respectively. Such dividend payments were financed by advances from Allmighty Group and this amount, together with any outstanding amounts due to Allmighty Group will be capitalised as the share capital of the Company before the Listing pursuant to the Loan Capitalisation Issue. The Directors do not consider the declaration of the interim dividends will adversely affect the financial position of the Group.

The amount of any dividends to be declared in the future will depend on, among others, the Group's results of operations, available cashflow and financial condition, operating and capital requirements, the amount of distributable profits based on the HKFRS, the Articles, the Companies Ordinance, applicable laws and regulations and any other factors that the Directors consider relevant. The payment of dividends may also be limited by legal restrictions and agreements that the Group may enter into in the future.

Subject to the factors described above, the Directors currently intend to recommend payment of annual dividend in an amount equivalent to approximately 30% of the consolidated net profit available for distribution in each financial year to Shareholders commencing from the Listing Date.

SUMMARY

Application for the Offer Shares

The application for the Offer Shares will commence on Monday, 30 June 2008 up to Friday, 11 July 2008 for ten days, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Thursday, 17 July 2008. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Monday, 21 July 2008.

SHARE OFFER STATISTICS

Combined net profit from ordinary activities
attributable to shareholders of the Company for
the financial year ended 31 December 2007 HK\$158.8 million

Unaudited pro forma basic earnings per Share for
the financial year ended 31 December 2007 (*Note 1*) HK\$0.035

	Based on the Offer Price of	
	HK\$0.30	HK\$0.43
Market capitalisation (<i>Note 2</i>)	HK\$1,350 million	HK\$1,935 million
Price/earnings multiple (<i>Note 3</i>)	8.57 times	12.29 times
Unaudited pro forma adjusted net tangible assets per Share (<i>Note 4</i>)	HK0.16	HK0.20

Notes:

1. The unaudited pro forma earnings per Share is calculated by dividing the combined net profit from ordinary activities attributable to Shareholders for the financial year ended 31 December 2007 by a total of 4,500,000,000 Shares (assuming that the Shares in issue at the date of this prospectus and those Shares to be issued pursuant to the Loan Capitalisation Issue and Share Offer had been listed since 1 January 2007 and in issue throughout the year but without taking account of Shares which may fall to be issued upon the exercise of any options which may be granted under the Share Option Scheme.)
2. The calculation of market capitalisation is based on the Offer Price and 4,500,000,000 Shares in issue immediately after completion of the Share Offer but takes no account of any Shares which may fall to be issued upon the exercise of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors as referred to in the paragraph headed "Written resolutions of the Shareholder passed on 19 June 2008" in Appendix V to this prospectus.
3. The calculation of the price/earnings multiples on a pro forma basis is based on the unaudited pro forma basic earnings per Share attributable to the Shareholders for the financial year ended 31 December 2007 of about HK\$0.035 and the respective Offer Price of HK\$0.30 and HK\$0.43 per Offer Share.
4. The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to in the paragraph headed "Unaudited pro forma adjusted net tangible assets" in Appendix II to this prospectus and on the basis of 4,500,000,000 Shares.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings set out below:

“Allmighty Group”	Allmighty Group Limited, an investment holding company incorporated in the BVI on 6 July 2005 and wholly-owned by Jumbo Gold acting as trustee of the Albert Yeung Unit Trust, a unit trust under the AY Discretionary Trust, a deemed Controlling Shareholder
“Articles” or “Articles of Association”	the articles of association of the Company, adopted on 19 June 2008 and as amended from time to time
“Application Form(s)”	WHITE application form(s) and YELLOW application form(s), or where the context so requires, any of them
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“AY Discretionary Trust”	The Albert Yeung Discretionary Trust (of which Dr. Yeung is the founder), a deemed Controlling Shareholder
“Bansford”	Bansford Investments Limited, an investment holding company incorporated in Hong Kong on 22 April 1983 which is beneficially wholly-owned by Ms. Teresa Yeung and her associates
“Board”	the board of Directors
“Buildings Ordinance”	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

DEFINITIONS

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Code of Conduct”	the code of conduct for person licensed by or registered with the SFC
“Company”	Emperor Watch & Jewellery Limited, a company incorporated in Hong Kong on 13 March 2008 with limited liability
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this prospectus, means Allmighty Group, Diamond Palace, Jumbo Gold, AY Discretionary Trust and Dr. Yeung or any of them, being the controlling shareholders of the Company
“Covenantor(s)”	Allmighty Group, Diamond Palace, Jumbo Gold, and Dr. Yeung, being the covenantors pursuant to the Non-competition Deed
“Dao Heng”	Dao Heng Securities Limited, an Independent Third Party and a licensed corporation incorporated in Hong Kong on 26 May 1981 to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO and one of the Joint Sponsors for the Listing
“Deed of Assignment”	a deed of assignment dated 23 June 2008 pursuant to which EWJ Management and Emperor Management assign the Emperor Trademarks and Logo to Full Gold
“Deed of Indemnity”	a deed of indemnity dated 27 June 2008 provided by the Indemnifiers in favour of the Group relating to the operation of the Group

DEFINITIONS

“Diamond Palace”	Diamond Palace Limited, an investment holding company incorporated in the BVI on 22 October 1998 and wholly-owned by Jumbo Gold acting as trustee of the Albert Yeung Unit Trust, a unit trust under the AY Discretionary Trust, a deemed Controlling Shareholder
“Director(s)”	the director(s) of the Company
“Dr. Yeung”	Dr. Yeung Sau Shing, Albert, a deemed Controlling Shareholder
“EIHL”	Emperor International Holdings Limited, a company indirectly owned as to approximately 55.76% by AY Discretionary Trust, is an exempted company incorporated in Bermuda on 30 August 1991 of which its subsidiaries are principally engaging in property development and investment and whose shares are listed on the Main Board of the Stock Exchange under the stock code of 163
“EEH”	Emperor Entertainment Hotel Limited, a company indirectly owned as to approximately 43.43% by EIHL and therefore deemed to be controlled by Dr. Yeung, an exempted company incorporated in Bermuda on 1 May 1992 of which its subsidiaries are principally engaging in property investment and development as well as hotel and entertainment business and whose shares are listed on the Main Board of the Stock Exchange under the stock code of 296
“Emperor Capital”	Emperor Capital Limited, a company incorporated in Hong Kong on 28 September 1993 and indirectly owned as to approximately 45.09% by AY Discretionary Trust, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as set out in Schedule 5 to the SFO and one of the Joint Sponsors for the Listing
“Emperor Management”	Emperor Management Services Limited, a company incorporated in the BVI on 18 November 1992 and indirectly wholly-owned by EIHL and one of the assignors of the PRC Trademarks and Logo under the Deed of Assignment
“Emperor Securities”	Emperor Securities Limited, being one of the Joint Lead Managers of the Share Offer, is a company incorporated in Hong Kong on 6 July 1990 and is indirectly owned as to approximately 45.09% by the AY Discretionary Trust. It is a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

DEFINITIONS

“Emperor Trademarks and Logo”	the trademarks “英皇”, “EMPEROR”, “英皇鐘錶珠寶” and the crown logo registered or to be registered in the PRC, Hong Kong, Taiwan, Macau, Malaysia and Singapore that are owned or to be owned by the Group pursuant to the Deed of Assignment
“ePOS”	electronic point-of-sales system, of which the Group has maintained for its retail network for monitoring the Group’s inventory level, inventory movement, generating inventory aging analysis and sales analysis
“EWJ HK”	Emperor Watch & Jewellery (HK) Company Limited, a company incorporated in Hong Kong with limited liability on 31 July 1987, an indirect wholly-owned subsidiary of the Company and the operating arm of the retail outlets of the Group in Hong Kong
“EWJ Macau”	EWJ Watch and Jewellery Company Limited, a company incorporated in Macau on 22 August 2005 with limited liability and an indirectly wholly-owned subsidiary of the Company and the operating arm of the retail outlets of the Group in Macau
“EWJ Management”	Emperor Watch & Jewellery Management Services Limited, a company incorporated in the BVI on 14 December 1992 with limited liability and a wholly-owned subsidiary of Allmighty Group which is the operating arm of the Franchising Business
“EJM”	Emperor Jewellery Manufacturing Limited, a company incorporated in Hong Kong on 17 May 1985 with limited liability and a wholly-owned subsidiary of Allmighty Group and the previous sourcing arm for the Group and the Franchising Business until 30 June 2007
“First Six-Month Period”	the period commencing on the date of this prospectus by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which falls on six months from the Listing Date
“Franchise License Agreement”	the agreement dated 23 June 2008 entered into between EWJ Management as licensee and Full Gold as licensor pursuant to which Full Gold agreed to grant the license to EWJ Management to use any of the PRC Trademarks and Logo for a term from the respective dates on which Full Gold is recorded or registered as the owner of the trademarks up to the expiry or termination of all franchising agreements of the Franchising Business

DEFINITIONS

“Franchising Business”	the franchising business operated by the Controlling Shareholders of which franchisees are granted with the right to operate watch and jewellery retail shops in the PRC using the PRC Trademarks and Logo
“Franchising Group”	the companies under Allmighty Group which operate the Franchising Business
“Full Gold”	Full Gold Enterprises Limited, a company incorporated in the BVI on 11 December 2007 with limited liability and is indirectly wholly-owned by the Company. Full Gold is incorporated for the purpose of holding the Emperor Trademarks and Logo under the Deed of Assignment
“GDP”	gross domestic product
“GIA”	The Gemological Institute of America, a non-profit making institute of gemological research and learning
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were the Company’s subsidiaries at that time
“HIBOR”	Hong Kong Interbank Offer Rate
“HKFRS”	Hong Kong Financial Reporting Standards issued by the HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HRD”	HRD Antwerp World Diamond Centre, an institute which issues diamond certificates
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Indemnifiers”	Allmighty Group, Diamond Palace, Jumbo Gold and Dr. Yeung

DEFINITIONS

“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with any members of the Group, the director, chief executive or substantial Shareholders (as defined in the Listing Rules) of the Company and its subsidiaries and their respective associates
“Joint Lead Managers”	Emperor Securities and 3V Capital Limited
“Joint Sponsors”	Dao Heng and Emperor Capital
“Jumbo Gold”	Jumbo Gold Investments Limited, an investment holding company incorporated in the BVI on 2 January 1998 and is the trustee of the Albert Yeung Unit Trust, a unit trust under the AY Discretionary Trust
“Latest Practicable Date”	24 June 2008, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein
“Leased Properties”	property interests rented by the Group as listed in Appendix III to this prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which the Shares first commence dealings on the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Loan Capitalisation Issue”	the issue of an aggregate of 3,140,000,000 Shares to Allmighty Group at an aggregate subscription price of an amount equal to the loan due from the Company to Allmighty Group in existence immediately before the allotment of the Offer Shares (being a loan in the sum of not less than HK\$700,000,000) to be settled by way of capitalisation of such loan. Details of the Loan Capitalisation Issue are set out in the section “Share Capital” of this prospectus

DEFINITIONS

“Luckdoor”	Luckdoor Investments Limited, an investment holding company incorporated in Hong Kong on 16 September 1981 which is beneficially wholly-owned by Mr. Ricky Yeung and his associate
“Macau”	the Macao Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company adopted on 7 March 2008
“Mr. Ricky Yeung”	Mr. Yeung Chiu Shing, brother of Dr. Yeung
“Ms. Teresa Yeung”	Ms. Yeung Bo Chun, sister of Dr. Yeung
“Multifold”	Multifold Group Limited, an investment holding company incorporated in BVI on 5 December 2005 and is wholly-owned by Allmighty Group
“New Media”	New Media Group Holdings Limited, a company indirectly owned as to approximately 75% by AY Discretionary Trust and incorporated in Hong Kong on 8 October 2007 with limited liability with its subsidiaries principally engaged in the publication and marketing of Chinese language weekly magazines and sale of advertising spaces and whose shares are listed on the Main Board of the Stock Exchange under the stock code of 708
“Non-competition Deed”	a deed of non-competition undertaking dated 27 June 2008 provided by the Covenantors in favour of the Company relating to certain non-competition undertakings by the Covenantors
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage fee, Stock Exchange trading fee and SFC transaction levy) at which the Offer Shares are to be subscribed under the Share Offer
“Offer Share(s)”	the Public Offer Share(s) and the Placing Share(s)
“Placing”	the conditional placing of the Placing Shares at the Offer Price, to selected professional, institutional and private investors, on and subject to the terms and conditions stated in this prospectus

DEFINITIONS

“Placing Shares”	1,215,000,000 Shares, initially offered for subscription under the Placing subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing set out in the paragraph headed “Placing Underwriters” under the section headed “Underwriting“ of this prospectus
“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus (unless otherwise specified), excludes Hong Kong, Macau and Taiwan
“PRC License Agreement”	the agreement dated 23 June 2008 entered into between EWJ Management as licensor and Full Gold as licensee pursuant to which EWJ Management agreed to grant the licence to Full Gold to use the PRC Trademarks and Logo duly registered in the name of EWJ Management until the assignments in favour of Full Gold of those trademarks have been duly approved
“PRC Trademarks and Logo”	the Emperor Trademarks and Logo registered or under applications in the PRC
“Price Determination Agreement”	the agreement to be entered into between the Company and Emperor Securities (for itself and on behalf of the Underwriters) at or before the Price Determination Time to record and fix the Offer Price
“Price Determination Time”	the time, expected to be at or before 6:00 p.m. (Hong Kong time) on Monday, 14 July 2008 on which the Offer Price is fixed for the purpose of the Share Offer but in any event not later than 12:00 noon (Hong Kong time) on Tuesday, 15 July 2008
“Public Offer”	the offer of Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in the sections headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Shares”	135,000,000 new Shares initially being offered for subscription under the Public Offer subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” of this prospectus

DEFINITIONS

“Public Offer Underwriters”	the underwriters of the Public Offer set out in the paragraph headed “Public Offer Underwriters” under the section headed “Underwriting” of this prospectus
“Regulation S”	Regulation S under the US Securities Act 1933, as amended from time to time
“Reorganisation”	the corporate reorganisation of the Group in preparation for the listing of the Shares on the Stock Exchange, details of which are set out in the paragraph headed “Corporate Reorganisation” in Appendix V to this prospectus
“SARS”	Severe Acute Respiratory Syndrome
“Second Six-Month Period”	The period of six months immediately following the expiry of the First Six-Month Period
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 19 June 2008, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Track Record Period”	the period comprising the three consecutive financial years ended 31 December 2005, 2006 and 2007
“Trademark Office”	the Trademark Office of the State Administration for Industry and Commerce in the PRC
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters

DEFINITIONS

“Underwriting Agreement”	the conditional underwriting agreement dated 27 June 2008 entered into between, among others, the Company and the Underwriters relating to the Share Offer, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Yeung Family”	Mr. Yeung Shing, father of Dr. Yeung, and his family
“HK\$” or “HKD” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“MOP”	Macau Patacas, the lawful currency of Macau
“RMB”	Renminbi, the lawful currency of the PRC
“Swiss francs”	the lawful currency of Switzerland
“US”	United States of America
“US\$” or “US dollars”	United States dollars, the lawful currency of the US
“sq.ft.” and “sq.m.”	square foot(feet) and square metre(s), respectively
“%”	per cent.

Unless otherwise specified, certain amounts denominated in MOP, US dollar and RMB have been translated into HK\$ at the following exchange rates for illustrative purpose only.

HK\$0.97 = MOP1.00
HK\$7.8 = US\$1.00
HK\$1.05 = RMB1.00

No representation is made that any amounts in HK\$, MOP, US\$ and RMB can be or could have been converted at the relevant dates at the above rates or any other rates at all.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may be an arithmetic aggregation of the figures preceding them.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Shares. You should pay particular attention to the fact that the Group conducts its principal operations in Hong Kong and Macau, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO THE GROUP

Reliance on major watch suppliers and watch brands

The Group is principally engaged in retailing of luxurious branded watches and self-designed jewellery products. As at the Latest Practicable Date, the Group is retailing 29 international brands of luxurious watches. Out of these 29 brands, the Group has entered into dealership agreements for retailing 11 brands with terms ranging from 1 to 3 years or for indefinite period of time unless notice of termination is served by either party. For the remaining 18 brands, the dealership relationships have not been reduced into any written agreement. The Group would purchase from these suppliers on an order-by-order basis under the terms similar to those brands of which dealership agreements are entered into.

Retailing of luxurious branded watches is the major income source of the Group. During the financial years ended 31 December 2005, 2006 and 2007, the Group has recorded approximately HK\$555.0 million, HK\$925.1 million and HK\$1,346.1 million of turnover from sales of luxurious branded watches respectively, representing approximately 86.0%, 85.3% and 86.2% of total turnover of the Group respectively.

Branded watches are the principal purchases of the Group which formed a material portion of inventory of the Group. During the financial years ended 31 December 2005, 2006 and 2007, purchases from the Group's five largest watch suppliers accounted for approximately 89.6%, 92.5% and 93.0% respectively of total watch purchases of the Group. The sales of watches of top five brands accounted for 79.2%, 78.2% and 75.7% of the Group's total watch sales respectively. Among the top five brands, over 30% of the total watch sales was generated from the top brand and each of the remaining 4 brands contributed to approximately 4%-14% of total watch sales.

There is no assurance that the Group can continue to source watches of major brands from these watch suppliers or to renew the dealership agreements upon expiration. There is also no assurance that existing watch brands will continuously supply watches to the Group from watch suppliers with no dealership agreements. As a result, the Group may be unable to source and sell these branded watches in future and the performances and financial results of the Group may be adversely affected.

Potential competitions from new watch retailers

The dealership rights for watches obtained by the Group under the dealership agreements are of non-exclusive nature and therefore the Group is not the sole retailer for selling such branded watches in Hong Kong and Macau. The numbers of watch retailers in the market are controlled and determined by the watch suppliers at their own discretions based on their business and marketing strategies. As a result, the Group may face direct competition if the watch suppliers grant the dealership rights to new watch retailers in Hong Kong and Macau.

RISK FACTORS

No assurance of the watch suppliers to develop and maintain the watch brands

The performance of the Group depends on the customers' preferences to the Group's products and the market trends. The strategy adopted by the watch suppliers and their ability to manage and develop the watch brands are hence crucial to the future development of the Group. As the Group does not have any direct control over the decisions on the style and design of the watches and the promotional and business strategies of the watch suppliers, there is no assurance that such watches will continue to suit the customers' taste and thus there is no assurance that the customers will continue to purchase the watches from the Group in future. If the purchasing habits or preferences of the customers change in future and that these brands are no longer marketable, the performances and financial results of the Group may be adversely affected.

Exposure to price increment on diamond supply

Diamond is the major material being used for the production of the Group's jewellery products. For the financial year ended 31 December 2005, 2006 and 2007, the purchase of diamonds amounted to HK\$89.8 million, HK\$159.4 million and HK\$255.2 million respectively, representing approximately 12.5%, 14.6% and 17.7% of total purchases of the Group. The prices of diamonds move along with the international market price at an increasing trend recently, especially for diamonds of 1 carat and above. During the Track Record Period, the prices of some diamonds increased by more than double, depending on the color, clarity, cut and carat of the diamonds during the Track Record Period. If the prices of diamonds continue to increase to the extent that is beyond the acceptable level of the customers, the demand for the Group's jewellery products will decline and the profitability of the Group may be adversely affected.

No assurance of sufficient supply of diamond with good quality

The jewellery products designed and offered by the Group mainly consist of diamond products. The sales volume and operation results of the Group may be adversely affected if the diamonds supplied by the suppliers fail to meet the Group's requirements, in particular, the size and quality standard of the diamond. The ability of the Group to meet the demand of its customers may also be adversely affected if its major suppliers are unable to supply sufficient amount of diamond to the Group on a timely basis. This may in turn affect the operations and financial results of the Group.

No assurance to continue to source watches and design jewellery products of customers' preferences

The Group's success is principally due to its ability to source watches of popular international brands and to design and produce quality jewellery products and its prompt reactions to the changing customers' preferences. The Group is currently retailing 29 international brands of watches. The jewellery products offered by the Group are mainly designed by its in-house designers while the production of such jewellery products is outsourced to independent contractors. However, there is no assurance that the watches and the jewellery designs will continuously meet the changing customers' preferences and that the qualities of jewellery products produced by the contractors will remain up-to-standard. In the event of such failures, the reputation of the Group may be damaged and the profitability of the Group may be adversely affected.

RISK FACTORS

Obsolete and slow-moving inventory

The demand on the Group's luxurious watches and jewellery products is highly related to the customers' preferences to the Group's products. If the products of the Group fail to meet the changing trend of the market and consumers' tastes, the Group may face the risk on keeping slow-moving inventory. During the Track Record Period, the inventory turnover days of the Group were approximately 272.2 days, 234.2 days and 241.2 days respectively. For the financial year ended 31 December 2005, 2006 and 2007, inventory of the Group (before stock provision) amounted to approximately HK\$415.0 million, HK\$588.7 million and HK\$810.1 million respectively, among which approximately 25.2%, 30.7% and 29.6% of the inventory were aged over 1 year. Up to the Latest Practicable Date, approximately HK\$334.9 million, HK\$391.8 million and HK\$244.7 million of the inventory as at 31 December 2005, 2006 and 2007 was subsequently sold and provisions for the obsolete and slow-moving inventory of HK\$ nil, HK\$ nil and HK\$6.4 million were made for the corresponding periods respectively. If the Group cannot manage to source or manufacture appropriate inventories to suit the customers' tastes in future, the volume of obsolete and slow-moving inventory may be increased and the financial position and the profitability of the Group may be adversely affected.

Reliance on the retail market and tourism of Hong Kong and Macau

The business operations of the Group are principally based in Hong Kong and Macau. For the financial years ended 31 December 2005, 2006 and 2007, approximately 100.0%, 95.4% and 95.0% of total turnover of the Group was derived from Hong Kong while approximately nil, 4.6% and 5.0% of total turnover of the Group was derived from Macau. As stated under the section headed "Future plans & use of proceeds" in this prospectus, the Group plans to utilise the proceeds from the Share Offer to establish new retail outlets in Hong Kong and Macau. The Directors expect Hong Kong will continue to be the dominant geographical sector of the Group in the near future. In the event of any adverse changes in the economy of Hong Kong and Macau which affect the overall purchasing power of the population, the luxurious watch and jewellery retail market may be suffered and the Group's profitability and performance may be adversely affected.

The Directors believe that tourists are one of the major sources of customers of the Group, in particular tourists from mainland China. There is no assurance that the growth and development of tourism in Hong Kong and Macau can be maintained in future or that the business of the Group can be benefited from the future growth of tourism.

Reliance on key management personnel

The Group's success and future development is, to a considerable extent, attributable to the expertise and experience of its executive Directors, Ms. Cindy Yeung, Mr. Chan Hung Ming, Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa. Ms. Yeung is a Graduate Gemologist of the GIA and is experienced in selecting diamonds and is familiar with market trends on luxurious watches and jewellery products. Ms. Yeung's experience in the industry and her professional insight are valuable to the Group's business development and operation. She is well acquainted with market information and technical knowledge on selecting watch and jewellery products for the Group. Mr. Chan has extensive experience in luxurious watch and jewellery industry. Mr. Wong and Ms. Fan are experienced in overall strategic planning of the Group. There is no assurance that the Group can retain the key personnel for their future services, nor can the Group assure that qualified personnel can be engaged to replace any possible loss of such key management personnel which could adversely affect the Group's future operations.

RISK FACTORS

Non-renewal of tenancy or potential rental expenses increment of the Group's retail outlets

All of the 9 retail outlets of the Group, as at the Latest Practicable Date, are located at prime shopping locations in Hong Kong and Macau where customers can easily get access to. All of the Group's existing retail outlets are leased premises of which 4 outlets and 5 outlets are leased from Independent Third Parties and from connected persons of the Group, respectively.

The Group had entered into tenancy agreements in respect of the retail outlets of the Group in Hong Kong and Macau, the terms of which are ranging from approximately 2 years to 3 years. The expiry dates of these tenancy agreements, excluding any option to renew, range from July 2008 to March 2011. Among all the tenancies of the Group (excluding licences for signages), three of them will be expired in 2008, including two retail outlets in Canton Road and No. 59 Russell Street and a premise located in Canton Road as staff pantry. The Group has been operating the existing retail outlets in Canton Road and No. 59 Russell Street for approximately 3 to 4 years. Except for the No. 59 Russell Street outlet, the other two tenancies have an option for the tenant to renew for a further 2 years at the market rental or at agreed rate. For the financial year ended 31 December 2005, 2006 and 2007, total turnover generated from these two outlets amounted to approximately HK\$150.3 million, HK\$292.4 million and HK\$465.0 million respectively while the total profits before taxation amounted to approximately HK\$8.9 million, HK\$27.8 million and HK\$66.5 million respectively.

The Group intends to renew the tenancies or to exercise the renewal options upon expiry. The Directors consider that as long as the rental is not unreasonably above the market rental rate, the Group prefers to maintain the leases at the existing locations.

There is no assurance that each of these leases can be renewed upon expiry or can be renewed at terms and conditions which are favourable to the Group. There is also no assurance that the Group could secure similar locations at the Group's satisfaction for new leases. Failure to renew the existing leases upon expiry may hence have an adverse effect on the Group's performance and future development.

Should the Group fail to renew any tenancies for its retail outlets upon expiry, those outlets may need to be relocated. If the outlets are required to be relocated to less prime area, the turnover of the Group will be affected and the Group will have to incur costs for renovation and removal. In the worst scenario, those outlets may face closure if the increase in the rental is excessive or if the Group is not able to find alternative locations. In such case, the Group will face decline in turnover and the Group will have to incur costs for closure.

Rental expense is one the Group's major costs in its business operations. For the financial year ended 31 December 2005, 2006 and 2007, total rent, rates and building management fee of the Group's retail outlets amounted to approximately HK\$16.5 million, HK\$32.2 million and HK\$51.4 million respectively (representing approximately 44.0%, 48.1%, 44.5% of selling and distribution expenses of the Group respectively during the Track Record Period). The total rental expenses of the Group's retail outlets increased by approximately 37.2%, 94.8% and 59.6% for the financial years ended 31 December 2005, 2006 and 2007 respectively when comparing with the respective previous year. The average rental rate of the Group's retail outlets for the financial year ended 31 December 2005, 2006 and 2007 were approximately HK\$125, HK\$145 and HK\$162 per square feet respectively. Among the tenancies for the retail outlets of the Group, the retail outlet in

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Central was renewed recently, with an increase of rental of 150% from approximately HK\$0.6 million under the previous lease term to HK\$1.5 million per month under the renewed lease term. Given that there has been a general rising trend in rentals in Hong Kong and Macau, any substantial increase in rental expenses in future may have a material adverse impact on the Group's profitability.

No assurance of retaining skilled and qualified personnel

The Directors consider that retaining skilled and qualified personnel is one of the key factors for the growth and future success of the Group. In particular, the Group requires a large number of capable staff to fill in the sales and management positions for the existing outlets and any new outlets to be opened by the Group in future.

Under the strong economy in Hong Kong and Macau, the Group may face difficulties in recruiting or retaining suitable personnel, in particular those with extensive experience and knowledge of luxurious watches and jewellery.

If the Group fails to maintain and/or expand the working team, the operation of the Group may be adversely affected and the future expansion plan of the Group may not be implemented effectively.

Net cash outflow from operating activities and negative cash and cash equivalents position

The Group experienced net cash used in operating activities of approximately HK\$115.6 million, HK\$114.3 million and HK\$9.1 million for the financial year ended 31 December 2005, 2006 and 2007 respectively and recorded negative cash and cash equivalents of approximately HK\$14.2 million and HK\$2.8 million as at 31 December 2005 and 2006 respectively. Before Listing, the operation of the Group was mainly funded by advances from its holding companies and/or fellow subsidiaries and bank borrowings. There is no assurance that the Group will record net cash inflow through its operations and positive cash position in the future following the 12-month period after the Listing.

No assurance on sustainability of the growth of the Group

During the Track Record Period, turnover of the Group grew substantially from approximately HK\$645.3 million in 2005 to HK\$1,561.5 million in 2007 while the profit of the Group grew from approximately HK\$26.1 million in 2005 to HK\$158.8 million in 2007.

Apart from the development plan and business strategy of the Group, other factors, like the economic condition and customers' preferences, which are beyond the control of the Group, may also affect the growth of the Group. There is no assurance that the Group will be able to achieve or maintain similar level of growth in turnover and profit in future. The results of the Group during the Track Record Period should not be used as an indicator of the Group's future performance.

No assurance on success of planned business expansion

The Group is engaged in an effort in expanding and establishing additional retail outlets in Hong Kong and Macau. There is no assurance that this business expansion will be successful as the Group's expansion plan may be affected by many other factors which are not under the Group's control, such as economic conditions, management's ability to manage the growth,

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recruitment of sufficient qualified personnel, ability to secure watch dealership rights for new locations and the terms of leases for new retail outlets. Also, as the Group expands, its rental commitments, renovation expenses, inventory carrying costs and financing costs may increase and hence affect the profitability of the Group. There is no assurance that the Group will be able to expand on a timely basis or operate the business on a profitable basis.

Licensing of the PRC Trademarks and Logo

Pursuant to the Franchise License Agreement, the Group, upon becoming the registered owner of the PRC Trademarks and Logo, will grant to EWJ Management a license to use the PRC Trademarks and Logo, for a term up to the expiry or termination of all franchising agreements, to enable the continual operation of the Franchising Business. Further information in relation to the Franchise License Agreement is set out in the section headed “Relationship with the Controlling Shareholders” in this prospectus.

The PRC Trademarks and Logo are sub-licensed by EWJ Management to a number of franchisees under the Franchising Business for the operations of the retail outlets by the franchisees. Despite that there are restrictions on the use of the PRC Trademarks and Logo as set out in the Franchise License Agreement and the respective franchising agreements between EWJ Management and the franchisees, there is a risk of infringement or inappropriate use of the PRC Trademarks and Logo by the franchisees under the Franchising Business. As a result, the Group’s reputation and the Group’s business may be adversely affected.

To the best knowledge of the Directors after making due and careful enquiry to the Franchising Group, there is no record of inappropriate use of the PRC Trademarks and Logo by the franchisees during the Track Record Period.

Violation of discounting policies imposed by watch suppliers

A number of watch suppliers imposed policies on the Group regarding the maximum discounts allowed to be granted to the Group’s customers with reference to different brands and models of watches. Violations of these policies may result in different levels of penalties including, buy-back of the sold watches which are purchased by the watch suppliers during surprise visits at full retail prices, forfeiture of incentive bonus for certain periods, short suspension of watch supplies and/or, in extreme cases, termination of dealership relationships.

During the Track Record Period, the Group was discovered by watch suppliers on four occasions of its violations of the said discounting policies which resulted in purchase back of the sold watches involved in the specific occasions and/or forfeiture of incentive bonus for the month during which the incidents occurred. The estimated incentive bonus forfeited amounted to approximately HK\$6,000 and the economic losses arising from these incidents were minimal.

Should the Group be found for further violations of the discounting policies imposed by different watch suppliers to the extent that the relevant dealership relationships are to be terminated, the Group will be unable to source and sell the relevant branded watches in future and the financial results of the Group may be adversely affected.

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Quality and supply of the goods sold by the Group

The Group's watches and jewellery products and jewellery components are either sourced from third party suppliers or from consignors. The Group inspects the watches and jewellery or jewellery components when the same are delivered to the Group before selling to its customers. If there are any defects in quality or title of the goods which the Group fails to discover during inspection, it is possible that there may be claims from customers against the Group directly after they have purchased the products from the Group, regardless of whether the products are watches and jewellery products sourced from independent suppliers, self-designed jewellery products or consignment products. In such event, reputation of the Group may be damaged. Should the Group fail to get recourse from the suppliers or consignors by claiming against them, the financial condition of the Group may be adversely affected.

During the Track Record Period, the Group was not subject to any claims by its customers due to quality problems on the products sold by the Group.

Some of the Group's products are for sale on consignment basis. The consignment arrangement is usually for products of less popularity in order to test the market response. As there is usually no definite period for the term of consignment arrangement, and the model type, style and quantity of goods are to be agreed between the Group and the consignors from time to time with no fixed terms, the Group has minimal control on the supply of the consignment goods. If the market response to the products is favourable, there is no guarantee that supply of such products by the Group can meet customers' demand. In such event, the Group's profitability may be adversely affected.

Orders issued by Building Authority

As disclosed in the paragraph headed "Legal and Regulatory" under the section headed "Business" in this prospectus, EWJ HK received two building orders issued by the Building Authority under the Buildings Ordinance on 3 November 2006 and 30 January 2008 in relation to the signboards erected at the external walls of the buildings of the Group's retail outlets at No. 81 Nathan Road, Tsimshatsui and No. 8 Russell Street, Causeway Bay which are showing the name of Emperor Watch and Jewellery and the products of the Group. The main portion of No. 81 Nathan Road premises is leased by the Group from EIHL, a connected person of the Company while a small portion of the premises is leased from Independent Third Party. The No. 8 Russell Street premises is leased by the Group from EIHL.

The Building Authority alleged that these signboards were erected without having first obtained from them, the approval of building plans and commencement of such building works as required by section 14 of the Buildings Ordinance. EWJ HK as the user, was required to demolish these signboards and to reinstate the parts of the building so affected by the building works in accordance with the plans approved by the Building Authority.

The Group has been using the signboard at No.81 Nathan Road premises for many years. The Directors have no knowledge as to when and by whom the signboard was erected as the rack for the signboard was erected prior to the Group's occupation of the premises as its retail outlet. So far as known to the Directors, this signboard was erected without the approval of the Building

RISK FACTORS

Authority at the time of its construction. As for the No.8 Russell Street outlet, the signboard in question is a banner space erected by the landlord for hanging light advertising materials of which the landlord was not aware of obtaining approval from the authority at that time. The banner space was then used by the Group.

EWJ HK has taken certain steps to rectify the situation. These include, among other things, appointing authorised person (within the meaning under the Buildings Ordinance) to liaise with the Building Authority and submitting new building plans to the Building Authority. The Building Authority has approved the structural specification of a replacing signboard for the one erected at the retail outlet at No.81 Nathan Road. The Group will carry out rectification work including demolishing the existing signboard. However since there are other signs within the vicinity of the signboard, the Company was advised by the authorised person that it is unable to remove the signboard due to obstructions caused by the other signboards. The Company has, via the authorised person, liaised with the Building Authority to seek the removal of the other signs in order to make way for the signboard to be removed. It is expected that it will take around 1.5 months and approximately HK\$300,000 to remove the existing signboard erected at the building where the No.81 Nathan Road retail outlet is situated after the removal work details are confirmed. The Directors estimated that such rectification work is expected to complete before the end of 2008 with reference to the progress of the liaison with the Building Authority. As for the signboard erected at No.8 Russell Street, it has been demolished on 13 June 2008 and the demolition work is to be inspected by the Building Authority. If the Building Authority accepts the demolition work, the corresponding building order will be released.

EWJ HK has sought advice from authorised person (within the meaning under the Buildings Ordinance) who has confirmed that the existing structure of signboard of the Group at No. 81 Nathan Road is structurally safe. Save as disclosed above, the Company did not receive any other building orders as at Latest Practicable Date. More details in relation to the building orders are set out in the paragraph “Legal and Regulatory” under the section “Business” of this prospectus.

Nevertheless, pending finalisation of these remedial actions with the Building Authority and the release of the building order, EWJ HK will still be subject to the risks of being challenged and penalties imposed by the Building Authority under the Buildings Ordinance which may include fixed and daily fines, imprisonment and reimbursement of costs for the rectification work done by the Building Authority, although some of the signboards are erected by previous tenants of the premises or by the landlords. Pursuant to section 33 of the Buildings Ordinance, in the case where the Building Authority is authorised to recover the cost incurred from the rectification work done by it, it may issue a certificate certifying the cost due and names of the persons liable therefor, and may by such certificate apportion such cost among such persons. At any time before such costs and interest accrued thereon has been wholly recovered, a memorial of the certificate may be registered in the Land Registry against the title of the property in respect of which such cost arose. Pursuant to section 40(1BA) of the Buildings Ordinance, EWJ HK could be found guilty of an offence and liable on conviction: (a) to a fine of HK\$200,000 and to imprisonment for 1 year; and (b) to a fine of HK\$20,000 for each day during which it is proved to the satisfaction of the court that the offence has continued should it, without reasonable excuse, fail to comply with the aforesaid building orders served on it.

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The Company has obtained legal advice from legal counsel to ascertain the possible penalty in relation to the said signboards. If EWJ HK is found guilty and liable on criminal conviction, its director or other officer concerned in its management who is in actual control of its operations may be held liable. As for monetary penalty, as suggested by the said advice which was formed with reference to similar precedent case in Hong Kong, the Directors estimated that the penalty will be approximately HK\$1,232,000 and HK\$326,000 up to the date of this prospectus for the signboards situated at No. 81 Nathan Road and No. 8 Russell Street respectively. However, the estimation is subject to various factors as the court may consider on case by case basis, the Directors are unable to ascertain the exact amount of fine that may be imposed on the Group. The amount of fine may be subject to the then prevailing policy as adopted by the Buildings Department, and can be substantial if stringent measures are taken. The impact to the Group is uncertain as the amount of fine can be material or if any Director or management is liable to the criminal offence, the financial or operation of the Group may be adversely affected.

No assurance of declaring high rate of dividend as in the past

On 4 October 2005, Charter Loyal Limited declared and paid special interim dividend of HK\$162,000 to its shareholders.

No dividend has been declared by the Group for the financial year ended 31 December 2006.

On 28 December 2007, EWJ HK declared special interim dividend of HK\$245.0 million and such amount was paid to its shareholder on 20 February 2008. On 28 April 2008, EWJ HK declared special interim dividend of HK\$73.0 million and such amount was paid to its shareholder on 15 May 2008. Such dividend payments were financed by advances from Allmighty Group and any outstanding amounts due to Allmighty Group will be capitalised as the share capital of the Company pursuant to the Loan Capitalisation Issue before the Listing.

The aforesaid payment of dividends by EWJ HK is not an indicator for any dividend payment of the Group in the future. The Group may suffer any of the risks as mentioned in this section of the prospectus which may adversely affect the dividend payment in the future.

Non-registration of tenancy agreements

The Group conducts its retail business in leased premises. As at the Latest Practicable Date, a total of 10 tenancies entered into by the Group which provide for a term exceeding 3 years and/or an option to renew have not been registered in the Land Registry. Under Section 3(2) of the Land Registration Ordinance, the above tenancies shall be registered in the Land Registry, otherwise such tenancies shall, as against any subsequent bona fide purchaser or mortgagee for valuable consideration of the relevant premises, be absolutely null and void to all intents and purposes and the Group may lose possession of or the right to exercise the option to renew the term of the relevant premises to such subsequent bona fide purchaser or mortgagee. However, the Group will not be subject to any penalty or fine by any governmental authority due to the failure to register the above tenancies. The Group has already made applications with the Land Registry for registration of those existing tenancies which require application. For future leases which require registration, the Group will apply for registration once the leases are executed.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY

Highly competitive industry

The Directors believe that the luxurious watch and jewellery retail market is highly competitive in Hong Kong and Macau. These competitors include specialty-branded retail shops, department stores, major chain stores and international retailers, which offer luxurious watches and jewellery and other related products. Based on the Directors' knowledge and experience in retail sales of international branded watches and jewellery, the industry players compete with one another based on, among other things, product variety, product design, product quality and price. There is no assurance that the Group will be able to compete with others in the future in light of the changing and competitive market environment. Increasing competition in the industry may affect the pricing and profitability of the Group's products.

Seasonal fluctuation

The Group experiences seasonal fluctuations in its turnover as consumption patterns vary on seasonal basis. Thus, the Group generally records higher sales revenue during major holidays and festivals, such as the Chinese New Year, National Day and Christmas, as compared with the sales in other periods in the financial year. Any change in purchasing power, spending patterns or market trends may intensify such fluctuations and affect the Group's turnover and financial performance. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between corresponding periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of the Group's performance. Any seasonal fluctuations reported in the future may not match the expectations of investors. This could cause fluctuation in the trading price of the Shares.

Counterfeit products

The Group is a retailer of luxurious watches for 29 international brands. There is no assurance that there will not be any significant counterfeit watches being sold in the market in the future and that the demand for the Group's products will be affected by those counterfeit watches. In such cases, the performance and business operations of the Group may be adversely affected.

Import tariffs and sales tax

At present, there is no import tariff, sales tax or other tax on the Group's products in Hong Kong and Macau. If Hong Kong and Macau were to introduce or impose import tariffs, sales tax and/or other taxes on those products, the Directors would anticipate that the relevant profit margin of the Group may be reduced. Such introduction of tariff or tax may also result in a corresponding increase in the price of those products and can eventually lead to decrease in customers' demand for the Group's products. All these factors may have an adverse impact on the performance and profitability of the Group.

RISK FACTORS

RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG AND MACAU

PRC travelers to Hong Kong and Macau

The business operations of the Group are based in Hong Kong and Macau. The Directors consider that the implementation of the “Individual Visit Scheme” by the PRC government since mid 2003 which allows the PRC travelers to visit Hong Kong and Macau on an individual basis boosted the number of tourists from the PRC to Hong Kong and Macau, and thus increased the sales of the Group. The Directors acknowledge that tourists from the PRC are one of the major customer groups of the Group on the basis that over 30% of the sales proceeds of the financial year ended 31 December 2007 were settled via China UnionPay – a domestic credit card organisation in the PRC.

There is no assurance that the “Individual Visit Scheme” will continue in the future and that the number of tourists from the PRC to Hong Kong and Macau can be sustained at the existing levels. Otherwise, the Group’s business and financial condition may be adversely effected.

Economic, political and social condition in Hong Kong and Macau

A significant part of the Group’s assets and operations are currently located in Hong Kong and Macau. Hong Kong and Macau are special administrative regions of the PRC with its own government and legislature. However, there is no assurance that the current government policies, economic and social conditions and business environment in Hong Kong and Macau will not undergo significant changes in future, which may adversely affect the Group’s business, results of operations and financial condition.

RISKS RELATING TO THE SHARE OFFER

Liquidity and possible price volatility of the Shares

Prior to the Share Offer, there was no public market for the Shares. The range of the initial Offer Price for the Offer Shares was determined as a result of negotiations between the Company and Emperor Securities (for itself and on behalf of the Underwriters). The final Offer Price may differ significantly from the market price of the Shares following the Share Offer. The Company has applied for the listing of, and permission to deal in, its Shares on the Stock Exchange. However, being listed on the Stock Exchange does not guarantee that an active trading market for the Shares will develop, or that if it does develop, it will be sustained following the Share Offer, or that the market price of the Shares will not decline following the Share Offer.

The price and trading volume of the Shares will be determined by the market and may be highly volatile. Factors such as variations in the Group’s revenue, earnings and cash flows, changes in or challenges to the Group’s business, announcements of new investments, strategic alliances and/or acquisitions, could cause the market price of the Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which the Shares will be traded. There is no assurance that these developments will not occur in the future.

RISK FACTORS

Dilution of Shareholders' equity interest

The Group may need to raise additional funds in the future to finance the expansion of operations or new acquisitions. The fund raising may result in issuance of new Shares and other equity-linked securities of the Company other than on a pro rata basis to existing Shareholders. As such, the Shareholders may experience substantial dilution in their interests to the Company. Moreover, any such new securities may have preferred rights, preferences and/or privileges over those attaching to the Shares.

RISK ASSOCIATED WITH THIS PROSPECTUS

Certain facts and statistics contained in this prospectus relating to Hong Kong and Macau and their economies and retail industries are derived from various government official publications including their respective websites and have not been independently verified

Certain facts and statistics in this prospectus relating to Hong Kong and Macau and their economies and retail industries are derived from various government official publications including their respective websites, which the Group believes are reliable. However, the Group cannot guarantee the quality and reliability of such official source materials. While the Directors have taken reasonable care to ensure that the facts and statistics are accurately reproduced from such government official publications including their respective websites, these facts and statistics have not been independently verified by the Group, the Joint Sponsors or the other professional parties involved in the Share Offer. The Group, the Directors, the Joint Sponsors, the Underwriters, their respective directors and advisors or any other professional parties involved in the Share Offer do not make any representation as to the correctness or accuracy or any other facts and statistics derived from the publicly available government official publications including their respective websites, presented in this prospectus, which may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics derived from such government official publications including their respective websites may be inaccurate or may not be comparable from period to period or to statistics produced by other organisations, and should not be unduly relied upon. Furthermore, the Group cannot assure that the statistics are stated or compiled on the same basis or with the same degree of accuracy, as may be the case elsewhere.

Reliance on forward-looking statements contained in this prospectus involve risks and uncertainties

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “consider”, “could”, “estimate”, “expect”, “may”, “plans”, “prospects”, “should”, “will” and similar expressions. Such statements are based on the beliefs of the Group’s management, as well as assumptions and information currently available to the Group’s management.

These forward-looking statements reflects the Group’s current view with respect to future events and are subject to certain risks, uncertainties and factors, including the risk factors described in this section. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by the Group that its plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

All opinions expressed in this prospectus have been arrived at after due and careful consideration and are formed on bases, and assumptions that are fair and reasonable.

THE SHARE OFFER AND THIS PROSPECTUS

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. So far as the Share Offer is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Joint Sponsors and the Underwriters, any of their respective directors or affiliates, or any other parties involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the Group's affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

The Share Offer comprises the Public Offer and the Placing. This prospectus and the Application Forms set out the terms and conditions of the Share Offer. The Public Offer Shares and the Placing Shares are being offered for subscription at the Offer Price. Details of the structure of the Share Offer are set out in the section headed "Structure and Conditions of the Share Offer" of this prospectus.

The Share Offer is sponsored by the Joint Sponsors and fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" of this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by Emperor Securities (for itself and on behalf of the other Underwriters) and the Company at or before 6:00 p.m. (Hong Kong time) on Monday, 14 July 2008, or such later time or date as may be agreed between Emperor Securities (for itself and on behalf of the Underwriters) and the Company but in any event no later than 12:00 noon (Hong Kong time) on Tuesday, 15 July 2008.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

If Emperor Securities (for itself and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price at or before 6:00 p.m. (Hong Kong time) on Monday, 14 July 2008, or such later time as may be agreed between Emperor Securities (for itself and on behalf of the Underwriters) and the Company but in any event not later than 12:00 noon (Hong Kong time) on Tuesday, 15 July 2008, the Share Offer will not become unconditional and will lapse.

OFFER SHARES TO BE OFFERED IN HONG KONG ONLY

Save as mentioned below, no action has been taken in any jurisdiction other than Hong Kong to permit any offering of the Offer Shares or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer of invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus and/or Application Forms are deemed to have confirmed with the Company, the Joint Sponsors and the Underwriters that such restrictions have been observed.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and conditions of the Share Offer are set out under the section headed “Structure and Conditions of the Share Offer” of this prospectus.

APPLICATION FOR LISTING ON THE MAIN BOARD

The Company has applied to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein including the Shares (including any additional Shares which may be issued pursuant to the Loan Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the options granted or to be granted under the Share Option Scheme, which represent 10% of the Shares in issue on the Listing Date, on the Main Board respectively.

Save as disclosed above, no part of the Company’s share capital is listed or dealt in on any other stock exchange. At present, the Company is not seeking or proposing to seek a listing of, or permission to deal in, the Shares on any other stock exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding, disposing of or dealing in the Offer Shares, you should consult an expert.

The Company, the Joint Sponsors, the Underwriters, their respective directors, agents, advisers or any other person involved in the Share Offer do not accept responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, or purchasing, holding, disposing of or dealing in the Offer Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares in issue and to be issued pursuant to the Share Offer and the Loan Capitalisation Issue will upon Listing be registered on the Company's register of members to be maintained by Tricor Secretaries Limited in Hong Kong. Only Shares registered on the Company's register of members maintained in Hong Kong may be traded on the Stock Exchange.

Dealings in Shares registered in the Company's Hong Kong register of members will be subject to Hong Kong stamp duty.

If you are unsure about the taxation implications of subscribing for the Public Offer Shares or holding, disposing of or dealing in, or the exercise of any rights in relation to, the Public Offer Shares, you should consult an expert.

The Company, the Joint Sponsors, the Underwriters, any of their respective directors or officers or any other person involved in the Share Offer do not accept responsibility for any tax effects on, or liability of, any person resulting from subscribing or purchasing or holding or disposing of or dealing in the Public Offer Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board are expected to commence on Monday, 21 July 2008. Shares will be traded in board lots of 10,000 Shares each.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Ms. Cindy Yeung	Flat C, 12th Floor, Hilltop Mansion 60 Cloud View Road North Point Hong Kong	British
Mr. Chan Hung Ming	Flat E, 19th Floor Block 23 Laguna City Kwun Tong Kowloon Hong Kong	Chinese
Mr. Wong Chi Fai	Flat B, 19th Floor Tower II, Clovelly Court 12 May Road Hong Kong	British
Ms. Fan Man Seung, Vanessa	Ground Floor, Block A2 12 Boyce Road Jardine's Lookout Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Ms. Yip Kam Man	9/F., Glory Centre 8 Hillwood Road Tsimshatsui Kowloon Hong Kong	Chinese
Mr. Chan Hon Piu	Flat F, 11th Floor Block 8, City Garden North Point Hong Kong	Chinese
Ms. Lai Ka Fung, May	Flat G, 23/F Block 2, Well On Garden Tseung Kwan O Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Joint Sponsors

Dao Heng Securities Limited

12th Floor, The Center
99 Queen's Road Central
Hong Kong

Emperor Capital Limited

28th Floor, Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Joint Lead Managers

Emperor Securities Limited

23rd-24th Floor, Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

3V Capital Limited

Unit 2102, 21/F., Worldwide House
19 Des Voeux Road Central
Hong Kong

Co-Manager

Taifook Securities Company Limited

25th Floor, New World Tower
16-18 Queen's Road Central
Hong Kong

Legal advisors to the Company

As to Hong Kong law

Tung & Co. Solicitors

19th Floor
8 Wyndham Street
Central
Hong Kong

As to PRC law

Unitalen Attorneys at Law

7th Floor, Scitech Place
No. 22 Jian Guo Men Wai Avenue
Chaoyang District
Beijing 100004
PRC

As to Macau law

Advogados & Notários

Avenida da Praia Grande,
n.429, 25, Macau

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisor to the Joint Sponsors and the Underwriters	Woo Kwan Lee & Lo 26th Floor, Jardine House 1 Connaught Place Central Hong Kong
Auditors and reporting accountants	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F One Pacific Place 88 Queensway Hong Kong
Property valuer	Savills Valuation and Professional Services Limited 23rd Floor, Two Exchange Square Central Hong Kong
Receiving banker	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

Registered office	25th Floor Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Head quarter of the Group and principal place of business in Hong Kong	25th Floor Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Company's website	www.emperorwatchjewellery.com (Note 1)
Company secretary	Mok Fung Lin, Ivy, LL. B. (Hons.) P. C. LL, MBA
Qualified accountant	Ho Koon Man, FCCA/CPA (Practising)
Authorised representatives (for the purpose of the Listing Rules)	Mok Fung Lin, Ivy Flat E, 34/F Block 2 Illumination Terrace 7 Tai Hang Road Hong Kong Fan Man Seung, Vanessa Ground Floor, Block A2 12 Boyce Road Jardine's Lookout Hong Kong
Compliance adviser	SinoPac Securities (Asia) Limited 23rd Floor, Two International Finance Centre 8 Finance Street Central, Hong Kong
Members of the Audit Committee	Yip Kam Man (Chairperson) Lai Ka Fung, May Chan Hon Piu
Members of the Remuneration Committee	Wong Chi Fai (Chairman) Yip Kam Man Lai Ka Fung, May
Hong Kong share registrar and transfer office	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Principal bankers

**The HongKong and Shanghai Banking
Corporation Limited**

Mongkok Office
673 Nathan Road
Kowloon

The Bank of East Asia, Limited

10 Des Voeux Road Central
Hong Kong

Chong Hing Bank Limited

1/F Fung Lok Commercial Building
163 Wing Lok Street
Sheung Wan
Hong Kong

Note 1: The information contained in the Company's website does not form part of this prospectus.

INDUSTRY OVERVIEW

Some of the information and statistics set out in this section have been derived from various government official publications including their respective websites. Such information or statistics has not been prepared or independently verified and none of the Directors, the Company, the Joint Sponsors, the Underwriters, the Joint Lead Managers or their respective directors and advisers or any professional party involved in the Share Offer makes any representation as to the accuracy of such information and statistics, which may not be consistent with each other or other information compiled by other official or unofficial source and may not be complete or up-to-date or accurate and should not be unduly relied upon.

INDUSTRY OVERVIEW

Swiss watch market

As at the Latest Practicable Date, all of the Group's distributed watches are Swiss made. The watch and clock industry is one of the leading industries in Switzerland and is the third largest exporter after the machine and chemical industries in Switzerland, according to the Federation of the Swiss Watch Industry FH. Switzerland is the biggest exporting country of watches in the world (in terms of export value). The total export value of watches in Switzerland amounted to approximately US\$10.0 billion, US\$11.0 billion and US\$13.4 billion in 2005, 2006 and 2007 respectively and was approximately 1.7 times, 1.8 times and 2.1 times respectively for that of Hong Kong, the second largest exporting region.

The reputation of "Swiss made" watches has long been established and the "Swiss made" watches are recognized by the market as high quality watch products. Certain laws and regulations are imposed in Switzerland to govern and regulate the use of "Swiss made" label on the watches. As a result, watches with "Swiss made" label are usually regarded as luxury products with relatively high market value. Based on the statistics prepared by the Federation of the Swiss Watch Industry FH, the average value per unit of watch exported from Switzerland is far higher than those exported from other countries/region and those average values were increasing at a pace of 7.4% and 17.1% respectively in 2006 and 2007.

INDUSTRY OVERVIEW

The following table illustrates some important exporting figures of the world's watch exporting leaders during the past three years:–

Countries	2005		Average		2006		Average		2007		Average	
	Export value	Units	value	Export value	Units	value	Export value	Units	value	Units	value	Export value
	(US\$ billion)	(millions)	(US\$)	(US\$ billion)	(millions)	(US\$)	(US\$ billion)	(millions)	(US\$)	(US\$ billion)	(millions)	(US\$)
			per unit			per unit			per unit		per unit	
			(note a)			(note a)			(note a)		(note a)	
Switzerland	10.0	24.3	411.5	11.0	24.9	441.8	13.4	25.9	517.4			
Hong Kong	6.0	627.3	9.6	6.1	521.1	11.7	6.4	472.9	13.5			
China	2.0	884.6	2.3	2.0	691.6	2.9	2.4	638.3	3.8			
France	N/A ^(note b)	N/A ^(note b)	N/A ^(note b)	1.1	4.4	250.0	1.3	5.8	224.1			
Germany	1.0	10.8	92.6	1.2	13.5	88.9	1.2	14.1	85.1			

Note:

- a. The average value per unit is calculated by dividing the export value by the unit of watches exported
- b. Japan was the fifth largest watch exporting country (in terms of export value) in 2005, the total export value of which amounted to approximately USD0.95 billion respectively.

Source: Federation of the Swiss Watch Industry FH

Switzerland exports most of its watch products (nearly 95% of its production) to countries all over the world. According to the statistics prepared by the Federation of the Swiss Watch Industry FH, Hong Kong is one of the major importers of Swiss watches and has long been its second largest importer sharing approximately 14.0%-15.3% of the total exports of Swiss watches since 2002. The following table demonstrates the top 5 importing countries of Swiss watches since 2002:–

Countries	Value and share of major importing countries of Swiss watches from 2002-2007											
	2002		2003		2004		2005		2006		2007	
	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value
	(billion Swiss francs)	(billion Swiss francs)	(billion Swiss francs)	(billion Swiss francs)	(billion Swiss francs)	(billion Swiss francs)	(billion Swiss francs)	(billion Swiss francs)	(billion Swiss francs)	(billion Swiss francs)	(billion Swiss francs)	(billion Swiss francs)
			%	%	%	%	%	%	%	%	%	%
USA	1.64	15.5%	1.66	16.3%	1.87	16.9%	2.15	17.4%	2.29	16.6%	2.44	15.3%
Hong Kong	1.55	14.5%	1.42	14.0%	1.64	14.8%	1.77	14.3%	1.95	14.2%	2.43	15.3%
Japan	1.10	10.3%	0.98	9.7%	0.99	8.9%	1.15	9.3%	1.27	9.2%	1.21	7.6%
Italy	0.81	7.6%	0.74	7.2%	0.78	7.0%	0.84	6.8%	0.90	6.6%	1.02	6.4%
France	0.67	6.3%	0.61	6.0%	0.61	5.5%	0.66	5.4%	0.81	5.9%	0.98	6.2%

Source: Federation of the Swiss Watch Industry FH

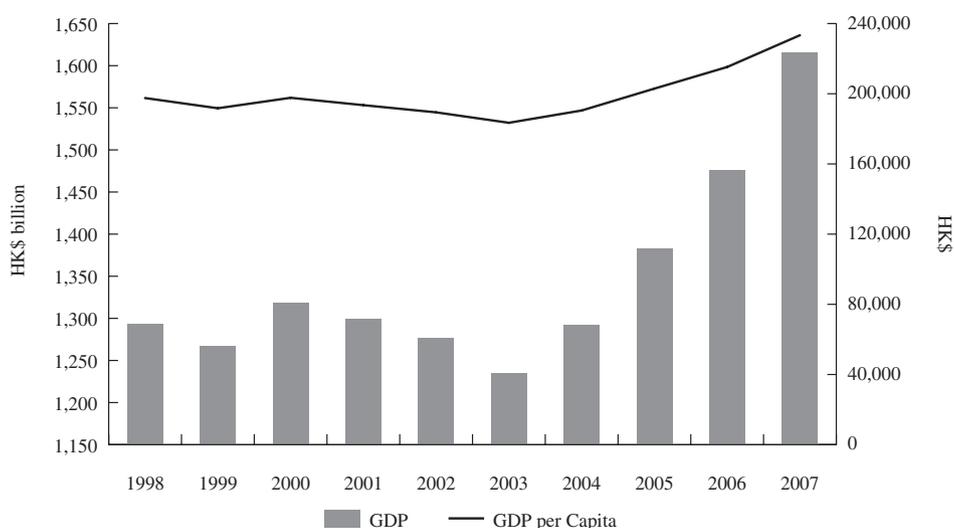
INDUSTRY OVERVIEW

HONG KONG AND MACAU JEWELLERY AND WATCH MARKET

Economy in Hong Kong

The demand of luxurious watches and jewellery products in Hong Kong and Macau is correlated to their respective economy situations. Set forth below are details of the GDP and per capita GDP in Hong Kong from 1998 to 2007:–

GDP and GDP per Capita in Hong Kong from 1998-2007



Source: website of the Census and Statistics Department of the HKSAR (www.censtatd.gov.hk)

Over the past decade, the GDP and the per capita GDP in Hong Kong fluctuated. Hong Kong experienced economic downturns during 1998 and 2003 which was resulted from the occurrence of the Asian financial crisis in 1997 and the outbreak of SARS in 2003. The GDP and per capita GDP reached the lowest of approximately HK\$1,234.8 billion and HK\$183,449 in 2003 over the recent decade. With the gradual economy recovery since 2003, the GDP in Hong Kong has grown from approximately HK\$1,234.8 billion in 2003 to approximately HK\$1,616.2 billion in 2007, representing a CAGR of approximately 6.9% during that period. The per capita GDP in Hong Kong also increased from HK\$183,449 in 2003 to HK\$232,836 in 2007, representing a CAGR of approximately 6.1%. Coupled with the unemployment rates falling from an average rate of about 7.9% in 2003 to about 4.0% in 2007, the retail sales in Hong Kong is expected to grow further.

As stated in the 2008-09 budget, Hong Kong's economy is expected to continue to record solid growth in 2008. The GDP is forecast to increase by four to five per cent, lower than that in the past four years but still higher than the average trend growth rate for the past ten years. The unemployment rate is expected to remain at a relatively low level.

Economy in Macau

Over the past 10 years, the GDP of Macau demonstrates an upward increasing trend from approximately MOP 49.4 billion in 1998 to approximately MOP 153.6 billion in 2007, representing a CAGR of approximately 13.4% over the year, as recorded by the Statistics and Census Bureau of the Macau Government.

INDUSTRY OVERVIEW

With the continuing economy growth, Hong Kong and Macau become the regions which have the highest actual final consumption expenditures among the Asian countries. According to the research report published by Asian Development Bank in December 2007, per capita expenditure on final consumption in Hong Kong and Macau during 2005 amounted to HK\$125,303 and HK\$67,160 respectively, being the highest and the fifth highest consumption expenditure group among the Asian countries.

Per Capita Real Actual Final Consumption Expenditures of Asian Countries, 2005

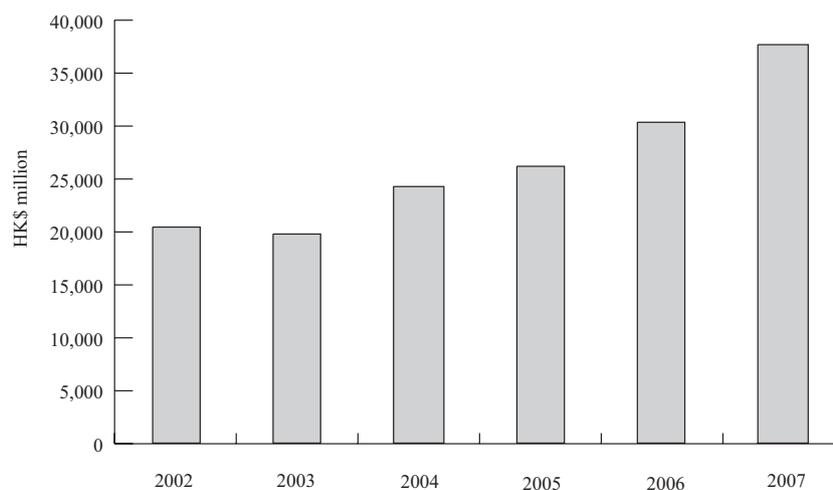
Economy	Expenditures (HK dollars)
Hong Kong	125,303
Taipei	107,878
Singapore	99,393
Brunei Darussalam	81,740
Macau	67,160
Regional average	12,878

Source: "Purchasing Power Parities and Real Expenditures", Economics and Research Department, Asian Development Bank, December 2007

The retail sales of watches and jewellery in Hong Kong and Macau

Driven by the growth of the economies and the purchasing powers in Hong Kong and Macau, the retail market in these areas, especially for luxurious and valuable goods, grew at an increasing pace since 2002. According to the information from Census and Statistics Department of the HKSAR, except due to the outbreak of SARS in 2003 which resulted in decrease of the relevant retail sales of Hong Kong and Macau to approximately HK\$19.7 billion and MOP 492 million respectively, retail sales of jewellery, watches and clocks and valuable gifts increased to approximately HK\$37.7 billion in 2007 from approximately HK\$20.3 billion in 2002. In Macau, the retail sales of watches, clocks and jewellery increased by approximately 3.4 times from approximately MOP 0.5 billion in 2002 to approximately MOP 2.2 billion in 2007.

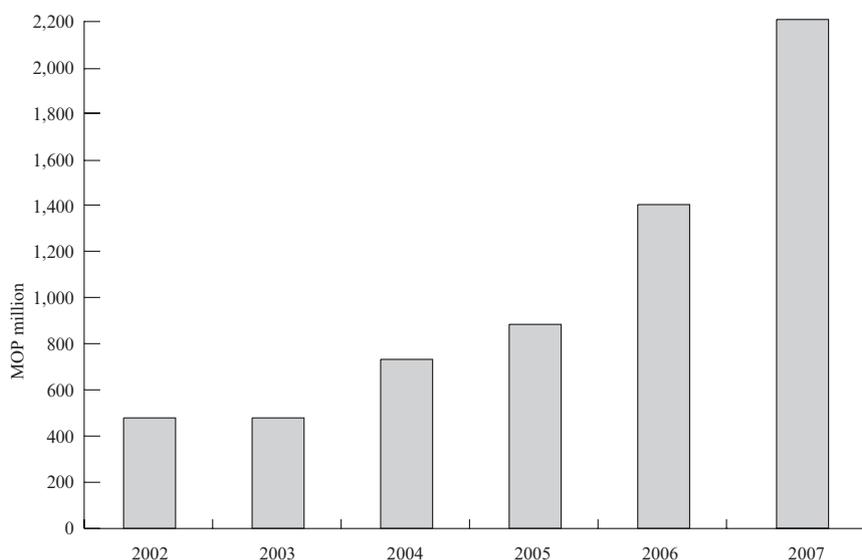
Retail sales of jewellery, watches and clocks, and valuable gifts in Hong Kong



Source: "Report on Monthly Survey of Retail Sales", website of the Census and Statistics Department of the HKSAR (www.censtatd.gov.hk)

INDUSTRY OVERVIEW

Retail sales of watches, jewellery & related products in Macau



Source: "Retail Sales Survey", Statistics and Census Service, Government of Macao Special Administrative Region

Development of tourism in Hong Kong

Tourism is one of the largest industries in Hong Kong and Macau. During the period from 1998 to 2007, except due to the outbreak of SARS in 2003 which resulted in decrease in number of visitors from approximately 16.6 million in 2002 to 15.5 million in 2003, the number of visitors arriving Hong Kong has increased generally from approximately 10.2 million in 1998 to approximately 28.2 million in 2007, according to the statistics published by the Hong Kong Tourism Board (www.partnetnet.hktb.com). With the implementation of the "Individual Visit Scheme" by the PRC government since mid 2003 allowing PRC travelers to visit Hong Kong and Macau on an individual basis, PRC becomes the largest source of visitors to Hong Kong. Visitors from the PRC increased from approximately 2.7 million in 1998 to 15.5 million in 2007, representing approximately 26% and 55% of total inbound tourist numbers in Hong Kong respectively.

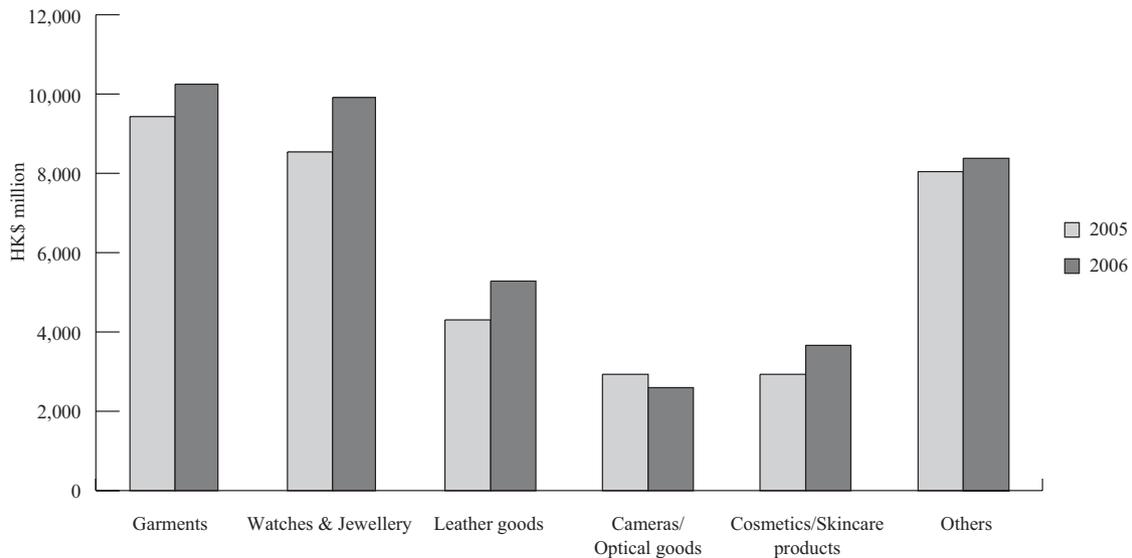
Sourced from the information of the Hong Kong Tourism Board, jewellery and watches are the second largest shopping categories that visitors put their spendings on. Total spendings on jewellery and watches items by overnight visitors amounted to approximately HK\$8.5 billion and HK\$10.0 billion in 2005 and 2006 respectively, representing approximately 23.5% and 24.7% of total spendings of overnight visitors respectively.

Among all the tourists, visitors from the PRC spent the most on jewellery and watches items in Hong Kong. Their spendings on jewellery and watches items amounted to HK\$6.3 billion and HK\$7.5 billion in 2005 and 2006 respectively, representing approximately 73.8% and 75.4% of total spendings on jewellery and watches items respectively.

INDUSTRY OVERVIEW

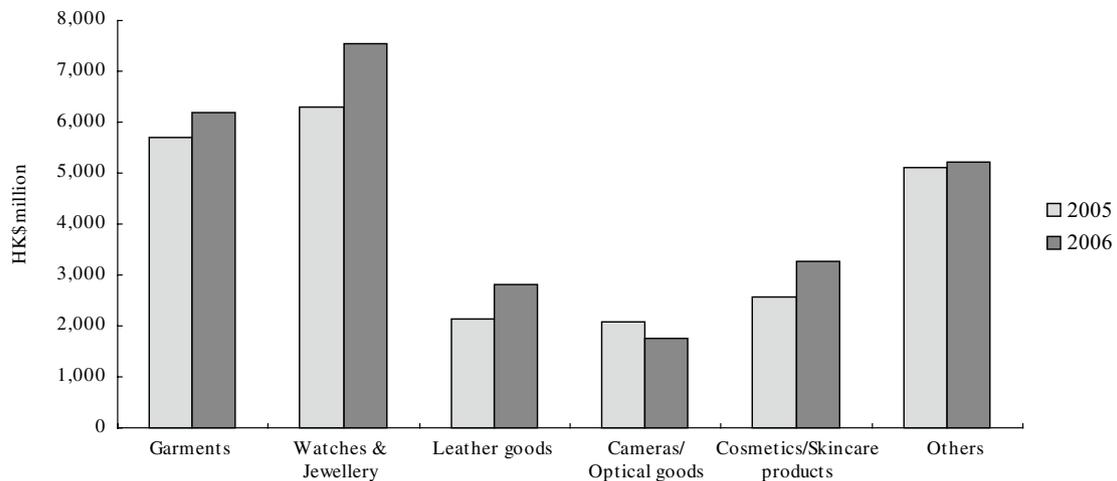
The following tables demonstrate the shopping habits of overnight visitors from all countries and from mainland China in 2005 and 2006:–

Breakdown of tourism expenditure for overnight visitors from all countries



Source: “A Statistical Review of Hong Kong Tourism 2006”, Hong Kong Tourism Board

Breakdown of tourism expenditure for overnight visitors from mainland China



Source: “A Statistical Review of Hong Kong Tourism 2006”, Hong Kong Tourism Board

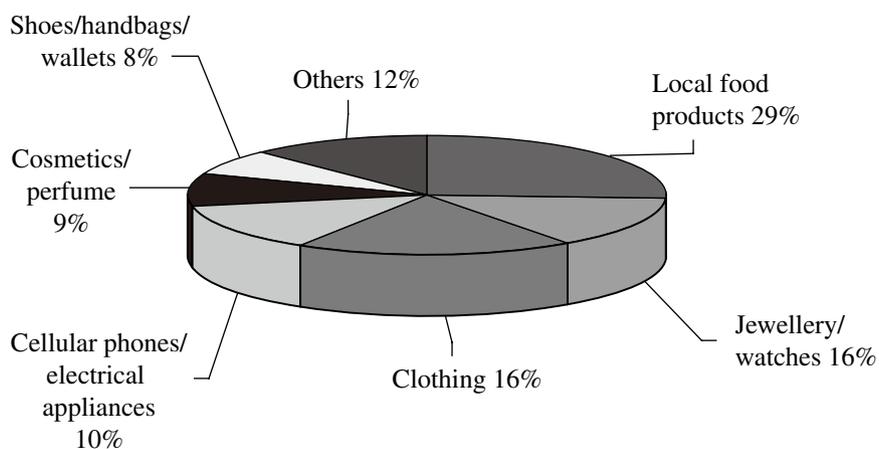
Development of tourism in Macau

Based on the “Tourism Statistics 2007” published by the Statistics and Census Bureau of the Macau Government, Macau recorded a total of approximately 27 million visitors in 2007, representing an increase of approximately 22.8% as compared to approximately 22 million in 2006. Visitors from mainland China represent approximately 54.5% and 55.1% of the total arrivals in 2006 and 2007 respectively. Per-capita spending of visitors in 2007 was approximately

INDUSTRY OVERVIEW

MOP 1,637, representing an increase of approximately 2% over that of 2006. Amongst visitors from different countries, per-capita spending of visitors from mainland China is the highest amounting to approximately MOP 3,080. Jewellery and watches is the second largest category that the visitors in Macau put their spendings on and the pattern is illustrated in the following table:–

Shopping spendings of visitors in Macau in 2007



Source: "Tourism Statistics 2007", Statistics and Census Bureau of the Macau Government, Macau

Laws and Regulations

According to the legal advisers of the Company, members of the Group conducting watch and jewellery retail business in Hong Kong will require valid business registration certificates in Hong Kong. In Macau, the Group will require to be registered with the Company's Registry and the Finance Department. There are no other special permits, certificates and licences required for operation of the Group. Members of the Group conducting business in Hong Kong and Macau are now holding valid business registration certificates or have been duly registered.

HISTORY AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

The Group succeeded as a long established watch retailer in Hong Kong. The first watch and clock retail shop founded by the Yeung Family in Hong Kong was opened by Mr. Yeung Shing, father of Dr. Yeung, by using the name “Shing On Kee” during the 1940’s. Subsequently, another watch retail shop named “Observatory Watch & Jewellery” commenced its business at 499 Nathan Road, Kowloon in 1964. These shops earmarked the beginning of association of the Yeung Family with the distribution of luxurious watch brand.

Dr. Yeung continued the watch retail business of the Yeung Family and diversified it to include jewellery products later on. The first watch and jewellery shop using the name “Emperor Watch & Jewellery” was opened in 1965, at 524C Nathan Road, Yaumatei. In 1968, another branch of “Emperor Watch & Jewellery” was opened at 81 Nathan Road, Tsimshatsui, Kowloon, Hong Kong and it remains as one of the key outlets of the Group to date.

In July 1987, EWJ HK was incorporated under the name of Continuous Gold Limited. In March 1999, EWJ HK changed its name from Continuous Gold Limited to its present name, EWJ HK. EWJ HK is the operating arm of the Group’s retailing business of watches and jewellery in Hong Kong. EWJ HK has been indirectly beneficially owned by Diamond Palace, Bansford and Luckdoor, since early 2001. Ms. Cindy Yeung joined the Group in 1990 and has become a director of EWJ HK in 1999. The Group has been under the management of Ms. Cindy Yeung since then.

Throughout the Track Record Period, Diamond Palace, Bansford and Luckdoor were interested in the Group as to 72%, 15% and 13% respectively. Diamond Palace is a company wholly-owned by AY Discretionary Trust of which Dr. Yeung is the founder. Bansford is beneficially owned by Ms. Teresa Yeung and her associates and Luckdoor is beneficially owned by Mr. Ricky Yeung and his associates. Both Ms. Teresa Yeung and Mr. Ricky Yeung are family members of Dr. Yeung. Prior to the completion of the sale and purchase agreement described below, Diamond Place, Bansford and Luckdoor were interested in the Group in the aforesaid percentages through Allmighty Group. No meetings had been held by Allmighty Group for the purpose of the business of the Group, as such, Luckdoor, Bansford and Diamond Palace have never exercised their voting power or control as a shareholder of the Group by way of shareholders’ meeting of Allmighty Group.

On 17 March 2008, Bansford and Luckdoor entered into a conditional sale and purchase agreement with Diamond Palace pursuant to which Bansford and Luckdoor agreed to sell to Diamond Palace their respective interests in Allmighty Group. Completion of the agreement took place on 25 June 2008 and Diamond Palace, a company indirectly wholly-owned by the AY Discretionary Trust, became the beneficial owner of the entire issued share capital of Allmighty Group since then. The reason for the disposal of interest in Allmighty Group by Bansford and Luckdoor is that the participation of Bansford and Luckdoor in the business of the Group was minimal and they have no knowledge of the Group’s affairs in the recent years.

Other than Ms. Teresa Yeung who was once a director of EWJ HK for 17 years from October 1987 until her resignation to pursue her retirement life in December 2005, no ultimate beneficial shareholders of Bansford and Luckdoor have participated in the daily operation, management or development of the Group’s business during the Track Record Period. Mr. Ricky Yeung has never been a director of the Group during the Track Record Period. Ms. Teresa Yeung used to oversee the

HISTORY AND CORPORATE STRUCTURE

daily operation and overall planning of the business of EWJ HK. However, towards the days before she retired from the Group in December 2005, the involvement of Ms. Teresa Yeung in the business of EWJ HK was almost none. The daily operation was all along managed by Ms. Cindy Yeung, and Ms. Teresa Yeung had not participated in the board meetings of EWJ HK for more than one year prior to her retirement.

Major developments of the Group's retail outlet in Hong Kong are as follows:

- | | |
|------|---|
| 1992 | A retail outlet at Central was opened |
| 1994 | Wanchai retail outlet was opened at Ground Floor, Emperor Group Centre, Hennessy Road |
| 2004 | Causeway Bay retail outlet was opened at 59-61 Russell Street |
| 2005 | The second retail outlet in Tsimshatsui was opened at 6-8 Canton Road |
| 2006 | The first flagship store was opened at Oterprise Square, 26 Nathan Road, Tsimshatsui |
| | Another Causeway Bay retail outlet was opened at Great George Street |
| 2007 | The Group's first boutique outlet for specific watch brands was launched in Hong Kong |
| | Renovation and expansion of the 81 Nathan Road, Tsimshatsui and the Wanchai retail outlets was carried out in order to enhance the luxurious image of the Group |

The Wanchai retail outlet has become the second largest store of the Group.

In view of the booming economy of Macau with influx of business travels and mainland China individual visitors to Macau and the opening of international casinos and hotels in Macau, the Group decided to expand its retail network out of Hong Kong into Macau. EWJ Macau was incorporated in Macau in August 2005 to develop the Group's business in Macau. The first Macau retail outlet was set up in 2006 at Grand Emperor Hotel, 288 Avenida Comercial De Macau, Macau.

EWJ HK and EWJ Macau are the two major operating arms of the Group's retail outlets in Hong Kong and Macau respectively. Throughout the Track Record Period, Ms. Cindy Yeung, Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa have been participating in the management of the Group for the Group's operation and strategic development.

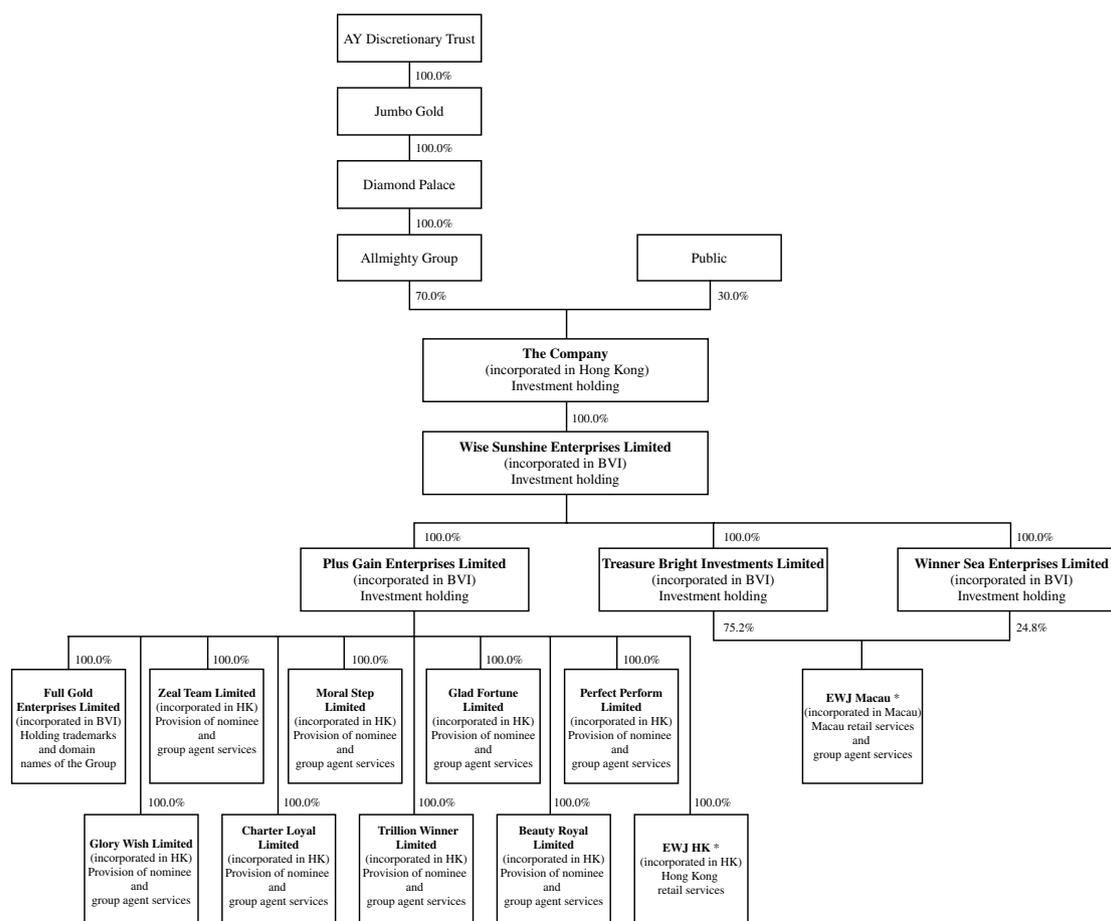
Ms. Yeung and Mr. Wong are the directors of EWJ Macau since its incorporation on 22 August 2005. Ms. Fan was appointed as its director on 18 June 2008. Bright Queen Limited and Global Gold Developments Limited have been directors of EWJ HK since November 1998, and

HISTORY AND CORPORATE STRUCTURE

they are companies of which Dr. Yeung is the shareholder and director. Bright Queen Limited and Global Gold Developments Limited represented Dr. Yeung's shareholding interests in the Group. Ms. Fan, despite that she was not a director of the Group during the Track Record Period, she, together with Mr. Wong, had been authorised by Bright Queen Limited and Global Gold Developments Limited to participate in the Group's meetings. Bright Queen Limited and Global Gold Developments Limited resigned as directors of EWJ HK on 1 April 2008 and were replaced by Mr. Wong. Mr. Wong and Ms. Fan have been supervising the Group on a high level control and have participated in meetings of the Group on business development and strategic planning of the Group during the Track Record Period. However, they had not engaged in the day-to-day operation meetings but involved in making decisions regarding the overall strategy of the Group such as providing advices on the budgets for opening retail outlets and to oversee the financial conditions of the Group. They provided such advices for Ms. Yeung and other senior management of the Group for consideration and they would make decisions collectively on the overall development of the Group. Ms. Yeung would then supervise the operation staff to follow the strategic plans made by the Board.

CORPORATE STRUCTURE

The following chart sets forth the corporate and shareholding structure of the Group immediately after the allotment of the Offer Shares:



HISTORY AND CORPORATE STRUCTURE

Note:

1. The AY Discretionary Trust is a discretionary trust. Dr. Yeung is both the appointer and the settlor of the AY Discretionary Trust, while his family members, their controlled company and respective issues are the eligible beneficiaries. The trustee of the AY Discretionary Trust is GZ Trust Corporation which is a professional trustee and a wholly-owned subsidiary of HSBC Guyerzeller Trust Company Limited. AY Discretionary Trust is deemed to be interested in the entire interest in Jumbo Gold. Being the appointor, Dr. Yeung has the power to appoint and remove the trustee, while the trustee has the power to appoint or remove a person or corporation from the list of eligible beneficiaries.
2. Jumbo Gold is holding the entire interests in Diamond Palace on trust for Albert Yeung Unit Trust. Albert Yeung Unit Trust is a unit trust under the AY Discretionary Trust.
3. Companies providing nominee and group agent services are acting as agents of the Group to enter into lease agreements of the Group's retail outlets and offices.
4. Companies marked with "*" are the principal operating subsidiaries of the Company.

Reorganisation

In the preparation of Listing, the Group implemented the Reorganisation which involved the following steps:

- (a) on 30 January 2008, Wise Sunshine Enterprises Limited was incorporated in the BVI and one Share was transferred to the Company on 24 June 2008;
- (b) on 13 March 2008, the Company was incorporated in Hong Kong and one subscriber share was transferred to Allmighty Group;
- (c) during the period between 28 April 2008 and 13 June 2008, Wise Sunshine Enterprises Limited either by itself or through Winner Sea Enterprises Limited and Plus Gain Enterprises Limited, both are wholly-owned subsidiaries of Wise Sunshine Enterprises Limited, acquired the entire issued share capital of EWJ HK, Glory Wish Limited, Moral Step Limited, Charter Loyal Limited, Glad Fortune Limited, Trillion Winner Limited, Perfect Perform Limited, Beauty Royal Limited, Treasure Bright Investments Limited, EWJ Macau and Full Gold Enterprises Limited respectively;
- (d) on 19 June 2008, the Company acquired the entire issued share capital of, and shareholder's loan amounting to approximately HK\$757.6 million due from Wise Sunshine Enterprises Limited by the allotment and issue of 9,999,999 Shares to Allmighty Group, credited as fully-paid and the issue of a promissory note by the Company to Allmighty Group in a sum equal to the face value of the aforesaid shareholder's loan; and
- (e) On 25 June 2008, Luckdoor and Bansford completed the transfer of 13% and 15% of the entire issued share capital in Allmighty Group to Diamond Palace for considerations of approximately HK\$38.6 million and HK\$44.5 million respectively pursuant to an agreement dated 17 March 2008 entered into among them.

HISTORY AND CORPORATE STRUCTURE

Further details of the Reorganisation are set out in the paragraph headed “Corporate reorganisation” in Appendix V to this prospectus.

The Loan Capitalisation Issue will take place immediately before the allotment of the Offer Shares. 3,140,000,000 Shares will be issued to Allmighty Group at an aggregate subscription price of an amount equal to the same amount due from the Company to Allmighty Group. Together with the one subscriber Share and 9,999,999 Shares transferred and issued to Allmighty Group described in the steps of Reorganisation under sub-paragraphs (b) and (d) of this sub-section headed “Reorganisation” above, Allmighty Group will be interested in a total of 3,150,000,000 Shares, representing 70% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares upon Listing. Allmighty Group is a company wholly-owned by AY Discretionary Trust and is a deemed Controlling Shareholder. As at the Latest Practicable Date, the amount of loan due from the Company to Allmighty Group is approximately HK\$757.6 million. The purpose of the Loan Capitalisation Issue is to replace all existing loan due to the Company’s shareholder by equity, in order that all future profits or capital of the Group will only be used for the Group’s distribution or development instead of repaying outstanding shareholder’s loans that were incurred prior to Listing.

BUSINESS

OVERVIEW

The Group is a retailer of watches and jewellery products in Hong Kong and Macau focusing on Swiss made luxurious watches of international brands and self-designed jewellery products. The brands of the watches sold by the Group include Audemars Piguet, Baume & Mercier, Blancpain, Breguet, Breitling, Carl F. Bucherer, Cartier, Chopard, Corum, Delaneau, Ferrari, Franck Muller, Gerald Genta, Girard Perregaux, IWC, Jaeger LeCoultre, Longines, Movado, Omega, Panerai, Patek Philippe, Piaget, Raymond Weil, Rolex, Tag Heuer, Tudor, Ulysse Nardin, Vacheron Constantin and Zenith. The Directors believe that all of these brands are internationally renowned names whose target customers are mainly middle to high income earners.

For jewellery products, the Group is principally engaged in product design and development, procurement, marketing and promotion, distribution and retail. The Group launches new jewellery products of different designs and styles under different themes from time to time. Hundreds of new jewellery products designed by the Group are launched and marketed under these new themes.

As at the Latest Practicable Date, retail network of the Group comprised of 8 retail outlets in Hong Kong and 1 retail outlet in Macau.

Throughout the Track Record Period, the Group has also been modifying its business structure including expansion of its retail business and diversification of its brand portfolio to maintain a growth in its financial performance.

Revenue

The following table shows a breakdown of the Group's turnover by geographical locations and products during the Track Record Period:

	Year ended 31 December					
	2005		2006		2007	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Hong Kong						
Watches	554,974	86.0%	890,429	82.1%	1,292,119	82.7%
Jewellery	90,290	14.0%	143,660	13.3%	191,546	12.3%
Macau						
Watches	–	–	34,663	3.2%	53,965	3.5%
Jewellery	–	–	15,643	1.4%	23,833	1.5%
Total	645,264	100.0%	1,084,395	100.0%	1,561,463	100.0%

BUSINESS

Business Sector

As illustrated above, the Group's income derives from the sale of watches and jewellery products. For the financial year ended 31 December 2005, 2006 and 2007, the sales of watches in Hong Kong and Macau represented approximately 86.0%, 85.3% and 86.2% of the total turnover of the Group respectively and the total sales of jewellery products in Hong Kong and Macau represented approximately 14.0%, 14.7% and 13.8% of the total turnover of the Group respectively.

Geographical Location

The major operation of the Group is located in Hong Kong. In January 2006, the business was expanded to Macau. For the financial year ended 31 December 2005, 2006 and 2007, the sales in Hong Kong represented approximately 100.0%, 95.4% and 95.0% of the total turnover of the Group respectively and the sales in Macau represented approximately nil, 4.6% and 5.0% of the total turnover of the Group respectively.

COMPETITIVE STRENGTHS

Established business relationships with well-known international watch brand suppliers and jewellery suppliers

As at the Latest Practicable Date, the Group sells 29 international brands of watches at its retail points in Hong Kong and Macau. The business relationships with some of these watch suppliers started decades ago. As at the Latest Practicable Date, out of the 29 brands currently distributed by the Group, the Group has entered into dealership agreements with 11 brands of which the Group is granted with non-exclusive dealership rights with terms ranging from 1 to 3 years or for an indefinite period of time unless notice of termination is served by either party. The Group has established boutique outlet for the sale of specific watch brands. It is of the Directors' understanding that the long established business relationships with the watch suppliers, together with the financial position of the Group and the existing shop location of the boutique outlet, are key factors that facilitate the closer business cooperation between the Group and the watch suppliers for the establishment of the boutique outlet.

The Group, through EJM during the Track Record Period, has been purchasing jewellery, mainly diamonds as raw materials/components, from independent suppliers situated in Israel for over 5 years. Such long established relationships provide the Group with a secured source of jewellery with guaranteed quality.

Long operating history in Hong Kong and well-developed reputation

The Group has accumulated over 60 years of valuable experience in selling luxurious brands of watches in Hong Kong. It has been ranked and recognised by the public as one of the classical brands in Hong Kong. The Group had been granted the Quality Tourism Services Scheme Certification Mark by the Hong Kong Tourism Board throughout the Track Record Period and

BUSINESS

Hong Kong Classical Brands by Sing Tao Publishing Limited in December 2006. The Directors believe that customers' confidence towards the Group has been successfully built up due to its long established history. To further develop the Group's brand name and to enhance the market recognition of its jewellery products and watches, the Group actively organises various marketing events, promotions and new product launch functions in Hong Kong and Macau from time to time.

Experienced management team

The Group's executive Directors have extensive experience in sales and marketing of luxurious goods and in-depth knowledge of the watch and jewellery industry. Ms. Cindy Yeung, has more than 18 years of experience in the industry, is a gemologist accredited by GIA. Mr. Chan Hung Ming has extensive experience in the watch and jewellery industry. Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa have extensive experience and adequate skills in overall business administration as well as technical knowledge on retail business operation. The Directors believe that their extensive networks with business associates, banks, legal advisors, financial advisors and accounting firms can benefit the operation and development of the Group. The Directors believe that the Group can leverage on experiences of its management team for its future growth and development.

Extensive retail network in prime locations

The Group has successfully established an extensive network of retail outlets at prime locations in Hong Kong and Macau which are easily accessible and with heavy pedestrian traffic. The Group's outlets are located in Central, Wanchai, Causeway Bay and Tsimshatsui, the major shopping zones in Hong Kong. The outlet in Macau is located at the Grand Emperor Hotel, which is situated at the main city area with convenient transport facilities. The Directors believe that the Group is well positioned to capture customers, including tourists with a focus on luxurious products. Some of the retail outlets, which are currently operated by the Group, have a long history of establishment, such as the outlet located at 81 Nathan Road, which was opened in 1968. With its long established history and experience in Hong Kong, the Directors believe that the Group is well-reputed for quality products and services.

Experienced design team for fashionable jewellery products

The Group has maintained an in-house team of jewellery designers who have in-depth knowledge of Hong Kong and international trends in jewellery design. These designers produce stylish and trendy designs for jewellery products to meet the customers' needs. Apart from the self-designed jewellery products, the Group has established a tailor-made jewellery design and production service for customers who wish to purchase jewellery products with unique and exclusive designs. Customers are also welcome to participate in the design process by implementing their own ideas into the designs. The Directors believe that the customers' loyalty to the Group can be enhanced through this interactive approach to design unique products for its customers.

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For the financial year ended 31 December 2005, 2006 and 2007, the Group has employed 3, 4 and 4 designers respectively. The existing team of 4 designers have approximately 8 to 20 years, of relevant experiences. 3 of the existing designers have obtained diploma or certificate in jewellery design from the reputed academic institutes in Hong Kong. Designers are provided with trainings from time to time, including visiting international and local watch and jewellery shows, in order to keep their designs abreast of clients' tastes. They are also updated with the latest trends of watches, jewellery and fashions through fashion magazines and books.

BUSINESS STRATEGIES AND FUTURE PLANS

Further expand the existing retail network

Establishing an extensive retail network in Hong Kong and Macau provides the Group a solid foundation for future growth. The Group intends to identify opportunities to increase its market share in major shopping areas in Hong Kong and Macau by opening more retail outlets in these areas including Central, Causeway Bay and Tsimshatsui. The expansion of retail network enables the Group to capture the opportunities arising from the influx of mainland tourists and increase exposure to potential customers with strong purchasing power.

Other than the existing locations of the retail outlets, the Group intends to expand its retail network to new locations in Hong Kong and Macau with high growth potential to increase its market share and enhance the Group's brand name. The Group is in the process of negotiating with watch suppliers and landlords for the opening of multi-brands watch and jewellery outlets in 2008. The Directors will continue to look for suitable locations for new outlets in Hong Kong and Macau. Instead of expanding its retail network all over the territory, the Directors will focus on the major shopping areas where tourists usually visit. For the year 2008, the Group will establish outlets in districts where the Group's retail outlets are presently located. The Directors are now considering establishing new outlets under the Group's brand for multi-brand watches in prime shopping areas such as Central and Causeway Bay. There is no present intention to expand its network outside these prime shopping areas in order to save time and costs on market research and feasibility studies for new locations.

Establish boutique outlets with variety of international watch brands

Close cooperation and relationship with international watch brand suppliers can generate a branding synergy for the Group's business growth. As at the Latest Practicable Date, the Group has launched a boutique outlet in Hong Kong for sales of specific watch brands. The Group is considering to set up more boutique outlets with more international watch brands in major shopping areas. This strategy enables the Group to establish a closer business partnership with its watch suppliers and capture customers who are loyal to specific watch brands. Apart from its existing boutique outlet, the Group is now negotiating with other watch suppliers to set up boutique outlet in one of the prime shopping areas in Hong Kong. The Directors will consider the marketability of the brands and terms offered by the watch suppliers to assess the profitability. Other than boutique outlet, the Group is also negotiating with a few watch suppliers for establishing outlets for single watch brand under the Group's brand name of "Emperor Watch and Jewellery".

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Expand portfolio of watch brands and product offerings

The Group intends to expand the existing watch brand portfolio in order to offer a wider range of products to its customers. During the Track Record Period, the Group has successfully introduced a number of new brands including Chopard and Zenith in 2005, Breguet, Carl F. Bucherer, Ferrari and Panerai in 2006 and Blancpain in 2007. All these brands have enhanced the brand mix and product mix of the Group and enable the Group to capture wider range of customers. By introducing new watch brands of different styles, the Directors believe that the Group's products will be welcomed by diversified and expanded customer groups.

Enhance jewellery product designs and varieties

The popularity of jewellery products depends on the ability to consistently produce wide variety of jewellery designs which are trendy and fashionable. As such, the Group will devote more resources in strengthening the design capabilities of its jewellery design team by further expanding the size of the design team and improving the quality of designers through recruitment and trainings. The Group's designers will actively participate in international jewellery trade shows in order to introduce innovative ideas to its product design. The Group will from time to time seek opportunities for cooperation with other designers and setting up exclusive jewellery product lines to expand the product mix of the Group's jewellery portfolio. At the same time, the Group is also looking for new designs and ideas from third party production houses for jewellery products. The Group is currently negotiating with overseas designers in obtaining distribution rights for jewellery products and targeting to include new jewellery products of new designers in the new jewellery boutique outlets to be opened in 2008.

Establish boutique outlets for jewellery products

The Group intends to establish boutique outlets for its jewellery products. The Directors notice the growing potential of the fine jewellery market in Hong Kong and Macau and therefore plan to allocate more resources for setting up boutique outlets in selling the Group's jewellery products. The Group will also leverage on its brand name and establish a second line for its jewellery products targeting at customers of different age groups and the prices of these jewellery products will be more appealing to different income groups.

Expand geographically outside Hong Kong and Macau

The Group will eye on every opportunity to expand its business to areas outside Hong Kong and Macau. The Directors consider that geographical expansion enables the Group to promote its brand name and products to overseas market and capture the market share in the areas with high growth potential. Although the Group has not identified any market with investment opportunity at present, the Group will take a cautious approach including carrying out research and feasibility studies, in selecting overseas retail points once the potential market is identified from time to time.

BUSINESS

THE WATCH BUSINESS MODEL

For the financial year ended 31 December 2005, 2006 and 2007, turnover attributable to the Group's watch business amounted to approximately HK\$555.0 million, HK\$925.1 million and HK\$1,346.1 million respectively, representing approximately 86.0%, 85.3% and 86.2% of the Group's total turnover for each of the corresponding periods.

The following table shows a breakdown of the Group's turnover of watches by geographical locations during the Track Record Period:

	Year ended 31 December					
	2005		2006		2007	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Hong Kong	554,974	100.0%	890,429	96.3%	1,292,119	96.0%
Macau	–	–	34,663	3.7%	53,965	4.0%
Total	554,974	100.0%	925,092	100.0%	1,346,084	100.0%

Watches

The Group has been a retailer of watches of international brands for decades. The watches sold by the Group are all Swiss made. As at the Latest Practicable Date, the Group has been selling 29 brands on a non-exclusive basis. The Directors consider that the branded watches are positioned as premium products and are targeting at middle to high income group. To secure stable supplies of these watches, as at the Latest Practicable Date, the Group has entered into dealership agreements with 3 watch suppliers for 11 international brands on a non-exclusive basis. Total turnover generated from these 11 brands amounted to approximately HK\$194.1 million, HK\$340.5 million and HK\$546.7 million respectively for the financial year ended 31 December 2005, 2006 and 2007, representing approximately 35.0%, 36.8% and 40.6% of total watch sales of the Group respectively.

The terms of the dealership agreements between the Group and the watch suppliers usually range from 1 to 3 years or for indefinite period of time unless notice of termination is served by either party. As at the Latest Practicable Date, among these 11 agreements, the dealership agreements for 4 brands are renewable automatically on annual basis, 1 brand is renewable every year as determined by the watch supplier and the remaining 6 brands are for an indefinite period of time unless notice of termination, normally 3 months, is served by either party prior to termination of the respective dealership agreements. Most of these watch suppliers have built up business relationships with the Group for over 5 years. Pursuant to the terms of the dealership agreements, the Group and the watch suppliers have agreed to the following:–

- the Group shall acquire the watches exclusively from specific supplier and the watches can only be sold to customers at specific retail outlets as agreed between the Group and the watch suppliers;

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- the Group is required to follow the pricing and discounting policies set out by the watch suppliers from time to time;
- the Group is normally given credit periods by the suppliers for not more than 60 days;
- the Group is required to keep sufficient stock of watches or to maintain minimum stock levels preset by watch suppliers for some specific watch brands. The suppliers may terminate the relevant dealership agreements if the Group fails to maintain the required stock levels and fails to remedy the breach after a notice of breach is given by the suppliers;
- the Group is granted incentive bonus from certain watch suppliers if the Group meets agreed purchase targets. The incentive bonus is determined and reviewed by the watch suppliers from time to time based on the level of purchases made by the Group;
- there is no sales return arrangement between the Group and the suppliers. However, there are normally 2 years of warranty provided by the suppliers. For certain brands, defective watches may be replaced by the suppliers; and
- the watch suppliers agree to provide support and assistance to the Group from time to time during the term of the agreements, including the provision of promotional materials, brochures, pamphlets and display materials.

For the remaining 18 brands, which are sourced from 11 watch suppliers, the dealership relationships have not been reduced into any written agreement. The Directors acknowledge that it is normal market practice to source watches from suppliers of international brands without entering into written agreements. In such cases, the Group would purchase from these suppliers on an order-by-order basis under the terms similar to those brands of which dealership agreements are entered into. The Directors confirm that the Group has developed long established relationships with these suppliers and most of such business relationships have been maintained for over 5 years. Total turnover generated from these 18 brands amounted to approximately HK\$347.5 million, HK\$571.6 million and HK\$786.7 million respectively for the financial year ended 31 December 2005, 2006 and 2007, representing approximately 62.6%, 61.8% and 58.4% of total watch sales of the Group respectively.

For the financial year ended 31 December 2005, 2006 and 2007, the number of international brands carried by the Group was 31, 33 and 30 respectively. For the same period, turnover generated from sale of watches of the 5 largest brands amounted to approximately HK\$439.5 million, HK\$723.0 million and HK\$1,019.1 million respectively, and accounted for approximately 79.2%, 78.2% and 75.7% respectively of the Group's total turnover of watches for each of the corresponding periods. Other than the pricing policies, the discounting policies and minimum stock levels as set out by the watch suppliers and that the watches are required to be sold in specific outlets as agreed between the Company and the watch suppliers, the Group is not subject to restrictions for sale of watches of the top five brands. For the top 5 watch suppliers throughout the Track Record Period, 4 of them are the suppliers of the top 5 watch brands. Out of these top 5 watch brands, the Company has entered into dealership agreements with 2 watch suppliers, with terms comparable to those offered by other watch suppliers.

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During the Track Record Period, the Group, after taking into account the market needs and customers' demands of the relevant products, has ceased distributorship for 7 watch brands in total. The turnover generated from these brands amounted to approximately HK\$5.1 million, HK\$4.6 million and HK\$2.0 million respectively for the financial year ended 31 December 2005, 2006 and 2007, representing approximately 0.9%, 0.5% and 0.1% of the total watch sales of the Group respectively. Watches of these terminated brands subsequently sold up to 30 April 2008 amounted to approximately HK\$0.3 million and the Group has made full provisions of approximately HK\$0.9 million for the remaining unsold watches.

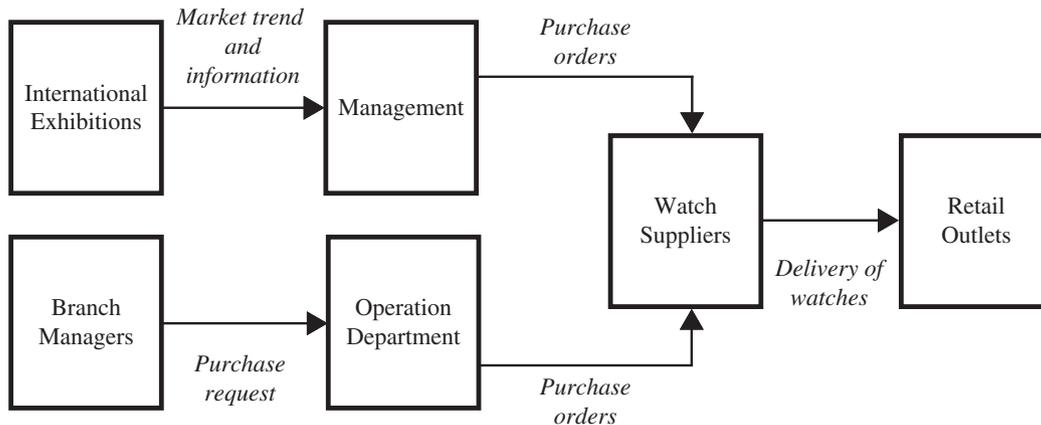
As at the Latest Practicable Date, the Group is the retailer of the following brands:

Brand name	Watch suppliers
1 Audemars Piguet	Audemars Piguet (Hong Kong) Limited
2 Baume & Mercier	Richemont Asia Pacific Limited
3 Blancpain	The Swatch Group (HK) Limited
4 Breguet	The Swatch Group (HK) Limited
5 Breitling	Breitling China Limited
6 Carl F. Bucherer	Bucherer Hong Kong Limited
7 Cartier	Richemont Asia Pacific Limited
8 Chopard	Chopard Hong Kong Limited
9 Corum	Swiss Prestige Limited
10 Delaneau	Delaneau (Asia) Limited
11 Ferrari	Richemont Asia Pacific Limited
12 Franck Muller	Sincere Brand Management Limited
13 Gerald Genta	The Hour Glass (HK) Limited
14 Girard Perregaux	F J Benjamin (HK) Limited
15 IWC	Richemont Asia Pacific Limited
16 Jaeger LeCoultre	Richemont Asia Pacific Limited
17 Longines	The Swatch Group (HK) Limited
18 Movado	MGI Luxury Asia Pacific Limited
19 Omega	The Swatch Group (HK) Limited
20 Panerai	Richemont Asia Pacific Limited
21 Patek Philippe	Libertas Limited
22 Piaget	Richemont Asia Pacific Limited
23 Raymond Weil	Jebsen Watch Co Ltd
24 Rolex	Rolex (Hong Kong) Limited
25 Tag Heuer	LVMH Watch & Jewellery HK Limited
26 Tudor	Rolex (Hong Kong) Limited
27 Ulysse Nardin	Astro Swiss Time Limited
28 Vacheron Constantin	Richemont Asia Pacific Limited
29 Zenith	LVMH Watch & Jewellery HK Limited

BUSINESS

Purchases and supplies

The Group makes purchases from watch suppliers, who are Independent Third Parties to the Group, from time to time based on the Group's inventory level and future demand anticipated by the management of the Group. The following diagram illustrates the process of initiating and making purchase orders from the watch suppliers:



International exhibitions

The management of the Group are invited by the watch suppliers to attend international watch exhibitions, including the Basel Fair which is conducted in Basel, Switzerland and the Salon International de la Haute Horlogerie which is held in Geneva, Switzerland. At the exhibitions, the participants are informed of the latest fashion trends of watches and the new watch models to be launched by the brand owners. As far as the Directors are aware, there is no clear pattern on when new watch models are launched by each watch supplier. The Directors, after taking into account of the customers' preferences and the anticipated demand of these watches, may place purchase orders directly with the watch suppliers at the exhibitions.

Purchase orders initiated from branch managers

Other than the watches ordered by the Group at the exhibitions as highlighted above, the branch managers of the retail outlets are responsible for initiating purchases to ensure that each outlet has sufficient inventories for its normal business operations. The branch managers, who are knowledgeable on the market demands of watches based on the daily monitoring and operation of the outlets, are empowered to initiate the purchase orders according to the inventory level of the outlets and the anticipated demand of watches.

Approval of purchase orders

All the purchase orders initiated from the branch managers are forwarded to the operation department of the Group. Such orders are subject to the purchase limits, which are preset by the management based on the location and sales volume of each retail outlet, the operation department is required to check against the purchase orders to the preset limits before placing such orders. Special approval is required from the management if the purchase orders exceed the purchase limits. The operation department, after reviewing the overall inventories available to the Group and assessing the necessity for making purchases initiated from each retail outlet, recommends the purchases to the management of the Group for approval.

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Orders placed with the watch suppliers

The purchase orders are placed with the watch suppliers, whose representative offices are situated in Hong Kong. Depending on the models of watches ordered by the Group, the processing time for each order usually takes 1 day to 1 week.

Delivery of watches

The ordered watches are delivered directly to each retail outlet or collected by representatives of each retail outlet, depending on the arrangements agreed between the Group and the watch suppliers from time to time. The watches are covered by the insurance purchased by the Group upon the receipt of the watches.

Upon receipt of the watches, assigned staff of each retail outlet inspects the quality of each watch under the supervision of the respective branch manager.

The Group is normally granted by its watch suppliers credit periods ranging from 30 to 60 days. As a normal practice of the Group, the Group would settle the trade payables in a manner to enjoy discounts offered by the watch suppliers for early settlement. During the Track Record Period, purchases of watches were denominated in Hong Kong dollars.

Pricing and discounting policies

The retail price of the watches sold by the Group is determined by the watch suppliers. The Group, as a retailer, is granted flexibility in offering the customers with sales discounts to the retail prices. Such discounts vary between different brands and models, and may be subject to the discount policies imposed by some watch suppliers on the Group. Watch suppliers, as well as the Group, review and adjust the retail prices and discount policies from time to time in response to the market demand and supply. To the best knowledge of the Directors, all official/authorised retailers selling the branded watches in Hong Kong are subject to similar pricing policies and discount policies imposed by watch suppliers.

Violations of these policies may result in different levels of penalties including, buy-back of the sold watches which are purchased by the watch supplier during surprise visits at full retail prices, forfeiture of incentive bonus for certain periods, short suspension of watch supplies and/or, in extreme cases, termination of dealership relationships.

During the Track Record Period, the Group was discovered by watch suppliers on four occasions of violating the discounting policies. As penalties, the Group was required to buy-back the sold watches which were purchased by the watch suppliers during surprise visits at full retail prices. Certain incentive bonus from those watch suppliers were forfeited for the month during which the incidents occurred. The estimated incentive bonus forfeited amounted to approximately HK\$6,000. The Directors confirm that the Group is still maintaining close business relationships with these watch suppliers and the occurrence of the said incidents did not cause material economic loss and adverse impacts to the operation of the Group.

Save as disclosed above, the Directors confirm that the Group has complied with the pricing policies and discounting policies imposed by the watch suppliers, and therefore no other violation warnings was received or no other penalties was imposed during the Track Record Period.

BUSINESS

To prevent recurrence of similar events, the Group has imposed the following internal control procedures:–

- (i) each of the branch manager of the retail outlets of the Group is provided with retail price lists and a list of maximum discount for the watches;
- (ii) each day, the operation department of the Group generates from ePOS a summary of sales to report any sales below the allowed discount price;
- (iii) if there is any discovery of such sales, the operation department will provide the report for the Directors of the Company to review, and
- (iv) the managing director will determine and take appropriate actions to forestall any possible non-compliance by relevant staff in future.

The Directors consider that, taking into account that (i) the counter checking and monitoring of the selling price is performed on daily basis; (ii) the operation department is independent of and has no conflict of interests with the frontline staff; and (iii) the reporting system to the Directors is efficient, the above measures are adequate to forestall future non-compliance of the discount policies imposed by watch suppliers.

THE JEWELLERY BUSINESS MODEL

For the financial year ended 31 December 2005, 2006 and 2007, turnover attributable to the Group's jewellery business amounted to approximately HK\$90.3 million, HK\$159.3 million and HK\$215.4 million respectively, representing approximately 14.0%, 14.7% and 13.8% of the Group's total turnover for each of the corresponding periods.

The following table shows an analysis of the Group's turnover of jewellery products by geographical locations during the Track Record Period:

	Year ended 31 December					
	2005		2006		2007	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Hong Kong	90,290	100.0%	143,660	90.2%	191,546	88.9%
Macau	–	–	15,643	9.8%	23,833	11.1%
Total	<u>90,290</u>	<u>100.0%</u>	<u>159,303</u>	<u>100.0%</u>	<u>215,379</u>	<u>100.0%</u>

Products

The jewellery products which are designed and offered by the Group predominantly consist of diamond products. The Directors consider that diamond jewellery products are usually at higher price range which match with the Group's business strategy and marketing position. Other than diamond, jade, pearl, 999.9 fine gold and precious stone products are also offered to meet the needs of the customers.

BUSINESS

The following table shows an analysis of the sales of the jewellery products by product types during the Track Record Period:

	Year ended 31 December					
	2005		2006		2007	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Diamond Ring	24,027	26.6%	52,869	33.2%	91,492	42.5%
Diamond Stone	26,966	29.9%	33,182	20.8%	24,585	11.4%
Diamond Earrings	9,076	10.1%	16,259	10.2%	27,195	12.6%
Diamond Pendant	5,230	5.8%	11,203	7.0%	22,703	10.5%
Diamond Necklace	2,274	2.5%	7,024	4.4%	10,903	5.1%
Other diamond jewellery products (<i>Note 1</i>)	3,018	3.3%	4,355	2.7%	8,140	3.8%
Others (<i>Note 2</i>)	19,699	21.8%	34,411	21.7%	30,361	14.1%
Total	90,290	100.0%	159,303	100.0%	215,379	100.0%

Note 1: Other diamond jewellery products mainly include diamond bangle, bracelet, brooch, cufflinks and tie-clip.

Note 2: Others mainly include pearl jewellery products, jade jewellery products, 999.9 fine gold jewellery products, ruby jewellery products, emerald jewellery products and sapphire jewellery products.

The following table shows an analysis of the sales of the jewellery products by raw materials during the Track Record Period:

	Year ended 31 December					
	2005		2006		2007	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Diamond	70,591	78.2%	124,892	78.4%	185,018	85.9%
Pearl	2,173	2.4%	4,831	3.0%	5,895	2.7%
Jade	1,541	1.7%	3,551	2.2%	13,774	6.4%
Others (<i>Note</i>)	15,985	17.7%	26,029	16.4%	10,692	5.0%
Total	90,290	100.0%	159,303	100.0%	215,379	100.0%

Note: Others mainly include 999.9 fine gold, ruby jewellery products, emerald jewellery products and sapphire jewellery products.

Diamond jewellery products

The diamonds used by the Group for jewellery products are mainly sourced from suppliers in Israel and Hong Kong. The diamond jewellery products include stones, earrings, rings, pendants, necklaces, bracelets, etc. The diamonds are mainly inlaid and set in 18 karat white gold, 18 karat rose gold, 18 karat yellow gold and platinum.

Jade and pearl jewellery products

The jade and pearl used by the Group for jewellery products are mainly sourced from suppliers in Hong Kong. The jade and pearl jewellery products mainly include earrings, rings, pendants, necklaces, bracelets, etc. The jade and pearl are mainly inlaid or set in 18 karat white gold, 18 karat rose gold, 18 karat yellow gold and platinum.

999.9 fine gold jewellery products

The 999.9 fine gold jewellery products of the Group mainly include rings, pendants, bracelets, bangles, necklaces and statues. The 999.9 fine gold used for jewellery products are mainly sourced from suppliers in Hong Kong.

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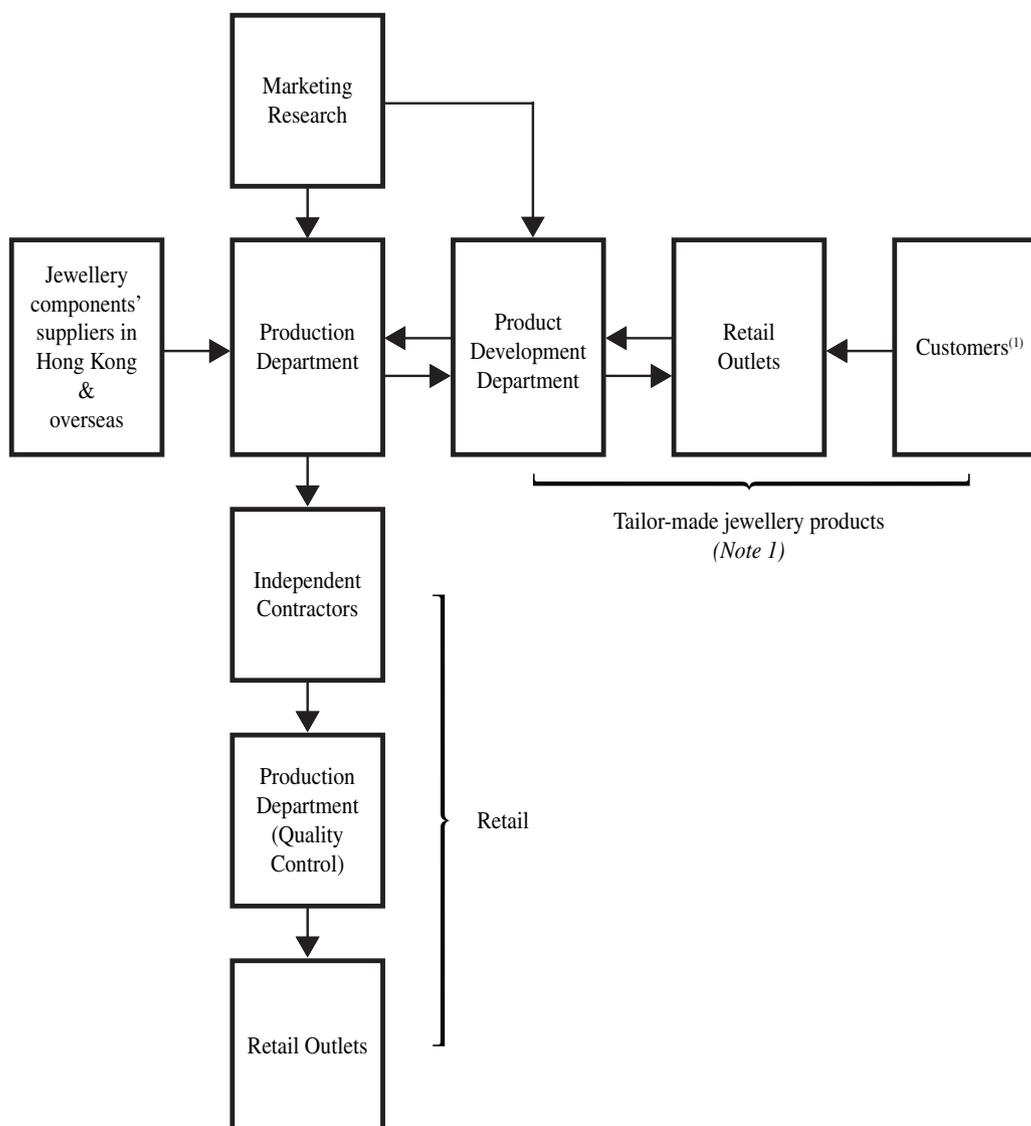
Other jewellery products

Other jewellery products of the Group mainly include ruby jewellery products, emerald jewellery products and sapphire jewellery products. These products mainly include earrings, rings, pendants, necklaces and bracelets. Other jewellery components used for jewellery products are mainly sourced from suppliers in Hong Kong.

Particulars of the Group's purchasing activities are set forth under the paragraph headed "Purchase of jewellery components" below.

Product design and development

The Group's production team consists of designers who work together to design the current and upcoming seasonal collections. Hundreds of new style jewellery product design layouts are launched and marketed each year. The jewellery product design and development process comprises of mainly the following stages:



Note 1: The Group has established tailor-made jewellery design and production service for customers who may also participate in the design process by implementing their own ideas into the product designs.

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Marketing research

Senior management and jewellery designers attend various domestic and international exhibitions to keep themselves updated of the latest fashion trends in the fine jewellery industry in terms of product design and use of materials. They also consider past sales performance analysis, consumer surveys, market conditions and competitive landscape to formulate the overall design concept. Market information will then be provided to the production department and product development department of the Group so that they are kept updated of the market trend.

Design and development for retail products

Most of the Group's jewellery products are self-designed. New jewellery products are launched to the market from time to time during a year at irregular patterns but often around festivals and special occasions such as Christmas, Valentines' Day and Mothers' Day. Designers of the Group's production department produce sketches of jewellery designs, including their choice of raw materials, accessories and colors. Based on these sketches and deliberation with the product development department, a mould and prototype of the design would be made by a selected independent contractor and initial manufacturing costs are estimated by the production department.

The Group also sources finished products from other third party designers or suppliers located in Hong Kong. For the financial year ended 31 December 2005, 2006 and 2007, purchases from these designers or contractors amounted to approximately HK\$14.4 million, HK\$22.5 million and HK\$49.8 million respectively, representing approximately 2.0%, 2.1% and 3.5% of the total purchases of the Group. To secure the good qualities and good legal titles of the jewellery products, it is of the Group's preferences to source the jewellery products from suppliers who are members of Diamond Federation of Hong Kong, China Limited, Hong Kong Jewelry Manufacturers' Association and Hong Kong Jewellery & Jade Manufacturers Association. The relevant purchase orders have to be assessed by the production department and approved by the management of the Group after taking into account the designs, marketability and quality of the finished products. Samples of products are also required by the Group for the assessment of product qualities. Upon delivery of the jewellery products, the quality controllers of the Group examine and inspect the quality of the jewellery products against the descriptions and characteristics as shown in the relevant invoices, delivery receipts or certificates before confirming receipt of the products. Up to the assessments of the management and the negotiations with the suppliers, these products may be sold under consignment arrangements.

Tailor-made jewellery products

The Group has established a tailor-made jewellery product design and production service for the customers who wish to own unique and exclusive jewellery products. The Group's designers are experienced and equipped with international market sense, who can provide innovative ideas to customers. Customers may also give suggestions to the product designs. The Group's sales team of the retail outlets have been dedicated to discuss with the customers on their preference and demand of the jewellery products. The Group's product development department, after gathering information from the customers through the sales team of the retail outlets, will liaise with the Group's jewellery designers to prepare all the required sketches and prototypes for the customers' consideration and confirmation.

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Purchase of jewellery components

The Group's production team sources jewellery as components for its jewellery products from local and overseas suppliers. The jewellery components mainly include diamonds, jades and pearls. Based on the jewellery product designs, the production department selects suitable jewellery components and passes the designs and specifications to the contractors for production.

The following table shows an analysis of the purchase of the jewellery components by types of materials during the Track Record Period:

Jewellery Components	Year ended 31 December					
	2005		2006		2007	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Diamond	89,848	85.2%	159,391	83.5%	255,224	87.0%
Jade	1,235	1.2%	3,841	2.0%	19,584	6.7%
Pearl	1,595	1.5%	2,416	1.3%	7,220	2.5%
Others (<i>Note</i>)	12,781	12.1%	25,156	13.2%	11,276	3.8%
Total	105,459	100.0%	190,804	100.0%	293,304	100.0%

Note: Others mainly include 999.9 fine gold, ruby, emerald and sapphire.

- Purchase of diamond

Diamond is one of the most important jewellery components purchased by the Group during the Track Record Period. The Group sources diamonds from suppliers in Israel and Hong Kong. Diamond suppliers in Israel are mainly situated in the Israel Diamond Exchange which is one of the international renowned diamond markets. Local diamond suppliers are mainly members of Diamond Federation of Hong Kong, China Limited.

The Directors acknowledge that Israel is one of the largest diamond centres worldwide where the Group can source diamond with wide selection of sizes and qualities at competitive prices. The representatives of the Group visit Israel regularly to source diamonds which suit the upcoming designs of its jewellery products from different diamond suppliers who are Independent Third Parties. Most of these suppliers have developed long term business relationships with the Group. Through the purchase invoices issued to the Group, major diamond suppliers confirmed to the Group that the diamonds purchased by the Group are sourced from legitimate sources not involved in funding conflict and in compliance with United Nations Resolutions. The Group is granted by the suppliers with credit periods of 30 to 60 days and the relevant trade payables are settled in US dollars in general through telegraphic transfer or cheque. In order to maintain flexibility in sourcing jewellery components, the Group does not enter into any long-term contracts with its suppliers.

The Group also welcomes representatives of diamond suppliers to visit its Hong Kong office. Depending on the quality of the diamonds and the demand of the Group, the Group may confirm its orders immediately or request the sales representatives to leave the diamonds with it for further consideration. The Directors confirm that the Group has maintained appropriate insurance policies against material risks of loss of theft before the diamonds are

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purchased or returned. If the Group decides to purchase those diamonds, the suppliers will issue the relevant invoices to the Group, upon which the cost of the diamonds will be taken as the Group's purchase cost. All of these purchases will be settled in Hong Kong dollars or US dollars by way of telegraphic transfer or cheque.

- Purchase of other jewellery components

Jewellery components, other than diamond, are mainly sourced from suppliers in Hong Kong for logistics and cost effectiveness reasons. These components mainly include jade, pearl, 999.9 fine gold, ruby, emerald and sapphire. The Group also purchases 18 karat white gold, 18 karat rose gold, 18 karat yellow gold and platinum and other precious stones as and when required for its production requirements. Those precious stones are mainly purchased through contractors in Hong Kong who are Independent Third Parties and are included in the purchase cost of the Group. To secure that the components are of good legal titles, the Group uses to source the components from local suppliers who are mainly the recommended gold dealers of the Kowloon Pearls, Precious Stones, Jade, Gold and Fine Ornament Merchants Association, members of Diamond Federation of Hong Kong, China Limited, Hong Kong Jewelry Manufacturers' Association and Hong Kong Jewellery & Jade Manufacturers Association. During the Track Record Period, purchase of these components did not account for a substantial portion of the Group.

The Group sources jewellery components from suppliers who have established long term business relationships with the Group in order to ensure the jewellery components are of good qualities. To secure the quality and authenticity of the jewellery components sourced from the suppliers, the quality controllers examine and inspect the components upon their delivery before acceptance of the purchases. Any manufacturing defects and quality problems identified are reported to the production manager and such products are rejected and returned to the suppliers. For diamonds with size one carat or above, it is of the Group's preferences to source those with GIA or HRD certificates. For jade products, the Group used to source those products with certificates or engage the Hong Kong Jade & Stone Laboratory Limited for testing and certification.

Production outsourcing

The Group outsourced the production function of jewellery products to a number of contractors who are Independent Third Parties. As at 31 December 2007, the Group maintained approximately 19 contractors in Hong Kong to perform such production functions. The Group generally provides the contractors with the designs and specifications of the products with the principal jewellery components. The contractors are located in Hong Kong while some of them have their own factories in the PRC.

The Group has been maintaining long term relationships with most of the contractors for over 5 years. The Group has maintained a list of contractors approved by the Directors from time to time. When approving a contractor, the Directors take into account a number of factors including its operating history, reputation and its scale of operations. Samples of products are also required by the Group for the assessment of the quality of products manufactured by that contractor.

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The allocation of production orders is determined by the management based on the designs and jewellery styles. Different contractors are specialised in different jewellery inlay skills. The Group has strict control over the level of jewellery components held by individual contractors. Every contractor is assigned with a limit on holding the stock of the Group. Such limit is determined by the Directors based on the capacity of the contractor. The production department is responsible for monitoring the stock level held by each contractor and reporting to the accounts department and the management to ensure the preset limit is not exceeded. On weekly basis, the production department reviews the stock level kept by each contractor and monitors the progress of the production orders. No more production order will be assigned to that contractor if the stock level held by that contractor is likely to be exceeded.

After the prototypes are finished, the contractors will seek approval from the Group's production department before actual production. Once the production department confirms the prototypes, the contractors will commence the production of the jewellery products. During the production process, the production department will check with the contractors on the quality of the workmanship from time to time to ensure that jewellery components are assembled in accordance with the specification designated by the Group. The production department will also carry out inspections on the finished jewellery products including matching the specification or measurements with the relevant GIA or HRD certificates or with the record maintained by the production department of the Group to ensure that the jewellery components are not misappropriated by the contractors during the production process. Afterwards, the jewellery products will be delivered to the retail outlets based on the orders made by the branch managers and/or the allocations from the senior management of the Group. The Directors confirm that no material manufacturing defects and quality problems on the products produced by the contractors have been noted by the Group during the Track Record Period. It is a common practice of the Group to return such products to the contractors for rectification. Payment to the contractors will be made upon receipt of finished products with satisfactory workmanship.

To prevent misappropriation of the jewellery components which are kept by contractors, the production department of the Group visits the contractors' factories and carries out surprise checking on the whereabouts of the stocks.

The contracting fee, which was included in cost of sales, for the financial years ended 31 December 2005, 2006 and 2007 was approximately HK\$1.4 million, HK\$2.6 million and HK\$4.2 million respectively. The contracting fee is determined between the contractors and the Group after arms-length negotiation with reference to (i) the complexity and style of the design of the products; (ii) the particular craftsmanship required for productions; (iii) the number and value of jewellery components involved in the products; (iv) the time allowance for the production; and (v) the volume of the productions.

During the Track Record Period, the Group has not patented any of its jewellery designs. The Directors consider that it may not be practical to obtain patents for its designs as the designs of jewellery products change from time to time according to fashion trends. However, if any future designs which may resemble the logo of the Group or if the designs consist of any special patterns that worth obtaining patents, the Group can rely on the protection under the Emperor Trademarks and Logo or may patent the design in order to safeguard the interest of the Group against potential imitating products.

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Pricing

The Group has an internal pricing and discounting guideline, which is set out and approved by the management, to govern the discounts offered to customers. The sales executives are requested to strictly follow the discount policy. Extra discounts can only be offered with the prior approval from the branch managers or the management of the Group, depending on the discount rate offered.

Prices of the jewellery products are determined by the styles and the materials used in each of the products. The product development department and the production department review the market needs, the costs of the materials and types of products from time to time and update the prices to reflect the market needs of the products.

CONSIGNMENT

The Group is approached by watch suppliers and jewellery suppliers for marketing of new models, new designs or new brands from time to time. Some of the products are new models of watches with unknown marketability and jewellery products of less popularity and the purchases of them may increase the business risk of the Group for having slow-moving inventories. In order for the Group to test the market response, the Group will not make immediate purchases of these products, but instead the Group will accept to market those products through consignment arrangements. The Group has accepted consignment products from Independent Third Party suppliers and connected persons during the Track Record Period. The model type, the quantity and the price of these consigned products, including those sourced from connected persons, are to be agreed between the Group and the consignors or connected persons from time to time. The Directors will take into consideration the customers' preferences, the latest fashion trends and the quality and marketability of the products, in determining what products are to be sold at the Group's retail outlets. Approvals have to be obtained from the management for any products to be arranged under consignment arrangement. The Group has strict internal control procedures to govern the aggregated value of the products under consignment arrangement to be no more than a preset percentage to the then inventory level of the Group as determined by the Directors from time to time (currently is 10%). The accounts department generates report from the ePOS on a weekly basis to ensure that the pre-set limit is not exceeded. The accounts department will also alert the operation department if such level is exceeded, and the operation department will discuss with the managing Director to decide whether special approval will be granted with reference to the type of products, popularity, marketability and customers' preference.

For watch products, the Group is required to adopt pricing and discounting policies imposed by the watch suppliers while for jewellery products, the Group is free to determine the retail prices with reference to the recent market prices of the relevant products. There is neither minimum purchase commitment nor incentive scheme in place for maintaining the consignment arrangement.

There is no fixed term of consignment period. The Group may return the slow-moving consigned products back to the consignor at its sole discretion depending on the market response towards those products. The average duration of consignment arrangement for the financial year ended 31 December 2005, 2006 and 2007 was approximately 500 days, 560 days and 365 days respectively.

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The Group will make purchases on these consigned products from the consignors at the agreed prices at the time when such consigned products are sold to its customers. Payments for the consigned products purchased are usually settled with credit period of 7 to 30 days after the day of issuance of the relevant invoice. The sale proceeds will be recorded as the Group's turnover when the consigned products are sold and any mark-up amount above the agreed purchase price will be treated as gross profit generated from such sales and will be recorded in the Group's combined income statement.

It is the Group's policy to adopt a strict control over the sources and qualities of the consignment products. The quality controllers of the Group inspect and examine the consignment products before acceptance of the consignment arrangements. In the event that the consignment products are found to be defective in title and/or not of merchantable qualities, the Group will not accept those goods to avoid any future dispute on the source and/or quality of such products with its customers. Should the consignment products be sold by the Group to its customers after inspection, the Group would be fully responsible for any claims (if any) from the customers as to the alleged problems in title and/or quality of such products. During the Track Record Period, the Group was not subject to any claims by its customers due to quality problems on the products sold by the Group, including consigned goods or goods from suppliers.

For the financial year ended 31 December 2005, 2006 and 2007, turnover from consignment sales amounted to approximately HK\$0.7 million, HK\$2.0 million and HK\$9.4 million respectively, which represented approximately 0.1%, 0.2% and 0.6% of the total turnover of the Group respectively.

During the Track Record Period, the consignors were mainly Independent Third Parties. However, there were occasions that some of the consignment goods were consigned by companies controlled by Dr. Yeung, a Controlling Shareholder. The sales of goods consigned from connected persons amounted to approximately HK\$0.4 million, HK\$0.9 million and HK\$2.2 million respectively for the financial years ended 31 December 2005, 2006 and 2007. The Group will not have further consignment arrangements with Dr. Yeung and his associates upon the Listing.

SUPPLIERS AND CUSTOMERS

Suppliers

For the financial year ended 31 December 2005, 2006 and 2007, purchases from the Group's five largest suppliers amounted to approximately HK\$633.2 million, HK\$967.5 million and HK\$1,180.0 million, respectively, representing approximately 88.4%, 88.4% and 81.9% of the Group's total purchases. Purchases from the largest supplier for the financial year ended 31 December 2005, 2006 and 2007 amounted to approximately HK\$303.7 million, HK\$478.1 million and HK\$572.7 million, respectively, representing approximately 42.4%, 43.7% and 39.7% of the Group's total purchases. EJM, a wholly-owned subsidiary of Allmighty Group, was one of the top five suppliers of the Group which accounted for approximately 14.2%, 16.0% and 10.4% of the Group's total purchases for the financial year ended 31 December 2005, 2006 and 2007 respectively. Save as the aforesaid, none of the Company, the Directors, the chief executive, the substantial Shareholders of the Company or any of their respective associates and shareholders of the Company, which to the knowledge of the Directors own more than 5% of the issued share capital of the Company, has any interest in any of the five largest suppliers of the Group during the Track

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Record Period. Most of the Group's purchases are settled in Hong Kong dollars or US dollars by way of cheques, telegraphic transfers and cashier orders.

Each watch sourced by the Group from the watch brand owners or authorised watch suppliers has its own serial number to prevent any counterfeit products. Jewellery components are sourced by the Group from suppliers of good reputation, and diamonds which weigh over one carat, are all enclosed with certificates issued by the GIA or HRD. All purchases are inspected by the Group's experienced sales person and/or quality controller when delivered from the suppliers to avoid any possible counterfeit items. As such, the Directors consider that the risk of the Group's selling counterfeit goods is minimal.

Customers

The customers of the Group are mostly individuals, including tourists visiting Hong Kong and Macau. Given the focus of the Group's business is the sale of luxurious watches of international brands and jewellery products, the Directors believe that most of its customers are middle to high income earners in Hong Kong and Macau. The Group's customers mostly settle their payments by cash, credit cards or electronic payments.

For the financial year ended 31 December 2005, 2006 and 2007, sales to the top five major customers of the Group, which consist of both individuals and trading companies, amounted to approximately HK\$121.9 million, HK\$157.0 million and HK\$64.5 million respectively, representing approximately 18.9%, 14.5% and 4.1% of the Group's total turnover. Sales to the largest customer for the financial year ended 31 December 2005, 2006 and 2007 amounted to approximately HK\$90.7 million, HK\$116.5 million and HK\$39.0 million respectively, representing approximately 14.1%, 10.7% and 2.5% of the Group's total turnover. Other than Dr. Yeung, a deemed Controlling Shareholder and Ms. Chan Ngan Nui, an associate of Ms. Cindy Yeung, (they are one of the top five customers during the financial years ended 31 December 2007 and 31 December 2005, respectively), none of the Company, the Directors, the chief executive, the substantial Shareholders of the Company or any of their respective associates and Shareholders of the Company, which to the knowledge of the Directors own more than 5% of the issued share capital of the Company, has any interest in any of the five largest customers of the Group during the Track Record Period. For the financial year ended 31 December 2005, 2006 and 2007, sales to Dr. Yeung amounted to approximately 0.4%, 0.2% and 0.4% of total turnover of the Group respectively whereas sales to Ms. Chan Ngan Nui amounted to approximately 0.6%, 0.1% and 0.0% of the Group's total turnover respectively.

CREDIT POLICIES

Sales to the consumers on credit is not an usual practice to the Group, except for a number of frequent customers (around 25) identified and approved by the management of the Group with reference to the creditability and social status of the customers. There were minimal credit sales during 2005 and 2006 while in 2007, the credit sales accounted for approximately 2.2% of total turnover of the Group. These customers are granted with credit periods at the maximum of 7 days with accumulated credit limits of HK\$100,000 as preset by the management of the Group at any point of time. Special approvals from the management have to be obtained if the credit limits are to be exceeded. The maximum credit limit granted to the Group's customers amounted to approximately HK\$1.9 million in 2007. The Group experienced no bad debts against the credit sales during the Track Record Period.

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SALES AND DISTRIBUTION NETWORKS

The Group has established and operated an extensive retail network covering major shopping zones in Hong Kong for its business operations. As at the Latest Practicable Date, the Group is operating 7 retail outlets and 1 boutique outlet in Hong Kong and 1 retail outlet in Macau. The Group is retailing various brands of watches and jewellery at its retail outlets whereas the boutique outlet is established for the sale of specific watch brands.

The Group's retail outlets are strategically located at prime shopping locations in Hong Kong and Macau, where customers generally have relatively higher purchasing powers. All of the Group's watches and jewellery products are sold through the Group's own distribution channels throughout the Track Record Period.

The details of the retail outlets operated by the Group, which are all leased by the Group, as at the Latest Practicable Date are as follows:

Hong Kong

Retail outlets	Location	Approximate gross/saleable floor area <i>(note)</i> <i>(sq.ft.)</i>	Lease term
1. Emperor Watch & Jewellery retail outlet – Central	Shop No. 20B on Basement and Ground Floor, Pacific House, 20, 20A & 20B, Queen's Road Central, Hong Kong.	3,572	16 May 2008 to 15 May 2010 with option to renew for another 2 years
2. Emperor Watch & Jewellery retail outlet – No. 81 Nathan Road	**Shops A, D2 & E2 on Ground Floor, Harilela Mansion, 81 Nathan Road, Tsimshatsui, Kowloon.	} 3,240*	1 April 2008 to 31 March 2011 with option to renew for another 3 years
	Shop B on Ground Floor, Harilela Mansion, 81 Nathan Road, Tsimshatsui, Kowloon.		16 August 2007 to 15 August 2010
3. Emperor Watch & Jewellery retail outlet – Canton Road	Shops Nos. 6 and 8 on Ground Floor, "4, 6 and 8 Canton Road", 4 Canton Road, Tsimshatsui, Kowloon.	1,212*	1 August 2005 to 31 July 2008 with option to renew for another 2 years
4. Emperor Watch & Jewellery retail outlet – Oterprise Square	Shop No. 1 on Ground Floor, Oterprise Square, 26 Nathan Road, Tsimshatsui, Kowloon.	} 6,262	1 December 2006 to 30 November 2009 with option to renew for another 2 years
	Shop No. 3 on Ground Floor, Oterprise Square, 26 Nathan Road, Tsimshatsui, Kowloon.		11 April 2006 to 30 November 2009 both with option to renew for another 2 years

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Retail outlets	Location	Approximate gross/saleable floor area <i>(note)</i> <i>(sq.ft.)</i>	Lease term
5. Emperor Watch & Jewellery retail outlet – Wanchai	**Shop Unit G03 on Ground Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.	} 4,814	1 September 2007 to 31 March 2010
	**Shop Units G04 and G05 on Ground Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.		1 April 2007 to 31 March 2010
6. Emperor Watch & Jewellery retail outlet – No. 59 Russell Street	Shops B1 & B3 on Ground Floor, 59 Russell Street, Causeway Bay, Hong Kong.	855	1 January 2007 to 30 September 2008
7. Emperor Watch & Jewellery retail outlet – Great George Street	**Shop Q on Ground Floor (including Mezzanine Floor) Hong Kong Mansion, 2-10 Great George Street, Causeway Bay, Hong Kong.	983*	16 July 2006 to 15 July 2009
8. Specific watch brands boutique outlet	**Shops 1 & 2 on Ground Floor, 8 Russell Street, Causeway Bay, Hong Kong.	3,367	1 September 2007 to 31 August 2010 with option to renew for another 3 years
<i>Macau</i>			
1. Emperor Watch & Jewellery retail outlet – Macau	**Shops 1-4 on Ground Floor, Grand Emperor Hotel, 288 Avenida Comercial De Macau, Macau	4,391	1 April 2006 to 31 March 2009

Note: The floor area of those retail outlets marked with “**” are in terms of saleable floor areas, while others are in terms of gross floor area.

The premises marked with “***” are rented from connected persons.

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The Group has also entered into leases for the following locations which will be for setting up new outlets after the Listing.

Retail outlets	Location	Approximate gross floor area (<i>sq.ft.</i>)	Lease term
1. Emperor Watch & Jewellery single watch brand retail outlet – No.50 Russell Street	**Ground Floor, (Shop A including the yard) and First Floor (office A) Tat Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong	1,342 and a yard area of 203	1 July 2008 to 30 June 2011 with option to renew for another 3 years
2. Emperor Watch & Jewellery retail outlet – No.35 Queen's Road	Front shop on Ground Floor and Basement, Commercial House, 35 Queen's Road Central, Central, Hong Kong	2,897	1 June 2008 and 31 May 2014 with option to renew for another 2 years
3. Emperor Watch & Jewellery single watch brand retail outlet – Macau	**Shop 5, on Ground Floor, Grand Emperor Hotel, 288 Avenida Comercial De Macau, Macau	1,560	1 July 2008 to 30 June 2011

Notes: The premise marked with “**” are rented from connected persons.

Among the tenancies of the Group (excluding licences for signages), three of them will be expiring in 2008, including two retail outlets at Canton Road and No. 59 Russell Street and a premise located in Canton Road as staff pantry. Except for the No. 59 Russell Street outlet, the other two tenancies have an option for the tenant to renew for a further period of 2 years at the market rental or at agreed rate.

The Group intends to renew the tenancies or exercise the renewal option. The Directors consider that as long as the rental is not unreasonably above the market rental, the Group will prefer to maintain the leases at the existing locations. The Group has no present intention to acquire any leased premises for its retail business.

Rental expense is one of the Group's major costs in its business operations. For the financial year ended 31 December 2005, 2006 and 2007, total rent, rates and building management fee of the Group's retail outlets amounted to approximately HK\$16.5 million, HK\$32.2 million and HK\$51.4 million respectively (representing approximately 44.0%, 48.1%, 44.5% of selling and distribution expenses of the Group respectively during the Track Record Period). The increase in rental was approximately 37.2%, 94.8% and 59.6% for the financial year ended 31 December 2005, 2006 and 2007 when comparing with the corresponding prior year. The average rental rate of the Group's retail outlets during the Track Record Period was approximately HK\$125, HK\$145 and HK\$162 per square feet. Given that there has been a general rising trend of rentals in Hong Kong and Macau, any substantial increase in rental expenses in future may have a material adverse impact on the Group's profitability.

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The Group conducts its retail business in leased premises. As at the Latest Practicable Date, a total of 10 tenancies (four of which are for the leasing of retail outlets) entered into by the Group with leasing term exceeding 3 years or with an option to renew have not been registered in the Land Registry. Turnover generated from these four retail outlets amounted to approximately HK\$287.6 million, HK\$423.7 million and HK\$716.2 million respectively for the financial year 31 December 2005, 2006 and 2007. Under Section 3(2) of the Land Registration Ordinance, the above tenancies shall be registered in the Land Registry, otherwise such tenancies shall, as against any subsequent bona fide purchaser or mortgagee for valuable consideration of the relevant premises, be absolutely null and void to all intents and purposes and the Group may lose possession of the relevant premises or the right to exercise the option to renew the term of the relevant tenancies to such subsequent bona fide purchaser or mortgagee. However, the Group is not subject to any penalty or fine by any governmental authority due to the failure to register the above tenancies. The Group has proceeded with the registration with the Land Registry of the above tenancies for a term exceeding 3 years or those with an option to renew whereas the remaining tenancies for a term not exceeding 3 years and do not contain an option to renew need not be registered according to the Land Registration Ordinance. The expected time of completion of registration with the Land Registry is by the end of July 2008. The Directors do not foresee any legal impediment to register the said tenancies. The non-registered leases with terms not exceeding 3 years without an option to renew are legal and binding and the priority of these non-registered leases will not be affected. For future leases which require registration, the Group will apply for registration once the leases are executed.

AFTER-SALES AND MAINTENANCE SERVICES

The watches sold by the Group are under warranties offered by the authorised official service centers of the respective watch brands. For jewellery products sold by the Group, the Group is committed to offer a number of after-sales services to its customers.

Watches products

Maintenance and Repair Services

The watch brands offer warranties of one to three years for all watches sold by the Group. The official service centers authorised by the watch brands are responsible for providing repair and maintenance services for any malfunctioning and manufacturing defects of the watches sold to the customers by the Group within the warranty period.

The Group offers delivery services for its customers by sending the defective watches sold by the Group to the respective authorised official service centers for repair and maintenance. The Group has employed two watch technicians, who have worked for the Group for over 10 years, to provide technical support to customers including the provision of preliminary examinations on the watches with professional advice and recommendation. These technicians also provide minor maintenance services, such as battery and watch strap replacements, to those watches as authorised by the watch suppliers from time to time. For substantial repairs, the Group refers the repairs to the official service centres as mentioned above.

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Jewellery products

Maintenance and Repairing Services

The Group provides maintenance and repairing services for the jewellery products with defects which were sold by the Group except for natural wear and tear. The Group also offers cleaning services on all jewellery products sold to its customers.

Repurchase of products

As in line with market practices, the Group offers guarantees to repurchase diamond products from its customers and such guarantee is only offered to (i) those diamonds which weigh over 1 carat and with certificates mainly issued by GIA or HRD and (ii) those repurchase requests are made within 1 year from their respective dates of sales. These jewellery products are delivered to the production department for verification and inspection before acceptance of the repurchases. The prices are determined by the Group based on the market value and the purchase cost of the respective diamonds.

Charges for maintenance

For minor maintenance service for watches, such as cleaning service or changing battery, the costs incurred are very minimal and are borne by the Group. If the watches require substantial repairing, the Group will refer the customers to seek repairs from the watch suppliers. For minor maintenance for jewellery products, such as cleaning or changing ring size, the Group usually provides the services free of charge, but may charge the customers depending on the complexity of the maintenance services.

SALES RETURN

It is of the Group's policy that no sales return is accepted except for the malfunctions and manufacturing defects of the watches and the manufacturing defects of the jewellery products. For the financial year ended 31 December 2005, 2006 and 2007, the sales return amounted to approximately HK\$1.0 million (approximately 52.2% due to watches and 47.8% due to jewellery), HK\$1.0 million (approximately 55.2% due to watches and 44.8% due to jewellery) and HK\$1.5 million (approximately 93.8% due to watches and 6.2% due to jewellery) respectively which were netted with the turnover of the Group in the respective years. The defective products are returned to the suppliers by the Group for repairment, replacement or refund.

MARKETING AND PROMOTION

The Group carries out marketing and promotional activities for both watches and jewellery in order to stimulate customers' purchase and strengthen corporate image. To achieve its marketing objectives, the Group has performed a number of marketing functions as below:

(i) Marketing for watches

The Group is a retailer of international brands of luxurious watches and from time to time cooperates with the watch suppliers to jointly implement marketing and promotional campaigns. The Group discusses with watch suppliers to plan for the appropriate media for advertising. The Group also co-organises in-store exhibitions and events with watch suppliers to align with product launches or promotions to hit the target audience. Depending on the nature and scale of the promotional functions, the Group contributes in a particular portion or on a lump-sum basis as agreed from time to time with the watch suppliers.

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(ii) Marketing for jewellery products

The Group deploys strategic planning and implementation of different advertising and promotional activities for its jewellery products according to different themes and festivals. Matching with the designs of its jewellery products, various promotional functions are organised. The Group also arranges jewellery exhibitions every year in Hong Kong and Macau.

Advertisements are placed by the Group through different means including televisions, outdoor billboards, newspapers, magazines and promotional materials.

(iii) Corporate events

The Group arranges a number of corporate events to arouse the public awareness and enhance the corporate image. Special functions such as grand openings were held to announce the opening of new shops and celebrities were invited to officiate the ceremonies. The Group also actively involves in various types of sponsorship such as charitable functions, musical concerts and television programmes for promotional purposes.

(iv) Counter display

Displays of watches are prepared and arranged by the corresponding watch suppliers to maintain coherent image of the brands. For jewellery products, the Group prepares self-designed display stands and counters to present its products.

(v) Joint promotions

The Group regularly takes part in advertising campaigns and exhibitions jointly organised with watch suppliers in Hong Kong and Macau to maintain publicity. Meanwhile, the Group also engages in joint promotions with various credit card companies and other organisations, including the Hong Kong Tourism Board to offer discounts on jewellery products, amplifying brand exposure and brand publicity.

(vi) Public relations

To maintain constant exposure and publicity of the Group's brands, regular press releases will be made for distribution, and photoshootings with magazines will be organised. Further, press kits with souvenirs will be sent to the press to update them on new products.

For the financial year ended 31 December 2005, 2006 and 2007, the advertising and promotional expenses incurred by the Group amounted to approximately HK\$1.9 million, HK\$4.6 million and HK\$6.1 million respectively, representing approximately 5.1%, 6.9% and 5.3% of the Group's total selling and distribution expenses during the Track Record Period.

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Each year, a detailed budget of marketing and promotion expenses is prepared by the marketing department and a forecast on the selling and distribution expenses will be prepared by the accounts department with reference to the past financial data, marketing plan of the watch suppliers and future plan of the Group. The annual profit forecast and budget are to be reviewed and approved by the management of the Group. For monitoring the level of expenses, the accounts department is required to prepare monthly management accounts together with executive summary which show comparison between the forecast and actual results. In addition, the accounts department is required to make commentary on material variance between the forecast and actual results for the Directors' review.

RETAIL OUTLETS OPERATION

Organisational Structure

As at the Latest Practicable Date, the sales team of the Group comprised of 142 staffs. The Group has established an operation structure within each retail outlet.

The executive Directors are responsible for the Group's strategic planning and business development and overseeing the overall operations of the Group. The branch managers are responsible for overseeing the sales performances and daily operations of the retail outlets. Cashiers are allocated to each retail outlet for handling cash and sales transactions. The number of staff allocated to each retail outlet was determined by the management of the Group, depending on different factors including the size of the outlets and the respective transaction volume. In order to provide quality services to its customers, the Group provides regular trainings to all staff on various topics including selling techniques and latest product knowledge.

Cash control and management

Receiving cash is one of the most common settlement methods during the Group's daily operations. During the Track Record Period, the turnover of the Group was settled through the following ways:-

	2005		Year ended 31 December 2006		2007	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Credit cards and electronic payments	308,420	47.8%	586,296	54.0%	1,066,504	68.3%
Cash	275,413	42.7%	398,682	36.8%	351,149	22.5%
Cheque	61,143	9.5%	97,616	9.0%	143,491	9.2%
Others (<i>Note</i>)	288	0.0%	1,801	0.2%	319	0.0%
Total	645,264	100.0%	1,084,395	100.0%	1,561,463	100.0%

Note: Others mainly represent the cash coupons issued by the Group from time to time upon request against cash equivalent to the face value of the coupon.

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Other than HKD and MOP, being the domestic currencies for the retail operations in Hong Kong and Macau, the Group also accepts common foreign currencies like RMB, USD and Euro. The amount of foreign currencies to pay are calculated with reference to the relevant market currency exchange rate. Material foreign currencies received are exchanged into HKD and deposited to the bank within short period of time. The amount of sales turnover of the Group in Hong Kong is therefore recorded in terms of HKD whereas that in Macau is recorded in MOP. Risk due to foreign exchange rate fluctuations is therefore minimal.

The Group has set out specific procedures to handle and manage cash. The Group has a set of policies governing the cash handling procedures which are required to be strictly followed by all salespersons and cashiers. In each outlet, there is at least one cashier who is responsible for inputting all sales transactions into the ePOS. Once cash is received, the salespersons are required to count the cash in front of the customers and the cashiers have to double check to ensure the accuracy of the cash received. The daily sales transactions are recorded in the ePOS by the cashiers. All the sales records, which include the relevant sales reports, invoices, bank-in-slips and payment proofs, are submitted to the Group's accounts department on a daily basis. Please refer to the paragraph headed "Inventory Control" below for details of the ePOS.

Cash payments by the retail outlets are allowed after approval from designated person is obtained. All daily cash outflow is also recorded in the ePOS.

Daily cash counts and reconciliations are performed in the retail outlets to match with the cash book recorded in the ePOS. The cashiers prepare daily reports and payment received lists and check against the total amount of cash on hand and the records of sales through credit cards, electronic payments and cheque settlements. Any discrepancy identified during cash count is required to be investigated and reported to the Group's management. The reports, together with the relevant payment proofs and bank-in-slips, are submitted to the Group's accounts department for counter checking. The accounts department also performs surprise cash counts at the retail outlets at least once a month without prior notices to the retail outlets. For internal control purposes, the cashiers are required to rotate among different retail outlets on annual basis.

For security reasons, cash retained at each retail outlet cannot exceed a preset amount determined by the management of the Group. All excessive cash has to be deposited to the bank on daily basis. Any cash retained at the retail outlets has to be stored in the locked cash boxes at all time. The cashiers are the only person having the right of access to the cash boxes. At the end of each day, the cash boxes are locked in the strong room of the respective outlet. Only the designated person is allowed access to the strong room.

The management of the Group monitors the daily cash position of the retail outlets through daily reports prepared by the accounts department. Any irregularities are investigated to avoid misappropriation of cash by the Group's staff.

Money laundering measure

To prevent the Group from exploitation by money launderers, the management has set up internal guidelines since June 2007, which is prepared with reference to the "Anti-money laundering and counter-terrorists financing – A practical guide for remittance agents and money changers,

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money lenders, estate agents, precious metals and precious stones dealers” published by the Narcotics Division, Security Bureau of the HKSAR, of various indicators for identifying possible money launderers and the reporting system for suspicious transactions. The retail staff, according to the said guidelines, will identify and clarify suspicious transactions by their observation and conversation with customers, during which they will identify any incommensurate background (e.g. profession and age) of the buyer versus the amount of transaction, alerting on transactions with unusual payment methods, unusual buying behaviours/patterns, unusual behaviours of customers and requests for over/under-invoicing of purchases. If any retail staff considers the transactions suspicious, they are required to report to the branch manager.

The branch manager is required to provide a written report whenever there is any reporting from the frontline staff on the details of the suspicious transaction and keep record of the relevant invoices and payment method. If the branch manager considers necessary, he will alert the Board and the Company will report the suspicious transaction to the Joint Financial Intelligence Unit jointly operated by the Police and the Customs and Excise Department.

The Directors confirm that no incident of material losses resulting from handling of cash and credit card sales was noted during the Track Record Period.

INVENTORY CONTROL

The Group’s inventory comprises raw materials, watches and jewellery products. All records of sales and stock movements are recorded in the ePOS on a real time basis. Through the ePOS linked between the retail outlets and the head office, the performance of each outlet and the respective stock information are accessible to the management and all retail outlets. The management is able to keep track of the real time operation data, including the recent buying pattern and preference of the customers, of the retail outlets and the inventory levels which will facilitate the management for better assessment of the latest customers’ preferences and for the better estimation of the future demands of the Group’s products. Reports are generated from ePOS on daily or monthly basis by the accounts department and relevant data is then inputted and integrated to the accounting system of the Group for the preparation of the financial statements.

The inventory level of each retail outlet is determined by the management with reference to the minimum stock levels as agreed with the watch suppliers, the stock turnover and production lead-time, sales forecast of watches and jewellery products, business and marketing plans for opening new outlets and anticipated product prices. The management also arranges monthly meetings with the shop managers to review the sales performance and the inventory level of each retail outlet. Through the above measures, the management and the operation department can obtain the most updated market information which facilitates the formulation of production plan, maintenance of adequate inventory level and approval of purchase orders initiated by the shop managers during the daily operations. All purchase orders are subject to purchase limits preset by the management with reference to the location and the sales performance of each individual retail outlet.

The management reviews monthly reports on slow-moving and obsolete stocks, discusses and assesses with the branch managers for any appropriate method to enhance the marketability of these items including enhancing promotions, offering greater discounts and, if necessary, may consider whether stock provision is required.

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The products sold by the Group are mostly of high value and the Group has adopted a strict inventory security policy. The security measures taken to safeguard the Group's inventories include:

- a security system as required by the insurance company to be installed in the retail outlets and the premises of the Group including the alarm system, vault, strong room and 24 hours surveillance system;
- insurance coverage against any loss or theft on inventories including consignment stocks within the retail outlets and the Group's premises, in transit or in exhibition;
- daily stock count is performed by the staff of each retail outlet under the supervision of the branch managers. The stock count results are reported to the Group's accounts department on a daily basis. Any discrepancies are investigated and reported to the management; and
- full stock-taking is carried out semi-annually under the monitoring of the head office. Discrepancies to the records of the ePOS are investigated and reconciled.

During the Track Record Period, the Group did not encounter any material discrepancies between the physical stock counts and the records of the ePOS.

INVENTORY PROVISION POLICY

During the Track Record Period, the Group has adopted a provision policy for obsolete and slow-moving inventories which is formulated based on management's past experience, knowledge of current market trend and customers' demand with reference to the historical sales information of individual watch brands and jewellery. Details of the provision policy are summarised as follows:

For Watches

- 1) full provision is made to all brands of watches with age of 10 years, being the maximum life span of any market value in the opinion of the Directors;
- 2) watch brands are divided into different classes and for different classes, age bands ranging from 1 to 5 years are assigned. No provision is required for watches falling within their assigned age bands; and
- 3) for watches falling out of the assigned age bands, their cost is adjusted down to reflect the net realisable value by using a formula, which is calculated with reference to the aging and the brands of the watches. In general, more provisions are made to those watches of longer ages.

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For Jewellery

- 1) no provision for diamond has to be made as determined by the Directors since the market prices of diamond had been increasing since 2003;
- 2) no provision for precious stones of ages of less than 3 years has to be made as the Directors believe that they are not to be sold below cost; and
- 3) for precious stones of ages of over 3 years, full provision is made for those items with minimal sales records. For those stones that had been sold below cost during prior years, provision percentage is determined based on average discount rate of each specific type of stones.

The Directors, based on their industry experience and having taken into account the subsequent sales of the inventory and valuation report from independent professional valuer, confirm that the provision policy has been consistently adopted during the Track Record Period and consider that adequate allowance for obsolete and slow-moving inventories has been made in the Group's financial statements during the Track Record Period.

CASH FLOW MANAGEMENT AND TREASURY POLICY

The Directors review the monthly management accounts and the cashflow forecasts of the Group and allocate cash resources to satisfy the predicted cash needs of the Group, including the settlement of the purchase costs and the funds required for the implementation of the Group's expansion plans, for short term and long term requirements. The Group's accounts department will prepare cash flow forecast annually with information provided by branch managers of the retail outlets and the production department. The cash flow forecast will be updated during the year for anticipated material cash requirements. The accounts department will monitor the use of cash and the liquidity of the Group by reviewing the daily cash position and payment schedules. Monthly management accounts of the Group will be provided to the executive Directors and any material variances to the cash position of the Group against the cashflow forecast are highlighted and reported to the Board.

Depending on the market environment and the funding size, other than the Group's internal resources, the Directors may seek financing to maintain the liquidity and cash position of the Group. Upon the Listing, the Directors will continue to closely monitor the cash position of the Group for better utilisation of its financial resources including the proceeds raised through the Share Offer, the internal generated resources and banking facilities. The Directors may also consider to finance the operation of the Group through equity financing as and when appropriate. With the improvement of profitability during the Track Record Period, the Group relied less on financing from outsiders which resulted in reduction of net cash from financing activities from approximately HK\$179.9 million in 2005 to HK\$165.3 million in 2006 and HK\$60.9 million in 2007. During the Track Record Period, there was no incident of delay or default in repayment of bank borrowings occurred.

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AWARDS, RECOGNITIONS AND CERTIFICATIONS

In recognition of the services provided by the Group, the Group had been granted the following awards/certificates:

Name of the award/certificate	Member of the Group	Awarding authority	Date of award
Quality Tourism Services Scheme Certification Mark	EWJ HK	Hong Kong Tourism Board (“HKTB”)	2005 to 2007
Hong Kong Classical Brands	EWJ HK	Sing Tao Publishing Limited	12 December 2006
Membership	EWJ HK	Diamond Federation of Hong Kong, China Limited (“DFHK”)	2005 to 2007

To the best knowledge of the Directors, the Quality Tourism Services Scheme Certification Mark is awarded by HKTB. Assessments are made on various aspects including the locations and environment of the retail outlets, quality and information of the products, the professional knowledge, sales skills and tidiness of the sales team, the display of payment methods and terms and conditions. The Directors consider that such award is an indicator for both local customers and tourists when they are choosing the outlets for shopping. The trade name of the Group is posted on the website of HKTB which can enhance the exposure of the Group. The Group is also free to join the promotions organised by HKTB to further enhance the exposure of the Group.

The Hong Kong Classical Brands is granted by Sing Tao Publishing Limited to well established brands which are capable of capturing the market trends, updating their marketing strategies so as to meet the challenge of the market whilst at the same time are able to preserve their own characters and corporate image. The award acts as a recognition of the brand name of the Group and it helps to enhance the market standing and exposure of the Group.

DFHK is a non-profit making organisation aiming to protect the integrity of diamond and consumer’s interest by standardising business practice. It undertakes its missions in maintaining Hong Kong’s reputation as the diamond center in Asia and in promoting quality services and consumer rights. The membership of DFHK can enhance the confidence of the customers in buying diamond in Hong Kong. The trade name of the Group is posted on the website which can enhance the exposure of the Group.

COMPETITION

The Directors consider the major challenges of the business include:

- (a) substantial capital investment to build up an extensive retail network;

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- (b) establishing and maintaining good working relationship with the brands suppliers/ authorised distribution agents; and
- (c) establishing and maintaining reputation in the industry.

The watch and jewellery retail industry in Hong Kong and Macau are highly competitive and fragmented with numerous market players participating in the market with business operated in small size or in the form of chain stores of large scale. The Group's focus is on brand management and the retail of luxurious watches and fine jewellery to tap the high-end market in Hong Kong and Macau. The Directors consider that competition in the Group's targeted markets principally comes from retailers of other international brands of watches and self-designed fine jewellery. The competition between the Group and the watch and jewellery conglomerates is principally with regard to the brands of watches and jewellery design which they represent. Such competitors may adversely affect the sales performance and operating results of the Group should the Group be unable to differentiate its product quality and meet the requirements of the potential customers satisfactorily.

The Group also competes with local distributors which exclusively distribute brands of watches manufactured by various watch manufacturers in the local markets. Such competitors may adversely affect the sales performance and operating results of the Group should the Group not be able to provide comparable products to meet the specific needs of the potential customers satisfactorily.

The Directors believe that the Group's principal competitive advantages over its competitors are the Group's ability to continue building and upholding the brand name of watches distributed by the Group as well as to gain customers' awareness and loyalty to those brands through comprehensive marketing and brand promotional programs.

INTELLECTUAL PROPERTY RIGHTS

(a) Trademarks

Pursuant to the Deed of Assignment, EWJ Management and Emperor Management have agreed to transfer the Emperor Trademarks and Logo registered or to be registered in the PRC, Hong Kong, Taiwan, Macau, Malaysia and Singapore to Full Gold.

After execution of the Deed of Assignment, the Group has applied for and/or has proceeded to apply for re-registration of the Emperor Trademarks and Logo in the above territories in the name of Full Gold. Pursuant to the Deed of Assignment, EWJ Management and Emperor Management have consented to the use of the Emperor Trademarks and Logo by the Group for nil consideration at any time prior to the vesting of the full legal titles and/or ownership of these trademarks and logos in the Group to the extent that such consent is required for use of these trademarks and logos under any applicable laws during this period.

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Trademarks in the PRC

Among the PRC Trademarks and Logo, three of them are under application by Emperor Management in the PRC while the remaining five of them are registered under the name of EWJ Management in the PRC.

After execution of the Deed of Assignment, the Group has applied for and/or has proceeded to apply for assignment of the PRC Trademarks and Logo to the Trademark Office. However, according to the PRC laws, Full Gold will effectively own these trademarks in the PRC only after the assignment applications are approved by the Trademark Office, which is expected to take approximately a year and complete in around July 2009. According to the Company's PRC legal adviser, there is no legal impediment to the assignment of the PRC Trademarks and Logo.

In respect of the PRC Trademarks and Logo which are applied by Emperor Management on 27 September 2007 and are still under application, Emperor Management does not have any exclusive right to use these trademarks until the applications have been approved by the Trademark Office, thus it is legal for Full Gold to use these trademarks during the period of application. According to the Company's PRC legal adviser, the registration of these trademarks under application, which is expected to complete in approximately three years, may be subject to opposition or rejection. By the time of the registration, the PRC Trademarks and Logo currently under application will be registered directly in the name of Full Gold.

Since the Group is only granting license to EWJ Management to use the PRC Trademarks and Logo for its Franchising Business, any failure to register these registered trademarks and/or those trademarks under application in the PRC is not expected to give rise to any material impact on the operation and financial position of the Group.

In respect of the PRC Trademarks and Logo which are duly registered in the PRC in the name of EWJ Management, notwithstanding the execution of the Deed of Assignment, Full Gold is not entitled to use these registered trademarks before the assignment applications are approved by the Trademark Office. As such, EWJ Management and Full Gold entered into the PRC License Agreement, pursuant to which EWJ Management agreed to grant to Full Gold the right to use those registered PRC Trademarks and Logo for a consideration of HK\$1 for the period from the date of the PRC License Agreement to the date on which Full Gold effectively becomes the registered owner of those trademarks.

On 23 June 2008, Full Gold entered into the Franchise License Agreement with EWJ Management, pursuant to which, conditional upon Full Gold being recorded or registered as the owner of the respective PRC Trademarks and Logo by the Trademark Office, Full Gold will grant the right to use any of the PRC Trademarks and Logo duly registered at that time being to EWJ Management for a consideration of HK\$1 for the sole purpose of operating its Franchising Business until the expiry or termination of all franchising agreements on or around end of June 2009.

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The Directors, having made all reasonable enquiries, are not aware of any intellectual property rights infringement or inappropriate use of the registered PRC Trademarks and Logo by the franchisees during the Track Record Period.

Trademarks in Hong Kong

Among the Emperor Trademarks and Logo, four trademarks are duly registered in Hong Kong and five trademarks are in the course of application process. The registration of those trademarks under application is expected to complete within approximately nine months from their respective dates of application, which are 21 September 2007 and 4 December 2007 respectively. As advised by the Company's Hong Kong legal adviser, under the current registration procedures in Hong Kong, the trademarks under applications are subject to opposition by other interested parties in the public, which may be raised during the publication period. After execution of the Deed of Assignment, Full Gold is entitled to use those Emperor Trademarks and Logo in Hong Kong. An application for registration of the assignment of the Emperor Trademarks and Logo in Hong Kong was filed with the Registrar of Trademarks on 24 June 2008 and the registration of assignment was completed on the same date.

Those Emperor Trademarks and Logo under application in Hong Kong comprise the crown logo “” (classes 14, 16 and 35), “英皇” (class 16) and “Emperor” (class 16). In view of the fact that there are no similar registered trademarks in the relevant classes and/or no objection was received during the publication period, the Directors do not foresee any legal impediment to register the above trademarks.

In the event that the Group fails to complete the registration of those Emperor Trademarks and Logo under application in Hong Kong, it can still continue to use those already registered trademarks and logos, such as the registered trademarks of “英皇” and “Emperor” under class 35 for retail and wholesale services in respect of watches and precious stones/metals, to carry on its business in Hong Kong. As such, it is not expected that the failure of registration of the trademarks under application in Hong Kong would have any material impacts on the Group's operation.

Trademarks in Macau

Two of the Emperor Trademarks and Logo are duly registered in Macau. According to the Company's Macau legal adviser, the legal ownership of these two trademarks was transferred to Full Gold upon execution of the Deed of Assignment on 23 June 2008. The Group has proceeded to apply for registration of the assignment. The registration of assignment is expected to complete within approximately three months if the application is in order. In addition, as advised by the Company's Macau legal adviser, there is no impediment to the re-registration of the trademarks in Macau, and should the Group fail to complete the registration, the trademark will remain registered under the name of the assignor, being the party entitled to the protection thereunder.

The Directors confirm that all the Emperor Trademarks and Logo duly registered or to be registered under classes 14, 16, 35 and 42 in various jurisdictions are for the use by the Group and the Franchising Group.

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Further details of the Emperor Trademarks and Logo are set out in the sub-section headed “Intellectual property rights of the Group” in Appendix V to this prospectus.

(b) Domain names

As at the Latest Practicable Date, the Group was the registered proprietor of the domain “www.emperorwatchjewellery.com”, which was registered on 10 April 2003 and will expire on 10 April 2013. The registration of the domain name is able to prevent the others from using the same domain. Should there be any person using similar domain name to mislead the public, the Group will issue warning at its own website. If there is any fraud suspected, the Group will report to the police as soon as practicable.

The Directors confirm that there was no material infringement of the Group’s trademarks or designs in the past. However, if there is any infringement of the Group’s trademarks or designs in the future, the Group’s image and profitability may be adversely affected and the Group may take legal action against the third parties in respect of infringement of its intellectual properties.

INSURANCE

The Group has taken out insurance policies which cover, among other things, the assets in its head office and all of its retail outlets in Hong Kong and Macau, including insurance for (i) its stock and furniture against inter alia, robbery, burglary, shop lifting, fire, flooding and malicious damage; (ii) local transit of stocks within Hong Kong and Macau; and (iii) advertising signs erected outside the retail outlets. The Group has also taken out other insurance policies, including the employees’ compensation insurance, public liability insurance, personal accident and employee travel insurance.

The Group will review its insurance policies to cover any new outlets of the Group from time to time. Given that all main aspects of the operation and properties within premises have been covered by insurance, the Directors believe that the insurance coverage taken out by the Group over its assets and inventories is generally adequate and sufficient for its operations. There have not been any material insurance claims during the Track Record Period.

The total insurance premium paid by the Group for the financial year ended 31 December 2005, 2006 and 2007, amounted to approximately HK\$0.5 million, HK\$0.7 million and HK\$0.9 million respectively, representing approximately 2.1%, 2.2% and 2.2% of the Group’s total administrative expenses for the corresponding periods respectively.

LEGAL AND REGULATORY

On 3 November 2006, EWJ HK received a building order issued by the Building Authority under the Buildings Ordinance in relation to a signboard erected at the external wall of the building where the Group’s No.81 Nathan Road, Tsim Sha Tsui store is situated.

On 30 January 2008, EWJ HK received another building order in relation to the signboard erected at the external wall of the building where the Group’s No.8 Russell Street, Causeway Bay store is situated.

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The signboards, showing the names of Emperor Watch and Jewellery and the products of the Group, were alleged by the Building Authority that they were erected without having first obtained from the Building Authority the approval of building plans and commencement of such building works as required by Section 14 of the Buildings Ordinance. EWJ HK, as user, was required to demolish the signboards and to reinstate the parts of the building so affected by the building works in accordance with the plans approved by the Building Authority. The main portion of No. 81 Nathan Road premises is leased by the Group from EIHL, a connected person of the Company. A small portion of the premises is leased from Independent Third Party. The No. 8 Russell Street premises is leased by the Group from EIHL.

The Group has been using the signboard at No.81 Nathan Road premises for many years. The Directors have no knowledge as to when and by whom the signboard was erected as the rack for the signboard was erected prior to the Group's occupation of the premises as its retail outlet. So far as known to the Directors, this signboard was erected without the approval of the Building Authority at the time of its construction. As for the No.8 Russell Street store, the signboard in question is a banner space erected by the landlord for hanging light advertising materials which the landlord was not aware of obtaining approval from the authority at that time. The banner space was then used by the Group.

In relation to the No. 81 Nathan Road outlet, necessary steps have been taken out by EWJ HK to rectify the situation. EWJ HK has informed the landlord of the outlet. EWJ HK has also appointed authorised person to liaise with the Building Authority and new building and structural plans for the signboards have been submitted to the Building Authority in March 2007 for consideration and approval. The Building Authority has approved the structural specification of a replacing signboard. The Group will carry out rectification work including demolishing the existing signboards. However, since there are other signs within the vicinity of the signboard, the Company was advised by the authorised person that it is unable to remove the signboard due to obstructions caused by the other signboards. The Company has, via the authorised person, liaised with the Building Authority to seek the removal of the other signs to make way for the signboard to be removed. It is expected that it will take around 1.5 months and approximately HK\$300,000 to remove this signboard once the removal work details are confirmed. The Directors estimated that such rectification work is expected to complete before the end of 2008 with reference to the progress of the negotiation with the Building Authority. As for the signboard erected at No.8 Russell Street, it has been demolished on 13 June 2008 and the demolition work is to be inspected by the Building Authority. If the Building Authority accepts the demolition work, the corresponding building order will be released.

Pursuant to Section 40(1BA) of the Buildings Ordinance, EWJ HK could be found guilty of an offence and liable on conviction: (a) to a fine of HK\$200,000 and to imprisonment for 1 year; and (b) to a fine of HK\$20,000 for each day during which it is proved to the satisfaction of the court that the offence has continued should it, without reasonable excuse, fail to comply with the aforesaid building orders served on it. In addition, pursuant to Section 33 of the Buildings Ordinance, in the case where the Building Authority is authorised to recover the cost incurred from the rectification work done by it, it may issue a certificate certifying the cost due and names of the persons liable therefor, and may by such certificate apportion such cost among such persons. At

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any time before such costs and interest accrued thereon has been wholly recovered, a memorial of the certificate may be registered in the Land Registry against the title of the property in respect of which such cost arose.

The Company has obtained legal advice from legal counsel to ascertain the possible penalty in relation to the said signboards. If EWJ HK is found guilty and liable on criminal conviction, its director or other officer concerned in its management who is in actual control of its operations may be held liable. As for monetary penalty, as suggested by the advice which was formed with reference on similar precedent case in Hong Kong, the Directors estimated that the penalty will be approximately HK\$1,232,000 and HK\$326,000 for the signboards situated at No. 81 Nathan Road and No. 8 Russell Street respectively for the relevant period up to the date of this prospectus. However, as the estimation is subject to various factors as the court may consider on case by case basis, the Directors are unable to ascertain the exact amount of fine that may be imposed on the Group. The amount of fine may be subject to the then prevailing policy as adopted by the Buildings Department, and can be substantial if stringent measures are taken. As the penalty estimated by the Directors is not substantial, the financial impact to the Group is considered immaterial.

In this regard, Dr. Yeung, Allmighty Group, Diamond Palace and Jumbo Gold collectively as the indemnifiers have entered into the Deed of Indemnity in favour of the Company, under which the Indemnifiers jointly and severally covenant and undertake with the Company to indemnify the Company from and against losses, liabilities, damages, costs, claims and expenses incurred by the Company in relation to the signboards previously and currently used by the Group at any time prior to the Listing Date (including but not limiting to the above mentioned signboards). More details of the Deed of Indemnity are set out in the section headed “Relationship with Controlling Shareholders”.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of the Group.

Similar to the signboards at No.81 Nathan Road and No.8 Russell Street, the Directors are aware that owners or the landlords of the signboards currently used by the Group have not obtained consent from the Building Authority when the signboards were first erected. As the signboards are currently used by the Group, the Group may be required by the Building Authority to demolish the said signboards. In order to rectify the situation, the Group has been liaising with contractors in the market for providing advisory, building work and maintenance service for signboards in order to ensure the Group will comply with the regulations in the future. The Group has also liaised with the landlords and owners urging them to rectify the situation. In due course, if the Group receives building orders for the signboards, the Group may be subject to penalty imposed by the Building Authority. The Group will take necessary actions, including seeking Building Authority’s approvals for remedial building works and if required, demolish the signboards and seek recourse from landlords.

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Three licence agreements were entered into between the Group and licensors for use of a storeroom and two signboards by the Group affixed to the exterior walls outside the Group's retail outlets. Upon perusal of the relevant title deeds, it is uncertain as to whether these licensors have authority to enter into these licence agreements. Similarly, the Group may have to demolish these signboards or to vacate the such storeroom in event that the Group is required by the relevant authorities or owners with proper authorisation.

As the Directors anticipate that the costs for remedial works or demolishing works are only minimal, the impact on the Group's financial position is not expected to be material. The Directors also consider that as those signboards and storeroom are not material to the day-to-day operation of the Group, the business of the Group will not be adversely affected.

The Directors confirm that, save as disclosed above, as at the Latest Practicable Date, the Group has complied with all applicable laws and regulations in jurisdiction where it operates and has obtained all the necessary permits, certificates and licences for its operation since the commencement of the Track Record Period.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Executive Directors

Ms. Cindy Yeung, aged 44, is an executive Director of the Group. Ms. Yeung is a daughter of Dr. Yeung. She joined the Group in September 1990 and has become a director of EWJ HK in April 1999. The Group has been under her management since then. She is responsible for the Group's strategic planning, business growth and development and overseeing different operations within the Group. She has over 18 years of experience in the watch and jewellery industry. Ms. Yeung obtained the qualification of Graduate Gemologist of GIA in December 1988. She also graduated in the University of San Francisco in May 1989 with a Bachelor's Degree of Science in Business Administration majoring in Management, with emphasis in International Business. She entered into the sales department of Anju Jewelry Ltd, a US based company engaging in trading of jewellery products and an Independent Third Party, prior to joining the Group in 1990. Ms. Yeung did not hold directorship in other listed public companies in Hong Kong or other territories in the last three years.

Mr. Chan Hung Ming, aged 59, is an executive Director and the regional manager of the Macau operation and the branch manager responsible for overseeing the retail outlets in Wanchai in Hong Kong. He has over 28 years of experience in watch and jewellery trade and joined the Group in July 2005. Prior to joining the Group, he has worked 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 on the Main Board of Stock Exchange, of which the stock code is 113), for over twenty years. He has rich experience in the watch and jewellery industry. Mr. Chan did not hold directorship in other listed public companies in the last three years.

Mr. Wong Chi Fai, aged 52, is an executive Director of the Group and is responsible for overall corporate and business planning of the Group. He has been involved in the management of the Group since November 1998 and he has been appointed as a director of EWJ Macau since its incorporation in August 2005. He has been an associate of the Hong Kong Institute of Certified Public Accountants since October 1981 and has been a fellow of The Chartered Association of Certified Accountants since May 1987. He has over 17 years' experience in finance and management spanning a diverse range of businesses from manufacturing to property investment and development. He is the joint managing director of EIHL, and a director of EEH and New Media, all are listed companies on the Main Board, and a director of Emperor Entertainment Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Wong was an executive director of Graneagle Holdings Limited (now named as Chaoyue Group Limited) from 16 October 2007 and has resigned on 21 January 2008. Other than the aforesaid directorship, he did not hold directorship in other listed public companies in the last three years.

Ms. Fan Man Seung, Vanessa, aged 45, is an executive Director of the Group. She has been involved in the management of the Group since November 1998. Ms. Fan will also assume the corporate responsibilities of a company's chairman, including overseeing the overall corporate and business strategy of the Group, managing and ensuring the Board functions effectively. Ms. Fan will also assume the responsibilities imposed on a company's chairman by the Code on Corporate Governance Practices of the Listing Rules. She has been a lawyer by profession in Hong Kong since August 1988 and a fellow member of the Association of Chartered Certified Accountants

DIRECTORS, SENIOR MANAGEMENT AND STAFF

since September 2007. Ms. Fan has over 15 years' experience in management in various businesses including property investment and development, hotel management and publishing. She also holds a Master's Degree in Business Administration from Asia International Open University in May 1995. Ms. Fan is currently a director and responsible officer of Emperor Capital and is licensed to carry out type 6 (advising on corporate finance) regulated activity of the SFO. Emperor Capital is one of the Joint Sponsors, and is a subsidiary of Emperor Capital Group Limited, a listed company in Hong Kong. Ms. Fan is also a licensed person for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising in securities) and type 5 (advising on futures contracts) regulated activities of the SFO. She is also the joint managing director of EIHL, and a director of EEH and New Media, all are listed companies on the Main Board, and a director of Emperor Entertainment Group Limited, a company with its shares listed on Growth Enterprise Market of the Stock Exchange. Ms. Fan was an executive director of Graneagle Holdings Limited (now named as Chaoyue Group Limited) from 16 October 2007 and has resigned on 21 January 2008. Other than the aforesaid directorship, she did not hold directorship in other listed public companies in the last three years.

In November 2001, the SFC publicly reprimanded Ms. Fan, a former responsible officer of Emperor Securities Limited, impugning Ms. Fan's fitness and properness for failing to (i) make sufficient inquiry in respect of the independence of prospective subscribers of shares in the initial public offering of a company listed in July 1998; and (ii) provide the SFC with detailed and accurate information during its investigation into an initial public offering. In SFC's decision, the SFC acknowledged Ms. Fan's previous clear record and her commitment to ensure the failings identified are not repeated. Save as disclosed herein, the SFC has not made any other public reprimand against Ms. Fan.

A civil action was commenced in August 2005 against various defendants including Ms. Fan who was a former director of the two defendant companies. The plaintiff alleged wrongful termination of a sublicence agreement by one of the defendant companies and civil conspiracy amongst the directors of the defendant companies in respect of the termination of the sublicence agreement. The defendants obtained legal advice that the plaintiff's claim can be defended on very strong factual and legal grounds. The defendants filed a strong defence and the plaintiff has not pursued the legal proceedings since December 2005. Thereafter the action has remained dormant.

The Directors (including the independent non-executive Directors) and the Joint Sponsors consider that Ms. Fan is suitable to act as a Director pursuant to rules 3.08 and 3.09 of the Listing Rules as she possesses the experience, knowledge and skill as well as the character to be a director of the Company.

The Directors and the Joint Sponsors have taken into consideration the following;

- (i) Ms. Fan has not been declined or suspended of her position as a responsible officer or director of Emperor Securities Limited or of any listed companies as a result of the civil case or by the SFC;
- (ii) in relation to the civil case, the plaintiff had taken no further action since December 2005 after the defendants had filed their defence, and the Directors consider that there is no reasonable grounds to question the ability of Ms. Fan to act as a Director based on a disputed case;

DIRECTORS, SENIOR MANAGEMENT AND STAFF

- (iii) in relation to the SFC case, ever since 2001 when Ms. Fan was publicly reprimanded, no similar case has been made against her for her service in Emperor Securities Limited or in any other listed companies in Hong Kong. The incident is a single event and Ms. Fan has demonstrated her commitment to avoid similar matter to happen;
- (iv) none of the cases above suggested any dishonesty that will affect Ms. Fan's ability to fulfill her fiduciary duties and her duties of skill, care and diligence towards the Shareholders; and
- (v) Ms. Fan has been serving as director of listed companies for many years, and with her professional knowledge as a lawyer and an accountant, the Directors believe that she has sufficient knowledge of the rules and regulations imposed on a director of a listed company.

The Directors consider that there will be no impact on the legal and financial position and operation of the Group if the civil action proceeds against Ms. Fan. The Directors have taken into account the following aspects:–

- Legal: The Group is not liable for the civil case which claims against Ms. Fan as an individual. None of the Group members are drawn as defendant in the case.
- Financial: As none of the Group members are involved in the case, the Group will not be liable for any loss to the plaintiff or costs incurred by the plaintiff/defendants in the case. The legal liability and the obligation to pay any damages or costs remain with Ms. Fan personally.
- Operation: The Directors also consider that even if Ms. Fan has been sued successfully against her, as long as the issue does not involve Ms. Fan's integrity or ability as a director, Ms. Fan will remain suitable to be a director of the Company.

The role of Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa in the Group

Mr. Wong Chi Fai has been appointed as a director of EWJ Macau, the operating arm of the Group's Macau retail outlets, since its incorporation on 22 August 2005. Ms. Fan was appointed as its director on 18 June 2008. Both Mr. Wong and Ms. Fan have been participating in the Group's business for many years on supervisory level on the overall strategic development of the Group. Mr. Wong and Ms. Fan have participated in meetings of the Group on strategic planning during the Track Record Period. However, they had not engaged in the day-to-day operation but involved in making decisions regarding the overall strategy of the Group such as providing advices on the budgets for opening retail outlets and to oversee the financial conditions of the Group. Ms. Fan, despite that she was not a director of the Group during the Track Record Period, she, together with Mr. Wong, had been authorised by Bright Queen Limited and Global Gold Developments Limited to participate in the Group's meetings. Bright Queen Limited and Global Gold Developments Limited had been directors of EWJ HK since November 1988 till 31 March 2008, and they are companies of which Dr. Yeung is the sole shareholder and sole director. Bright Queen Limited and

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Global Gold Developments Limited represent Dr. Yeung's shareholding interests in the Group. Bright Queen Limited and Global Gold Developments Limited have resigned as directors of EWJ HK on 1 April 2008 and were replaced by Mr. Wong and Ms. Cindy Yeung.

The Directors consider that both Mr. Wong and Ms. Fan, throughout the years of managing business of different industries (including retail outlets for men's wear, restaurant chains and hotel operations), have extensive experience and adequate skills in overall business administration as well as technical knowledge on retail business operation. The Directors also consider that their relationship with business associates, banks, legal advisors, financial advisors and accounting firms can benefit the operation and development of the Group. With the accounting and legal background of Mr. Wong and Ms. Fan, they can provide valuable advice in every aspect of the Group. Given that Ms. Fan is a director of Emperor Capital, a company providing corporate finance advisory services, and that both Mr. Wong and Ms. Fan have been managing listed companies for many years, they are able to provide advice as to the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases issued by SFC and corporate governance matters to the Group.

Ms. Cindy Yeung and Mr. Chan Hung Ming are the executive Directors who manage the daily operation of the Group, while Mr. Wong and Ms. Fan oversee the strategic growth of the Group. Such arrangement enables the Group to capitalise Mr. Wong's and Ms. Fan's professional knowledge and practical working experience in various fields which are in the interests of the Group. Their respective directorships in various listed companies have demonstrated that they are capable of managing their time effectively to fully discharge their duties as directors. The Company considers that both Mr. Wong and Ms. Fan should be able to fulfill their duties towards the Group and the Shareholders.

Independent Non-executive Directors

Ms. Yip Kam Man, aged 41, is a Certified Public Accountant. She is a member of the Hong Kong Institute of Certified Public Accountants and has been a fellow of the Association of Chartered Certified Accountants since January 2001. Ms. Yip graduated from The University of Nottingham in the United Kingdom in July 1988 with a Bachelor's Degree in Arts (Hons). Ms. Yip has been engaged in the audit field (including internal audit for listed companies in Hong Kong) for more than 18 years. She is currently, and also before joining the Group, working for an audit firm. Ms. Yip was an independent non-executive director of Graneagle Holdings Limited (now named as Chaoyue Group Limited) from 16 October 2007 and has resigned on 21 January 2008. Other than the aforesaid directorship, Ms. Yip did not hold directorship in other listed companies in the last three years. Ms. Yip joined the Company in June 2008.

Mr. Chan Hon Piu, aged 48, graduated from The University of Hong Kong with a Bachelor's Degree in Social Sciences in 1983. Mr. Chan also obtained the Certificate of Education in September 1985 and a Master Degree in Laws in November 1995 from The University of Hong Kong. Mr. Chan has been admitted as a solicitor in Hong Kong since September 1991 and is now a practising solicitor in Hong Kong. Mr. Chan is currently, and also before joining the Group, working as a solicitor in a law firm in Hong Kong. Mr. Chan did not hold directorship in any listed public companies in the last three years. Mr. Chan joined the Company in June 2008.

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Ms. Lai Ka Fung, May, aged 42, is a Certified Public Accountant. She has been a member of the Hong Kong Institute of Certified Public Accountants since 1999 and a fellow of The Association of Chartered Certified Accountants since 2003. Ms. Lai obtained a Master's Degree of Arts in International Accounting from City University of Hong Kong in 2001. Ms. Lai has been engaged in the audit field for more than 10 years. She is currently and also before joining the Group, the sole proprietor of May K.F. Lai & Co., Certified Public Accountants. Ms. Lai joined the Company in June 2008.

Save as disclosed above, there is no information that the Company has to disclose pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Mr. So Man Yick, aged 62, is the sales manager of the Group overseeing the operation of the retail outlet of the Group in Canton Road in Tsim Sha Tsui, Hong Kong. He has over 17 years of experience in shop management of the watch business. Mr. So joined the Group in August 2005 and is responsible for shop management including sales, inventory and personnel management. Prior to joining the Group, he worked as a shop director in Halewinner Watches Co., Ltd., a retailer of watches in Hong Kong for over seven years and has rich experience in the watch trade.

Mr. Lau Yan Tak, aged 56, is the branch manager of the Group overseeing the operation of the retail outlet of the Group in No.26 Nathan Road in Tsim Sha Tsui, Hong Kong. He has over 25 years of experience in the watch and jewellery business. Mr. Lau joined the Group in October 2000 and is responsible for shop management including sales, inventory and personnel management. Prior to joining the Group, he worked in a number of watch and jewellery retailers in various management positions. During such period, he has gained sales techniques and management skill when performing the roles of sales supervisor and general manager. Mr. Lau has rich experience in retail business including watch and jewellery trade.

Ms. Chan Lai Ching, aged 51, is the branch manager of the Group overseeing the operation of the retail outlet of the Group in Central, Hong Kong. She has over 30 years of experience in the watch business and has over 15 years of experience in the jewellery business. Ms. Chan joined the Group in July 2005 and is responsible for shop management including sales, inventory and personnel management. Prior to joining the Group, she has been running a private watch and jewellery retailer for over 10 years. Her experience in retail sales, inventory control and shop management enable her to run the retail outlet smoothly and promote sales of the outlet effectively. She also worked for another watch retailer in management position and accumulated practical experience in both watch and jewellery trade.

Mr. Tam Wing Lok, aged 51, is the branch manager of the Group overseeing the operations of the retail outlet of the Group in Causeway Bay, Hong Kong. He has over 26 years of experience in the watch business. Mr. Tam joined the Group in July 2000 and is responsible for shop management including sales, inventory and personnel management. Prior to joining the Group, he worked in various watch retailers in management position performing the role of shop manager including Halewinner Ltd. and he has a wealth of professional sales techniques in the watch trade. He has gained extensive sales technique and management skill during his past working experience which enable him to perform the role of branch manager of the Group.

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Ms. Ng Mei Kuen, Amy, aged 45, is the production manager of the Group overseeing the operation of the production department including design of the Group's jewellery products and procurement and sourcing of both raw materials and finished goods. She has over 25 years of experience in the jewellery business and joined the Group in August 1985. She is a colored stones graduate awarded by GIA in October 1996 and holds the certificates in colored stones, colored stones grading and gems identification awarded by the same institute in August 1996, October 1996 and September 1996 respectively.

Mr. Ho Koon Man, is the qualified accountant of the Company. Mr. Ho's particulars are set out in the paragraph headed "Qualified Accountant" below in this section.

Other than performing the role of department heads overseeing the respective retail outlets or the production department, the senior management also assist the executive Directors in formulating and implementing of the business plans of the Group.

None of the above persons of the senior management has any directorship in any listed companies in the last three years and none of them has any family relationship with the Directors and the Controlling Shareholders.

COMPANY SECRETARY

Ms. Mok Fung Lin, Ivy, aged 43, has been a lawyer by profession in Hong Kong since September 1990 and in the United Kingdom since April 1992, and holds a Master's Degree in Business Administration awarded by The Hong Kong University of Science and Technology in November 1999. She is a director of EEH and EIHL, all are listed companies on the Main Board. She was appointed as the company secretary of the Company in May 2008. Ms. Mok is ordinary resident in Hong Kong.

QUALIFIED ACCOUNTANT

Mr. Ho Koon Man, aged 44, has over 15 years of experience in accounting, auditing and finance. Mr. Ho received a BA (Hons.) Degree in Accounting and Financial Analysis from the University of Newcastle Upon Tyne (England) in 1988. Prior to joining the Group in May 2008, he had been working for various audit firms including Deloitte Touche Tohmatsu as an audit manager responsible for general audit assignment related to acquisition and merger and due diligence reviews for 3 years from February 1997 to April 2000 and he had worked for EIHL on financial and management accounting matters. He has been an associate member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of HKICPA since 1995.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EMPLOYEES

As at 31 December 2007 and the Latest Practicable Date, the Group employed 194 and 218 full-time employees respectively, details of which are set out below:

	As at 31 December 2007	As at the Latest Practicable Date
Management	2	2
Administration	12	15
Finance	28	33
Marketing	5	5
Production	5	6
Research and Development	4	4
Quality Control	2	2
Others	8	9
Sales	128	142
	<hr/>	<hr/>
Total	194	218
	<hr/> <hr/>	<hr/> <hr/>

Staff recruitment and training

The Group provides training to its staff to enhance their product knowledge as well as their knowledge of the industry, especially the ability to value the products and identify counterfeit products. The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes, nor has the Group experienced any difficulties in the recruitment and retention of experienced staff.

THE GROUP'S RELATIONSHIP WITH EMPLOYEES

The Group recognises the importance of good relationships with its employees. The Group believes that it has good working relationships with its employees and has not experienced any material disruption of its normal business operations due to strikes or labour disputes.

EMPLOYEE BENEFITS

The staff costs including directors' remuneration of the Group (including salaries, allowances and commission and contributions to retirement scheme) for the financial year ended 31 December 2005, 2006 and 2007 were approximately HK\$32.3 million, HK\$47.9 million and HK\$71.5 million respectively.

In Hong Kong, the Directors confirm that the Group has complied with the relevant labour and social welfare laws and regulations stipulated in the Employees' Ordinance (Chapter 57 of the Laws of Hong Kong), and that relevant contributions have been paid by the Group in accordance

DIRECTORS, SENIOR MANAGEMENT AND STAFF

with the Mandatory Provident Fund as required by law. Whereas in Macau, the Directors confirm that the Group has complied with the laws and regulations governing labour relations, social security contributions and immigration procedures and formalities, and has made the relevant social security contribution as required by the Macau law.

The Directors confirm that the Group complies in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where it operates. In Hong Kong, the Group has adopted a mandatory provident fund contribution for all the Group's eligible staffs in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the plans are held separately from those of the Group in funds under the control of the independent trustees.

The employees of the Group's subsidiaries in Macau are members of Social Security Provident Fund operated by the Macau government. The only obligation of the Group with respect to the Social Security Provident Fund is to contribute a certain percentage of the staff's payroll as required under the scheme. The Directors confirm that the Group has duly made all required contributions. The Directors confirm that sufficient provision has been made for the fund in all jurisdictions in which the Group operates.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme, the purpose of which is to provide incentives to the relevant participants to contribute to the Company and to enable the Company to recruit high-calibre employees and attract human resources that are valuable to the Group. The principal terms of such scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

AUDIT COMMITTEE

The Company has established its audit committee on 19 June 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group.

The audit committee has three members comprising the Company's three independent non-executive Directors, namely Ms. Yip Kam Man, Ms. Lai Ka Fung, May and Mr. Chan Hon Piu. Ms. Yip Kam Man is the chairperson of the audit committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 19 June 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee comprises two independent non-executive Directors, namely Ms. Yip Kam Man and Ms. Lai Ka Fung, May, and one executive Director, Mr. Wong Chi Fai. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management of the Group. Mr. Wong Chi Fai is the chairman of the remuneration committee.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

REMUNERATION OF DIRECTORS

The executive Directors receive remuneration in the form of salaries, allowance, commissions, discretionary bonus and/or other benefits-in-kind, including the Group's contribution to retirement benefits scheme. At present, the two executive Directors Ms. Cindy Yeung and Mr. Chan Hung Ming are entitled to a monthly basic salary of HK\$115,000 and HK\$40,500 respectively. Their remuneration during the Track Record Period also included discretionary bonus which was determined with reference to the performance of the Directors and the Group, and took into consideration the overall strategic plan of the development of the Group. The aggregate fees which the Group paid to the two executive Directors for the financial year ended 31 December 2005, 2006 and 2007 were approximately HK\$1,669,000, HK\$1,681,000 and HK\$1,957,000 respectively.

The amount of remuneration of Ms. Yeung for the financial year ended 31 December 2006 (2006: HK\$958,000) decreased by approximately 34.2% as compared to that of the financial year ended 31 December 2005 (2005: HK\$1,455,000), while the remuneration for the financial year ended 31 December 2007 (2007: HK\$993,000) remained at similar level as that for the previous year. Such decrease was mainly due to the reduction of Ms. Yeung's discretionary bonus for the financial year ended 31 December 2006 as Ms. Yeung, being the executive Director of the Group, proposed such reduction so as to allow more resources for the Group's expansion of 3 new retail outlets during that year in order to enable the Group to ride on the improving economic condition in Hong Kong and Macau.

Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa did not receive any remuneration from the Group during the Track Record Period as they were not employees of the Group during the Track Record Period. They were of advisory role to the overall development of the Group, and had not participated in the day-to-day operation of the business. Should the Group have paid remuneration to them for their advisory role to the Group, an amount of HK\$200,000 for each of the financial years ended 31 December 2005, 2006 and 2007 would have been incurred and paid by the Group with reference to their annual fee of HK\$100,000 paid to each of them for their services on a supervisory function overseeing the business operation of other listed companies deemed to be controlled by the Controlling Shareholder.

Upon and after Listing, pursuant to the service contracts entered into between the Group and the executive Directors (which are for a term of three years, renewable automatically for successive terms of one year but shall be terminable by either parties giving not less than three months' notice), each executive Director is entitled to a fixed annual fee of HK\$100,000. As such, Ms. Yeung and Mr. Chan will be entitled to a fixed annual director's fee of HK\$100,000. Ms. Yeung will also be entitled to a basic salary of HK\$200,000 per month (representing an increment of approximately 74% as compared with her present basic salary) and Mr. Chan will be entitled to a basic salary of HK\$40,500 per month (no change as compared to existing salary). They will also be entitled to allowance, performance related incentive payment such as commission or discretionary bonus, other benefits-in-kind and contribution to retirement benefits scheme. After Listing, each of Mr. Wong and Ms. Fan will be receiving a sum of HK\$100,000 per annum as director's fees. As they are managing the Company on a supervisory level, no discretionary bonus (which is determined with reference to the performance of the operation) will be provided to them. Pursuant to the letter of appointments entered into between the Group and the independent non-executive Directors (which are for a term of two years and renewable thereafter on yearly basis subject to termination by either party by giving reasonable notice), each independent non-executive Director is entitled to a fixed annual fee of HK\$150,000.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Based on the present arrangement, the aggregate remuneration to be paid to all Directors would be approximately HK\$2.7 million for the financial year ending 31 December 2008 and HK\$3.6 million for the financial year ending 31 December 2009. The above sum does not include any discretionary bonus and performance related incentive that may be paid to the executive Directors.

As above-mentioned, Ms. Yeung and Mr. Chan may receive a discretionary bonus which shall be determined by the Board in its discretion having regard to the performance of the relevant executive Director and the operating results of the Group in respect of the financial year of the Company. An executive Director may not vote on any resolution of the Directors regarding the amount of the bonus payable to him or her.

Upon and after Listing, the remuneration package of the Directors will also include options to be granted under the Share Option Scheme. The remuneration committee of the Company will regularly review and determine from time to time the remuneration and compensation of the Directors.

The executive Directors are also entitled to medical benefits as provided under the Group's medical benefits scheme.

Further information about the service contracts entered into between the Company and the Directors is set out in the section headed "Further information about Directors, senior management and staff – Particulars of service contracts" in Appendix V to this prospectus.

COMPLIANCE ADVISER

The Company has appointed SinoPac Securities (Asia) Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company on the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated, including share issues and share repurchases;
- (3) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which the Company distributes its annual report in respect of the financial results for the first full financial year commencing after the Listing Date.

SHARE CAPITAL

The table below sets out the share capital issued and to be issued fully paid or credited as fully paid, as of the date of this prospectus and immediately after the completion of the Share Offer:

<i>Authorised:</i>	<i>HK\$</i>
<u>100,000,000,000</u> Shares	<u>1,000,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid:</i>	
10,000,000 Shares in issue as at Latest Practicable Date	100,000
3,140,000,000 Shares to be issued pursuant to the Loan Capitalisation Issue	31,400,000
<u>1,350,000,000</u> Shares to be issued pursuant to the Share Offer	<u>13,500,000</u>
<i>Total:</i>	
<u>4,500,000,000</u> Shares	<u>45,000,000</u>

LOAN CAPITALISATION ISSUE

On 13 March 2008, the Company was incorporated in Hong Kong and one subscriber Share was transferred to Allmighty Group. On 19 June 2008, during the Reorganisation (for details of the Reorganisation please refer to paragraph headed "Corporate Reorganisation" in Appendix V to this prospectus), Multifold transferred the entire issued share capital in and shareholder's loan due and owing by Wise Sunshine Enterprises Limited to the Company for 9,999,999 Shares issued by the Company to Allmighty Group, a Controlling Shareholder, and a promissory note in a sum equal to the face value of the shareholder's loan issued by the Company to Allmighty Group. As at the Latest Practicable Date, the amount due from the Company to Allmighty Group (including the aforesaid promissory note) was approximately HK\$757.6 million. In order to maintain sufficient level of capital by the Company and to eliminate any debt due and owing by the Company to its Controlling Shareholder, immediately before the allotment of the Offer Shares, the Company will capitalise the amount due from the Company to Allmighty Group by allotting and issuing 3,140,000,000 Shares to Allmighty Group. Together with the one subscriber Share and 9,999,999 Shares transferred and issued to Allmighty Group described above, Allmighty Group will be interested in a total of 3,150,000,000 Shares, representing 70% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares upon Listing. The purpose of the Loan Capitalisation Issue is to replace all existing loan due to the Company's shareholder by equity, in order that all future profits or capital of the Group will only be used for the Group's distribution or development instead of repaying outstanding shareholder's loans that were incurred prior to Listing.

ASSUMPTIONS

The above table assumes that the Share Offer will become unconditional.

SHARE CAPITAL

It takes no account of the allotment and issue of Shares upon the exercise of any options that have been or may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as described below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares in issue on the date of allotment and issue of such Shares, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE NEW SHARES

The Directors have been conditionally granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

1. 20% of the total nominal amount of the share capital of the Company in issue immediately following the allotment of the Offer Shares and the Loan Capitalisation Issue; and
2. the total amount of share capital of the Company repurchased by the Company (if any) pursuant to the repurchase mandate (as referred to below).

The Directors may, in addition to Shares which they are authorised to issue under the mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of dividend in accordance with the Articles, or on the exercise of options which may be granted under the Share Option Scheme.

This mandate will expire:

- at the conclusion of the Company’s next annual general meeting; or
- at the expiry of the period within which the Company is required by applicable laws or its Articles to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

SHARE CAPITAL

For further details of this general mandate, please refer to the paragraph headed “Written resolutions of the Shareholder passed on 19 June 2008” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

The Directors have been conditionally granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the share capital of the Company in issue immediately following the allotment of Offer Shares and the Loan Capitalisation Issue.

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Repurchase by the Company of its own securities” in Appendix V to this prospectus.

This mandate will expire:

- at the conclusion of the Company’s next annual general meeting; or
- at the expiry of the period within which the Company is required by applicable laws or its Articles to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of its Shareholders in general meeting;

whichever is the earliest.

For further details of this general mandate, please see the paragraph headed “Written resolutions of the Shareholder passed on 19 June 2008” in Appendix V to this prospectus.

CONTROLLING AND SUBSTANTIAL SHAREHOLDERS

CONTROLLING AND SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately after the allotment of the Offer Shares and the Loan Capitalisation Issue without taking into account any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme and any Shares which may be taken up under the Share Offer, the following persons (who are not the Directors or chief executive of the Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of part XV of the SFO or who are, directly or indirectly, interested in 10% or more of the Shares, and they are the Controlling Shareholders:–

Name of Controlling and Substantial Shareholder	Capacity/nature of interest	Number of Shares directly or indirectly held immediately following the allotment of the Offer Shares and the Loan Capitalisation Issue	Approximate percentage of the issued share capital of the Company immediately following the allotment of the Offer Shares and the Loan Capitalisation Issue
Allmighty Group	Legal/Beneficial owner	3,150,000,000	70%
Diamond Palace	Interest in controlled company (<i>Note 1</i>)	3,150,000,000	70%
Jumbo Gold	Trustee (<i>Note 1</i>)	3,150,000,000	70%
GZ Trust Corporation	Trustee (<i>Note 2</i>)	3,150,000,000	70%
Dr. Yeung	Settlor of a discretionary trust (<i>Note 2</i>)	3,150,000,000	70%
Ms. Luk Siu Man	Interest of spouse (<i>Note 3</i>)	3,150,000,000	70%

Notes:

1. The entire issued share capital of Allmighty Group is held by Diamond Palace, which in turn is wholly-owned by Jumbo Gold acting as trustee of the Albert Yeung Unit Trust, a unit trust under the AY Discretionary Trust. GZ Trust Corporation is the trustee of AY Discretionary Trust and is holding all units of the Albert Yeung Unit Trust save for one which is held by Dr. Yeung.
2. GZ Trust Corporation and Dr. Yeung are the trustee and settlor of the AY Discretionary Trust respectively. By virtue of the SFO, each of GZ Trust Corporation and Dr. Yeung is deemed to be interested in the 3,150,000,000 Shares held by Allmighty Group.
3. Ms. Luk Siu Man Semon is deemed to be interested in the 3,150,000,000 Shares held by Allmighty Group by virtue of the interest held by her spouse, Dr. Yeung.

Except as disclosed in this prospectus, the Directors are not aware of any person (who is not a Director or a chief executive of the Company) who will, immediately following the allotment of the Offer Shares and the Loan Capitalisation Issue, without taking into account the Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, have an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group. The Directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Background

Allmighty Group is a Controlling Shareholder and is an investment holding company wholly-owned by Diamond Palace, which is in turn, ultimately wholly-owned by Jumbo Gold acting as trustee of the Albert Yeung Unit Trust, a unit trust under the AY Discretionary Trust. Other than the retailing business operating by the Company, Almighty Group is operating the Franchising Business through a number of wholly-owned subsidiaries. The principal functions of these subsidiaries, during the Track Record Period, are summarised as follows:–

Name of company	Principal activities	Status as at the Latest Practicable Date
EWJ Management (indirectly wholly-owned by Diamond Palace)	The holding company of the Emperor Trademarks and Logo and one of the operating arms of the Franchising Business.	It continues to be the operating arm of the Franchising Business. Pursuant to the Deed of Assignment, the Emperor Trademarks and Logo for both the Franchising Business and the Group's operation were assigned from EWJ Management to Full Gold. Upon Full Gold being registered as the owner of the PRC Trademarks and Logo, Full Gold shall license back to EWJ Management the PRC Trademarks and Logo for its continual operation of the Franchising Business until the expiry or termination of all franchising agreements. Please refer to the paragraph "Intellectual Property Rights" under the section headed "Business" of this prospectus.

The key financial information of EWJ Management during the Track Record Period is summarised as follows:

	Year ended 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	9,217	13,162	6,424
Net profit	8,478	11,637	4,041

The net asset value of EWJ Management was approximately HK\$3.7 million as at 31 December 2007.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Name of company	Principal activities	Status as at the Latest Practicable Date
EJM (indirectly wholly-owned by Diamond Palace)	The sourcing arm for jewellery and jewellery products for both the Group and the Franchising Business which appointed contractors to manufacture jewellery products for them.	<p>EJM has ceased to source jewellery and jewellery products and appoint contractors for the Group's jewellery products since 1 July 2007. Please refer to the paragraph "Purchase of jewellery, jewellery products and fixed assets and relevant sub-contracting fees" under the section headed "Connected Transactions" of this prospectus.</p> <p>The sourcing function for the Franchising Business has shifted to Emperor Procurement Limited since 1 July 2007. As at the Latest Practicable Date, EJM does not have any business operation.</p>

The key financial information of EJM during the Track Record Period is summarised as follows:

	Year ended 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	159,085	203,436	167,344
Net profit	1,647	5,293	1,580

The net asset value of EJM was approximately HK\$12.7 million as at 31 December 2007.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Name of company	Principal activities	Status as at the Latest Practicable Date
Harvest Victory Limited (indirectly wholly-owned by Diamond Palace)	<p>It was one of the operating arms of the Franchising Business and carried out the function of providing jewellery and jewellery products to the Franchising Business.</p> <p>It had also acted as the sales agent for the Group for VIP sales of the Group and collected the relevant sales proceeds on behalf of the Group since 2000. These VIPs were introduced to the Directors by referral and were directly handled by the Directors. This was to distinguish the sales by retail sales staff from those by the Directors for the sake of convenience when calculating incentive bonus for the retail sales staff. This practice has been carried out for many years and has not been rectified until the Group delineated its relationship with companies related to the Franchising Business in mid 2007. The percentage of sales of the Group made through Harvest Victory Limited for the financial years ended 31 December 2005, 2006 and 2007 was approximately 18.2%, 12.9% and 3.4% respectively.</p>	<p>The provision of jewellery and jewellery products for the Franchising Business has shifted to Emperor Procurement Limited since 1 April 2008. As at the Latest Practicable Date, Harvest Victory Limited does not have any business operation.</p> <p>The role as the sale agent for the Group had ceased since August 2007 and will not resume after Listing.</p>

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The key financial information of Harvest Victory Limited during the Track Record Period is summarised as follows:

	Year ended 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	37,365	31,662	36,020
Net (loss)/profit	(16)	2	109

The net asset value of Harvest Victory Limited was approximately HK\$0.7 million as at 31 December 2007.

Name of company	Principal activities	Status as at the Latest Practicable Date
Emperor Procurement Limited (indirectly wholly-owned by Diamond Palace)	Sourcing of jewellery and jewellery products for the Franchising Business.	Emperor Procurement Limited has taken up all the sourcing functions for the Franchising Business since 1 July 2007 and has provided jewellery and jewellery products for the Franchising Business since 1 April 2008.

The key financial information of Emperor Procurement Limited during the Track Record Period is summarised as follows:

	Year ended 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	–	–	19,917
Net profit	–	–	27

The net asset value of Emperor Procurement Limited was approximately HK\$27,000 as at 31 December 2007.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Franchising Business

Allmighty Group and its subsidiaries (other than the Group) have been carrying on the Franchising Business in the PRC since 2001 and the business is still in operation as at the Latest Practicable Date. EWJ Management, a company wholly-owned by Almighty Group, has entered into franchising agreements with various franchisees who are Independent Third Parties, pursuant to which EWJ Management agreed to grant the franchisees the right to use the PRC Trademarks and Logo for their operation of the watch and jewellery retail outlets in various cities in the PRC, including Beijing, Shanghai, Chongqing and Shenzhen, etc.

Pursuant to the franchising agreements, the major rights and obligations of the franchisees under the Franchising Business are:

- (i) to pay EWJ Management franchise fee and royalty fee, which are annual fixed sum determined by reference to the shop locations and the size of operation of the franchising outlets;
- (ii) to pay EWJ Management a monthly management fee calculated with reference to the respective turnover generated by or sum of total purchases made by the relevant franchisees as agreed between EWJ Management and the franchisees under arms length negotiations;
- (iii) to make purchases from approved suppliers of jewellery products appointed by EWJ Management and watch distributors/owners to be approved by EWJ Management, who are all Independent Third Parties, products of value not less than an agreeable amount as set out in the relevant franchising agreements on an annual basis;
- (iv) not to conduct in the retail outlets any business which is beyond the scope of the franchising agreement;
- (v) to have the non-exclusive right to use the trademarks specified in the relevant franchising agreement;
- (vi) to have the right to receive training and technical advices provided by EWJ Management; and
- (vii) to have the right to participate in any promotion activities organised by EWJ Management.

The major rights and obligations of EWJ Management under the Franchising Business are:

- (i) to allow the franchisees to non-exclusively use the trademarks specified in the relevant franchising agreement;
- (ii) to provide training and technical advices to the franchisees;
- (iii) to monitor the quality and prices of the goods and services provided in the retail outlets so as to ensure that the business in the retail outlets is conducted in a manner in compliance with certain specifications laid down by EWJ Management; and
- (iv) to have the right to review the financial statements provided by the franchisees.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The franchising agreements will terminate upon expiry of their respective terms provided that there is no breach of the agreements. However, under certain circumstances, such as purchasing goods from a party not approved by EWJ Management, assigning the right to use the relevant trademarks to a third party without prior written approval of EWJ Management or inability to conduct business due to indebtedness, EWJ Management will have the right to terminate the relevant franchising agreement and claim damages against the relevant franchisee.

The franchisees are required to install at the franchising outlets the ePOS to which EWJ Management has free access. Through ePOS, EWJ Management can obtain the sales and/or purchases information of each franchisee on monthly basis to ascertain the management fees receivable from it. Pursuant to the terms of the franchising agreements, EWJ Management is granted the rights to review the financial information of the franchisees as and when the management of EWJ Management considers necessary.

Assignment and licence of trademarks and logo

The Emperor Trademarks and Logo were owned by EWJ Management and Emperor Management for the business operations of the Group and the Franchising Business. As a result of the Reorganisation, each of EWJ Management and Emperor Management assigned their respective Emperor Trademarks and Logo at a nominal consideration of HK\$1 to Full Gold pursuant to the Deed of Assignment dated 23 June 2008. Full Gold has proceeded with the registration of the assignment of the Emperor Trademarks and Logo (including the PRC Trademarks and Logo) in various territories.

Full Gold will effectively own the PRC Trademarks and Logo only after the assignment applications are approved by the Trademark Office. In respect of the PRC Trademarks and Logo which are still under application, Emperor Management does not have any exclusive right to use these trademarks until the applications have been approved by the Trademark Office, thus it is legal for Full Gold to use these trademarks during the period of application. In respect of the PRC Trademarks and Logo which are duly registered in the PRC in the name of EWJ Management, Full Gold entered into the PRC License Agreement with EWJ Management on 23 June 2008 pursuant to which Full Gold was granted the right to use the registered PRC Trademarks and Logo from the date of the PRC License Agreement until it has effectively become the registered owner of those trademarks in the PRC.

As EWJ Management will still be operating the Franchising Business after Full Gold becomes the registered owner of the PRC Trademarks and Logo, it will require a license for the use of these trademarks and logo including rights to sub-license the same to the franchisees of the Franchising Business. Therefore, Full Gold entered into the Franchise License Agreement with EWJ Management pursuant to which Full Gold shall, after it has become the registered owner of the trademarks and logo, license to EWJ Management the right to use the PRC Trademarks and Logo at a consideration of HK\$1 for the sole purpose of its operation of the Franchising Business. The Franchise License Agreement will expire upon the expiry or termination of all franchising agreements on or around the end of June 2009.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The responsibility for monitoring the use of the PRC Trademarks and Logo remains with the Franchising Group. The Franchising Group has a team of staff who is responsible for carrying out surprise site visits to the retail outlets managed by the franchisees to ensure all the provisions (including the usage of the PRC Trademarks and Logo) as set out in the respective franchising agreements are properly complied with. Pursuant to the franchising agreements, the Franchising Group or its representatives take the role in monitoring the operation, sales and promotion strategy, selling price of products and quality of service of the relevant retail outlets throughout the effective period of the respective franchising agreements and the franchisees have to perform in compliance with policies set by the Franchising Group. The franchisees are also required to rectify any defects identified by the Franchising Group. In addition, under the franchising agreements, the franchisees undertake, and procure other parties, not to infringe the trademarks. The franchisees only have a non-exclusive right to use the PRC Trademarks and Logo and have obligation not to use any other trademark which is similar to or may cause confusion with the PRC Trademarks and Logo. The franchisees also cannot amend or alter the PRC Trademarks and Logo.

In addition, provisions have been incorporated in the Deed of Indemnity and the Franchise License Agreement requiring the Indemnifiers and/or EWJ Management to indemnify the Group and/or Full Gold against any loss due to the breach of the relevant agreements in respect of the misuse of the PRC Trademarks and Logo.

Gradual cessation of the Franchising Business

The Franchising Business is in the process of winding down and is expected to be completely ceased upon the expiration of the existing terms of all franchising agreements. By the end of June 2009, all franchising agreements in respect of the Franchising Business are expected to expire.

During the Track Record Period and up to the Latest Practicable Date, the Franchising Group has entered into franchising agreements with the franchisees with details as follows:-

	2005	As at 31 December 2006	2007	Up to the Latest Practicable Date
Number of franchisees	9	11	13	9
Number of franchising outlets	28	30	27	20

Owing to the following reasons, the Group has excluded the Franchising Business as part of the Group as a result of the Reorganisation, and thus the financial results and positions of the Franchising Business has not been included in the accountants' report of the Group for the Track Record Period:

- (i) The continual development of the Franchising Business is considered by the Directors and the Controlling Shareholders as uneconomical due to the slim profit margin of the Franchising Business as compared with the effort and resources that are required to administer the Franchising Business. Based on the unaudited financial statements of the major operating companies of the Franchising Business, the total revenue recorded by

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

EWJ Management amounted to approximately HK\$9.2 million, HK\$13.2 million and HK\$6.4 million respectively with net profits of approximately HK\$8.5 million, HK\$11.6 million and HK\$4.0 million respectively for the financial year ended 31 December 2005, 2006 and 2007. The net profits of EJM amounted to approximately HK\$1.6 million, HK\$5.3 million and HK\$1.6 million for the financial year ended 31 December 2005, 2006 and 2007 respectively whereas the net profits of Emperor Procurement Limited and Harvest Victory Limited were minimal. The results for the financial year ended 31 December 2007 was not satisfactory as there was a substantial decrease of around 70% in the profit of both EWJ Management and EJM.

As far as the Directors are aware, the significant drop in profit of EWJ Management for year 2007 was mainly due to the waivers of annual franchise fees and royalty fees for some of the franchisees during 2007 as a concession for the franchisees in light of the recent poor performance of the franchisees' business and that there will be no extension of the relevant franchising rights after the expiry of the relevant franchising agreements.

The significant drop in profit of EJM was mainly due to the cessation of its business as the sourcing arm for jewellery and jewellery products for both the Group and the Franchising Business with effect from 1 July 2007. The Group has assumed the sourcing function itself while Emperor Procurement Limited has taken up all the sourcing functions for the Franchising Business since 1 July 2007.

- (ii) The gradual cessation of the Franchising Business will allow the Group to regain full control over the usage of the PRC Trademarks and Logo, which are to be licensed to EWJ Management with a right to sub-license the trademarks to the franchisees of the Franchising Business by entering into the Franchise License Agreement. In this way, it is easier for the Group to control, refine and build its corporate image; and
- (iii) The business model of the Group is to focus on self-operated retail outlets with full control. The Franchising Business, if included in the Group, will expose the Group to the risks which are associated with the drawbacks of the mode of operations under a franchising business, such as the lack of direct control on the operations of the franchisees and no assurance as to the franchisees' performance and their cooperation which may affect the Company's reputation.

Delineation of business between the Group and the Franchising Business

The Directors are satisfied that there is a clear delineation between the businesses of the Group and the Franchising Business due to the following reasons:-

Business model

All the retail outlets in Hong Kong and Macau are set up and operated by the Group itself and there is no franchise scheme in Hong Kong and Macau. It is the Group's principal business strategy to focus on the setting up of self-operated shops in order to have a direct and effective control over the costs, marketing, image and internal control of its retail business. The Group neither has intention to engage in any franchise business for its watches and jewellery in Hong Kong, Macau and any locations overseas nor has immediate plan to expand its business into the PRC. However, the Group is now carrying out research and feasibility study on various territories, which include the PRC, for future development. The Directors consider that, by the time the Group considers to expand into the PRC, the Franchising Business should have already ceased.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Group's retail points are located in prime shopping areas in order to attract tourists and local customers in Hong Kong and Macau, while all the retail points of the Franchising Business are located in the PRC. The geographic location has distinctively separated the clientele of the Group from that of the Franchising Business, and thus created a natural competition barrier between them.

Sourcing of branded watches

None of the Group's watches are given exclusive dealership, and therefore the Franchising Business is also allowed to sell those branded watches at the specific outlets of the franchisees in the PRC just like any other independent watch retailers.

As set out in the section headed "Business" in this prospectus, the watches currently sold by the Group are sourced from watch suppliers in Hong Kong and Macau. To the best knowledge and understanding of the Directors, the franchisees under the Franchising Business source the branded watches with various watch suppliers approved by EWJ Management, and the sale of relevant watches is restricted to the designated retail outlets in the PRC. All watches sourced by the Group are also restricted to be sold only in its own designated retail outlets in Hong Kong and Macau.

Despite the fact that the Franchising Business is selling largely the same brands as the Group, the Directors do not consider the franchisees under the Franchising Business as direct competitors of the Group due to the different geographical location and different customer spending behaviour.

There is no sharing of raw materials or reliance on each other in obtaining raw materials or dealerships from suppliers between the Group and the Franchising Business.

Design and manufacturing of jewellery products

The Franchising Business is supported by its own design team to cater for the tastes and needs of the customers in the PRC. Emperor Procurement Limited, a subsidiary of the Franchising Group, is responsible for arranging the employment of the design team for the Franchising Business. The products are manufactured by contractor in the PRC, which is Independent Third Party, as designated by EWJ Management pursuant to the franchising agreements. The Group has not engaged, and has no current plan to engage, the contractors designated by EWJ Management for the production of the jewellery products for the Franchising Business. Such designs and products are not marketed and sold in Hong Kong and Macau.

The Group has its own in-house jewellery design team in Hong Kong independent from that of the Franchising Business, whose designs are created in accordance with the trend and demand of the Hong Kong and Macau market. The designs and products are not marketed and sold in the PRC.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Administration and operation personnel

The Franchising Business in the PRC and the Group's retail business in Hong Kong and Macau are independent of each other and they are operated under different management and operational staff.

Neither the Group nor the Franchising Business requires the support of each other, whether it is back office, raw material supply, logistics, product development, marketing or frontline operation.

Given that the geographical location, the corporate culture, the product design, the business network and the marketing strategies of the Franchising Business in the PRC are different from the retail business of the Group in Hong Kong and Macau, the Franchising Business requires a different team of expertises who are more familiar with the PRC watch and jewellery market.

Non-competition Deed

Given that (i) some of the watch brands are both available in the outlets of the Group and the Franchising Business; (ii) the distribution rights of the watch brands are not exclusively for the Group, and (iii) PRC travelers is a major customer group of the Group, the Directors consider that competition may exist between the Group's business and the Franchising Business despite the geographic location of the respective outlets. However, the Directors believe that some customers may prefer to buy jewellery and watch products while they travel with a view to find new models or different designs, and some customers may buy from local stores for convenience, easy maintenance and after-sales service. As such, due to the variance of individual customer's preference, the Directors consider that it is difficult to assess whether the Group's turnover has been channeled to the Franchising Business and to quantify the financial effect on the Group.

In order to safeguard the interests of the Group (in particular the minority shareholders) against any competition that may exist between the Group and the Franchising Business, the Group has entered into a Non-competition Deed with the Covenantors to restrict the expansion or extension of the Franchising Business.

On 27 June 2008, the Company (for itself and as trustee for and on behalf of its subsidiaries and associated companies) entered into the Non-competition Deed with the Covenantors. The major terms of the deed are set out below:

(i) Non-competition undertaking

Pursuant to the Non-competition Deed, each of the Covenantors hereby irrevocably and unconditionally covenants and undertakes that, during the restricted period,

- (a) each of the Covenantors shall not, and shall procure that none of its/his associates shall, directly or indirectly, establish, invest, involve, manage, operate or otherwise be interested directly or indirectly in the business of a retailer engaging in the sale of watches and jewellery products and the

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

franchising of such business (whether as franchisor or franchisee) conducted or carried on by the Group from time to time (“Restricted Business”) (other than the Franchising Business) within the PRC (inclusive of Hong Kong and Macau) and such other places as the Group may conduct or carry on business from time to time (“Restricted Areas”).

- (b) (1) they shall not enter into, and shall procure that none of their respective associates shall directly or indirectly enter into, any franchising agreements or arrangements in respect of the Restricted Business other than the Franchising Business;
- (2) they shall procure that none of the terms under the Franchising Business shall be altered, amended or varied so that the duration of the Franchising Business will be renewed or extended or that the Franchising Business will be expanded to new locations, in each case, unless with the prior written consent of the Company, which consent shall only be given to the extent that such alteration, amendment or variance is to facilitate either parties of the franchising agreements to comply with any rules, regulations or laws in the PRC or of any other jurisdiction that affected the Franchising Business or to facilitate any claims or legal proceedings arising from the Franchising Business by the Covenantors, if necessary.

Notwithstanding aforesaid, the non-competition undertaking as set out above shall not apply to any holding of any shares in any company whose shares are listed on the Stock Exchange or on other stock exchange and which competes with the Group provided that the shares do not exceed 10% of such listed company’s issued share capital.

(ii) Right of first refusal

Pursuant to the Non-competition Deed, each of the Covenantors also irrevocably and unconditionally covenants and undertakes that they shall procure that, during the restricted period, upon receiving or becoming aware of any business or investment opportunities (“New Business Opportunities”) in watch or jewellery retail business (including but not limiting to the Restricted Business) in any part of the world (including, inter alia, the Restricted Areas), they shall first offer, and shall procure that their respective associates shall first offer, to the Company (for itself and as trustee for and on behalf of its subsidiaries and associated companies) such business or investment opportunities, upon the same terms and conditions, including but not limiting to, the price offered by third parties, as soon as practicable after such business or investment opportunities arise.

If the Company has not given written notice to the Covenantors of its desire to invest in such New Business Opportunities within thirty (30) days (the “Offering Period”) from the date of the offer from the Covenantors, the Covenantors shall be permitted to invest in or participate in the New Business Opportunities on their own accord provided that the Offering Period shall be extended up to a maximum of 60 days should the Company require so by giving written notice within the Offering Period to the Covenantors.

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(iii) Indemnity

Pursuant to the Non-competition Deed, each of the Covenantors further irrevocably and unconditionally, covenants and undertakes to indemnify the Company (for itself and as trustee for and on behalf of its subsidiaries and associated companies) forthwith on demand by the Company against any loss, damage, costs and expenses sustained or incurred by any member of the Group as a result of or in connection with the failure by any of the Covenantors to perform any of its/his obligations, covenants and undertakings under the Non-competition Deed.

(iv) Effective date and restricted period

The restricted period applicable to a Covenantor shall commence from the effective date of the Non-competition Deed (i.e. the Listing Date) and shall expire on the date on which such Covenantor and/or its/his associates cease to beneficially own (i) more than 30% of the issued share capital of the Company or (ii) any interests in the direct or indirect corporate shareholders of the Company which in turn beneficially own more than 30% of the issued share capital of the Company or cease to be a beneficiary or beneficiaries of a trust which in turn beneficially owns (a) more than 30% of the issued share capital of the Company or (b) any interests in the direct or indirect corporate shareholders of the Company which in turn beneficially own more than 30% of the issued share capital of the Company.

Other than the shareholding interests in the Company, none of the Covenantors have direct interests in any member of the Group.

Corporate governance in respect of the Non-competition Deed

The Company shall adopt the following measures to ensure that the terms of the Non-competition Deed are duly complied with by the respective parties:

(a) *General*

1. the independent non-executive Directors will review, at least on an annual basis, the compliance of the undertakings in the Non-competition Deed by the Covenantors on their existing or future competing businesses;
2. the Company shall disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Non-competition Deed through the annual report;
3. the Covenantors shall make an annual declaration on its compliance with the non-competition undertakings in the Company's annual report; and
4. the Covenantors shall provide, or procure to provide, necessary information pursuant to the Non-competition Deed upon the Company's request from time to time.

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(b) Competition relating to existing Franchising Business

1. prior to the cessation of the Franchising Business or under the circumstances stated in sub-paragraph (b) under the paragraph “Non-competition Deed”, the Covenantors shall provide financial and business information of the Covenantors’ Franchising Business upon the Company’s request from time to time in order to let the Company ascertain whether there exists any solicitation of customers, any marketing and promotion of the Franchising Business in Hong Kong and any business relationships with the suppliers and contractors of the Group;
2. the Board, if necessary, will appoint professional advisors, such as lawyers to review the terms of the Non-competition Deed and to assess whether the acts of the Covenantors have breached the terms thereof;
3. upon discovery of any direct competition acts carried out by the Franchising Business, the Covenantors shall immediately cease such actions, and to indemnify the Company or any member of the Group for any loss or damage as a result of such competition; and
4. the Company will make disclosure of the breach and the remedies sought in the Company’s annual report.

(c) In relation to New Business Opportunities

1. in case of any untaken New Business Opportunities referred by the Covenantors, the Company shall disclose its decision by way of announcement as well as in its annual report for the reasons of rejection.
2. the Directors including the independent non-executive Directors shall be involved in making such decisions on accepting or rejecting a New Business Opportunities within 30 days or if so required by the Company, within 60 days upon receiving or becoming aware of such opportunity.
3. Pursuant to the Articles of Association, any Director having material interest in any contract or arrangement or other proposal (including conflicting interests relating to any New Business Opportunities or in relation to the matters in the Non-competition Deed), shall not vote and not be counted in a quorum at the meeting for approving such transactions.
4. The Directors, including the independent non-executive Directors, shall consider the following factors when deciding whether to pursue or decline the New Business Opportunities:
 - (i) the geographic location, the scale and feasibility (including legal requirements, valuation, market practice and personnel required for the business) of the New Business Opportunities;
 - (ii) whether the New Business Opportunities are in line with the Group’s strategic development;
 - (iii) the prevailing market and economic conditions;

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- (iv) the financial condition of the Group and the financial analysis of the New Business Opportunities;
- (v) possible financial and operation risks exposed to the Group if the Group declines and offers the New Business Opportunities to the Covenantors, and
- (vi) the identity of the venture partners or investors or vendors of the business.

The executive Directors with the assistance of the senior management of the Company will formulate a proposal with details of the New Business Opportunities, including but not limited to the factors stated above. The proposal will be put to discussion at board meetings. The independent non-executive Directors can engage independent advisors at the costs of the Company to advise on the terms or any technical aspects of the New Business Opportunities. The Board should allow sufficient time for each Director to review the proposal or to obtain further information. After that, the Board will decide on the pros and cons of the proposal and to vote whether the proposal is beneficial to the Group and the Shareholders.

5. The Covenantors, if any of them have decided to proceed with any untaken New Business Opportunities of the Group, shall immediately inform the Company before the commencement of business. The Covenantors shall provide, or procure to provide all information in relation to the New Business Opportunities from time to time as may be requested by the Directors or any of them for their review.
6. If the Directors consider that, with substantive proof and valid legal grounds, the New Business Opportunities carried out by the Covenantors cause any financial loss or damage to the Group, the Covenantors shall indemnify the Company or any member of the Group of such loss or damage.
7. If any Director is in conflict of interests relating to or materially interested in any New Business Opportunities or in relation to the matters in the Deed or is not independent of the Covenantors, that Director shall be refrained from voting and quorum counting at the board meeting approving the New Business Opportunities. For example, if all the executive Directors are not independent of the Covenantors given that they are family members or that they have engaged in other business of the Covenantors, the decision making in relation to the New Business Opportunities shall be done solely by the independent non-executive Directors.

The Non-competition Deed provides the opportunity for the Covenantors to take up any New Business Opportunities for it will not be commercially and practically viable to prohibit people from engaging in business of which the Company considered not beneficial for the Group to pursue.

In light of the following, the Directors believe that the Non-competition Deed in relation to any New Business Opportunities is an effective way to resolve competing issues between the Covenantors and the Group, and the interests of the Company and its shareholders are well protected:

- (i) the decision making for declining or approving the New Business Opportunities involves independent non-executive Directors who do not have relationship with the Covenantors and any material interests in the transactions; and

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- (ii) the mechanism of providing the first right to the Company is that the Directors are free to decline to provide such opportunities to the Covenantors if they consider that the business shall impose threat or competition which affect the business of the Group.

Deed of Indemnity

On 27 June 2008, the Company (for itself and as trustee for and on behalf of its subsidiaries and associated companies) entered into the Deed of Indemnity with the Indemnifiers whereby each of the Indemnifiers irrevocably and unconditionally covenants and undertakes to indemnify and keep indemnified the Company against all losses and damages which the Group may sustain, suffer, or incur as a result of or in consequence of:-

- (a) the breach by the franchisee and/or the franchisor of the terms of the franchising agreements which govern the terms and conditions of the Franchising Business;
- (b) the consignment arrangements for sale by the Group of watches and jewellery products deposited by the Controlling Shareholders, through their associates as described in the section headed “Connected Transactions” in this prospectus;
- (c) (i) claims in respect of third parties liabilities (including personal injury and property damage) and (ii) property damage sustained by the Group, in each case, to the extent that the relevant amount under such claims or damages has not been recovered by the Group under its insurance policies in relation to the signboards previously or currently used by the Group at any time prior to the Listing Date including but not limiting to those at the Group’s retail shops at No.81 Nathan Road, Tsimshatsui and No.8 Russell Street, Causeway Bay showing the name of Emperor Watch and Jewellery and the products of the Group, being the subject matters under two building orders issued by the Building Authority as disclosed in the paragraph headed “Legal and Regulatory” under the section headed “Business” in this prospectus;
- (d) any penalties, charges or fines as may be payable by the Group in respect of breach of the Buildings Ordinance or any other applicable laws, rules and regulations in Hong Kong or failure to comply with the building orders issued by the Building Authority in relation to the aforesaid signboards;
- (e) claims for rents or licence fees as may be payable by the Group for the aforesaid signboards to the extent that these signboards are not, or were not, covered by licence/tenancy agreements entered into in writing by the Group or that such rents or licence fees have not been paid by the Group; and
- (f) claims under any contract, agreement, deed or arrangement in relation to the aforesaid signboards to which any member of the Group is a party.

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On the other hand, the Company irrevocably and unconditionally covenants and undertakes with each of the Indemnifiers that, in respect of the aforesaid signboards, it shall use all reasonable endeavours to mitigate any loss or damage that it may suffer, including but not limiting to the following:-

- (a) to maintain insurance policies with reasonable coverage for third parties claims, to pay premium for such insurance policies when due and to claim compensation under such insurance policies as and when necessary;
- (b) to take reasonable steps after the date of the Deed of Indemnity to comply with the Buildings Ordinance and/or building orders issued by the Building Authority from time to time; and
- (c) to take any actions against the relevant landlord or any defaulting party as may be appropriate for the purpose of reducing its loss or damage.

The indemnities and/or undertakings given by the Indemnifiers and the Company under the Deed of Indemnity shall become effective upon Listing.

INDEPENDENCE OF THE GROUP FROM CONTROLLING SHAREHOLDERS

Prior to Listing, Allmighty Group is the beneficial owner of 100% interests of the issued share capital of the Company. Allmighty Group is held by Diamond Palace, which in turn is wholly-owned by Jumbo Gold acting as trustee of the Albert Yeung Unit Trust, a unit trust under the AY Discretionary Trust. Dr. Yeung is the founder and settlor of the AY Discretionary Trust. Upon Listing, Allmighty Group will be interested in 3,150,000,000 Shares, representing 70% of the enlarged issued share capital of the Company immediately following the allotment of the Offer Shares and the Loan Capitalisation Issue. As such, Dr. Yeung is a Controlling Shareholder of the Company deemed to be interested in 3,150,000,000 Shares upon Listing.

Dr. Yeung, aged 64, being the founder of AY Discretionary Trust, is deemed to be a controlling shareholder of the Emperor Group comprising EIHL, EEH, Emperor Entertainment Group Limited, Emperor Capital Group Limited and New Media, all being listed companies in Hong Kong. Dr. Yeung obtained a Degree of Doctor of Commerce (Honoris Causi) from University of West Alabama, USA in 2007.

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Before Listing, Bright Queen Limited and Global Gold Developments Limited have been directors of EWJ HK since November 1988 and resigned on 1 April 2008, and they represented the interests of Dr. Yeung in the Group. These are companies of which Dr. Yeung is the sole shareholder and sole director. During such period, Dr. Yeung rarely involved personally in the day-to-day management of the Group, but authorised Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa to represent Bright Queen Limited and Global Gold Developments Limited. Dr. Yeung would be informed of the Group's business and development when the Group required funding from Dr. Yeung, but the overall management has been vested with Ms. Cindy Yeung, Mr. Wong, Ms. Fan and other senior management of the Group during the Track Record Period. The Directors confirm that Dr. Yeung will not play any role in the management (both operation and overall strategic development) of the Group after Listing. In order to ensure independence of the Group from the influence of the Controlling Shareholders, the Group will adopt measures after Listing, the details of which are set out in the paragraph headed "Measures governing independence after Listing" in this section.

The Directors consider the Group has been carrying on its business independently from its Controlling Shareholders and the Board will continue to act independently after the Listing:

Management independence

Despite the fact that Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa have common directorships in both the Group and certain companies controlled by the Controlling Shareholders, the Directors consider the function of the Board will not be affected for the reasons that:

1. Both Mr. Wong and Ms. Fan take a supervisory role on the strategic planning and development of the Group. They do not engage in the day-to-day operation of the business of the Group, but rather act as advisors on corporate matters. Their role in the other business of the Controlling Shareholder is also on a supervisory level and they will not engage in day-to-day operation. As such, there is no conflict in their responsibilities towards the Group with that to the Controlling Shareholders.
2. Mr. Wong is an accountant. Ms. Fan is a qualified lawyer and an accountant. Both of them have been serving listed companies in Hong Kong for many years. Their professional knowledge and skills are valuable to the strategic development of the Group, and their experience in managing listed companies is important to the corporate level matters and governance of the Group. As they do not possess the technical skills in the jewellery and watch industry, the role to manage the day-to-day business is delegated to Ms. Cindy Yeung, a Graduate Gemologist, and Mr. Chan Hung Ming. In this regard, the Board possesses skilled personnel from both the corporate and from the watch and jewellery industry.

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3. All of the day-to-day operations will be led by Ms. Yeung, Mr. Chan and the management team (including department heads and managers of both headquarter and individual retails shops). None of the senior management of the Group (the particulars of which are set out in the section headed “Directors, Senior Management and Staff” of this prospectus) has any position in other companies controlled by the Controlling Shareholders. Mr. Wong and Ms. Fan will not attend the routine operational meetings unless any particular issues require their advices. Mr. Wong and Ms. Fan will attend meetings of the Group from time to time including:
 - (a) management meeting to review overall performance of the Group;
 - (b) meeting to assess new business opportunities of the Group;
 - (c) meeting to discuss corporate strategies, development or any material investments of the Group;
 - (d) board meeting if there is any conflict of interests between Directors, e.g. Ms. Yeung and the Group in making decisions for the Group; and
 - (e) meeting in relation to corporate governance of the Group.

Each of Mr. Wong and Ms. Fan will ensure sufficient time to be spent on the Group for the above matters in order to fulfill their duty towards the Group and the Shareholders. It is expected that Mr. Wong and Ms. Fan will allocate approximately 10% of their working time to the Group after Listing. The Directors consider the participations of the above mentioned matters by Mr. Wong and Ms. Fan are sufficient to demonstrate the said time has been or will be devoted to the Group. Mr. Wong and Ms. Fan consider that given their workload and time with other operations of the Controlling Shareholder is manageable, and with their experience in handling listed companies for so many years, they are confident that they can discharge their duties efficiently as directors of the Company.

Once there is any strategic plan formulated by the Board, the execution of the plan will be carried out by the operational staff, with the management of Ms. Yeung, Mr. Chan and the senior management of the Company. Mr. Wong and Ms. Fan’s role in other operations or business of the Controlling Shareholders is also on supervisory level and the execution will not be carried out by them. Normally, meetings regarding the above matters will be held monthly or semi-annually. As meetings regarding the above matters for the Group and for other business of the Controlling Shareholders will not be held on daily basis, the Directors consider that Mr. Wong and Ms. Fan are able to manage their time to be spent on the Group.

Operational independence

Other than the sourcing of inventories by EJM for both the Franchising Business and the Group, and the services set out under the shared administrative services, details of which are disclosed in the section headed “Connected Transactions” in this prospectus, the Group has no other sharing of facilities or resources during the Track Record Period. The role of EJM to source

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

inventories and engage contractors had already ceased. The only operational dependence after the Listing will be the sharing of administrative services. However, the Directors consider the services provided by Emperor Investment (Management) Limited are only of supportive role, and the Group has not heavily relied on the service. The main reason of the Group to engage Emperor Investment (Management) Limited is to save costs as it will be very uneconomical and not cost effective if the Group engages its own team of legal advisors, information technology consultants, office administrative and maintenance support staff. The service fees payable by the Group for these services under the existing arrangements are shared by the Group and other operations, in which Dr. Yeung has deemed interest in, based on the actual cost incurred and the actual usage of the services and utilisation of staff time in term of percentage by each individual operation (including the Group) to calculate the portion of cost to be charged to them. For the financial year ended 31 December 2005, 2006 and 2007, the administrative and back office support service fees paid by the Group amounted to approximately HK\$424,000, HK\$564,000 and HK\$757,000 respectively. Given that the amount of fees (and thus the amount of reliance) is only minimal, and that the Group can seek for similar service provider or professionals in the market, the Directors consider that the operation of the Group will not be affected even if Emperor Investment (Management) Limited ceases to provide these services.

After Listing, the Group will from time to time engage connected parties to provide various services to the Group, including placing advertisements with New Media, engaging Hong Kong Daily Offset Printing Company Limited as printer, and leasing shops from EIH and EEH. Details are provided in the section headed “Connected Transactions” in this prospectus. The Group will treat them as Independent Third Parties when deciding whether to engage them or not. There are guidelines set out in the compliance manual of the Group that when the Group has to decide whether to engage a connected person for providing service or enter into any transaction with a connected person:

- (a) relevant department is required to provide alternative suppliers or contractors for the Directors to compare the terms provided by the connected persons with those of third parties;
- (b) each Director should declare whether they have any interest in the relevant transactions; and
- (c) the Board should ensure that their decisions should be made on fair and equitable basis without giving favourable consideration to connected persons.

The Group will not heavily rely on the resources of the Controlling Shareholders as the internal control procedures require the Board to consider alternatives other than those from connected persons.

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Financial independence

Set out below are the summary of loans advanced by or amounts due from the Controlling Shareholders and their associates and the securities provided by them in favor of the Group during the Track Record Period:–

	<i>Notes</i>	As at 31 December		
		2005	2006	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current accounts:–				
Amounts due from fellow subsidiaries	<i>a</i>	96,044	117,578	–
Amounts due to the Controlling Shareholders and their associates	<i>b</i>	(343,415)	(179,517)	(184,421)
Amounts due to shareholders of immediate holding company	<i>c</i>	(9,520)	(9,520)	–
		<u>(256,891)</u>	<u>(71,459)</u>	<u>(184,421)</u>
Guarantees and/or pledges:–				
Properties held by companies controlled by Dr. Yeung, Mr. Ricky Yeung and Ms. Teresa Yeung		105,500	103,050	57,450
Corporate guarantees given by companies controlled by Dr. Yeung, Mr. Ricky Yeung and Ms. Teresa Yeung		131,500	129,050	11,000
Joint and several personal guarantees given by Dr. Yeung, Mr. Ricky Yeung and Ms. Teresa Yeung		105,500	79,000	79,000
Personal guarantees given by Dr. Yeung		11,000	37,500	37,500
		<u>353,500</u>	<u>348,600</u>	<u>184,950</u>

Notes:–

- (a) The amounts mainly represent the principal amount due from EJM to EWJ HK which are unsecured, interest-free and repayable on demand.
- (b) The amounts are unsecured, interest-free and repayable on demand.
- (c) The shareholders of the immediate holding company are Bansford and Luckdoor.

All the outstanding amounts due to the Controlling Shareholders and/or their associates will be capitalised before the Listing such that the Company will not have any outstanding balances with the Controlling Shareholders and/or their associates upon the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In respect of the securities provided by the Controlling Shareholders and/or their associates and/or Mr. Ricky Yeung and Ms. Teresa Yeung in favour of the Group, the Group has obtained consents from its bankers to release all the existing guarantees and/or pledges and to be replaced by the corporate guarantee(s) of the Company and/or its subsidiaries (if applicable) upon Listing.

The Directors confirm that the Group has its own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments, and independent access to third party financing.

Measures governing independence after Listing

Upon Listing, the Board will operate independently from the Controlling Shareholders and any board of directors of companies of which any of the Controlling Shareholders have deemed control. All the Directors are well aware of their obligations towards the Company and its shareholders to act honestly and in good faith in the interests of the Company, to exercise due care and diligence in handling matters of the Group and to avoid actual and potential conflicts of interests and duty. In order to fulfill their role as a prudent director, they will act independently without being influenced by any decisions of the Controlling Shareholders. The Company has adopted the following measures to ensure an independent Board and operation:

1. Before the Board is to vote on any issues of the Group, any conflict of interests or potential conflict of interests of the Directors should be declared. The Directors should then base on the information, assess the extent to which the Group will be affected and the risk exposure of the Group.
2. Given Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa have dual directorships in the Company and other companies controlled by the Controlling Shareholders, in order to minimise the potential conflicts which may arise on matters related to corporate strategy and overall development of the Group, of which Mr. Wong and Ms. Fan are responsible to supervise, Mr. Wong and Ms. Fan will be refrained from participation in making decisions or be abstained from voting in Board meeting if the matters in issue involve or are likely to involve any interests of the companies of which Mr. Wong or Ms. Fan is a director. In such circumstances, Ms. Cindy Yeung and Mr. Chan Hung Ming will make recommendations on the matters in issue to the independent non-executive Directors for them to review and vote. On the other hand, if the matters in issue involve interests or are likely to involve interests of Ms. Yeung and her associates, including Dr. Yeung, Ms. Yeung will also abstain from voting at the relevant board meetings. Any Directors who are in potential conflicts will also be abstained from the relevant board meetings.
3. On daily operation of the Group, Ms. Yeung and Mr. Chan are assisted by various senior management of the Group, who have extensive experience in the watch and jewellery industry. In the event that the Board is required to make decisions affecting the daily operation of the Group, Ms. Yeung and Mr. Chan will seek recommendations from the experienced management team, and put those recommendations to the Board for voting. The Board will also consider to engage third party to provide professional opinions when necessary.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

4. Given the family relationship between Dr. Yeung and Ms. Yeung and that Mr. Wong and Ms. Fan have dual directorships in the Company and other companies of which Dr. Yeung has deemed control, in the event that these Directors are in conflict of interests when making decisions regarding the Group or when they are required to give recommendations on matters relating to the Group which involve interests of the companies controlled by Dr. Yeung, Mr. Chan, being the executive Director who is independent to the Controlling Shareholders and other Directors, together with the three independent non-executive Directors will be responsible for the making decisions and voting in such circumstances. With the assistance from the senior management who has extensive experiences in the business of retailing luxurious watches and jewellery products, the Board is in the view that Mr. Chan together with the three independent non-executive Directors are able to make the decisions at Board meetings in case of the absence of other executive Directors. The Board will also engage independent advisors, such as valuers, financial advisers or auditors to provide advice to the Board if and when required.

5. Among the three independent non-executive Directors, Ms. Yip Kam Man and Ms. Lai Ka Fung are Certified Public Accountants and Mr. Chan Hon Piu is a practicing solicitor specialising in property, litigation, intellectual property and commercial law. The Directors believe that with the professional knowledge and experience of each independent non-executive Directors, the independent non-executive Directors are able to make proper decisions for the Group. As three independent non-executive Directors are from professional bodies, which themselves are governed by professional rules and guidelines, they are well aware of their fiduciary duties towards the Group and Shareholders.

Although the three independent non-executive Directors do not possess any experience in the watch and jewellery industry, they can be assisted by Ms. Yeung, Mr. Chan or the senior management of the Group in supplying industry knowledge and information, and together with their own accounting or legal knowledge obtained when dealing with their clients in the retail industry, they are able to make their own judgment and provide valuable advices to the Board, including advices on corporate governance related matters, without any undue influence.

Each of the Directors confirms that he/she does not have any interests in any business which competes or is likely to compete, either directly or indirectly with the Group's business.

CONNECTED TRANSACTIONS

OVERVIEW

The Group has entered into certain agreements and arrangements with its connected persons in the ordinary and usual course of business of the Group during the Track Record Period. Some of these transactions have ceased and some of them are expected to continue which will constitute connected transactions or continuing connected transactions within the meaning of the Listing Rules. Set out below is a summary of these connected transactions and, where applicable, the waivers from strict compliance with relevant requirements of the Listing Rules that have been applied for by the Group, and have been granted by the Stock Exchange.

Summary of the Group's connected transactions

Nature of Transaction	Applicable Listing Rule	Waiver Sought	Connected Persons	Relationship with the Company	Historical Amounts (in HK\$'000)			Annual Caps (in HK\$'000)		
					Year ended December 31			Year ending December 31		
					2005	2006	2007	2008	2009	2010
A. Non-recurring connected transactions										
1.1 Purchase of jewellery, jewellery products and relevant sub-contracting fees	Not applicable	Not applicable	EJM	a company controlled by the Controlling Shareholders	103,783	178,252	151,783	N/A	N/A	N/A
1.2 Purchase of fixed assets					Nil	Nil	346	N/A	N/A	N/A
2. Interest income	Not applicable	Not applicable	EJM	a company controlled by the Controlling Shareholders	1,819	(1,297)	Nil	N/A	N/A	N/A
3. Undertaking by Controlling Shareholder	Not applicable	Not applicable	Dr. Yeung	Controlling Shareholder	993	Nil	Nil	N/A	N/A	N/A
4. Deed of Assignment of Emperor Trademarks and Logo	Not applicable	Not applicable	(1) EWJ Management (2) Emperor Management	(1) a company controlled by the Controlling Shareholders (2) a subsidiary of EIHL, a company of which Dr. Yeung is deemed to be a Controlling Shareholder	Nil	Nil	Nil	N/A	N/A	N/A
5. Consignment of jewellery and watch items	Not applicable	Not applicable	Companies controlled by Dr. Yeung	Companies controlled by the Controlling Shareholders	207	587	1,118	N/A	N/A	N/A

CONNECTED TRANSACTIONS

Nature of Transaction	Applicable Listing Rule	Waiver Sought	Connected Persons	Relationship with the Company	Historical Amounts (in HK\$'000)			Annual Caps (in HK\$'000)		
					Year ended December 31			Year ending December 31		
					2005	2006	2007	2008	2009	2010
B. Exempt continuing connected transactions										
6. Services fee	Rule 14A.33(2)	No disclosure or reporting requirements	Emperor Investment (Management) Limited	a subsidiary of EIHL	424	564	757	N/A	N/A	N/A
7. Advertising and promotion expenses	Rule 14A.33(3)	No disclosure or reporting requirements	(1) New Media (2) Emperor Entertainment Group Limited	companies deemed to be controlled by Dr. Yeung	370	432	853	Subject to de minimis criteria under Rule 14A.33(3)	Subject to de minimis criteria under Rule 14A.33(3)	Subject to de minimis criteria under Rule 14A.33(3)
8. Printing expenses	Rule 14A.33(3)	No disclosure or reporting requirements	Hong Kong Daily Offset Printing Company Limited	a subsidiary under the AY Discretionary Trust, a Controlling Shareholder	Nil	Nil	Nil	Subject to de minimis criteria under Rule 14A.33(3)	Subject to de minimis criteria under Rule 14A.33(3)	Subject to de minimis criteria under Rule 14A.33(3)
9. PRC License Agreement and Franchise License Agreement	Rule 14A.33(3)	No disclosure or reporting requirements	(1) EWJ Management (2) Emperor Management	(1) a company controlled by the Controlling Shareholders (2) a subsidiary of EIHL	Nil	Nil	Nil	N/A	N/A	N/A
10. Sales to connected persons	Rule 14A.33(1)	No disclosure or reporting requirements	Connected persons of the Company	Connected persons of the Company	7,832	5,997	9,815	Less than 1% of total revenue	Less than 1% of total revenue	Less than 1% of total revenue
C. Non-exempt continuing connected transactions										
11. Tenancy agreements	Rule 14A.35	Announcement and/or independent shareholders' approval requirements	Subsidiaries of EIHL and EEH	EIHL and EEH are deemed to be controlled by Dr. Yeung	2,636	7,410	14,783	With EIHL and its subsidiaries 31,360 With EEH and its subsidiaries 3,150	35,380 1,970	24,560 1,210

CONNECTED TRANSACTIONS

A. Non-recurring connected transactions

Set out below are the connected transactions carried out between the Group and companies controlled by the Controlling Shareholders before the Latest Practicable Date and these transactions will not re-incur in the future:

1. Purchase of jewellery, jewellery products and fixed assets and relevant sub-contracting fees

Historically, EJM sourced jewellery as components and jewellery products for both the Group and the Franchising Business and EJM acted as a service centre for making purchasing orders from independent suppliers in accordance with the instructions of EWJ HK and of the Franchising Business respectively. EJM also acted as the service agents for both EWJ HK and the Franchising Business to arrange the raw materials to be manufactured and processed by independent contractors into finished products. EWJ HK would then reimburse EJM the jewellery or jewellery products purchased and the processing fee incurred by EJM at cost basis. In order to carry out the above functions, EJM also incurred administrative and other incidental expenses and EWJ HK would also reimburse EJM such expenses borne by EJM as sub-contracting fees at cost basis.

To streamline the operational structure of the Group and to clearly delineate the Group's business from the Franchising Business, starting from 1 July 2007, EWJ HK has assumed the purchasing and sourcing functions itself by transferring staff from EJM to EWJ HK to purchase jewellery and jewellery products directly from the independent suppliers and engaged independent contractors to manufacture jewellery products in Hong Kong. All jewellery and jewellery products standing in the book of EJM which were acquired or processed on behalf of the Group as at 30 June 2007, were transferred to EWJ HK at cost of approximately HK\$54.5 million. Apart from the purchase of jewellery and jewellery products, EWJ HK also purchased a number of equipment from EJM at its carrying value of HK\$346,000 as at 30 June 2007. The same team of staff used to serve the purchase and sourcing functions of the Group are now under the employment of the Group. The Directors are of the view that the new arrangement would not have any material impact to the Group's operations.

Total amount of purchases of jewellery and jewellery products and relevant sub-contracting fees reimbursed to EJM by the Group during the Track Record Period are summarised as follows:

	Year ended 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of jewellery and jewellery products	101,663	175,649	150,483
Sub-contracting fee	2,120	2,603	1,300
	103,783	178,252	151,783

CONNECTED TRANSACTIONS

2. *Interest income*

As stated above, EJM sourced jewellery and jewellery products for both the Group and the Franchising Business. After consolidating the purchase instructions from the Group and the Franchising Business, EJM would then place orders with independent suppliers. Sometimes the orders from the Group and from the Franchising Business would be made to the same suppliers, and EJM would have used the cashflow from EWJ HK for making the purchases for both the Group and the Franchising Business. During the financial year ended 31 December 2005, EJM had used the cash of EWJ HK for purchasing stocks for EWJ HK and the Franchising Business and therefore EWJ HK had charged interest for such advances at the prevailing market rates based on the proportion of the value of the stock level of EJM which belonged to the Group and the Franchising Business. A sum of approximately HK\$1.8 million as interest has been charged by EWJ HK, being \$0.5 million for the portion of purchases for the Franchising Business and HK\$1.3 million for the portion of purchases for the Group. Subsequently, in view that the funding of EWJ HK for EJM was sourced from the Controlling Shareholder which was interest-free, EWJ HK considered that it should not charge EJM interest for advances made to EJM for the Group's purchases. Therefore, an overcharge of approximately HK\$1.3 million was recorded relating to the financial year ended 31 December 2005 and EWJ HK refunded the overcharged amount to EJM during the financial year ended 31 December 2006. In view that the amount of jewellery and jewellery products purchased by EJM for the Franchising Business was relatively small as compared to that for the Group, and the funding of EWJ HK was sourced from the Controlling Shareholder which was interest-free, EWJ HK decided not to charge EJM interest from 1 January 2006 onward. No interest was charged by the Group to EJM for both financial years ended 31 December 2006 and 31 December 2007. Since the Group has ceased the relationship with EJM on 30 June 2007, no interest income will be charged in future.

3. *Undertaking by the Controlling Shareholder*

In late 2003, the Group and Dr. Yeung entered into an arrangement which Dr. Yeung undertook to purchase from the Group batches of jewellery of an aggregate amount of approximately HK\$56.5 million by himself or his associates if those batches of stock were unable to be sold by the end of year 2006. In consideration of the undertaking offered by Dr. Yeung, the Group agreed to pay Dr. Yeung or his associates a fee which was calculated at an average rate of 6% on the cost of sales of those batches of jewellery sold and charged upon the time of sale. The rates were determined between Dr. Yeung and the Group with reference to the then prime rates during the financial years ended 31 December 2004 and 31 December 2005 as quoted by the Hongkong and Shanghai Banking Corporations. Such arrangement was entered into between the Group and Dr. Yeung when the Hong Kong economy suffered a set back after the outbreak of SARS in second quarter of 2003. Given the extraordinary circumstances arising from SARS, the Group may face uncertain business risks for an uncertain period of time. On the other hand, the Directors were still optimistic as to the future watch and jewellery retail business in Hong Kong in the long run and intended to increase the inventory level of the Group so as to meet the future demands of the Group's products and, at the same time to expand the Group's market share. As a result, having balanced the future

CONNECTED TRANSACTIONS

development of the Group and the possible impact arisen from SARS, the Group entered into the aforesaid arrangement with Dr. Yeung so as to minimise the business risk of the Group and safeguard any potential loss of the Group.

Based on the aforesaid undertaking, a fee of HK\$993,000 was paid by the Group to Dr. Yeung or his associates for the financial year ended 31 December 2005. Such arrangement was subsequently terminated on 31 December 2005 when the economy in Hong Kong gradually picked up after SARS and the Group was in need of jewellery to meet the increasing demand of the Group's products. As such, the Directors considered such undertaking was no longer necessary. No further fee relating to this undertaking was incurred since 2006 and onwards. Up to 30 April 2008, approximately HK\$44.2 million worth of those batches of jewellery was sold.

4. Deed of Assignment of Emperor Trademarks and Logo

The Emperor Trademarks and Logo were used to be registered and applied by EWJ Management and under application by Emperor Management for the use by the Franchising Business and the Group. As a result of the Reorganisation and in view of the plan of ceasing the Franchising Business by the Controlling Shareholders, each of EWJ Management and Emperor Management entered into the Deed of Assignment to assign their respective Emperor Trademarks and Logo at a nominal consideration of HK\$1 to Full Gold. Full Gold has proceeded with the registration of the assignment of the Emperor Trademarks and Logo (including the PRC Trademarks and Logo) accordingly. Particulars of the Emperor Trademarks and the Logo are set out in the sub-section headed "Intellectual property rights of the Group" in Appendix V to this prospectus. For detail background of this assignment, please refer to paragraph headed "Intellectual property rights" under the section headed "Business".

5. Consignment of jewellery items and watches

The Group has been selling consigned jewellery items and watches from a number of consignors. Some jewellery items, mostly jade products, and watches of relative low pricing were consigned by companies controlled by Dr. Yeung ("Connected Consignors") to the Group for sales on consignment basis.

Taking into consideration that:

- (i) the jewellery items consigned by the Connected Consignors were of small volume, on piecemeal basis and were from the Connected Consignors directly;
- (ii) the consigned watch items were purchased by the Connected Consignors many years ago from third party watch suppliers for wholesale and were obsolete and less marketable stocks;
- (iii) other than the watch items stated in (ii) above, the Connected Consignors will not purchase any other watch brands; and

CONNECTED TRANSACTIONS

- (iv) the Connected Consignors do not operate any retail outlets for the sales of watch and jewellery products,

the Directors believe that the Connected Consignors do not engage in any retail business of branded watches and jewellery that may compete directly or indirectly with that of the Group.

Sale of jewellery products is the principal business of the Group. It is also of the Group's business strategy and practice to accept consigned products from consignors, including the Connected Consignors and other Independent Third Parties, if the Directors thought fit and beneficial to the Group. The purchases of consigned products from the Connected Consignors were on normal commercial terms and in the ordinary course of business of the Group.

For the financial year ended 31 December 2005, 2006 and 2007, the Group recorded purchases from the Connected Consignors at aggregated amounts of approximately HK\$207,000, HK\$587,000 and HK\$1,118,000 respectively. The respective sales for the financial years ended 31 December 2005, 2006 and 2007 amounted to approximately HK\$400,000, HK\$916,000 and HK\$2,160,000 respectively.

Same as the procedure applicable to consignment arrangements with Independent Third Parties, the purchase prices of the consigned items were agreed between the Group and the Connected Consignors after arms-length negotiation and taking into consideration the value of the jewellery items assessed by the Directors and the production manager of the Group at the material time and the style and brand of watch when fixing the purchase prices.

As at the Latest Practicable Date, no consigned items from Connected Consignors were available for sale through the Group. As the Group will be more concentrated in developing its own designed and produced jewellery in the future, the Directors consider that the Group will not engage in the sales of consigned items from the Connected Consignors in the future.

B. Exempt continuing connected transactions

6. Services fee

Background:

Emperor Investment (Management) Limited has been providing administrative and back office support services, including information technology support, human resources, business research and development, legal services and administrative services to the Group. For the financial year ended 31 December 2005, 2006 and 2007, the administrative and back office support service fees paid by the Group amounted to approximately HK\$424,000, HK\$564,000 and HK\$757,000 respectively. The costs of such services provided by Emperor Investment (Management) Limited are to be shared among other operations of which Dr. Yeung has deemed interest in.

CONNECTED TRANSACTIONS

Connected person:

Emperor Investment (Management) Limited is a wholly-owned subsidiary of EIHL. Dr. Yeung is also the deemed controlling shareholder of EIHL. Accordingly, Emperor Investment (Management) Limited, EIHL and its subsidiaries are connected persons of the Company under the Listing Rules.

Reasons for the transaction:

The Directors consider the administrative and back office support services provided to the Group by Emperor Investment (Management) Limited enable the Group to cut down administration costs and to operate at a cost-effective manner. Other than human resources service of which the Group has established its own team, the Group will continue to engage the administrative and back office support services including the information technology support, business research and development, legal services and administrative services from Emperor Investment (Management) Limited and such services will constitute a continuing connected transaction under Rule 14A.14 of the Listing Rules following the completion of the Share Offer.

Pricing:

Since these administrative and back office support services were shared by the Group and other operations in which Dr. Yeung has deemed interest, Emperor Investment (Management) Limited had based on its actual cost incurred, the actual usage of the services and utilisation of staff time in terms of percentage by each individual operation (including the Group) to calculate the portion of cost to be charged to them. As a result, the price for these administrative and back office support service fees was typically charged on a cost basis. The costs shared are mainly salaries, bonus, provident funds and other related expenses of the staff providing the services and the relevant expenses incidental to the provision of such services including telecommunication charges and repair and maintenance expenses. In view that the cost of administrative and back office support services is allocated to the Group on cost and actual usage basis, the Directors, including the independent non-executive Directors, consider that the terms of the administrative and back office services are fair and equitable. The sharing of administrative and back office services on a cost basis fall within the exemption under Rule 14A.33(2) of the Listing Rules.

7. *Advertising and promotion expenses*

Background:

The Group has engaged various advertising and promotion related services provided by its connected parties including placing of advertisements in the magazines published by New Media and engaging artists services for promotion and shop opening activities provided by Emperor Entertainment (HK) Limited during the Track Record Period. The

CONNECTED TRANSACTIONS

Directors believe the Group will continue to utilise these magazines and artists services for promotion purposes. For the financial year ended 31 December 2005, 2006 and 2007, the advertising expenses paid by the Group to connected persons amounted to approximately HK\$370,000, HK\$432,000 and HK\$853,000 respectively.

Connected person:

New Media is a local publisher whose shares are listed on the Stock Exchange on 12 February 2008. It is principally engaged in the publication and marketing of Chinese-language weekly magazines and the sale of advertising spaces in those magazines primarily in Hong Kong. Emperor Entertainment (Hong Kong) Limited is a wholly-owned subsidiary of Emperor Entertainment Group Limited (“Emperor Entertainment Group”) which is listed in the Growth Enterprise Market of the Stock Exchange. Emperor Entertainment Group is principally engaged in, inter alia, the provision of management services to artistes, concert management and organisation.

AY Discretionary Trust is the controlling shareholder of New Media and Emperor Entertainment Group, as such New Media and Emperor Entertainment Group are hence connected persons of the Company under Chapter 14A of the Listing Rules. The ongoing provision of advertising and promotion services from New Media and Emperor Entertainment Group following the completion of the Share Offer will constitute continuing connected transactions under Rule 14A.14 of the Listing Rules.

Reasons for the transaction:

New Media operates a number of magazines including lifestyle magazines and investment and finance magazines circulated in Hong Kong. Emperor Entertainment Group manages a number of artistes who are known to the public in Hong Kong. The Directors consider that these magazines and artiste’s services provide efficient and effective channels to promote the brand of the Group and its products. The Directors are of the view that placing advertisements in these magazines and using these artiste’s services will be beneficial to the Group’s business and the Group will continue to place advertisements with New Media and engage Emperor Entertainment Group to provide artiste’s services in the future.

Pricing:

The prices for these advertising and artiste’s services were typically determined by reference to the market prices for such services in the open market based on the popularity of the artistes and the scope of work of each engagement and the circulation of the magazines. The Directors confirm that these prices were determined on an arm’s length basis, and were in line with market rates and were no less favourable to the Group than those offered by third parties. The Directors, including the independent non-executive Directors, consider that the purchase of advertising and artiste’s services is in the ordinary course of business of the Group and on normal commercial terms that are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

As the amount of advertising and promotion expenses payable by the Group to New Media and Emperor Entertainment Group for each of the three financial years ending 31 December 2008, 2009 and 2010 is expected to be less than HK\$1,000,000 and the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules (other than the profit ratio) will be less than 2.5%, the transaction will qualify for the de minimis exemption criteria under Rule 14A.33(3) of the Listing Rules.

8. *Printing expenses*

Background:

The Company has engaged Hong Kong Daily Offset Printing Company Limited (the “Printing Company”) for the purpose of printing this prospectus and the Application Forms. Upon the listing of the Company, the Company will continue to engage the Printing Company for the provision of printing services for the Company’s future publications such as circulars, interim reports and annual reports. No similar cost was incurred during the Track Record Period. For the purpose of printing this prospectus and the Application Forms, the printing fee payable to the Printing Company will be approximately HK\$800,000.

Connected person:

The Printing Company is principally engaged in the provision of printing service. It is an indirectly wholly-owned subsidiary under the AY Discretionary Trust and is hence a connected person of the Company under Chapter 14A of the Listing Rules. The ongoing provision of printing services from the Printing Company will constitute a continuing connected transaction under Rule 14A.14 of the Listing Rules after Listing.

Pricing:

The price for these printing services will be determined on each publication by reference to the market price for such printing services in the open market on an arm’s length basis. The price payable to the Printing Company shall be no less favourable than those offered by third party printers. The Directors, including the independent non-executive Directors, consider that the engagement of printing services is in the ordinary course of business of the Group after Listing and on normal commercial terms that are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

As the amount of printing expenses payable by the Group to the Printing Company for the financial years ending 31 December 2008, 2009 and 2010 (excluding the printing costs for this prospectus and the Application Forms) is expected to be less than HK\$1,000,000 and that the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules (other than the profit ratio) will be less than 2.5%, the transaction will qualify for the de minimis exemption criteria under Rule 14A.33(3) of the Listing Rules.

CONNECTED TRANSACTIONS

9. *PRC License Agreement and Franchise License Agreement*

Background:

The Emperor Trademarks and Logo in the PRC, Hong Kong, Taiwan, Macau, Malaysia and Singapore registered in the name of or applied by EWJ Management and under application by Emperor Management are assigned to Full Gold pursuant to the Deed of Assignment. The Group has applied for and/or proceeded to apply for the re-registration of the Emperor Trademarks and Logo in the above jurisdictions.

In respect of assignment of trademarks in the PRC, Full Gold will effectively own the PRC Trademarks and Logo only after the assignment applications are approved by the Trademark Office. In respect of the PRC Trademarks and Logo which are still under application, Emperor Management does not have any exclusive right to use these trademarks until the applications have been approved by the Trademark Office, thus it is legal for Full Gold to use these trademarks during the period of application. In respect of the PRC Trademarks and Logo which are duly registered in the PRC in the name of EWJ Management, EWJ Management entered into the PRC License Agreement with Full Gold pursuant to which EWJ Management agreed to grant a license to Full Gold for the use of the registered PRC Trademarks and Logo until Full Gold has effectively become the registered owner of those trademarks.

EWJ Management will cease to have any right to grant license to the franchisees of the Franchising Business for the use of the PRC Trademarks and Logo after Full Gold becomes the registered owner of these trademarks. Therefore, to allow EWJ Management to continue to perform its obligations under the franchising agreements, Full Gold entered into the Franchise License Agreement with EWJ Management on 23 June 2008, pursuant to which, conditional upon Full Gold being recorded or registered as the owner of the respective PRC Trademarks and Logo by the Trademark Office, Full Gold shall license the use of the PRC Trademarks and Logo to EWJ Management at a nominal consideration of HK\$1.00. The Group has agreed with EWJ Management that the PRC Trademark and Logo are to be sub-licensed to and to be used by franchisees of the Franchising Business non-exclusively subject to the terms and conditions of the franchising agreements, and on the condition that the use of such trademarks and logo cannot be sub-licensed to any other persons or companies other than the franchisees of the Franchising Business. The Franchise License Agreement will expire upon the expiry or termination of all franchising agreements on or around end of June 2009.

Reasons for entering into the license agreements:

The entering into the PRC License Agreement is to enable the Group to use the PRC Trademarks and Logo before Full Gold effectively becomes the registered owner of these trademarks and logo in the PRC.

CONNECTED TRANSACTIONS

The grant of the use of the PRC Trademarks and Logo to EWJ Management under the Franchise License Agreement is to avoid any potential litigation or claims by the franchisees against EWJ Management under the franchising agreements if the usage of such trademarks and logo are suddenly restricted or withdrawn. As such, the licence of the PRC Trademarks and Logo to EWJ Management under the Franchise License Agreement is a temporary measure which helps to facilitate the gradual close down of the Franchising Business. The use of the PRC Trademarks and Logo for the Franchising Business is not exclusive and the Group is allowed to continue to use the same for its existing and future businesses.

For detailed background of the Franchise License Agreement and the PRC License Agreement and the relevant arrangements, please refer to the section headed “Relationship with the Controlling Shareholders”.

EWJ Management is a company controlled by the Controlling Shareholder and Emperor Management is a wholly-owned subsidiary of EIHL. As the consideration for the PRC License Agreement and the Franchise License Agreement is nominal, the transactions of the agreements fall within the de minimis threshold under Rule 14A.33(3) of the Listing Rules and is therefore exempt from reporting, announcement and independent shareholders’ approval requirements. The Directors, including the independent non-executive Directors, consider that the terms of the two license agreements are fair and reasonable and are in the interests of the Company and Shareholders as a whole.

10. Sales to connected persons

Background:

A number of the connected persons (as defined in Chapter 14A of the Listing Rules, including the Directors and Substantial Shareholders and their respective associates) of the Company have been customers of the Group and have bought and will continue to buy watches and jewellery products from the Group. To the best knowledge of the Directors, those watches and jewellery products purchased by the Company’s connected persons were for their private uses or consumptions. For the financial year ended 31 December 2005, 2006 and 2007, sales to all connected persons by the Group amounted to approximately HK\$7.8 million, HK\$6.0 million and HK\$9.8 million respectively.

As disclosed under note 32 of the Accountants’ Report in Appendix 1 to this prospectus, total sales of watches and jewellery products to the Directors and their close family members are approximately HK\$6.8 million, HK\$3.2 million and HK\$6.9 million for the financial year ended 31 December 2005, 2006 and 2007 respectively. There is a difference between the figures for sales to connected persons under this section “Connected Transactions” and the sales to related parties in the Accountants’ Report. The reason for such difference is because the scope of “connected persons” as defined in Chapter 14A of the Listing Rules is wider than the scope of related parties as defined

CONNECTED TRANSACTIONS

in Hong Kong Financial Reporting Standards issued by the HKICPA. The related parties referred in the Accountants' Report include only the close family member of the Directors and the Controlling Shareholders who may be expected to influence or be influenced by the Directors or the Controlling Shareholders.

Connected persons:

It is expected that connected persons will purchase watches and jewellery products from the Group in the future. For determining the amount of sales to connected persons, the connected persons will be defined and limited to cover parties as set out in Rule 14A.11(1), (2) and (4)(b) of the Listing Rules, that is including Directors, chief executive or Substantial Shareholders, a Director within the preceding 12 months, and their respective associates as defined under the Listing Rules.

Pricing:

The sales of the Group's products to its connected persons shall be at prices and terms no more favourable than those available to Independent Third Party customers. The Directors, including the independent non-executive Directors, consider that the sales of the Group's products to its connected persons are in the ordinary course of business of the Group and are in the interests of the Company and the Shareholders as a whole. The sales are to be carried out on normal commercial terms that are fair and reasonable.

The sales of watches and jewellery products to the Company's connected persons will be regarded as continuing connected transactions of the Group. If (i) the products are for the connected person's own use, and will not be processed into products for resale or for any business use; (ii) the total consideration or value of the products represents less than 1% of the total revenue of the Group, and (iii) the terms given to the connected persons are no more favourable than those offered to the Independent Third Parties, the sales to connected persons are able to satisfy the criteria as set out under the Rule 14A.31(7) of the Listing Rules and will exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(1) of the Listing Rules.

The Directors, including the independent non-executive Directors, confirm that the following measures will be taken by the Company to ensure that all requirements under Rule 14A.31(7) of the Listing Rules are to be fulfilled:-

- (a) The accounts department of the Group is circulated with a list of connected persons (limited to those set out in Rule 14A.11(1), (2) and (4)(b)) which is updated from time to time. The sales patterns and transaction volume for sales to connected persons are kept track with by the accounts department to ensure the aggregate sales value is below 1% of the total revenue of the Group. In case for transactions of exceptional amounts and/or volumes, the management is alerted and clarifications with the connected persons will be sought as to their purposes of such purchases; and

CONNECTED TRANSACTIONS

- (b) The connected persons will be reminded at the time of sales that the products sold by the Group should be solely for private use or consumption.

As there is no clear purchase pattern that can be derived from the amount of revenue contributed by connected persons to the Group during the Track Record Period and that the amount of purchase depends on numerous factors that are beyond the Directors' control, such as customers' personal tastes and choices, the purchasing preference of customers for luxurious goods and the economic condition, the Directors consider it difficult to ascertain a reasonable annual cap for future financial years after Listing. Should any of the criteria in Rule 14A.31(7) is not satisfied, the Company will make announcement and comply with relevant requirements of the then Listing Rules.

CONNECTED TRANSACTIONS

C. Non-exempt continuing connected transactions

11. Tenancy Agreements

The Group has entered into the following tenancy agreements in relation to the operation of the Group's business in Hong Kong and Macau:

Landlord	Tenant (subsidiaries of the Company)	Date of agreement	Location	Term	Monthly Rental (HK\$)	Details of occupancy and gross floor area
Great Future Hong Kong Limited – a company wholly-owned by AY Discretionary Trust (Note)	Beauty Royal Limited	20 March 2008	Shops A, D2 and E2 on Ground Floor, Harilela Mansion, 81 Nathan Road, Tsim Sha Tsui, Hong Kong	1 April 2008 to 31 March 2011	482,000	Shop 2,425 sq.ft.
Very Sound Investments Limited – a wholly- owned subsidiary of EIHL	Beauty Royal Limited	24 July 2007	Shop Unit G03 on Ground Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 September 2007 to 31 March 2010	118,000	Shop 1,576 sq.ft.
Very Sound Investments Limited – a wholly- owned subsidiary of EIHL	Beauty Royal Limited	22 June 2007	Shop Units G04 and G05 on Ground Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 April 2007 to 31 March 2010	220,000	Shop 3,238 sq. ft.
Forever Crown Limited – a wholly- owned subsidiary of EIHL	Beauty Royal Limited	29 June 2006	Shop Q on Ground Floor, (including Mezzanine Floor), Hong Kong Mansion, 2-10 Great George Street, Causeway Bay, Hong Kong	16 July 2006 to 15 July 2009	1st year: 400,000 2nd year: 410,000 3rd year: 420,000	Shop 983 sq. ft.

Note: Pursuant to an agreement dated 16 May 2008, a subsidiary of EIHL has agreed to acquire Genuine Gold Limited, the holding company of Great Future Hong Kong Limited, from a company under the AY Discretionary Trust. The completion is expected to take place by the end of July 2008.

CONNECTED TRANSACTIONS

Landlord	Tenant (subsidiaries of the Company)	Date of agreement	Location	Term	Monthly Rental (HK\$)	Details of occupancy and gross floor area
Planwing Limited – a wholly-owned subsidiary of EIHL	Beauty Royal Limited	24 July 2007	Shops 1 & 2, on Ground Floor, 8 Russell Street, Causeway Bay, Hong Kong together with the right to use an outdoor advertising sign board erected on 5/F	1 September 2007 to 31 August 2010	1,050,000	Shop 3,367 sq. ft.
Very Sound Investments Limited – a wholly-owned subsidiary of EIHL	Beauty Royal Limited	16 May 2008	Units 2501-5, 25/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 April 2008 to 31 March 2010	189,700	Office 7,588 sq. ft.
Headwise Investment Limited – a wholly-owned subsidiary of EIHL	Beauty Royal Limited	16 May 2008	Unit 1803, 18/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	1 April 2008 to 31 March 2010	14,532	Office 692 sq. ft.
Richorse Limited – a wholly-owned subsidiary of EIHL	Beauty Royal Limited	16 May 2008	Ground Floor, (Shop A including the yard), and First Floor (Office A), Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong	1 July 2008 to 30 June 2011	1st and 2nd year: 700,000 3rd year: 750,000	Shop and office 1,342 sq. ft. and a yard area of 203 sq. ft.
Golden Pegasus Investment Limited – a wholly-owned subsidiary of EIHL	Beauty Royal Limited	16 May 2008	Portion of 12/F, The Ulferts Centre, 4 Kin Fat Lane, Tuen Mun, New Territories	1 April 2008 to 31 March 2011	3,400	Warehouse 850 sq. ft.
Pacific Strong Bases (Holding) Company Limited – a 50% owned subsidiary of EEH	EWJ Macau	27 March 2006	Shops 1-4, on Ground Floor, Grand Emperor Hotel, 288 Avenida Comercial De Macau, Macau	1 April 2006 to 31 March 2009	1st year: 197,595 2nd year: 208,572 3rd year: 219,550	Shop 4,391 sq. ft.

CONNECTED TRANSACTIONS

Landlord	Tenant (subsidiaries of the Company)	Date of agreement	Location	Term	Monthly Rental (HK\$)	Details of occupancy and gross floor area
Pacific Strong Bases (Holding) Company Limited – a 50% owned subsidiary of EEH	EWJ Macau	2 June 2008	Shop 5, on Ground Floor, Grand Emperor Hotel, 288 Avenida Comercial De Macau, Macau	1 July 2008 to 30 June 2011	109,200	Shop 1,560 sq.ft.

Savills Valuation and Professional Services Limited, a professional valuer which is an Independent Third Party, has reviewed the tenancy/licence agreements and confirmed that, the rental payable under the tenancy/licence agreements is the market rental prevailing at the respective commencement dates of the agreements.

Reasons for the transactions:

The business of EIHL and its subsidiaries includes property development and investment in prime areas in Hong Kong and the business of EEH and its subsidiaries includes the operation of a hotel in Macau. As such, EIHL group and EEH group are able to provide suitable locations for the Group's business. The relevant outlets of the Group have been operating at their respective premises for a number of years. Costs, which are mainly renovation costs for new outlets, will be incurred in case of relocation of the existing outlets. Based on the Company's experiences, the estimated cost of renovation is approximately HK\$1,500 per square feet. The Directors believe that maintaining the tenancy at the existing addresses will ensure the stability of the Group's business and to avoid the incurrence of relocation costs. Apart from retail outlets, the Group is occupying part of the 18th and 25th Floor of the Emperor Group Centre as its head office.

Historical transaction amounts:

For the financial year ended 31 December 2005, 2006 and 2007, the aggregate rental expenses paid to the connected persons under the tenancy agreements were approximately HK\$2.6 million, HK\$7.4 million and HK\$14.8 million respectively. Among the tenancies stated above, the monthly rental for Shops A, D2 and E2 on Ground Floor, Harilela Mansion, 81 Nathan Road, Tsimshatsui, Hong Kong together with the right to use an outdoor advertising sign board was charged only at HK\$5,000 per month during the Track Record Period. Such rate was below the market rate at that time. The Directors noted that should the premises be rented from an Independent Third Party, the market rental would have been HK\$4.02 million, HK\$4.08 million and HK\$4.08 million for the financial year ended 31 December 2005, 2006 and 2007 respectively.

CONNECTED TRANSACTIONS

Annual cap on future transaction amounts:

With reference to the annual rental payable by the Group in accordance with the terms of the tenancy agreements, and assuming that there will be no renewal or exercise of option by the Group upon expiry, it is expected that the aggregate annual caps for rental payment (excluding management fees, air conditioning and electricity expenses) are as follow:

	For the year ending 31 December		
	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Payable to EIHL and its subsidiaries	31,360	35,380	24,560

	For the year ending 31 December		
	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Payable to EEH and its subsidiaries	3,150	1,970	1,210

As the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules (other than the profit ratio) calculated with reference to the annual caps for the tenancies of the Group's premises with EIHL and its subsidiaries exceed 2.5% and the consideration exceeds HK\$10,000,000, the tenancies with EIHL and its subsidiaries are subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

As the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules (other than the profit ratio) calculated with reference to the annual caps for the tenancies of the Group's premises with EEH and its subsidiaries are less than 2.5%, the tenancies with EEH and its subsidiaries are subject to the reporting and announcement requirements, but exempt from independent shareholders' approval requirements of the Listing Rules.

The Directors consider that the above caps are reasonably determined pursuant to Rule 14A.35(2) of the Listing Rules.

Application for a waiver

The transactions under the tenancy agreements constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules and are subject to the reporting and announcement requirements and the independent shareholders' approval requirement set out in Rules 14A.45 to 14A.48 of the Listing Rules following the Listing.

CONNECTED TRANSACTIONS

Pursuant to Rules 14A.42(3) of the Listing Rules, the Company has applied for, and the Stock Exchange has agreed to grant a waiver from strict compliance with announcement requirement under Rule 14A.47 of the Listing Rules and the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules in respect of the aforesaid transactions.

Apart from the announcement and/or independent shareholders' approval requirements in respect of which a waiver has been sought, the Company will comply with the provisions in Chapter 14A of the Listing Rules governing continuing connected transactions and the proposed annual caps from time to time.

The Directors (including the independent non-executive Directors) confirm that all the abovementioned continuing connected transactions, were entered into on normal commercial terms and in the ordinary and usual course of business, and they (together with the proposed annual caps) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Opinion of the Directors

The Directors (including the independent non-executive Directors), having reviewed the relevant information (including, among other things, the historical transaction amounts, the underlying agreements, the trends and growth in the industry in which the Group operates and the future plans of the Company) relating to the continuing connected transactions and the justifications set out in the sub-paragraphs headed "Reasons for the transactions" and "Annual cap on future transaction amounts" for each of the transactions, are of the opinion that each of the continuing connected transactions disclosed above has been entered into, and will be carried out, in the ordinary and usual course of business and on normal commercial terms or on terms no less favorable to the Company than terms available to or from (as appropriate) Independent Third Parties, and that each of these continuing connected transactions disclosed above is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Confirmation from the Joint Sponsors

The Joint Sponsors consider that:

- (i) the above connected transactions for which waivers are sought have been entered into in the ordinary course of business of the Group on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and
- (ii) the proposed annual caps for the above continuing connected transactions are fair and reasonable.

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You should read this section in conjunction with the Group's audited combined financial statements, including the accompanying notes, in the Accountants' Report in Appendix I to this prospectus. The audited combined financial statements of the Group as of and for each of the three years ended 31 December 2005, 2006 and 2007 were audited by Deloitte Touche Tohmatsu, Certified Public Accountants. The Group has prepared its combined financial statements in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions.

This discussion contains forward-looking statements that involve risks and uncertainties. The Group's business and financial performance are subject to substantial risks and uncertainties and its future results could differ materially from those set forth in the forward-looking statements herein due to a variety of factors including those set forth in the "Risk Factors" section.

OVERVIEW

The Group succeeded as a long established watch retailer in Hong Kong. The first watch and clock retail shop founded by the Yeung Family in Hong Kong was opened in 1940's. With the continuous developments of the Group, the Group is currently principally engaged in sales of international branded watches and self-designed jewellery in Hong Kong and Macau. The Group was awarded as a Hong Kong Classical Brand for its long success in Hong Kong since its foundation.

Sales of watches is the major source of income of the Group and accounted for over 80% of total turnover of the Group during the Track Record Period. The Group also offers wide ranges of jewellery products including diamonds, 999.9 fine gold, jades, pearls and precious stones which are mostly self-designed by the Group and/or tailor-made for the Group's customers.

The Group generates its turnover through its retail outlets in Hong Kong and Macau. During the Track Record Period, the Group expanded its retail network in Hong Kong from 5 outlets in 2005 to 8 outlets in 2007. To enjoy the booming economy in Macau and its rapid development in tourism, the Group started up its business in Macau and opened 1 retail outlet in 2006. As at the Latest Practicable Date, the Group is operating 8 retail outlets in Hong Kong and 1 retail outlet in Macau.

Major factors affecting the Group's business

The Directors consider the followings are the major factors that may affect the business and operation of the Group:

Economic conditions in the PRC, Hong Kong and Macau

Given the nature of business of the Group as a retailer of luxurious watches and jewellery, the Directors expect that the business performance of the Group is highly correlated with the economic conditions in the PRC, Hong Kong and Macau and the purchasing powers of the consumers. With the continuous increase in the level of disposable income of consumers in these regions, the Group recorded a growth of turnover from approximately HK\$645.3 million in 2005 to approximately HK\$1,084.4 million in 2006 and then to approximately HK\$1,561.5 million in 2007. However, any change in economic conditions in these regions will affect the Group's revenue and its future profits.

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Developments on tourism in Hong Kong and Macau

The Directors acknowledge that tourists from the PRC are one of the major customer groups of the Group on the basis that over 30% of the sales proceeds of 2007 were settled via China UnionPay – a domestic credit card organisation in the PRC. Owing to the fact that no import duties are chargeable on international luxurious watches and jewellery in Hong Kong and Macau, the Group's products are determined at competitive prices and are hence welcomed by many of the tourists. Number of visitors to Hong Kong and Macau increased significantly from approximately 42.1 million in 2005 in aggregate to 55.2 million in 2007 in aggregate which indirectly boosted up the sales of the Group. According to statistics (details of which are set out in the section "Industry overview" of this prospectus), watches and jewellery is one of the most favourable categories which visitors would like to put spendings at. Any reduction in number of tourists in these areas may adversely affect the financial performances of the Group.

Close working relationships with watch suppliers

Developing and maintaining close relationships with watch suppliers is a key success factor of the Group. For the financial year ended 31 December 2005, 2006 and 2007, sales of top 5 watch brands accounted for approximately 79.2%, 78.2% and 75.7% of total watch sales of the Group respectively. As at the Latest Practicable Date, the Group has been granted by watch suppliers dealership rights on 11 international branded watches with terms ranging from 1 to 3 years or for an indefinite period of time unless notice of termination is served by either party. The Group has also been sourcing watches from watch suppliers for another 18 brands for years. The Directors are confident to maintain good relationships with the existing watch suppliers given their long history of business with each other. However, any loss on the dealership rights of watch brands in the future will affect the Group's operating results.

Market competition

The luxurious watch and jewellery retail market is highly competitive in Hong Kong and Macau. These competitors include specialty-branded retail shops, department stores, major chain stores and international retailers, which offer luxurious watches and jewellery and other related products. There is no assurance that the Group will be able to compete with others in the future in light of the changing and competitive market environment. Increasing competition in the industry may affect the pricing and profitability of the Group's products.

Price increment of diamonds

Diamond is the major material used for the production of the Group's jewellery products. It is noted that the diamond prices has increased by more than double, depending on the color, clarity, cut and carat of the diamonds during the Track Record Period. If the prices of diamonds continue to increase to the extent that is beyond the acceptable level of the customers, the demand for the Group's jewellery products will decline and the profitability of the Group may be adversely affected.

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Change of customers' taste and preferences

The Group's success is principally due to its ability to source watches of popular international brands and to design and produce quality jewellery products and its prompt reactions to the changing customers' preferences. There is no assurance that the watches and the jewellery designs will continuously meet the changing customers' preferences and that the qualities of jewellery products produced by the contractors will remain up-to-standard. In the event of such failures, the reputation of the Group may be deteriorated and the profitability of the Group will be adversely affected.

Seasonal fluctuation

The Group experiences seasonal fluctuations in its turnover as consumption patterns vary on seasonal basis. The Group generally records higher sales revenue during major holidays and festivals. Any change in purchasing power, spending patterns or market trends may intensify such fluctuations and affect the Group's turnover and financial performance.

Leasing of retail outlets

All of the Group's retail outlets are leased premises with tenancy terms ranging from approximately 2 years to 3 years. Out of these tenancy agreements, excluding any option to renew, the earliest expiry date will be in July 2008. There is no assurance that each of these leases can be renewed upon expiry or can be renewed at terms and conditions which are favourable to the Group. There is also no assurance that the Group could secure favourable locations to the Group's satisfaction for new leases. Failure to renew the existing leases upon expiry may hence have an adverse effect to the Group's performance and future development.

Critical Accounting Policies

The Group's financial information as set forth in Appendix I of this prospectus is prepared in accordance with HKFRS and Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. The preparation of the financial information in conformity with HKFRS requires the management of the Group to adopt accounting policies and make estimates and assumptions that affect amounts reported in the Group's financial statements. In applying these accounting policies, the management of the Group makes subjective judgements that frequently require estimates about matters that are inherently uncertain. Accordingly, actual results could differ from those estimates. Basically, the estimates and assumptions involve judgments based on the latest available information, reliable information and experience. The estimates and assumptions adopted by the Group are reliable and there have been no change in the estimates and assumptions

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over the Track Record Period. There is no evidence that the estimates and assumptions will be changed in the foreseeable future. The management of the Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Group's financial information:-

Revenue recognition

The Group's revenue represented the consideration received or receivable from the sales of goods or consignment products under the Group's normal course of business, net of sales discounts and returns. Sales of goods or consignment products are recognised by the Group when goods are sold and titles have passed. The Group has no titles of the consignment products before sales of goods.

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and conditions, is calculated using specific identification basis for watches and certain identifiable and separable jewellery and the weighted average method for other jewellery. Net realisable value represents selling price estimated by the management with reference to the latest market prices and the prevailing market conditions in the ordinary course of business less all estimated costs of completion and estimated costs necessary to make the sale.

The Group reviews the aging of the inventories at each balance sheet date and identify obsolete and slow-moving inventory items. Any cost over net realisable value is recognised in the income statements of the Group.

Property, plant and equipment and depreciation

The Group's property, plant and equipment are depreciated at rates which are sufficient to write off the cost less accumulated impairment losses and estimated residual values over their estimated useful lives on straight-line basis. The Directors determine the estimated useful lives and the residual values of the property, plant and equipment based on the historical experiences of the actual useful lives of property, plant and equipment of similar natures and functions. The following table demonstrates the useful lives of property, plant and equipment adopted by the Group:-

Leasehold improvements	Over the unexpired lease term or five years, whichever is shorter
Furniture, fixtures and office equipment	10.0%–33.3%
Motor vehicles	20.0%

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Taxation

Taxation 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 the profit before taxation as reported in the combined income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement 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 balance sheet date. During the Track Record Period, the Group is subject to Hong Kong Profits Tax and Macau Complementary Income Tax.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Group's financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the combined income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Results of operations

The following is a summary of audited combined income statement of the Group for the financial years ended 31 December 2005, 2006 and 2007 which is extracted from the accountants' report as set out in Appendix I to this prospectus. This summary should be read in conjunction with the accountants' report set out in Appendix I to this prospectus.

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	Year ended 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	645,264	1,084,395	1,561,463
Cost of sales	(552,438)	(912,779)	(1,211,673)
	<hr/>	<hr/>	<hr/>
Gross profit	92,826	171,616	349,790
Other income	2,050	(607)	109
Selling and distribution expenses	(37,633)	(67,025)	(115,486)
Administrative expenses	(22,610)	(33,763)	(39,488)
Finance costs	(2,902)	(5,137)	(3,168)
	<hr/>	<hr/>	<hr/>
Profit before taxation	31,731	65,084	191,757
Taxation	(5,605)	(11,121)	(32,969)
	<hr/>	<hr/>	<hr/>
Profit for the year	<u>26,126</u>	<u>53,963</u>	<u>158,788</u>

Principal Income Statement Components

Revenue

The Group is principally engaged in the sales of luxurious watches and jewellery through its self-owned retail network in Hong Kong and Macau. The following table sets out the number of retail outlets for each of the geographical location during the Track Record Period:–

	As at 31 December		
	2005	2006	2007
Hong Kong	5	7	8
Macau	–	1	1
	<hr/>	<hr/>	<hr/>
Total	<u>5</u>	<u>8</u>	<u>9</u>

Products sold in the Group's retail outlets mostly included Swiss made watches and jewellery designed by the Group and/or tailor-made for its customers. As at the Latest Practicable Date, the Group is retailing for 29 brands of watches, the sale of which is the major source of revenue of the

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Group. The jewellery products of the Group mainly include diamond, jade, pearl, 999.9 fine gold and other related products. The contribution of revenue from watches and jewellery in Hong Kong and Macau during the Track Record Period is demonstrated as follows:–

	Year ended 31 December					
	2005		2006		2007	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Hong Kong						
Watches	554,974	86.0	890,429	82.1	1,292,119	82.7
Jewellery	90,290	14.0	143,660	13.3	191,546	12.3
Sub-total	645,264	100.0	1,034,089	95.4	1,483,665	95.0
Macau						
Watches	–	–	34,663	3.2	53,965	3.5
Jewellery	–	–	15,643	1.4	23,833	1.5
Sub-total	–	–	50,306	4.6	77,798	5.0
Total	645,264	100.0	1,084,395	100.0	1,561,463	100.0

It is of the Group's policy that no sales return is accepted except for the malfunctions of the watches and the manufacturing of the jewellery products. Any sales return will be deducted from the turnover of the Group in the relevant financial year.

Cost of sales and gross profit

The cost of sales mainly comprises of cost of watches purchased from the watch suppliers and material cost and labour cost for production of jewellery. The table below sets forth the breakdown of the Group's cost of sales and gross profit during the Track Record Period:–

(i) Cost of sales

	Year ended 31 December					
	2005		2006		2007	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Watches						
Cost of watches purchased	483,106	87.5	797,208	87.3	1,063,555	87.8
Incentive bonus	(4,732)	(0.9)	(9,103)	(1.0)	(15,705)	(1.3)
Other income	(1,794)	(0.3)	(2,289)	(0.2)	(2,669)	(0.2)
Others (<i>Note 1</i>)	3,310	0.6	3,180	0.3	9,308	0.8
Sub-total	479,890	86.9	788,996	86.4	1,054,489	87.1
Jewellery						
Material and labour cost for jewellery production	69,577	12.6	120,543	13.2	154,388	12.7
Others (<i>Note 2</i>)	2,971	0.5	3,240	0.4	2,796	0.2
Sub-total	72,548	13.1	123,783	13.6	157,184	12.9
Total	552,438	100.0	912,779	100.0	1,211,673	100.0

Notes:

1. Others mainly represent stock written-off and the relevant staff incentives for sales of watches.
2. Others mainly represent the subcontracting fees, stock written-off and the relevant staff incentives for sales of jewellery products.

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(ii) Gross profit

	Year ended 31 December					
	2005		2006		2007	
	<i>Gross profit</i> <i>(HK\$ million)</i>	<i>Gross profit margin</i> <i>(%)</i>	<i>Gross profit</i> <i>(HK\$ million)</i>	<i>Gross profit margin</i> <i>(%)</i>	<i>Gross profit</i> <i>(HK\$ million)</i>	<i>Gross profit margin</i> <i>(%)</i>
Watches	75.1	13.5	136.1	14.7	291.6	21.7
Jewellery	17.7	19.7	35.5	22.3	58.2	27.0
Total	<u>92.8</u>	14.4	<u>171.6</u>	15.8	<u>349.8</u>	22.4

Other income

Other income of the Group mainly comprises of interest income receivable from or refunded to a fellow subsidiary of the Group.

Selling and distribution expenses

Selling and distribution expenses mainly represent rent, rates and building management fee of the Group's retail outlets, staff costs of sales staff and sales commissions, advertising and promotion costs, display charges, packaging, exhibition expenses and various miscellaneous expenses. The following table sets out the breakdown of the Group's selling and distribution expenses during the Track Record Period:–

	Year ended 31 December					
	2005		2006		2007	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Staff costs	17,283	45.9	28,867	43.1	55,283	47.9
Rent, rates & building management fee	16,543	44.0	32,229	48.1	51,435	44.5
Advertising & promotion	1,920	5.1	4,637	6.9	6,147	5.3
Others	1,887	5.0	1,292	1.9	2,621	2.3
Total	<u>37,633</u>	<u>100.0</u>	<u>67,025</u>	<u>100.0</u>	<u>115,486</u>	<u>100.0</u>

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Administrative expenses

Administrative expenses mainly comprise of rent and rates of the Group's office, staff costs of directors and administrative staff, depreciation, building management fee, electricity, water charges and various miscellaneous expenses. The following table sets out the breakdown of the Group's administrative expenses during the Track Record Period:–

	Year ended 31 December					
	2005		2006		2007	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Staff costs	13,207	58.4	16,951	50.2	13,216	33.5
Depreciation	2,523	11.2	6,180	18.3	9,307	23.6
Electricity and water	1,116	4.9	1,662	4.9	1,965	5.0
Rent and rates	750	3.3	1,153	3.4	1,269	3.2
Others	5,014	22.2	7,817	23.2	13,731	34.7
	<hr/>		<hr/>		<hr/>	
Total	22,610	100.0	33,763	100.0	39,488	100.0
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Finance costs

Finance costs mainly represent interest expenses on bank overdrafts and bank loans.

Taxation

The Group is subject to Hong Kong Profits Tax and Macau Complementary Income Tax which are calculated based on the applicable tax rates and the assessable profits of the Company and its subsidiaries. The Directors confirm that the Group has made all required tax filings and paid all outstanding tax liabilities with the relevant tax authorities, and was not subject to any dispute or potential dispute with the tax authorities as at the Latest Practicable Date.

REVIEW OF HISTORICAL OPERATING RESULTS

Financial year ended 31 December 2007 compared to financial year ended 31 December 2006

Turnover

Revenue of the Group increased significantly by approximately 44.0% from approximately HK\$1,084.4 million for the financial year ended 31 December 2006 to approximately HK\$1,561.5 million for the financial year ended 31 December 2007. The increase was primarily due to (i) the opening of an additional outlet situated in Causeway Bay and expansion of the retail outlets of the Group in 2007; (ii) sales growth of existing shops of the Group as driven by increased consumption power of customers in Hong Kong, Macau and the PRC in line with their respective economic growth; (iii) price increment of watches and jewellery and (iv) larger quantity of watches and jewellery sold in 2007.

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In September 2007, a boutique outlet for the sale of specific watch brands was opened in Hong Kong. The turnover of the 8 shops existed in 2006 also grew by approximately 38.3% from approximately HK\$1,084.4 million in 2006 to HK\$1,500.2 million in 2007. For the financial year ended 31 December 2007, the suggested retail prices for watches of the top 5 watch brands increased by approximately 4%-20%. The retail prices of the watch brands, other than the top 5 watch brands of the Group, increased by approximately 18% on average. For jewellery products, the retail prices for diamond of 1 to 4 carats, which were determined at cost-plus basis, were increased by up to approximately 24% depending on the size and quality of the diamonds. With the increasing demand for the Group's products, the number of watches sold increased from approximately 31,300 units in 2006 to approximately 37,800 units in 2007 while the number of jewellery items sold increased from approximately 8,500 units in 2006 to approximately 10,800 units in 2007.

Cost of sales

The cost of sales increased by approximately 32.7% from approximately HK\$912.8 million for the financial year ended 31 December 2006 to approximately HK\$1,211.7 million for the financial year ended 31 December 2007. Such increase was attributable to the increase in cost of watches purchased by approximately 33.4% from approximately HK\$797.2 million in 2006 to approximately HK\$1,063.6 million in 2007 and increase in material and labour cost for production of jewellery by approximately 28.1% from approximately HK\$120.5 million in 2006 to approximately HK\$154.4 million in 2007. The increase in cost of sales was in line with the increase in turnover.

Gross profit

The Group's gross profit increased significantly by approximately HK\$178.2 million or 103.8% from approximately HK\$171.6 million for the financial year ended 31 December 2006 to approximately HK\$349.8 million for the financial year ended 31 December 2007. Gross profit margin of the Group improved from approximately 15.8% in 2006 to approximately 22.4% in 2007. Such improvement was contributed by (i) the improvement of gross profit margin from approximately 14.7% in 2006 to approximately 21.7% in 2007 for the sale of watches and (ii) the improvement of gross profit margin from approximately 22.3% in 2006 to approximately 27.0% in 2007 for the sale of jewellery products. With the continuous economic growth in Hong Kong, Macau and the PRC and the strong demand for luxurious products, the Group offered less discounts to customers for both watches and jewellery products which directly increased the gross profit margin of the Group for the financial year ended 31 December 2007.

Other income

EJM sourced jewellery and jewellery products for both the Group and the Franchising Business. After consolidating the purchase instructions from the Group and the Franchising Business, EJM would then place orders with independent suppliers. Sometimes the orders from the Group and from the Franchising Business would be made to the same suppliers, and EJM would have used the

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cashflow from EWJ HK for making the purchases for both the Group and the Franchising Business. During the financial year ended 31 December 2005, EJM had used the cash of EWJ HK for purchasing stocks for EWJ HK and the Franchising Business and therefore EWJ HK had charged interest for such advances at the prevailing market rates based on the proportion of the value of the stock level of EJM which belonged to the Group and the Franchising Business. A sum of approximately HK\$1.8 million as interests has been charged by EWJ HK, being \$0.5 million for the portion of purchases for the Franchising Business and HK\$1.3 million for the portion of purchases for the Group. In view that the funding of EWJ HK for EJM was sourced from the Controlling Shareholder which was interest-free, EWJ HK considered that it should not charge EJM interest for advances made to EJM for the Group's purchase. Therefore, an overcharge of approximately HK\$1.3 million was recorded relating to the financial year ended 31 December 2005 and EWJ HK refunded the overcharged amount to EJM during the year ended 31 December 2006. In view that the amount of jewellery products purchased by EJM for the Franchising Business was relatively small as compared to that for the Group, and the funding of EWJ HK was sourced from the Controlling Shareholder which was interest-free, EWJ HK decided not to charge EJM interest from 1 January 2006 onward.

There was no interest income from or refund to the fellow subsidiary during the financial year ended 31 December 2007.

Selling and distribution expenses

Selling and distribution expenses of the Group for the financial year ended 31 December 2007 amounted to approximately HK\$115.5 million, representing a growth of approximately 72.3% as compared to approximately HK\$67.0 million for the financial year ended 31 December 2006. Such increase was mainly attributable to the increase in commission expenses paid to salespersons by approximately 91.5% from approximately HK\$28.9 million in 2006 to approximately HK\$55.3 million in 2007 as a result of the increase in turnover and the number of salespersons for expansion of retail network during the year and the increase in rental and relevant expenses by approximately 59.6% from approximately HK\$32.2 million in 2006 to approximately HK\$51.4 million in 2007 resulted from the inclusion of full year rentals on outlets opened in 2006 and new outlet opened in 2007.

Administrative expenses

Administrative expenses increased from approximately HK\$33.8 million for the financial year ended 31 December 2006 to approximately HK\$39.5 million for the financial year ended 31 December 2007. The increase was mainly due to the opening and expansion of retail outlets of the Group which resulted in increase in depreciation of property, plant and equipment by approximately 50.6% from approximately HK\$6.2 million in 2006 to approximately HK\$9.3 million in 2007 and other administrative expenses by approximately 75.7% from approximately HK\$7.8 million in 2006 to approximately HK\$13.7 million in 2007.

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The staff costs decreased from approximately HK\$17.0 million in 2006 to approximately HK\$13.2 million in 2007 mainly due to the departure of a management of EWJ HK and the reduction in number of staff from supporting departments of the Group.

Finance costs

Finance costs of the Group decreased from approximately HK\$5.1 million for the financial year ended 31 December 2006 to approximately HK\$3.2 million for the financial year ended 31 December 2007. The decrease was mainly due to the repayment of bank borrowings of approximately HK\$34.0 million during 2007.

Taxation

Taxation of the Group increased significantly by approximately 196.5% from approximately HK\$11.1 million for the financial year ended 31 December 2006 to approximately HK\$33.0 million for the financial year ended 31 December 2007. The effective tax rate of the Group was 17.1% and 17.2% in 2006 and 2007 respectively. The relevant effective tax rates were slightly lower than 17.5% because assessable profits of the Group for the financial years ended 31 December 2006 and 2007 were subject to Macau Complementary Income Tax at effective tax rate of approximately 10.7% and 11.9% in 2006 and 2007 respectively. As majority of the assessable profits (over 95%) of the Group are subject to Hong Kong Profits Tax, the effective tax rates of the Group for the financial years ended 31 December 2006 and 2007 approached the Hong Kong profits tax rate of 17.5%.

Profit for the year

The Group's profit for the year increased significantly by approximately HK\$104.8 million or 194.3% from approximately HK\$54.0 million for the financial year ended 31 December 2006 to approximately HK\$158.8 million for the financial year ended 31 December 2007. With the significant increase in turnover and the improvement of gross profit margin, the net profit margin increased from approximately 5.0% for the financial year ended 31 December 2006 to approximately 10.2% for the financial year ended 31 December 2007.

Financial year ended 31 December 2006 compared to financial year ended 31 December 2005

Turnover

Revenue of the Group increased significantly by approximately 68.1% from approximately HK\$645.3 million for the financial year ended 31 December 2005 to approximately HK\$1,084.4 million for the financial year ended 31 December 2006. The increase was primarily due to (i) the expansion of the retail network of the Group in 2006; (ii) sales growth of existing shops of the Group; (iii) price increment of watches and jewellery and (iv) larger quantity of watches and jewellery sold in 2006.

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During 2006, three outlets located in Tsimshatsui, Causeway Bay and Macau were newly opened. The contributions from these three new outlets amounted to approximately HK\$230.5 million for the financial year ended 31 December 2006. Moreover, the turnover from outlets existed in 2005 grew by approximately 32.3% from approximately HK\$645.3 million in 2005 to approximately HK\$853.9 million in 2006. For the financial year ended 31 December 2006, the suggested retail prices for watches of the top 5 watch brands increased by approximately 3%–9%. For jewellery products, the retail prices for diamond of 1 to 4 carats, which were determined at cost-plus basis, were increased by up to approximately 8% depending on the size and quality of the diamonds. With the increasing demand for the Group's products, the number of watches sold increased from approximately 16,600 units in 2005 to approximately 31,300 units in 2006 while the number of jewellery items sold increased from approximately 6,700 units in 2005 to approximately 8,500 units in 2006.

Cost of sales

The cost of sales increased by approximately 65.2% from approximately HK\$552.4 million for the financial year ended 31 December 2005 to approximately HK\$912.8 million for the financial year ended 31 December 2006. Such increase was attributable to the increase in cost of watches purchased by approximately 65.0% from approximately HK\$483.1 million in 2005 to approximately HK\$797.2 million in 2006 and increase in material and labour cost for production of jewellery by approximately 73.3% from approximately HK\$69.6 million in 2005 to approximately HK\$120.5 million in 2006. The increase in cost of sales was in line with the increase in turnover.

Gross profit

The Group's gross profit increased by approximately HK\$78.8 million or 84.9% from approximately HK\$92.8 million for the financial year ended 31 December 2005 to approximately HK\$171.6 million for the financial year ended 31 December 2006, Gross profit margin of the Group improved slightly from approximately 14.4% for the financial year ended 31 December 2005 to approximately 15.8% for the financial year ended 31 December 2006. The improvement was due to the increase in gross profit margin of both watches and jewellery products which was resulted from the tightening of discounting policies offered by the Group to its customers.

Other income

For the financial year ended 31 December 2005, the Group received interest income of approximately HK\$1.8 million from EJM. Subsequently, it was found that approximately HK\$1.3 million out of such amount was overcharged. Accordingly, the overcharged amount was refunded during the financial year ended 31 December 2006.

Selling and distribution expenses

Selling and distribution expenses of the Group for the financial year ended 31 December 2006 amounted to approximately HK\$67.0 million, representing a growth of approximately 78.1% as compared to approximately HK\$37.6 million for the financial year ended 31 December 2005.

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Such increase was mainly attributable to the increase in commission expenses paid to salespersons by approximately 67.0% from approximately HK\$17.3 million in 2005 to approximately HK\$28.9 million in 2006 as a result of the increase in turnover and the number of salesperson for the new retail outlets and the increase in rental and relevant expenses by approximately 94.8% from approximately HK\$16.5 million in 2005 to approximately HK\$32.2 million in 2006 resulting from opening of three new retail outlets in 2006.

Administrative expenses

Administrative expenses of the Group increased from approximately HK\$22.6 million for the financial year ended 31 December 2005 to approximately HK\$33.8 million for the financial year ended 31 December 2006. The increase was mainly due to the increase in staff costs by approximately 28.4% from approximately HK\$13.2 million in 2005 to approximately HK\$17.0 million in 2006 resulting from the increase in number of back office staff for expansion of retail network of the Group and the increase in depreciation expenses of property, plant and equipment by approximately 144.9% from approximately HK\$2.5 million in 2005 to approximately HK\$6.2 million in 2006.

Finance costs

Finance costs of the Group increased from approximately HK\$2.9 million for the financial year ended 31 December 2005 to approximately HK\$5.1 million for the financial year ended 31 December 2006. The increase was mainly due to the inception of new bank borrowings of HK\$65.0 million during the second half of year 2005, finance cost of which was fully reflected in 2006.

Taxation

Taxation of the Group nearly doubled from approximately HK\$5.6 million for the financial year ended 31 December 2005 to approximately HK\$11.1 million for the financial year ended 31 December 2006. The effective tax rate of the Group was 17.7% and 17.1% in 2005 and 2006 respectively. The relevant effective tax rate for the financial year ended 31 December 2005 was slightly higher than 17.5% because there were expenses not deductible for tax purpose whereas the relevant effective tax rate for the financial year ended 31 December 2006 was slightly lower than 17.5% because assessable profit of a subsidiary of the Group was subject to Macau Complementary Income Tax at an effective tax rate of approximately 10.7% in 2006.

Profit for the year

The Group's profit for the year increased significantly by approximately HK\$27.9 million or 106.5% from approximately HK\$26.1 million for the financial year ended 31 December 2005 to approximately HK\$54.0 million for the financial year ended 31 December 2006. Net profit margin of the Group improved from approximately 4.0% for the financial year ended 31 December 2005 to approximately 5.0% for the financial year ended 31 December 2006 which is in line with the improvement of gross profit margin during the year.

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LIQUIDITY AND CAPITAL RESOURCES

The Group relied primarily on cash generated from the Group's operations, bank borrowings and advances from the immediate holding company for its operation during the Track Record Period. The following summarised the key data from the combined cash flow statements:–

	Year ended 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(115,576)	(114,259)	(9,142)
Net cash used in investing activities	(50,904)	(39,629)	(2,282)
Net cash from financing activities	179,892	165,322	60,880
	<hr/>	<hr/>	<hr/>
Net increase in cash and cash equivalents	13,412	11,434	49,456
Cash and cash equivalents at beginning of the year	(27,596)	(14,184)	(2,750)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of the year	<u>(14,184)</u>	<u>(2,750)</u>	<u>46,706</u>

Cash flow used in operating activities

The Group's cash flow used in operating activities reflected the profit for the year of the Group after being adjusted for non-cash transactions including depreciation and the change in the Group's working capital.

Net cash used in operating activities of the Group improved to approximately HK\$9.1 million in 2007 as compared to that of approximately HK\$114.3 million in 2006. The substantial decrease was primarily due to the increase of operating cash flows before movements in working capital of approximately HK\$135.7 million resulting from the improvement of turnover and profit before taxation in 2007, and the improvement in payables, deposits received and accrued charges resulting in an improvement of operating cash inflow by approximately HK\$22.2 million, and was partially offset by the addition of operating cash outflow for purchase of inventories of approximately HK\$47.7 million.

Net cash used in operating activities decreased from approximately HK\$115.6 million in 2005 to approximately HK\$114.3 million in 2006. The improvement was primarily due to the increase of operating cash flows before movements in working capital of approximately HK\$42.5 million and was partially offset by the addition of operating cash outflow for purchase of inventories of approximately HK\$12.7 million and the reduction of operating cash inflow of approximately HK\$7.7 million and HK\$22.4 million arising from the increase in receivables, deposits and prepayments and the increase in payables, deposits received and accrued charges.

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The Group managed to turnaround from negative cash and cash equivalent as at 31 December 2005 and 2006 to a positive balance as at 31 December 2007 which was mainly due to the increase in cash flows generated from its operating activities. The operating cash flows before movements in working capital improved substantially from approximately HK\$35.3 million in 2005 to HK\$77.8 million in 2006 and HK\$213.5 million in 2007, representing an increment of approximately 120.4% and 174.4% increase for the financial years ended 31 December 2006 and 31 December 2007 as compared to respective previous year. Although the Group recorded an operating cash inflow before movements in working capital of approximately HK\$77.8 million for the financial year ended 31 December 2006, the Group recorded operating cash outflow of approximately HK\$173.7 million and HK\$14.8 million of which were primarily due to additions of inventories and relevant rental deposits for the 3 outlets newly opened in 2006 and increase in trade receivables and incentive bonus receivables from sales growth in 2006 which resulted in net cash used in operating activities of approximately HK\$114.3 million in 2006. The turnaround from negative cash to positive balance demonstrated the success of the Group's strategy of gradual expansion of its outlet network throughout the Track Record Period, during which the economy of Hong Kong and Macau was gradually blooming. There were altogether three new retail outlets opened during 2006 and one new retail outlet opened during 2007, resulting in the increase in cash inflow and profit for the financial year ended 31 December 2007.

Cash flow used in investing activities

The Group's cash inflow from investing activities was mainly derived from interest received and repayment from fellow subsidiaries during the Track Record Period. The Group's cash used in investing activities mainly represented (i) advances made to certain fellow subsidiaries of the Group which were unsecured, interest-free and repayable on demand and (ii) cash paid for the acquisition of property, plant and equipment. The advances made to certain fellow subsidiaries of the Group during the Track Record Period were mainly made to EJM and Strong Shine Investment Limited ("SSI") as working capital for their daily operation including settlement of purchase of jewellery products by EJM for the Group and the Franchising Business and expenses for maintenance of the property respectively. SSI is a company indirectly owned by the AY Discretionary Trust and was previously holding an investment property for rental purpose. SSI ceased its business after disposal of the property in 2007.

For the financial year ended 31 December 2005, the Group's net cash used in investing activities was approximately HK\$50.9 million, which was primarily due to advances made to certain fellow subsidiaries of the Group of approximately HK\$48.2 million and the purchase of property, plant and equipment of approximately HK\$2.7 million for the establishment of one new retail outlet of the Group in 2005.

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For the financial year ended 31 December 2006, the Group's net cash used in investing activities was approximately HK\$39.6 million, which was primarily due to advances made to certain fellow subsidiaries of the Group of approximately HK\$22.8 million and the purchase of property, plant and equipment of approximately HK\$16.8 million. Advances made to certain fellow subsidiaries in 2006 were significantly decreased by HK\$25.4 million as compared to that of 2005. It is mainly due to the Group's need to reserve fund for opening new retail outlets which is in line with increase in purchase of property, plant and equipment of the year. The purchase of property, plant and equipment of the year was mainly attributable to the establishment of 3 new retail outlets of the Group in 2006.

For the financial year ended 31 December 2007, the Group's net cash used in investing activities was approximately HK\$2.3 million, which was primarily due to the purchase of property, plant and equipment of approximately HK\$17.2 million, net of repayment from certain fellow subsidiaries to the Group of approximately HK\$14.8 million. Advances made to certain fellow subsidiaries in 2007 were further decreased by HK\$37.6 million as compared to that of 2006. It is because i) EJM ceased to be the sourcing arm for jewellery and jewellery products for the Group and the Franchising Business during the year and therefore the Group's advances to EJM decreased and ii) SSI fully repaid the advances previously made by the Group after the disposal of its property in 2007. The purchase of property, plant and equipment of the year was mainly attributable to the establishment of a new retail outlet in Causeway Bay in 2007 and the renovation of Wanchai and Tsimshatsui shops in September 2007.

Net cash from financing activities

The Group's net cash from financing activities comprises of advances from its holding companies and fellow subsidiaries of the Group and bank borrowings raised during the years, net of repayment of bank borrowings and interest paid.

For the financial year ended 31 December 2005, the Group's net cash from financing activities was approximately HK\$179.9 million, which was primarily resulted from the receipt of advances from its ultimate holding company and fellow subsidiaries of the Group amounted to approximately HK\$143.2 million and proceeds from new bank borrowings amounted to HK\$65.0 million, partly offset by the repayment of bank borrowings of approximately HK\$25.3 million and payment of interest of approximately HK\$2.9 million.

For the financial year ended 31 December 2006, the Group's net cash from financing activities was approximately HK\$165.3 million, which was primarily resulted from the receipt of advances from its ultimate holding company and fellow subsidiaries of the Group amounted to approximately HK\$180.1 million, partly offset by the repayment of bank borrowings of approximately HK\$9.5 million and payment of interest of approximately HK\$5.1 million.

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For the financial year ended 31 December 2007, the Group's net cash from financing activities was approximately HK\$60.9 million, which was primarily resulted from the receipt of advances from its holding companies and fellow subsidiaries of the Group amounted to approximately HK\$107.6 million, partly offset by (i) the repayment of bank borrowings of approximately HK\$34.0 million, (ii) repayment to shareholders of immediate holding company of approximately HK\$9.5 million, and (iii) payment of interest of approximately HK\$3.2 million.

WORKING CAPITAL

Taking into account the estimated net proceeds from the Share Offer, the settlement of outstanding shareholders' loan via Loan Capitalisation Issue, the cash and cash equivalents on hand, the available banking facilities, the cash generated from future operations, the cash requirements for implementing the future expansion plan of the Group (see "Future Plans & Use of Proceeds") and the related capital commitments and capital expenditures, the Directors confirm that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this prospectus.

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NET CURRENT ASSETS

	As at 31 December			As at
	2005	2006	2007	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>
Current assets				
Inventories	412,038	585,730	800,799	1,043,810
Receivables, deposits and prepayments	14,726	29,545	40,403	44,299
Amounts due from fellow subsidiaries	96,044	117,578	–	–
Bank balances and cash	2,989	7,993	46,706	6,116
	<u>525,797</u>	<u>740,846</u>	<u>887,908</u>	<u>1,094,225</u>
Current liabilities				
Payables, deposits received and accrued charges	44,988	48,598	73,805	77,586
Amount due to immediate holding company	–	95,425	184,421	501,017
Amounts due to fellow subsidiaries	76,212	84,092	–	–
Amount due to ultimate holding company	267,203	–	–	–
Amounts due to shareholders of immediate holding company	9,520	9,520	–	–
Amounts due to related companies	–	76	765	–
Dividend payable	–	–	245,000	73,000
Tax payable	763	5,402	22,531	38,878
Obligation under finance leases				
– due within one year	75	75	75	75
Bank borrowings				
– due within one year	9,529	8,673	4,200	8,887
Bank overdrafts	17,173	10,743	–	31,906
	<u>425,463</u>	<u>262,604</u>	<u>530,797</u>	<u>731,349</u>
Net current assets	<u>100,334</u>	<u>478,242</u>	<u>357,111</u>	<u>362,876</u>

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Receivables, deposits and prepayments

Receivables, deposits and prepayments mainly included the trade receivables, incentive bonus receivables from watch suppliers and rental deposits. The total balances increased from approximately HK\$14.7 million in 2005 to approximately HK\$29.5 million in 2006 which was principally due to the increase in trade receivables of approximately HK\$5.8 million resulting from the increase in revenue during 2006, increase in incentive bonus receivables of approximately HK\$4.1 million arising from the increase in purchases of watches from watch suppliers and increase in deposits approximately of HK\$3.8 million due to the additional leases of premises for new retail outlets in 2006.

The total balances increased from approximately HK\$29.5 million in 2006 to approximately HK\$40.4 million in 2007 which was mainly attributable to the increase in trade receivables of approximately HK\$1.8 million resulting from the increase in revenue during 2007, increase in incentive bonus receivables of approximately HK\$4.8 million arising from the increase in purchases of watches from watch suppliers and increase in deposits of approximately HK\$4.8 million due to the additional leases of premises for offices and existing and new retail outlets in 2007.

Payables, deposits received and accrued charges

Payables, deposits received and accrued charges mainly included trade payables, provision for salary, commissions, bonus and incentives, provision for rental expenses, accrued renovation costs and deposits received from customers. The total balances increased from approximately HK\$45.0 million in 2005 to approximately HK\$48.6 million in 2006 which was principally due to the increase in provision of commissions, bonus and incentives of approximately HK\$5.1 million, the increase in deposits received of approximately HK\$1.6 million and the increase in accrued renovation cost of approximately HK\$1.0 million as a result of the improvement of turnover and net profits and the expansion of retail network in 2006, netted off with the decrease in trade payables of approximately HK\$6.5 million as a result of the higher level of inventories sourced from suppliers to cope with the expected strong demand by opening of new retail outlets by the end of 2005.

The total balances increased from approximately HK\$48.6 million in 2006 to approximately HK\$73.8 million in 2007 which was principally due to the increase in trade payables of approximately HK\$21.2 million for the increase in inventory levels to catch up with future demand and the increase in commission of approximately HK\$4.0 million for the improvement of turnover and net profits in 2007.

Amounts due from/to holding companies, fellow subsidiaries, shareholders of immediate holding company and related companies

Other than internal resources generated from operation and unutilised banking facilities, the Group financed its working capital requirements, including expansion and opening of new outlets by advances from holding companies, fellow subsidiaries, shareholders of immediate holding company and related companies. At the same time, the Group would also make advances to its fellow subsidiaries to finance their working capital requirements including settlement of purchases

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of jewellery by EJM. Majority of these balances as at 31 December 2005, 2006 & 2007 related to investing and financing activities and part of them are to be settled by the Group's internal resources and/or bank borrowings. Any unsettled balances before the Listing are to be capitalised pursuant to the Loan Capitalisation Issue, details of which are set out in the paragraph "Loan Capitalisation Issue" under this section.

Net current assets

The net current assets of the Group increased from approximately HK\$100.3 million as at 31 December 2005 to HK\$478.2 million as at 31 December 2006 which was mainly due to the capitalisation of amount due to immediate holding company of HK\$344.0 million during 2006.

The decrease of net current assets of the Group to approximately HK\$357.1 million as at 31 December 2007 from HK\$478.2 million as at 31 December 2006 was mainly due to the declaration of dividend of HK\$245.0 million during 2007. Such amount was subsequently settled and paid to the then shareholders on 20 February 2008.

MAJOR FINANCIAL RATIOS

The following table sets forth certain key financial ratios of the Group during the Track Record Period:–

	As at 31 December		
	2005	2006	2007
Inventory turnover days ⁽¹⁾	272.2	234.2	241.2
Trade receivable turnover days ⁽²⁾	1.3	2.8	2.3
Trade payable turnover days ⁽³⁾	22.1	10.7	14.5
Gearing ratio ⁽⁴⁾	82.0%	33.7%	22.7%
Current ratio ⁽⁵⁾	1.2 times	2.8 times	1.7 times
Quick ratio ⁽⁶⁾	0.3 times	0.6 times	0.2 times
Return on equity ⁽⁷⁾	52.8%	12.1%	44.0%

Notes:–

- (1) Inventory turnover days is calculated by dividing the inventory balance at the end of the financial year by cost of sales of each of the financial years, multiplied by 365 days.
- (2) Trade receivable turnover days is calculated by dividing the trade receivables balance at the end of the financial year by revenue of each of the financial years, multiplied by 365 days.
- (3) Trade payable turnover days is calculated by dividing the trade payables balances at the end of the financial year by cost of sales of each of the financial years, multiplied by 365 days.
- (4) Gearing ratio is calculated by dividing total debt (i.e. the sum of the bank borrowings, bank overdrafts and the advances from connected persons) by total assets of each of the financial years.

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- (5) Current ratio is calculated by dividing the current assets by the current liabilities of each of the financial years.
- (6) Quick ratio is calculated by dividing the current asset (net of inventories) by the current liabilities of each of the financial years.
- (7) Return on equity is calculated by dividing the net profit by the total equity of each of the financial years.

Inventory turnover days

The Group's inventories, comprising of raw materials for jewellery productions, watches and jewellery products, is the principal component of the Group's current assets. As at 31 December 2005, 2006 and 2007, the inventory amounted to approximately HK\$412.0 million, HK\$585.7 million and HK\$800.8 million respectively, representing approximately 78.4%, 79.1% and 90.2% of the Group's total current assets respectively.

The following table set forth a breakdown of the Group's inventories (net of provision of inventory):—

	As at 31 December					
	2005		2006		2007	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Watches	315,348	76.5	419,763	71.7	497,229	62.1
Jewellery	96,690	23.5	165,967	28.3	292,998	36.6
Raw materials	—	—	—	—	10,572	1.3
	<u>412,038</u>	<u>100.0</u>	<u>585,730</u>	<u>100.0</u>	<u>800,799</u>	<u>100.0</u>

The Directors closely monitor the inventory level of each retail outlet from time to time through the ePOS on a real-time basis to ensure maintenance of adequate level of inventory for business operations of the Group and to obtain latest market trends and demands of the Group's products. The Group's inventories increased substantially from approximately HK\$412.0 million in 2005 to HK\$800.8 million in 2007 which was mainly attributable to the increase in number of retail outlets of the Group and the increase in inventory volume to match with the increasing demand for the Group's products during the Track Record Period. The Group did not hold any raw materials as at 31 December 2005 and 2006 as the sourcing function, including the engaging of contractors for the production of jewellery products, were performed by EJM. The raw materials for jewellery productions were thus owned by EJM by that time. With effect from 1 July 2007, the Group took up the sourcing function itself. The raw materials as at 31 December 2007 represented the diamonds held by the Group awaiting for processing into final jewellery products. Up to 30 April 2008, approximately HK\$2.8 million worth of the raw materials were subsequently used for the production of jewellery products.

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The following table set forth the aging of the Group's inventories (before stock provisions) and their subsequent sales:-

	2005		As at 31 December		2007	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Within 1 year	310,345	74.8	407,947	69.3	569,815	70.4
More than 1 year but less than 2 years	63,087	15.2	119,419	20.3	144,405	17.8
More than 2 year but less than 3 years	10,298	2.5	33,512	5.7	59,939	7.4
More than 3 years	31,239	7.5	27,783	4.7	35,940	4.4
	<u>414,969</u>	<u>100.0</u>	<u>588,661</u>	<u>100.0</u>	<u>810,099</u>	<u>100.0</u>
Subsequent sales (up to 30 April 2008)	<u>331,603</u>	<u>79.9</u>	<u>382,388</u>	<u>65.0</u>	<u>211,124</u>	<u>26.1</u>

Inventory aged over one year represented approximately 25.2%, 30.7% and 29.6% of the Group's inventories before provision as at 31 December 2005, 2006 and 2007 respectively. The increase in the proportion of stock aged over one year when comparing 2005 with 2006 and 2007 was mainly due to the management's perception as to the trend of price increment of diamond which led to its decision to stock up diamond of popular size and quality in 2005.

Due to the nature of business of the Group as a retailer of luxurious watches and jewellery products, the inventory turnover days of the Group is generally longer than 6 months. Inventory turnover days for the financial year ended 31 December 2005, 2006 and 2007 were approximately 272.2 days, 234.2 days and 241.2 days respectively. The inventory turnover days improved from approximately 272.2 days in 2005 to 234.2 days in 2006 which was resulted from the substantial increase of turnover during 2006 with the increasing demand for luxurious watches and jewellery products. With the significant increase in inventory level from approximately HK\$585.7 million as at 31 December 2006 to HK\$800.8 million as at 31 December 2007 for meeting the customers' demand, the inventory turnover days was stabilised at approximately 234.2 days in 2006 and 241.2 days in 2007.

Up to 30 April 2008, only approximately 26.1% of the inventory as at 31 December 2007 was subsequently sold which was reflected by the inventory turnover days of over 6 months of the Group in general.

Trade receivable turnover days

Most of the turnover of the Group are settled by cash, electronic payments and credit cards. It is the Group's policy that no credit sales is allowed unless approvals are obtained from the management of the Group. Credit sales are granted to customers who, in the view of the Directors, are with reputable social status. All the credit sales are in credit terms of 7 days with accumulated credit limits of HK\$100,000 as preset by the management of the Group at any point of time.

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Despite of the substantial increase in turnover during the Track Record Period, strict credit policy of the Group was satisfactorily in place to maintain the trade receivable turnover days at a low level of approximately 1.3 days, 2.8 days and 2.3 days respectively for the years ended 31 December 2005, 2006 and 2007. In view of the nature of the credit sales, the Group does not have specific allowance policy on trade receivables. No bad debt was recorded by the Group in the Track Record Period.

As at 31 December 2005, 2006 and 2007, the trade receivables amounted to approximately HK\$2.4 million, HK\$8.2 million and HK\$10.0 million respectively which mainly represented the unsettled credit card sales from the credit card centres. Receivables from credit card centres are used to be settled in 2 to 3 days on average. As at the Latest Practicable Date, all trade receivables of the Group were settled.

Trade payable turnover days

Trade payables mainly represent the outstanding payables on the purchases of watches and jewellery. In general, the Group is granted by the suppliers a credit period of 30 days to 60 days. To encourage the Group to settle the payables earlier, some suppliers may offer discounts to the Group for early settlements of the trade payables.

The following table set forth the aging analysis of the Group's trade payables as at 31 December 2005, 2006 and 2007:–

	As at 31 December					
	2005		2006		2007	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Within 1 month	23,917	71.6	17,157	63.9	33,709	70.1
Over 1 month but within 2 months	4,001	12.0	9,238	34.4	13,531	28.1
Over 2 months but within 3 months	4,865	14.6	431	1.6	767	1.7
Over 3 months	618	1.8	43	0.1	65	0.1
	<u>33,401</u>	<u>100.0</u>	<u>26,869</u>	<u>100.0</u>	<u>48,072</u>	<u>100.0</u>

Trade payables of approximately HK\$47.3 million, representing 98.3% of trade payables as at 31 December 2007, were subsequently settled up to 30 April 2008.

Trade payable turnover days for the financial year ended 31 December 2005, 2006 and 2007 were approximately 22.1 days, 10.7 days and 14.5 days respectively. The trade payable turnover days for 2005 and 2007 were relatively high because trade payable balances as at 31 December 2005 and 2007 were driven up by higher level of inventories sourced from suppliers to cope with the expected strong demand by opening of new retail outlets or expansion of existing outlets by the end of 2005 and 2007.

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Gearing ratio

As at 31 December 2005, 2006 and 2007, the Group recorded a total debt of approximately HK\$435.2 million, HK\$255.4 million and HK\$206.8 million respectively, which represented a gearing ratio of approximately 82.0%, 33.7% and 22.7% to the total assets of the Group respectively. The decrease in gearing ratio in 2006 was mainly due to the capitalisation of amounts due to the Group's immediate holding company of HK\$344.0 million which significantly reduced the total debt of the Group. The gearing ratio further reduce to approximately 22.7% in 2007 which was mainly due to the repayment of bank borrowings during that year.

Current ratio

The current ratios of the Group improved from approximately 1.2 times for 2005 to approximately 2.8 times for 2006 and dropped to approximately 1.7 times for 2007. During the financial year ended 31 December 2006, amounts due to the Group's immediate holding company of HK\$344.0 million was capitalised by issuing of 344 ordinary shares of US\$1 each in Treasure Bright Investments Limited, a subsidiary of the Company. Accordingly, the current liabilities of the Group reduced from approximately HK\$425.5 million as at 31 December 2005 to approximately HK\$262.6 million as at 31 December 2006 and the current ratio improved significantly from approximately 1.2 times for 2005 to approximately 2.8 times for 2006.

During the financial year ended 31 December 2007, the Group recorded a dividend payable of HK\$245.0 million which substantially increased the current liabilities of the Group from approximately HK\$262.6 million as at 31 December 2006 to approximately HK\$530.8 million as at 31 December 2007. Accordingly, the current ratio dropped from approximately 2.8 times for 2006 to approximately 1.7 times for 2007.

Quick ratio

The quick ratios of the Group improved from approximately 0.3 times for 2005 to approximately 0.6 times for 2006 and dropped to approximately 0.2 times for 2007. The improvement of quick ratios in 2006 was primarily due to the reduction of current liabilities as at 31 December 2006 resulting from the capitalisation of amount due to the Group's immediate holding company of HK\$344.0 million.

The reduction of quick ratio to approximately 0.2 times for 2007 was mainly due to (i) the settlement of majority portion of the amounts due from fellow subsidiaries through current account due to immediate holding company which significantly reduced the current assets (excluding inventories) of the Group as at 31 December 2007; and (ii) the declaration of dividend of HK\$245.0 million which increased the current liabilities of the Group as at 31 December 2007.

Return on equity

The return on equity dropped from approximately 52.8% in 2005 to approximately 12.1% in 2006 which is principally due to the significant increase in total equity by approximately HK\$398.0 million resulting from the capitalisation of amount due to the Group's immediate holding company of HK\$344.0 million during 2006.

FINANCIAL INFORMATION

The improvement of return on equity to 44.0% in 2007 was mainly due to the reduction of total equity of approximately HK\$86.2 million as a result of the declaration of dividend of HK\$245.0 million during 2007 netted off with the net profit of approximately HK\$158.8 million generated in 2007.

INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2008, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining information contained in this indebtedness statement, the Group had an aggregate indebtedness of approximately HK\$557.9 million which is denominated in Hong Kong dollar and comprises the following items:

- i) a bank loan of approximately HK\$20.2 million which is secured, interest-bearing at the prevailing market rate and repayable within three years;
- ii) a bank loan of approximately HK\$4.7 million which is secured, interest-bearing at the prevailing market rate and repayable within one year;
- iii) bank overdrafts of approximately HK\$31.9 million which are secured, interest-bearing at the prevailing market rate and repayable within one year;
- iv) obligation under a finance lease of approximately HK\$0.1 million which is secured by the lessor's charge to the leased asset, interest-bearing at a fixed rate of 3.5% per annum and repayable within one year; and
- v) advances from immediate holding company of approximately HK\$501.0 million which are unsecured, interest-free and repayable on demand.

As at 30 April 2008, the Group had unutilised banking facilities of approximately HK\$8.9 million.

The banking facilities granted to the Group as set out in item (i) and (ii) are secured by a property held by a fellow subsidiary of the Company, and a corporate guarantee given by a related company amounting to HK\$11.0 million. In addition, these banking facilities were under joint and several personal guarantees given by a deemed ultimate shareholder and shareholders of the immediate holding company of the Group amounting to HK\$79.0 million and personal guarantees given by a deemed ultimate shareholder amounting to HK\$37.5 million. All these guarantees/pledges will be released/discharged by the bankers immediately upon the Listing.

Contingent liabilities

As at 30 April 2008, the Group did not have any material contingent liabilities.

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Save as aforesaid and as otherwise mentioned in the paragraph headed “Borrowings” above and apart from intra-group liabilities and normal trade payables, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding at the close of business on 30 April 2008.

Subsequent changes in indebtedness positions

Subsequent to 30 April 2008 and up to the Latest Practicable Date, the Group was granted by its bankers additional banking facilities of HK\$395.0 million in aggregate. One of the overdraft facilities available on 30 April 2008 was reduced by HK\$5.0 million after the renewal of the facility. These additional banking facilities are secured, interest-bearing at the prevailing market rates and repayable within one year.

The securities of these banking facilities included a joint and several personal guarantee given by a deemed ultimate shareholder and shareholders of the immediate holding company of the Group amounting to HK\$39.0 million and personal guarantees given by a deemed ultimate shareholder amounting to HK\$426.5 million. All these guarantees will be released by the bankers immediately upon the Listing.

The Directors confirm that among these additional banking facilities as at the Latest Practicable Date, the Group had utilised approximately HK\$263.2 million with the remaining undrawn balance being approximately HK\$131.8 million. It is expected that the Group will utilise most of the unutilised banking facilities before the Listing.

The Directors have confirmed that, save as disclosed above, there has been no material change in the indebtedness and contingent liabilities of the Group since 30 April 2008.

DIVIDEND POLICY

On 4 October 2005, Charter Loyal Limited declared and paid special interim dividend of HK\$162,000 to its shareholders.

No dividend has been declared by the Group for the financial year ended 31 December 2006.

On 28 December 2007 and 28 April 2008, EWJ HK declared special interim dividends of HK\$245.0 million and HK\$73.0 million respectively. Such amounts were paid to its shareholders on 20 February 2008 and 15 May 2008 respectively. As such dividend payments were financed by advances from Allmighty Group and this amount, together with any outstanding amounts due to Allmighty Group will be capitalised as the share capital of the Company before the Listing pursuant to the Loan Capitalisation Issue, the Directors do not consider the declaration of the interim dividends will adversely affect the financial position of the Group. The payment of dividend is a normal and ordinary act of EWJ HK in accordance with its articles and memorandum of association as a token of appreciation for the past contribution of its shareholders in previous years.

FINANCIAL INFORMATION

The amount of any dividends to be declared in the future will depend on, among others, the Group's results of operations, available cashflows and financial condition, operating and capital requirements, the amount of distributable profits based on the HKFRS, the Articles, the Companies Ordinance, applicable laws and regulations and any other factors that the Directors consider relevant. The payment of dividends may also be limited by legal restrictions and agreements that the Group may enter into in the future.

Subject to the factors described above, the Directors currently intend to recommend payment of annual dividend in an amount equivalent to approximately 30% of the consolidated net profit available for distribution in each financial year to Shareholders commencing from the Listing Date.

CAPITAL COMMITMENTS

The Group has certain obligations to make payments on contractual commitments in respect of the acquisition of property, plant and equipment and a number of operating leases.

The following table set forth the Group's capital commitments as at the financial years ended 31 December 2005, 2006 and 2007:-

	As at 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for but not provided in the audited combined financial statements	<u>2,484</u>	<u>183</u>	<u>516</u>

As at 31 December 2005, the Group had relatively higher capital commitment of approximately HK\$2.5 million, which consisted of renovation, air-conditioning and fire systems installation costs, because the renovation for two new outlets, one in Tsim Sha Tsui and one in Macau, were carried out near the end of year 2005 for preparation of their openings in January 2006.

As at 31 December 2006 and 2007, the Group had capital commitments of approximately HK\$0.2 million and HK\$0.5 million respectively which primarily consisted of the renovation cost for certain existing retail outlets and new retail outlets opened during the years 2006 and 2007. The balance amount of capital commitment as at 31 December 2007 was higher than that as at 31 December 2006 because approximately HK\$1.2 million of capital commitment related to the opening of retail outlets of the Group in 2006 were settled before the end of 2006. The capital commitments as at 31 December 2005 and 2006 were fully settled through the Group's internal resources subsequent to each respective year end.

The Group did not have any authorised, but not contracted for, contractual commitments as at the end of each financial year.

As at the Latest Practicable Date, the capital commitment of the Group was approximately HK\$2.3 million.

FINANCIAL INFORMATION

The Group has entered into a number of leasing agreements for the renting of office premises, retail outlets and advertisement spaces for its normal business operations. The following table set forth the Group's future lease commitments as at 31 December 2005, 2006 and 2007:–

	As at 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	23,567	41,339	53,314
In the second to fifth year inclusive	25,308	43,995	47,855
	48,875	85,334	101,169
	48,875	85,334	101,169

The increase in future lease commitments was primarily due to leasing of additional retail outlets of the Group and the increase in market rentals during the Track Record Period. The Group expanded its retail network from 5 retail outlets as at 31 December 2005 to 8 retail outlets as at 31 December 2006 and 9 retail outlets as at 31 December 2007. The average rental rate of the retail outlets and office premises of the Group during the Track Record Period were approximately HK\$95, HK\$118 and HK\$132 per square feet respectively. All the existing outlets and office premises of the Group were leased from Independent Third Parties or connected persons of the Company.

The total gross floor areas of retail outlets occupied by the Group was increased from approximately 17,500 sq. ft. in 2005 to approximately 24,000 sq. ft. in 2006 to approximately 32,000 sq. ft. in 2007. Total gross floor areas of office space occupied by the Group was approximately 6,300 sq. ft. in both 2005 and 2006 and was increased to approximately 8,300 sq. ft. in 2007.

CAPITAL EXPENDITURE

With the expansion of the retail network of the Group, the Group has made substantial capital expenditures on establishing new retail outlets during the Track Record Period. The capital expenditures of the Group mainly comprised of expenditures on leasehold improvements, furniture, fixtures and office equipment and motor vehicles.

The capital expenditures of the Group for the financial year ended 31 December 2005 amounted to approximately HK\$3.7 million which consisted of approximately HK\$2.8 million, HK\$0.6 million and HK\$0.3 million on leasehold improvements, furniture, fixtures and office equipment and motor vehicles, respectively. These capital expenditures are mainly attributable to the opening of a retail outlet located at Canton Road in Tsimshatsui in September 2005.

The capital expenditures of the Group for the financial year ended 31 December 2006 amounted to approximately HK\$17.8 million which consisted of approximately HK\$14.8 million and HK\$3.0 million on leasehold improvements and furniture, fixtures and office equipment, respectively. These capital expenditures are mainly attributable to the opening of 3 retail outlets which were located at Nathan Road in Tsimshatsui, Great George Street in Causeway Bay and Grand Emperor Hotel in Macau during the year 2006.

FINANCIAL INFORMATION

The capital expenditures of the Group for the financial year ended 31 December 2007 amounted to approximately HK\$17.5 million which consisted of approximately HK\$13.6 million and HK\$3.9 million on leasehold improvements and furniture, fixtures and office equipment respectively. These capital expenditures are mainly attributable to the expansion of existing retail outlets located at Hennessy Road in Wanchai and 81 Nathan Road in Tsimshatsui and the opening of a new retail outlet located at Russell Street in Causeway Bay during the year 2007.

The Directors expect the future capital expenditures of the Group will arise mainly from the opening of new retail outlets and/or expansion of existing outlets according to the Group's future expansion plans as disclosed in section headed "Future Plans and Use of Proceeds" in this prospectus.

OFF BALANCE SHEET TRANSACTIONS

The Directors confirmed that the Group did not have any off-balance sheet transactions as at 31 December 2005, 2006 and 2007.

LOAN CAPITALISATION ISSUE

On 13 March 2008, the Company was incorporated in Hong Kong and one subscriber Share was transferred to Allmighty Group. On 19 June 2008, during the Reorganisation (for details of the Reorganisation please refer to paragraph headed "Corporate Reorganisation" in Appendix V to this prospectus), Multifold transferred the entire issued share capital in and shareholder's loan due and owing by Wise Sunshine Enterprises Limited to the Company for 9,999,999 Shares issued by the Company to Allmighty Group, the Controlling Shareholder, and a promissory note in a sum equal to the face value of the shareholder's loan issued by the Company to Allmighty Group. As at the Latest Practicable Date, the amount due from the Company to Allmighty Group is approximately HK\$757.56 million. In order to maintain sufficient level of capital by the Company and to eliminate any debt due and owing by the Company to its Controlling Shareholder, immediately before the allotment of the Offer Shares, the Company will capitalise the amount due from the Company to Allmighty Group by allotting and issuing 3,140,000,000 Shares to Allmighty Group. Together with the one subscriber Share and 9,999,999 Shares transferred and issued to Allmighty Group described above, Allmighty Group will be interested in a total of 3,150,000,000 Shares, representing 70% of the issued share capital of the Company as enlarged by the allotment and issue of the offer Shares upon Listing. The purpose of the Loan Capitalisation Issue is to replace all existing loan due to the Company's shareholder by equity, in order that all future profits or capital of the Group will only be used for the Group's distribution or development instead of repaying outstanding shareholder's loans that were incurred prior to Listing.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Credit risk

The Group has limited exposures to the credit risk as most of the turnover of the Group was settled by way of cash, credit cards and electronic payments. During the Track Record Period, the Group recorded an insignificant amount of trade receivables of approximately HK\$2.4 million, HK\$8.2 million and HK\$10.0 million respectively. As at the Latest Practicable Date, all outstanding trade receivables were settled.

Interest rate risk

The Group exposes to interest rate risk which is mainly related to the bank borrowings of the Group. The bank borrowings are generally used by the Group for capital expenditures and working capital purposes. The Group does not, and has no immediate plan to, enter into any derivative financial instruments to hedge against the interest rate risk faced by the Group.

Liquidity risk

The Group recorded net cash outflow from its operating activities during the Track Record Period which was mainly because of the expansion of retail network of the Group and substantial amount of inventories were required for new retail outlets at their commencement of business. In order for the Group to ensure sufficient cash resources to meet its short and long term requirements in the future, the Group's accounts department will prepare cash flow forecast annually with information provided by branch managers of the retail outlets and the production department. The cash flow forecast will be updated during the year for anticipated material cash requirements. The accounts department will monitor the use of cash and the liquidity of the Group by reviewing the daily cash position and payment schedules. Monthly management accounts of the Group will be provided to the executive Directors and any material variances to the cash position of the Group against the cashflow forecast are highlighted and reported to the Board.

Currency risk

The Group's revenue was principally settled in HKD. The Group also accepted RMB, USD, Euro and MOP as alternative currencies for settlement of revenue. Part of the purchases of the Group were settled in US\$. During the Track Record Period, approximately 15.7%, 11.9% and 13.3% of total purchases are denominated in foreign currency. As a result, the Group is exposed to currency risk arising from future sales and purchases in Hong Kong and Macau respectively. No derivative financial instrument is used by the Group to hedge against any currency risk faced by the Group. However, given (i) MOP and RMB do not contribute a substantial portion to the cashflow cycle of the Group; (ii) the exchange rate of US\$ against HKD remains stable under the HK/US dollar linked exchange rate system and (iii) other currencies are exchanged into HKD and deposited to the bank within short period after received, the Directors consider the Group has no significant exposure to currency risk and hence the Group does not have any proposed hedging policy under consideration.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position or prospect of the Group since 31 December 2007 (being the date to which the latest audited combined financial statements of the Group were made up).

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors confirm that, as at the Latest Practicable Date, there is no circumstance that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted net tangible assets of the Group which has been prepared for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 December 2007 and is based on the audited combined net tangible assets of the Group as at 31 December 2007, as shown in the accountants' reports set out in Appendix I to this prospectus and is adjusted as follows:

	Audited combined net tangible assets attributable to equity holders of the Company as at 31 December 2007	Add: Estimated net proceeds from Share Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note a)</i>	<i>(Note b)</i>	<i>(Note d)</i>	<i>(Note c)</i>
Based on an Offer Price per Share of HK\$0.30	361,217	377,294	738,511	0.16
Based on an Offer Price per Share of HK\$0.43	361,217	547,529	908,746	0.20

Notes:

- (a) Audited combined net tangible assets attributable to equity holders of the Company as at 31 December 2007 is based on the net assets extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (b) The estimated net proceeds from the Share Offer are based on the offer price of HK\$0.30 and HK\$0.43 per Share, after deduction of the underwriting fees and other related expenses payable by the Company.
- (c) The number of shares used for the calculation of unaudited pro forma adjusted net tangible assets per Share is based on 4,500,000,000 shares in issue immediately after the Share Offer.
- (d) The unaudited pro forma adjusted net tangible assets has not been adjusted for the following events:
 - (i) The outstanding balance of amount due to the immediate holding company as at the date immediate before the Listing will be fully capitalised upon the issue of 3,140,000,000 Shares. As at the Latest Practicable Date, the amount due to the immediate holding company is approximately HK\$757,600,000.
 - (ii) On 28 April 2008, an interim dividend of HK\$730,000 per share in respect of the year ending 31 December 2008 amounting to HK\$73,000,000 was declared to the shareholders of EWJ HK before the Reorganisation. Such amount was paid on 15 May 2008.

FUTURE PLANS & USE OF PROCEEDS

FUTURE PLANS

With the growth of Hong Kong, Macau and the PRC economy, the Directors are optimistic to the future development of luxurious watch and jewellery retail market and intend to continue to expand its retail network in Hong Kong and Macau and when appropriate, diversify to other geographical areas. The Directors aim to further develop the Group's reputation as a leading luxurious watch retailer and to expand its jewellery business in these regions. In order to achieve these objectives, the Group has formulated a number of development plans which includes:-

1. Expand the existing retail network

In order to enlarge its market shares in Hong Kong and Macau, the Group plans to expand its sales network under the following strategies:-

- To open new outlets under the Group's brand "Emperor Watch and Jewellery" in prime retail locations which enable the Group to capture wider range of customers. The Directors will also consider to establish new outlets in locations with high growth potential which will expand the Group's coverage of its retail network. At present, the Company focuses on expansion in Hong Kong and Macau. The Directors will continue to look for suitable locations for its new outlets in Hong Kong and Macau. Instead of extending its retail networks all over the territory, the Directors will focus on the major shopping areas where tourists usually visit. For the year 2008, the Group will establish outlets in districts where the Group's retail outlets are presently located. The Directors are now considering establishing new outlets under the Group's brand for multi watch brands in areas such as Central and Causeway Bay. In order to (i) save costs on market research and feasibility study for new locations; (ii) allow the Group to expand in a timely manner so as to ride on the favourable economic condition; (iii) save the costs that may incur in adopting a new environment to serve the target customers; and that (iv) the districts where the Group's existing outlets are located are the prime tourist locations, the Group will focus on extending its retail network in the areas where the Group already has presence in. There is no present intention to acquire premises for its retail business. As at the Latest Practicable Date, the Group has entered into leases for three new locations situated in Causeway Bay and Central, Hong Kong and in Grand Emperor Hotel, Macau for three new outlets to be opened after Listing.
- To establish outlets with different branded watch dealers. As at the Latest Practicable Date, the Group is operating one boutique outlet for specific watch brands in Hong Kong. The Directors believe that the increase in number of boutique outlets will be beneficial to the Group such that the Group can maintain good business relationships with watch suppliers, as well as attracting customers with focus on specific brands. Apart from its existing boutique outlet in Hong Kong, the Group is now negotiating with brand owners to set up another boutique outlet in one of the major shopping areas in Hong Kong. The Directors will consider the marketability of the brand and terms offered by the brand owners to assess the profitability. Other than boutique outlet, the Group is also negotiating with a few watch suppliers for establishing outlets for the purpose of selling a single watch brand under the Group's brand "Emperor Watch and Jewellery".

FUTURE PLANS & USE OF PROCEEDS

- Other than boutique outlets for branded watches, the Group will also set up boutique outlets for the Group's jewellery products. In view of the growth potential of jewellery business, the Directors target to set up boutique outlets for the sale of the Group's jewellery products.

Besides Hong Kong and Macau, the Directors will also review the business of the Group from time to time and assess the feasibility of the Group to diversify its business to other geographical areas. As at the Latest Practicable Date, no specific investment opportunities are identified by the Group for its overseas expansion plan.

2. Enhance jewellery product design and varieties

The Group aims to offer more varieties of quality products with good designs which suit the fashion trends. Therefore, the Group intends to devote more resources to product design and development and plans to improve its existing design capabilities by expanding the design team. The Group also intends to cooperate with international jewellery designers to broaden the product designs and varieties offered by the Group. The Group is now negotiating with overseas designers for distribution rights of the jewellery products and targets to include new jewellery products of new designers in new jewellery boutique outlets to be opened in 2008. In the meantime, the Group is also exploring opportunities to cooperate with third party design houses for different style of jewellery designs.

The Directors will from time to time explore new business opportunities to broaden the customer base of the Group for its jewellery products by various ways including, but not limited to, the introduction of new product lines for the Group's jewellery products which target at different customer groups.

3. Strengthen the Group's reputation through marketing and promotional activities

The Directors believe that marketing and promotional activities are crucial to arouse public awareness of the Group's brand name and its products. The Group will continue to launch various in-house advertising campaigns and co-operate with the promotion campaigns organised by the watch suppliers through various media such as placing advertisements on newspapers, magazines, television channels and outdoor advertisement media. The Directors will also arrange exhibitions and sponsor different public events to enhance the publicity of the Group's brand name and its products.

USE OF PROCEEDS

The net proceeds from the Share Offer (after deducting related expenses payable by the Company for the purposes of the Share Offer and assuming an Offer Price of HK\$0.30 per Share, being low-end of the indicative Offer Price range) are estimated to be approximately HK\$377.3 million, which is approximately HK\$170.2 million less than the net proceeds of HK\$547.5 million that could be raised from the Share Offer should the Offer Price is determined at the high-end of

FUTURE PLANS & USE OF PROCEEDS

the indicative price range, i.e. HK\$0.43. The Company currently intends to apply the net proceeds as follows:–

Approximate amount	Intended use	Percentage to the total net proceeds
HK\$366.1 million	<p>For establishing new retail outlets and expansion of existing outlets or for repayment of banking facilities which have been used for the same purpose:</p> <p>(i) approximately HK\$308.5 million (approximately 84.3% of the proceeds intended for establishment of new outlets and expansion of existing outlets) will be used for purchase of stocks of watches and jewellery for (a) enhancement of variety of products and increase of the quantity of products for existing outlets; and (b) for four new retail outlets, one watch boutique outlet and one jewellery boutique outlet to be set up in Hong Kong and Macau by 2008;</p> <p>(ii) approximately HK\$52.7 million will be used for renovation and rental deposits for the new retail outlets;</p> <p>(iii) approximately HK\$4.9 million will be used for renovation for existing outlets.</p>	97.04%

Depending on the exact timing of the establishment or expansion of the outlets, some of the aforesaid expenses for establishing new outlets or for expansion of existing outlets have been/will be financed by two banking facilities prior to the completion of the Share Offer. The amount of drawdown of the facilities is approximately HK\$113.3 million as at the Latest Practicable Date. As such, part of the aforesaid portion of the proceeds will be used for repayment of the bank borrowings.

FUTURE PLANS & USE OF PROCEEDS

Approximate amount	Intended use	Percentage to the total net proceeds
	The aforementioned banking facilities are secured, interest-bearing at the rate between HIBOR plus 1.25% to HIBOR plus 2.0% and repayable within one year. These banking facilities are secured by a joint and several personal guarantee of HK\$39.0 million given by Mr. Ricky Yeung, Ms. Teresa Yeung and Dr. Yeung and a personal guarantee of HK\$426.5 million given by Dr. Yeung. These personal guarantees will be released and replaced by the Company's corporate guarantee upon Listing.	
HK\$5.0 million	For the Group's marketing and promotional activities expected to be held in 2008/2009 including approximately HK\$4.0 million for television commercials and HK\$1.0 million for opening ceremonies and advertisements.	1.33%
HK\$6.2 million	As the general working capital of the Group.	1.63%

In the event that the Offer Price is determined at a price other than HK\$0.30, the Directors will apply the net proceeds in the same proportion as shown above. If the Offer Price is set as the higher end of the indicative price range, i.e. HK\$0.43, the net proceeds from the Share Offer will be approximately HK\$547.5 million, and the Company will apply the net proceeds as follows:

Approximate amount	Intended use	Percentage to the total net proceeds
HK\$531.3 million	For establishing new retail outlets and expansion of existing outlets or for repayment of banking facilities which have been used for the same purpose: <ul style="list-style-type: none"> (i) approximately HK\$366.1 million will be used in the same manner as stated in the scenario when the Offer Price is HK\$0.30; (ii) an addition of approximately HK\$151.7 million will be used for purchase of stocks for establishing one new outlet for watches and jewellery and one jewellery boutique outlet by 2009; 	97.04%

FUTURE PLANS & USE OF PROCEEDS

Approximate amount	Intended use	Percentage to the total net proceeds
	(iii) an addition of HK\$9.1 million for renovation and rental deposits for the new retail outlets; and	
	(iv) an addition of HK\$4.4 million for renovation for existing outlets.	
HK\$7.3 million	For the Group's marketing and promotional activities including approximately HK\$5.0 million for television commercials and HK\$2.3 million for opening ceremonies and advertisements.	1.33%
HK\$8.9 million	As the general working capital of the Group.	1.63%

The Group will issue an announcement in case if there is any material change in the use of proceeds as described above. To the extent that the net proceeds are not immediately required for the above purposes, the Directors will monitor and ensure the net proceeds will not be used for other purposes.

UNDERWRITING

UNDERWRITERS

Placing Underwriters

Emperor Securities Limited

3V Capital Limited

Public Offer Underwriters

Emperor Securities Limited

Taifook Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the related Application Forms. The Company is also offering the Placing Shares for subscription by professional, institutional and private investors on and subject to the terms and conditions of the Placing, in each case at the Offer Price.

Subject to, among other things, the approval of the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein (and such listing and permission not subsequently being revoked prior to the date on which dealings in the Shares first commence on the Stock Exchange) being granted by the Listing Committee on or before Monday, 21 July 2008 or such later date as the Company and Emperor Securities (for itself and on behalf of the Joint Sponsors and the Underwriters) may agree in writing, (a) the Public Offer Underwriters have severally agreed to subscribe or procure subscribers, on the terms and conditions of this prospectus and the application forms relating hereto, for the Public Offer Shares now being offered for subscription but not taken up under the Public Offer, and (b) the Placing Underwriters have severally agreed to subscribe or procure subscribers, on and subject to the terms and conditions of the Placing, for the Placing Shares.

UNDERWRITING

Grounds for termination

Emperor Securities (for itself and on behalf of the Underwriters) is entitled to terminate the Underwriting Agreement by giving written notice to the Company before 8:00 a.m. (Hong Kong time) on the scheduled Listing Date (currently expected to be on Monday, 21 July 2008) if certain events, including the following events, shall occur prior to such time:

- (a) there has come to the notice of any of the Joint Sponsors, the Joint Lead Managers and the Underwriters that:
 - (i) any statement contained in this prospectus or the Application Forms relating thereto or the documents for the Share Offer was when such document was issued, or has since become, untrue, incorrect or misleading in any respect in the sole and absolute opinion of Emperor Securities (for itself and on behalf of the Joint Sponsors and the Underwriters) is material in the context of the Share Offer; or
 - (ii) any matter has arisen or been discovered which would, had it arisen or been discovered immediately before the date of this prospectus or the issue of the documents for the Share Offer, constitute a material omission therefrom in the sole and absolute opinion of Emperor Securities (for itself and on behalf of the Joint Sponsors and the Underwriters); or
 - (iii) any of the representations, warranties and undertakings contained in the Underwriting Agreement is untrue or inaccurate in any material respect which Emperor Securities (for itself and on behalf of the Joint Sponsors and the Underwriters) in its sole opinion considers to be material in the context of the Share Offer; or
 - (iv) any event, act or omission which gives or is reasonably likely to give rise to a liability of a material nature of any of the Company, the executive Directors, and the covenantors (namely Dr. Yeung, Allmighty Group, Diamond Palace and Jumbo Gold) (the “Covenantors”) under the Underwriting Agreement pursuant to the indemnities given under the Underwriting Agreement; or
 - (v) any of the obligations or undertakings expressed to be assumed by or imposed on any of the Company, the executive Directors, and the Covenantors under the Underwriting Agreement has not been complied with or observed by any of them in any respect considered by Emperor Securities (for itself and on behalf of the Joint Sponsors and the Underwriters) in its reasonable opinion to be material; or
 - (vi) any information, matter or event which in the reasonable opinion of Emperor Securities (for itself and on behalf of the Joint Sponsors and the Underwriters) may lead to a material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of the Group as a whole, or

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- (b) there shall develop, occur, exist or come into effect:
- (i) any new law or regulation or any change in existing laws or regulations of any nature whatsoever or any change in the interpretation or application thereof by any court or other competent authority of Hong Kong, Macau, the BVI or any other jurisdiction relevant to any member of the Group (each a “Relevant Jurisdiction”);
or
 - (ii) any change (whether or not forming part of a series of changes occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs) in local, national, or international financial, political, military, industrial, fiscal or economic conditions or prospects in or affecting any Relevant Jurisdiction;
or
 - (iii) any change in the conditions of the local, national or international securities markets (or in conditions affecting a sector only of such market) in or affecting any Relevant Jurisdiction including, for the avoidance of doubt, any significant adverse change in the index level or volume of turnover of any such markets; or
 - (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
 - (v) a change or development involving a prospective change in taxation or exchange control (or the implementation of exchange control) in or affecting any Relevant Jurisdiction; or
 - (vi) any event, or series of events, beyond the reasonable control of the Underwriters, including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, accident, interruption or delay in transportation, economic sanctions, public disorder, riot and epidemic in or affecting any Relevant Jurisdiction; or
 - (vii) any litigation or claim brought by any third party against any member of the Group which will result in the Group incurring liability that is material to the Group as a whole; or
 - (viii) the imposition of economic sanctions relating to the business of the Group, in whatever form, directly or indirectly, by Hong Kong or any other Relevant Jurisdiction; or
 - (ix) a petition is presented for the winding-up or liquidation of any member of the

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Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

which, in the sole and absolute opinion of Emperor Securities:

- (1) is or will or could be reasonably expected to have a material adverse effect on the business, financial or other condition or prospects of the Group taken as a whole; or
- (2) has or will have or could be reasonably expected to have a material adverse effect on the success of the Placing or the level of interest under the Placing; or
- (3) makes it inadvisable or inexpedient for the Placing to proceed.

Undertakings

Undertakings given by the Covenantors

Under the Underwriting Agreement, each of the Covenantors has jointly and severally undertaken to the Company, the Joint Sponsors, the Joint Lead Managers and the Underwriters that, unless with the prior written consent of the Joint Sponsors and Emperor Securities (for itself and on behalf of the Underwriters), save and except that i) the proposed change in ultimate controlling shareholder of the Company from GZ Trust Corporation, the trustee of the AY Discretionary Trust, to STC International Limited (“STC”), the new trustee of the AY Discretionary Trust; and ii) the proposed replacement of the Albert Yeung Unit Trust (together with Jumbo Gold), by a newly set up company which will be wholly-owned by STC on trust for the AY Discretionary Trust, which are proposed to take place after the Listing Date and subject to the Stock Exchange’s approval:

- (a) he/she shall not, and shall procure that his/her Associates or companies controlled by him/her or nominees or trustees holding in trust for him/her shall not, sell, transfer or otherwise dispose of (including without limitation the creation of any options, rights, interests or encumbrance in respect of, but save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) (“Authorised Institution”) for a bona fide commercial loan and after having given notice of such pledge or charge to the Joint Sponsors and Emperor Securities (for itself and on behalf of the Underwriters)), any of

UNDERWRITING

the Shares or securities of the Company owned by him/her or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by him/her which is directly or indirectly the beneficial owner of any of the Shares or securities of the Company) immediately following the completion of the Share Offer and the Loan Capitalisation Issue (the “Relevant Securities”) within six months from the First Six-Month Period; and

- (b) he/she shall not, and shall procure that none of his/her Associates or companies controlled by him/her or nominees or trustees holding in trust for him/her shall, within the Second Six-Month Period sell, transfer or otherwise, dispose of (including without limitation the creation of any options, rights, interests or encumbrance in respect of, but save pursuant to a pledge or charge as security in favour of an Authorised Institution for a bona fide commercial loan and after having given notice of such pledge or charge to the Joint Sponsors and Emperor Securities (for itself and on behalf of the Underwriters)) any of the Relevant Securities, if immediately following such sale, transfer or disposal, Dr. Yeung and/or any companies controlled by him, his nominee or trustee would, either individually or taken together with the other Covenantors, cease to be a Controlling Shareholder of the Company, and that in the event of any such sale, transfer or disposal, all reasonable steps shall be taken to ensure that such sale, transfer or disposal shall be effected in such a manner so as not to create a disorderly or false market for the Shares during the progress of such sale, transfer or disposal or after the completion thereof.

Under the Underwriting Agreement, each of the Covenantors has jointly and severally undertaken to the Company, the Joint Sponsors, the Joint Lead Managers and the Underwriters that, during the First Six-Month Period and the Second Six-Month Period, he/she will:

- (a) when he/she pledges or charges any securities or interests in the Relevant Securities in favour of the Authorised Institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company in writing of such pledges or charges together with the number of Shares and nature of interest so pledged or charged; and
- (b) when he/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company in writing of such indications.

Undertakings given by the Company

Under the Underwriting Agreement, the Company has undertaken to Emperor Securities (for itself and on behalf of the Joint Sponsors and the underwriters) and the Stock Exchange to inform it as soon as it has received information in writing relating to the pledge or charge referred to above from the Covenantors or any of them and will disclose such matters by way of public announcements in accordance with the Listing Rules as soon as possible.

UNDERWRITING

Under the Underwriting Agreement, the Company has undertaken to and covenanted with the Joint Sponsors, the Joint Lead Managers and the Underwriters that it will, and each of the Covenantors and the executive Directors has jointly and severally undertaken and covenanted with the Joint Sponsors, the Joint Lead Managers and the Underwriters to procure that, without the prior written consent of the Joint Sponsors and Emperor Securities (for itself and on behalf of the Underwriters (such consent not to be unreasonably withheld or delayed)), and subject always to the requirements of the Stock Exchange, save for the Offer Shares and the Shares to be issued pursuant to the Loan Capitalisation Issue, the grant of options under the Share Option Scheme, and any Shares which may fall to be issued pursuant to any option which may be granted under the Share Option Scheme, or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the Articles, neither the Company nor any of its subsidiaries shall:

- (a) allot and issue or agree to allot and issue any shares in the Company or any subsidiary of the Company or grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise acquire any securities of the Company or any subsidiary of the Company during the First Six-Month Period; or
- (b) allot and issue or agree to allot and issue any of the Shares or other interests referred to in (a) above during the Second Six-Month Period if, immediately following such allotment and issue, Dr. Yeung, either individually or taken together with the other Covenantors, would cease to be a Controlling Shareholder; or
- (c) during the First Six-Month Period purchase any Shares or securities of the Company.

Indemnities

Each of the Company, the Covnenators and the executive Directors has under the Underwriting Agreement, also jointly and severally agreed and undertaken to indemnify and hold harmless the Joint Sponsors, the Joint Lead Managers and the Underwriters and each of them, for themselves and as trustees for their respective directors, officers, employees, agents and assignees (collectively the “indemnified parties” and individually, an “indemnified party”) against any and all claims, actions, liabilities, proceedings or damages which may be made or established against the indemnified parties or any of them by any party including any applicant or placee of the Offer Shares or any subsequent purchaser or transferee of any Offer Shares or any other person, governmental agency or regulatory body whatsoever, and against all costs, charges, losses or expenses which the indemnified parties or any of them may suffer or properly incur in disputing any such claim or defending any such action or proceedings, on the grounds of or otherwise arising out of or in connection with:

- (a) the lawful performance by the Joint Sponsors, the Joint Lead Managers and the Underwriters of their obligations under the Underwriting Agreement; or
- (b) the issue, circulation or distribution of the documents in connection with the Placing, this prospectus, the Application Forms, the formal notice and/or allotment results announcement; or

UNDERWRITING

- (c) the allotment and issue of the Offer Shares; or
- (d) any representation, statement of fact or opinion, estimate or forecast made by or on behalf of the Company or the Directors and contained in this prospectus being, or being alleged to be, untrue, incomplete, inaccurate or misleading or not honestly or reasonably held in any respect of the fact or any allegation that this prospectus does not contain all information material in the context of the Share Offer or otherwise required to be stated in this prospectus or necessary to enable an informed assessment to be made of the assets, liabilities, earnings, financial or trading position or prospects of the Group; or
- (e) any breach or alleged breach of any of the representation, warranties and undertakings contained in the Underwriting Agreement,

provided that the above indemnity contained in the Underwriting Agreement shall not apply in respect of an indemnified party to the extent but only to the extent that any such claim, action, liabilities, proceedings or damages made against, suffered or incurred by such indemnified party arises out of the fraud, negligence, breach or default of such indemnified party. The non-application of the above indemnity contained in the Underwriting Agreement in respect of any one indemnified party shall not affect the application of such indemnity in respect of any other indemnified parties.

Commission and expenses

The Underwriters will receive an underwriting commission of an amount equal to 3% of the aggregate Offer Price payable for the Offer Shares, out of which they will, as the case may be, pay any sub-underwriting commissions and selling concession.

Based on the Offer Price of HK\$0.43 per Share, being the highest of the stated range of the Offer Price between HK\$0.30 to HK\$0.43 per Share, the fees and commissions in connection with the Public Offer and the Placing, together with the Stock Exchange listing fees, SFC transaction levy of 0.004%, Stock Exchange trading fee of 0.005%, legal and other professional fees, printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$33 million in aggregate and will be payable by the Company.

Underwriters' interests in the Company

Emperor Securities Limited, being one of the Joint Lead Managers and an Underwriter, is a wholly-owned subsidiary of Emperor Capital Group Limited, which is in turn indirectly owned as to 45.09% by the AY Discretionary Trust. As such, Emperor Securities Limited is a company deemed to be controlled by the Controlling Shareholders.

Save for the interests of Emperor Securities Limited and its associates in the Company set out above and save as securities trading and dealing business of the Underwriters, which may involve trading and dealing in the securities of the Company, and as contemplated pursuant to the Underwriting Agreement, none of the Underwriters has any shareholding interest in the Company or any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of the Group.

UNDERWRITING

Joint Sponsors' interests in the Company

Dao Heng is independent to the Company pursuant to Rule 3A.07 of the Listing Rules. Emperor Capital, one of the Joint Sponsors, is a wholly-owned subsidiary of Emperor Capital Group Limited which is indirectly owned as to approximately 45.09% by AY Discretionary Trust. As such, Emperor Capital is a company deemed to be controlled by the Controlling Shareholders. Ms. Fan Man Seung, Vanessa is a director of both the Company and Emperor Capital. In light of the aforesaid relationships, Emperor Capital is therefore not an independent sponsor to the Company pursuant to Rule 3A.07 of the Listing Rules.

Save for the interests of Emperor Capital and its associates in the Company set out above, none of the Joint Sponsors nor its associates expect to have accrued any material benefit as a result of the successful listing of the Shares, other than the following: (i) the respective advisory and documentation fees to be paid to the Joint Sponsors; and (ii) certain associates of Emperor Capital and/or Dao Heng, whose ordinary business involve the trading and dealing in securities, may be involved in the trading and dealing in the securities of the Company.

Save for the interest of Emperor Capital and its associates in the Company set out above, the Joint Sponsors have no shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Company and Emperor Securities (for itself and on behalf of the Underwriters), on or before the Price Determination Time, when market demand for the Offer Shares will be determined.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Time may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.43 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

Emperor Securities (for itself and on behalf of the Underwriters), may, where they consider appropriate, base on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause there to be published in The Standard (in English) and the Sing Tao Daily and the Hong Kong Daily News (in Chinese) notice of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with the Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Offer Shares statistics as currently set out in the section headed “Summary” of this prospectus, and any other financial information which may change as a result of such reduction. If applications for Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price range is so reduced, such applications cannot be subsequently withdrawn.

In the absence of any notice being published in the The Standard (in English) and the Sing Tao Daily and the Hong Kong Daily News (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon with the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, Emperor Securities (for itself and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by entering into the Price Determination Agreement by the Price Determination Time, the Share Offer will not become unconditional and will lapse and will not proceed.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Announcement of the final Offer Price, together with indication of the level of interests in the Placing and the results of application under the Public Offer and basis of allocation of the Public Offer Shares, with identification numbers of successful applicants, where appropriate, is expected to be published in The Standard (in English) and the Sing Tao Daily and the Hong Kong Daily News (in Chinese) and the website of the Stock Exchange of www.hkex.com.hk on Thursday, 17 July 2008.

PRICE PAYABLE ON APPLICATION

The Offer Price will be not more than HK\$0.43 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.43 per Offer Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.004% SFC transaction levy, amounting to a total of HK\$4,343.39 is payable for every board lot of 10,000 Offer Shares. The Application Forms have tables showing the exact amount payable for certain multiples of Public Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$0.43 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in the section headed “How to apply for the Public Offer Shares” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of the application for the Offer Shares is conditional upon the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer, the Loan Capitalisation Issue and the exercise of any options that may be granted under the Share Option Scheme (and such listing and permission not being subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange); and

2. Price Determination

The Offer Price having been duly determined by the Company and Emperor Securities (for itself and on behalf of the Underwriters) by entering into the Price Determination Agreement no later than the Price Determination Time; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

3. Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant and applicable, as a result of the waiver of any conditions given by Emperor Securities (for itself and on behalf of the other Underwriters)), and not being terminated in accordance with its terms, prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Details of the Underwriting Agreement, its conditions and grounds for termination are set out in the section headed “Underwriting” in this prospectus.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by the Company in The Standard (in English) and the Sing Tao Daily and the Hong Kong Daily News (in Chinese) on the next day following such lapse. The application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed “Refund of your money” under the section headed “How to apply for the Public Offer Shares” in this prospectus.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other banks in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 1,350,000,000 Offer Shares will be made available under the Share Offer, of which 1,215,000,000 Placing Shares, representing 90% of the Offer Shares, will conditionally be placed with selected professional, institutional and other investors under the Placing. The remaining 135,000,000 Public Offer Shares, representing 10% of the Offer Shares, will be offered to the public in Hong Kong under the Public Offer. Both the Placing and the Public Offer are subject to re-allocation on the basis described below.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Placing will involve the selected marketing of the Placing Shares to professional, institutional and private investors in Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

The Offer Shares will represent 30% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the Loan Capitalisation Issue.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Public Offer

The Company is initially offering 135,000,000 Public Offer Shares for subscription (subject to re-allocation as mentioned in the paragraph headed “Basis of Allocation of the Offer Shares” below) by the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares being offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms of the Underwriting Agreement. Applicants for the Public Offer Shares are required on application to pay the Offer Price of HK\$0.43 plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.004% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong. An applicant for Public Offer Shares will be required to give an undertaking and confirmation in the application form submitted by him/her that he/she has not applied for nor taken up any Placing Shares nor participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

The total number of the Offer Shares available under the Public Offer is to be divided into two pools of initially 67,500,000 Public Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple applications or suspected multiple applications and any application made for more than 100% of the Public Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. Where there is oversubscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Placing

The Company is offering initially 1,215,000,000 Placing Shares (subject to re-allocation as mentioned in the paragraph headed “Basis of Allocation of the Offer Shares” below) at the Offer Price under the Placing. The number of Placing Shares initially available for application under the Placing represents 90% of the total number of Offer Shares being offered under the Share Offer. The Placing is fully underwritten by the Placing Underwriters subject to the terms of the Underwriting Agreement. Investors subscribing for the Placing Shares are also required to pay the Offer Price plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.004% SFC transaction levy.

It is expected that the Placing Underwriters, or selling agents nominated by them, on behalf of the Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and other investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Other investors, applying through the Placing Underwriters or their selling agents, who sought Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

The Placing is subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” above.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the Placing and the Public Offer is subject to re-allocation on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, 270,000,000 Shares will be re-allocated to the Public Offer from Placing so that the total number of Shares available for subscription under the Public Offer will be increased to 405,000,000 Shares, representing 30% of the Offer Shares;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, 405,000,000 Shares will be re-allocated to the Public Offer from Placing so that the number of Shares available for subscription under the Public Offer will be increased to 540,000,000 Shares, representing 40% of the Offer Shares; and
- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, 540,000,000 Shares will be re-allocated to the Public Offer from Placing so that the number of Shares available for subscription under the Public Offer will be increased to 675,000,000 Shares, representing 50% of the Offer Shares.

In all cases, the additional Shares re-allocated to the Public Offer will be allocated, if applicable, equally between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced.

If the Public Offer is not fully subscribed, Emperor Securities (for itself and the Underwriters) has the absolute discretion to re-allocate all or any of the unsubscribed Public Offer Shares initially available for subscription in the Public Offer to the Placing in such proportions as it deems appropriate.

If the Placing is not fully subscribed, Emperor Securities (for itself and the Underwriters) has the absolute discretion to re-allocate all or any of the unsubscribed Placing Shares initially available for subscription in the Placing to the Public Offer in such proportions as it deems appropriate.

SHARE WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus on the Main Board by the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

METHODS OF APPLYING FOR THE PUBLIC OFFER SHARES

There are two ways to make an application for the Public Offer Shares. You may apply for the Public Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** application form, or
- giving **electronic application instructions** to HKSCC (if you are a CCASS Participant) to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf.

You or you and your joint applicant(s) may only make one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** application form or by giving electronic application instructions to HKSCC.

WHO CAN APPLY FOR PUBLIC OFFER SHARES

You can apply for the Public Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** application form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a US person (as defined in Regulation S); and
- are outside the US.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity.

APPLYING BY USING A WHITE OR YELLOW APPLICATION FORM

Which application form to use

Use a **WHITE** application form if you want the Public Offer Shares to be issued in your own name.

Use a **YELLOW** application form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant's stock account or the stock account of your designated CCASS Participant.

You may not apply on both **WHITE** and **YELLOW** application form.

Note: The Public Offer Shares are not available to (i) the directors or chief executives of the Company or its subsidiaries or existing beneficial owners of Shares, or any of their respective associates, and (ii) the connected person (as defined in the Listing Rules) of the Company or its subsidiaries or persons who will become connected persons of the Company immediately upon completion of the Share Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Where to collect the prospectus and the Application Forms

You can collect a **WHITE** application form and a prospectus during the normal business hours from 9:00 a.m. on Monday, 30 June 2008 until 12:00 noon on Friday, 11 July 2008 at:

1. Any of the following addresses of the Joint Lead Managers, the Underwriters and the Joint Sponsors;

Emperor Securities Limited at 23rd-24th Floors, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong

3V Capital Limited at Unit 2102, 21/F., Worldwide House, 19 Des Voeux Road Central, Hong Kong

Taifook Securities Company Limited at 25th Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong

Dao Heng Securities Limited at 12/F., The Center, 99 Queen's Road Central, Hong Kong

Emperor Capital Limited at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong

2. any one of the following branches of The Bank of East Asia, Limited:

District	Branch	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central
	399 Hennessy Road Branch	G/F, Eastern Commercial Centre 399 Hennessy Road, Wanchai
	Kennedy Town Centre Branch	Shop D, G/F, Kennedy Town Centre 23 Belcher's Street
	Shaukiwan Branch	G/F, Ka Fook Building 289-293 Shau Kei Wan Road
Kowloon	Mongkok North Branch	G/F, Kalok Building 720-722 Nathan Road, Mongkok
	Yaumatei Branch	G/F, 526 Nathan Road
	East Tsim Sha Tsui Branch	Shop G3-G5, G/F, East Ocean Centre 98 Granville Road, Tsim Sha Tsui
	Kwun Tong Branch	7 Hong Ning Road
New Territories	Tai Wai Branch	16-18 Tai Wai Road Cheung Fung Mansion, Shatin
	Tai Po Branch	62-66 Po Heung Street, Tai Po Market
	East Point City Branch	Shop 217B, Level 2, East Point City 8 Chung Wa Road, Tseung Kwan O
	Tuen Mun Town Plaza Branch	Shop 2-10, UG/F Tuen Mun Town Plaza Phase II 3 Tuen Lung Street, Tuen Mun

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

You can collect a **YELLOW** application form and a prospectus during the normal business hours from 9:00 a.m. on Monday, 30 June 2008 until 12:00 noon on Friday, 11 July 2008 from:

- (i) the Depository Counter of HKSCC
2/F., Vicwood Plaza
199 Des Voeux Road Central
Hong Kong; or
- (ii) your stock broker who may have this prospectus and **YELLOW** application forms available.

How to complete the Application Forms

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in your application form.

You should note that by signing the application form, you (and if you are joint applicants, each of you jointly and severally), for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee, among other things:

- (i) agree with the Company and each of the Shareholders to observe and comply with the Companies Ordinance, the Memorandum and the Articles;
- (ii) agree with the Company and each Shareholder that the Public Offer Shares are freely transferable by the holders thereof;
- (iii) confirm that you have received a copy of this prospectus, and have only relied on the information and representations in this prospectus and the Application Forms in making your application and will not rely on any other information and/or representations or representation concerning the Company and you agree that neither the Company, the Joint Sponsors, the Joint Lead Managers, the Underwriters, any other parties involved in the Share Offer nor any of their respective directors, officers, employees, partners, agents or advisors will have any liability for any such other information or representations;
- (iv) agree that the Company and the Directors and any person who has authorised this prospectus are liable only for the information and representations contained in the Application Forms, this prospectus and any supplement hereto;
- (v) agree (without prejudice to any other rights you may have) that once your application has been accepted, you may not rescind it because of any innocent misrepresentation and you may not revoke it, other than as provided in this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (vi) (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** application form or by way of giving **electronic application instructions** to HKSCC via CCASS;
- (vii) undertake and confirm that you (if the application is made for your benefit), or the person(s) for whose benefit you have made the application, have not indicated an interest and/or applied for or taken up, or indicated an interest for and will not apply for or take up or indicate an interest for, any of the Placing Shares;
- (viii) (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (ix) (if you are an agent for another person) warrant reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** application form or by way of giving **electronic application instructions** to HKSCC via CCASS, and that you are duly authorised to sign the application form as that other person's agent;
- (x) warrant the truth and accuracy of the information contained in your application;
- (xi) agree to disclose to the Company, the Joint Sponsors, the Joint Lead Managers, the Underwriters, the registrars, the receiving banker, and/or their respective advisors and agents, personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- (xii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Forms and agree to be bound by them, and are aware of the restrictions of the Public Offer described in this prospectus;
- (xiii) instruct and authorise the Company and the Joint Lead Managers (or their respective agents or nominees) as agents of the Company to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect registration of any Public Offer Shares allotted to you in your name (s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the Application Forms;
- (xiv) undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by the Memorandum and the Articles;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (xv) represent, warrant and undertake that you are not restricted by any applicable laws of Hong Kong or elsewhere from making this application, paying any application monies for, or being allotted or taking up any Public Offer Shares; and you understand that the Shares have not been and will not be registered under the U.S. Securities Act (as amended from time to time) or you are not a person to whom the allotment of or application for the Public Offer Shares is made would require the Company to comply with any requirement under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;
- (xvi) agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xvii) undertake and agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xviii) authorise the Company to place your name(s) or HKSCC Nominees, as the case may be, on the register of members of the Company as the holders(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any shares certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the application form by ordinary post at your own risk to the address stated on your application form (except that if you have applied for 1,000,000 Public Offer Shares or more and have indicated in your application form that you will collect your share certificates and refund cheques (if any) in person, you can collect your share certificate(s) and/or refund cheque (where applicable) in person from the Company's Hong Kong share registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. and 1:00 p.m. on the date notified by the Company in the newspaper as the date of despatch of share certificate(s) and refund cheque. The date of despatch is expected to be on Thursday, 17 July 2008;
- (xix) represent, warrant and undertake that the allotment of or application for the Public Offer Shares to you or by you or for whose benefit the application is made would not require the Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;
- (xx) understand that these declarations and representations will be relied upon by the Company and the Joint Lead Managers in deciding whether or not to allocate any Public Offer Shares in response to your application and that you may be prosecuted for making a false declaration;
- (xxi) if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Lead Managers, the Underwriters, the other parties involved in the Share Offer nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus; and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(xxii) authorise the Company to enter into a contract on your behalf with each of the Directors and officers of the Company whereby each such Director and officer undertakes to observe and comply with his or her obligations to Shareholders as stipulated in the Articles.

In order for the **YELLOW** application form to be valid:

You, as the applicant, must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

(i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

(a) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the application form.

(ii) **If the application is made by an individual CCASS Investor Participant:**

(a) the application form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

(b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the application form.

(iii) **If the application is made by a joint individual CCASS Investor Participant:**

(a) the application form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all joint CCASS Investor Participants; and

(b) the participant I.D. must be inserted in the appropriate box in the application form.

(iv) **If the application is made by a corporate CCASS Investor Participant:**

(a) the application form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and

(b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the application form.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each application form in the box marked “For nominees” account numbers or other identification code for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner.

If you apply for the Public Offer Shares using a **YELLOW** application form, in addition to the confirmations and agreements referred to above, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following:

- (i) agree that any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant’s stock account or the stock account of your designated CCASS Participant, in accordance with your election on the application form;
- (ii) agree that each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (a) not to accept any or part of the Public Offer Shares allocated to you in the name of HKSCC Nominees or not to accept such Public Offer Shares for deposit into CCASS; (b) to cause such Public Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are joint applicant, to the name of the first-named applicant) at your own risk and costs; (c) to cause such allotted Public Offer Shares to be issued in your name (or, if you are a joint application, in the name of the first-named applicant) and in such a case, to post the share certificates for such allotted Public Offer Shares at your own risk to the address on the application form by ordinary post or to make available the same for your collection;
- (iii) agree that each of HKSCC and HKSCC Nominees may adjust the number of Public Offer Shares allocated to you and issued in the name of HKSCC Nominees;
- (iv) agree that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the application form; and
- (v) agree that neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

If your application is made through a duly authorised attorney, Emperor Securities (on behalf of the Company) may accept it at its discretion, and subject to any conditions it thinks fit, including evidence of the authority of your attorney. Emperor Securities (on behalf of the Company) will have full discretion to reject or accept any application, in full or in part, without assigning any reason whatsoever.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

How to make payment for the application

Each completed **WHITE** or **YELLOW** application form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the application form.

If you pay by cheque, the cheque must:

- (i) be in Hong Kong dollars;
- (ii) be drawn on your Hong Kong dollar bank account in Hong Kong;
- (iii) bear your account name (or, in the case of joint applicants, the name of the first-named applicant) (either pre-printed on the cheque or endorsed on the reverse of the cheque by an authorised signatory of the bank on which it is drawn), which must be the same as the name on your application form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);
- (iv) be made payable to "The Bank of East Asia (Nominees) Limited – Emperor Watch and Jewellery Public Offer";
- (v) be crossed "Account Payee Only"; and
- (vi) not be post dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonoured on first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- (i) be in Hong Kong dollars;
- (ii) be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier order and the name on the application form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;
- (iii) be made payable to "The Bank of East Asia (Nominees) Limited – Emperor Watch and Jewellery Public Offer";
- (iv) be crossed "Account Payee Only"; and
- (v) not be post dated.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Your application may be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Friday, 11 July 2008. The Company will not give you a receipt for your payment. The Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

Members of the public – time for applying for Public Offer Shares

Completed **WHITE** or **YELLOW** application forms, with payment in Hong Kong dollars for the full amount on application attached, must be lodged by 12:00 noon on Friday, 11 July 2008, or, if the application lists are not open on that day, then by 12:00 noon on the next Business Day the lists are open.

Your completed **WHITE** or **YELLOW** application form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any of the branches of The Bank of East Asia, Limited listed on the paragraph headed "Where to collect the prospectus and the Application Forms" above at the following times:

Monday, 30 June 2008	– 9:00 a.m. to 5:00 p.m.
Wednesday, 2 July 2008	– 9:00 a.m. to 5:00 p.m.
Thursday, 3 July 2008	– 9:00 a.m. to 5:00 p.m.
Friday, 4 July 2008	– 9:00 a.m. to 5:00 p.m.
Saturday, 5 July 2008	– 9:00 a.m. to 1:00 p.m.
Monday, 7 July 2008	– 9:00 a.m. to 5:00 p.m.
Tuesday, 8 July 2008	– 9:00 a.m. to 5:00 p.m.
Wednesday, 9 July 2008	– 9:00 a.m. to 5:00 p.m.
Thursday, 10 July 2008	– 9:00 a.m. to 5:00 p.m.
Friday, 11 July 2008	– 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 11 July 2008.

Application for the Public Offer Shares will not be processed, and no allotment and transfer of any such Public Offer Shares will be made, until the close of the application lists.

Effect of bad weather on the opening of the application lists

The application lists of the Public Offer will not be open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 11 July 2008. Instead, they will be open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If the application lists of the Public Offer do not open and close on Friday, 11 July 2008 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected timetable” in this prospectus, such dates mentioned in the section headed “Expected timetable” in this prospectus may be affected. A press announcement will be made in such event in The Standard (in English) and in the Sing Tao Daily and the Hong Kong Daily News (in Chinese).

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you come to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2/F., Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Copies of this prospectus are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and the Company’s Share registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Giving electronic application instructions to HKSCC to apply for Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** application form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** application form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person (or, in case of joint applicants, each of such joint applicants jointly and severally);
 - (a) agrees that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit to that person's CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf;
 - (b) undertakes and agrees to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - (c) undertakes and confirms that that person has not indicated an interest for, applied for or taken up, and will not indicate an interest for or take up, any Shares under the Placing Shares or otherwise has participated or will participate in the Placing;
 - (d) (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been or will be given for that person's benefit;
 - (e) (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
 - (f) understands that the above declaration will be relied upon by the Company, the Directors and the Joint Lead Managers in deciding whether or not to make any allotment of Public Offer Shares in respect of the **electronic application instructions** given by that person and that person may be prosecuted if he makes a false declaration;
 - (g) authorises the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund money in accordance with the arrangements separately agreed between the Company and HKSCC;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (h) confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- (i) confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations;
- (j) agrees that the Company, the Joint Lead Managers, the Underwriters and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus;
- (k) agrees to disclose that person's personal data to the Company, the share registrar of the Company, its receiving banker, the Joint Lead Managers, the Underwriters and/or any of their respective advisers and agents, and any information which they may require about that person;
- (l) agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- (m) agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable on or before the 30 days after the date of this prospectus. Such agreement is to take effect as a collateral contract with the Company and is to become binding when that person gives the instructions and such collateral contract is to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person on or before that day, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is on Saturday, Sunday, or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- (n) agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by the Company; and
- (o) agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- (i) instruct and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- (ii) instruct and authorise HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;
- (iii) instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** application form.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be a actual application for the purposes of considering whether multiple applications have been made.

Minimum subscription amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 10,000 Public Offer Shares. Such instructions in respect of more than 10,000 Public Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms. No application or any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 30 June 2008	–	9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 2 July 2008	–	8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 3 July 2008	–	8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 4 July 2008	–	8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 5 July 2008	–	8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 7 July 2008	–	8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 8 July 2008	–	8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 9 July 2008	–	8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 10 July 2008	–	8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 11 July 2008	–	8:00 a.m.⁽¹⁾ to 12:00 noon

- (1) These times may be subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 30 June 2008 until 12:00 noon on Friday, 11 July 2008 (24 hours daily, except the last application day).

Effect of bad weather on inputting electronic application instructions

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 11 July 2008, the last application day. If:

- (i) a tropical cyclone warning signal number 8 or above; or
- (ii) a “black” rainstorm warning signal

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 11 July 2008, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

If the application lists of the Public Offer do not open and close on Friday, 11 July 2008 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this prospectus, such dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. A press announcement will be made in such event in The Standard (in English) and in the Sing Tao Daily and the Hong Kong Daily News (in Chinese).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance.

Personal Data

The section of the application form headed “Personal Data” applies to any personal data held by the Company and the share registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Joint Sponsors, the Joint Lead Managers and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** application form; (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 11 July 2008.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Public Offer Shares if you are a nominee. You may both give **electronic application instructions** to HKSCC (if you are a CCASS participant) and lodge more than one application in your own name if each application is made on behalf of different beneficial owners. In the box on the application form marked “For nominees” you must include:

- (i) an account number; or
- (ii) some other identification code for each beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications may be rejected as multiple applications if you, or you and/or your joint applicants together:

- make more than one application on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC; or
- both apply (whether individually or jointly) on one **WHITE** application form and one **YELLOW** application form or on one **WHITE** or **YELLOW** application form and give **electronic application instructions** to HKSCC; or
- apply on one **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC for more than 100% of the Public Offer Shares initially available in either pool A or pool B as referred to in the section headed “Structure and conditions of the Share Offer” in this prospectus; or
- have applied for or taken up, or indicated an interest in applying for or taking up or have been allotted or will be allotted Placing Shares under the Placing.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the only business of that company is dealing in securities; and
- you exercise statutory control over that company then the application will be treated as being for your benefit.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price for each Public Offer Share is HK\$0.43. You must also pay brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.004%. This means that for every 10,000 Public Offer Shares, you will pay HK\$4,343.39. The Application Forms have tables showing the exact amount payable for certain multiples of the Public Offer Shares.

You must pay the Offer Price, brokerage, the Stock Exchange trading fee and the SFC transaction levy in full when you apply for the Public Offer Shares. Your payment must be by one cheque or one banker's cashier order and must comply with the terms of the relevant application forms. Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Friday, 11 July 2008.

If your application is successful, the brokerage is paid to participants of the Stock Exchange or its participants (as the case may be), the transaction levy is paid to the SFC and the trading fee is paid to the Stock Exchange.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted Public Offer Shares are set out in the notes attached to the Application Forms (whether you are making your application by an application form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note in particular the following situations in which Public Offer Shares will not be allotted to you:

- **If your application is revoked:**

By completing and submitting an application form, or by giving **electronic application instructions** to HKSCC via CCASS, you agree your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the 30 days after the date of this prospectus. This agreement will take effect as a collateral contract with the Company,

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

and will become binding when you lodge your application form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public offer Shares to any person on or before that day except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot. Such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

- **If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **YELLOW** application form) will be void if the Listing Committee does not grant the approval of the listing of, and permission to deal in, the Shares either:

- within three weeks from the closing of the application lists in respect of the Public Offer; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing of the application lists in respect of the Public Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- **You and HKSCC Nominees will not receive any allotment if:**
 - (a) you make multiple applications or suspected multiple applications;
 - (b) you or the person for whose benefits you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Placing Shares. By filling in any of the Application Form or apply by giving **electronic application instructions** to HKSCC, you agree not to apply for both Public Offer Shares and Placing Shares. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Placing Shares, and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer;
 - (c) your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
 - (d) your application form is not completed in accordance with the instructions as stated in the application form;
 - (e) the Underwriting Agreement does not become unconditional;
 - (f) the Underwriting Agreement is terminated in accordance with its respective terms;
or
 - (g) the Company believes that by accepting your application, it would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address overleaf is located.

You should also note that you may apply for Public Offer Shares under the Public Offer or indicate an interest for Placing Shares, but may not do both.

- **Refund of your money**

If you do not receive any Public Offer Shares for any of, but not limited to, the above reasons, the Company will refund your application money together with brokerage, SFC transaction levy and Stock Exchange trading fee to you without interest. If your application is accepted only in part, or, if the final Offer Price is determined at less than HK\$0.43 per Offer Share, the Company will refund the appropriate portion of your application monies, brokerage, SFC transaction levy and Stock Exchange trading fee to you, without interest. All such interest accrued prior to the date of despatch of refund cheques will be retained for the benefit of the Company.

Refund of your application monies (if any) will be made on Thursday, 17 July 2008 in accordance with the various arrangements as described below.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.43 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed “Conditions of the Share Offer” under the section headed “Structure and conditions of the Share Offer” in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your application form:

- (i) (a) Share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or (b) Share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applicants on **YELLOW** application forms or by electronic application instructions to HKSCC: Share certificates for their Shares successfully applied for will be deposited into CCASS as described below); and/or
- (ii) refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (a) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (b) all the application monies, if the application is wholly unsuccessful; and/or (c) the difference between the final Offer Price and the maximum Offer Price per Share initially paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including the brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **WHITE** application forms; and Share certificates for wholly and partially successful applicants under **WHITE** application forms are expected to be posted on Thursday, 17 July 2008. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Pursuant to a new measure to improve security as agreed and adopted by The Hong Kong Association of Banks, the Hong Kong Monetary Authority, the Federation of Share Registrars and the SFC with effect from 9 August 2004, refund cheques will be printed with part of your Hong Kong identity card number or passport number. For joint applicants, the identity information of the first-named applicant will be printed. When a refund cheque is presented to a bank, the bank will cross-check both the name and the printed part of the Hong Kong identity card or passport number of the payee shown on the cheque against the bank's own record on the information of the account holder. If there is a discrepancy, the bank might request other proof of identity or take other steps for verification. If the bank is unable to be satisfied with the identity of the payee, the bank might reject the deposit of the refund cheque concerned. You are therefore advised to ensure that your identification numbers are accurately filled in on your application form to avoid delay in cashing your refund cheques. A cheque deposit might be rejected if you fail to fill in correct identity information. When in doubt, you should enquire with Tricor Secretaries Limited.

Share certificates will only become valid certificates of title at 8:00 a.m. on Monday, 21 July 2008 provided that the Share Offer has become unconditional in all respects and the rights of termination described in the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus has not been exercised.

You will receive one Share certificate for all the Offer Shares issued to you under the Public Offer (except pursuant to applications made on **YELLOW** application form or by **electronic application instructions** to HKSCC where share certificates will be deposited in CCASS).

(a) If you apply using a WHITE application form:

If you have applied for 1,000,000 Public Offer Shares or more and have indicated on your application form that you will collect your Share certificate(s) (where applicable) and/or refund cheque (if any) in person, you may collect it/them from:

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

between 9:00 a.m. and 1:00 p.m. on Thursday, 17 July 2008 or any other the date notified by the Company in the newspapers as the date of despatch of share certificates and refund cheques.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must, in any event, produce, at the time of collection, evidence of identity acceptable to Tricor Secretaries Limited. If you do not collect your Share certificate(s) and/or refund cheque (if any) within the time for collection specified

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

above, they will be sent to you by ordinary post to the address as specified in your application form (or the address of the first-named applicant in case of a joint application) and at your own risk shortly after the time for collection.

If you have applied for 1,000,000 Public Offer Shares or more and have not indicated on your application form that you will collect your Share certificate(s) and/or refund cheque (if any) in person; or if you have applied for less than 1,000,000 Public Offer Shares; or if your application is rejected, not accepted or accepted in part only; or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed “Conditions of the Share Offer” under the section headed “Structure and Conditions of the Share Offer” in this prospectus, or if any application is revoked or any allotment pursuant thereto has become void, then your Share certificate(s) (where applicable) and/or refund cheque (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage, Stock Exchange trading fee and SFC transaction levy (without interest) will be sent to the address on your application form (or the address of the first-named applicant in case of a joint application) by ordinary post and at your own risk on the date of despatch.

(b) If you apply using a YELLOW application form:

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** application form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** application form applicants as described above.

If you have applied for 1,000,000 Offer Shares or more and have not indicated on your application form that you will collect refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed “Conditions of the Share Offer” under the section headed “Structure and Conditions of the Share Offer” in this prospectus, or if any application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, Stock Exchange trading fee, SFC transaction levy, if any, (without interest) will be sent to the address on your application form by ordinary post and at your own risk on the date of despatch.

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you at the close of business on Thursday, 17 July 2008, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for the Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of the Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- the Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the newspapers on Thursday, 17 July 2008. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 17 July 2008 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the "CCASS Phone System" and "CCASS Internet System" (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an "Activity Statement" showing the number of Public Offer Shares credited to your stock account.

(c) If you apply by giving electronic application instructions to HKSCC

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant's stock account at the close of business on Thursday, 17 July 2008, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

The Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner, where supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner set out in the paragraph headed "Publication of Results" on Thursday, 17 July 2008. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 17 July 2008 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 17 July 2008, immediately after the credit of the public offer shares to your stock account and the credit of the refund monies to your bank account. HKSCC will also make available to you an "Activity Statement" showing the number of Public Office Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 17 July 2008. No interest will be paid thereon.

PUBLICATION OF RESULTS

The Company expects to release an announcement of the Offer Price, the level of indication of interest in the Placing and the basis of allocation and the results of applications for the Public Offer Shares to be published in The Standard (in English) and the Sing Tao Daily and the Hong Kong Daily News (in Chinese) on Thursday, 17 July 2008.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where supplied) and the number of Public Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- Results of allocations can be found in the Company's announcement to be posted on the website of the Company at www.emperorwatchjewellery.com and the Stock Exchange at www.hkex.com.hk on Thursday, 17 July 2008;
- results of allocations will be available from the Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares allocated to them, if any, by calling 2980 1833 between 9:00 a.m. and 6:00 p.m. on Thursday, 17 July 2008 to 21 July 2008;
- results of allocations will be available from the website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. Thursday, 17 July 2008 to 12:00 midnight on Wednesday, 23 July 2008. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application form to search for his/her/its own allocation result; and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches from Thursday, 17 July 2008 to Monday, 21 July 2008 at all the receiving bank branches at the addresses set out in the paragraph headed “Where to collect the prospectus and the Application Forms”.

Shares will be eligible for CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the shares to be admitted into CCASS.

COMMENCEMENT OF DEALINGS IN THE SHARES

The application for the Offer Shares will commence on Monday, 30 June 2008 up to Friday, 11 July 2008 for ten days, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Thursday, 17 July 2008. Investors should aware that the dealings in the Shares on the Stock Exchange are expected to commence on Monday, 21 July 2008.

The Shares will be traded in board lots of 10,000 Shares each.

The Stock Exchange stock code for the Shares is 887.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

30 June 2008

The Directors
Emperor Watch & Jewellery Limited
Dao Heng Securities Limited
Emperor Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Emperor Watch & Jewellery Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2007 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 30 June 2008 (the “Prospectus”) issued in connection with the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated as limited liability company in Hong Kong on 13 March 2008 under the Hong Kong Companies Ordinance (Cap. 32). Pursuant to a corporate reorganisation, as more fully explained in the paragraph headed “Corporate Reorganisation” in Appendix V to the Prospectus (the “Group Reorganisation”), the Company became the holding company of the companies comprising the Group on 19 June 2008.

All companies now comprising the Group have adopted 31 December as their financial year end date. As at the date of this report and throughout the Relevant Periods, the Company had interests in the following subsidiaries comprising the Group:

Name of subsidiary	Place and date of incorporation	Issued and fully paid share/ quota capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Beauty Royal Limited	Hong Kong (“HK”) 10 February 1999	HK\$2	–	100%	Provision of group tenancy agent services*
Charter Loyal Limited	HK 30 April 1999	HK\$2	–	100%	Provision of group tenancy agent services*
Emperor Watch & Jewellery (HK) Company Limited	HK 31 July 1987	HK\$100	–	100%	Sales of watches & jewellery
EWJ Watch and Jewellery Company Limited	Macau 22 August 2005	MOP25,000	–	100%	Sales of watches & jewellery
Full Gold Enterprises Limited	British Virgin Islands (“BVI”) 11 December 2007	US\$1	–	100%	Holding trademarks, logo and domain names of the Group
Glad Fortune Limited	HK 9 November 2007	HK\$1	–	100%	Provision of group tenancy agent services*

Name of subsidiary	Place and date of incorporation	Issued and fully paid share/ quota capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Glory Wish Limited	HK 17 September 1999	HK\$2	–	100%	Provision of group tenancy agent services*
Moral Step Limited	HK 17 May 2007	HK\$1	–	100%	Provision of group tenancy agent services*
Plus Gain Enterprises Limited	BVI 12 December 2007	US\$1	–	100%	Investment holding
Perfect Perform Limited	HK 29 October 1999	HK\$2	–	100%	Provision of group tenancy agent services*
Treasure Bright Investments Limited	BVI 25 August 2005	US\$345	–	100%	Investment holding and group treasury services
Trillion Winner Limited	HK 1 February 2007	HK\$1	–	100%	Provision of group tenancy agent services*
Winner Sea Enterprises Limited	BVI 28 January 2008	US\$1	–	100%	Investment holding
Wise Sunshine Enterprises Limited	BVI 30 January 2008	US\$1	100%	–	Investment holding
Zeal Team Limited	HK 22 February 2008	HK\$1	–	100%	Provision of group tenancy agent services*

* *These companies are acting as agents for signing the tenancy agreements of shops and offices on behalf of the fellow subsidiaries.*

No audited financial statements have been prepared for the companies incorporated in BVI since their dates of incorporation as there is no statutory audit requirement in BVI to do so. For the purpose of this report, we have, however, reviewed all the relevant transactions of those BVI incorporated companies since their respective dates of incorporation to the date of this report and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this Prospectus.

Except for the financial statements of Charter Loyal Limited for the year ended 31 December 2005 which were audited by Yeung & Cheuk, we have audited the financial statements of those companies incorporated in Hong Kong and Macau for the Relevant Periods or since their respective dates of incorporation, where this is a shorter period. All audited financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the Relevant Periods.

We have examined the audited financial statements or where necessary, the management accounts of the companies comprising the Group for the Relevant Periods (the “Underlying Financial Statements”). Our examination was made in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of Section I, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of those companies who approve their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section I below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2005, 31 December 2006 and 31 December 2007 and of the combined results and cash flows of the Group for the Relevant Periods.

I. FINANCIAL INFORMATION

COMBINED INCOME STATEMENTS

	<i>Notes</i>	Year ended 31 December		
		2005	2006	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	7	645,264	1,084,395	1,561,463
Cost of sales		<u>(552,438)</u>	<u>(912,779)</u>	<u>(1,211,673)</u>
Gross profit		92,826	171,616	349,790
Other income	8	2,050	(607)	109
Selling and distribution expenses		(37,633)	(67,025)	(115,486)
Administrative expenses		(22,610)	(33,763)	(39,488)
Finance costs	9	<u>(2,902)</u>	<u>(5,137)</u>	<u>(3,168)</u>
Profit before taxation	10	31,731	65,084	191,757
Taxation	12	<u>(5,605)</u>	<u>(11,121)</u>	<u>(32,969)</u>
Profit for the year, attributable to the shareholders		<u>26,126</u>	<u>53,963</u>	<u>158,788</u>
Dividends	13	<u>162</u>	<u>–</u>	<u>245,000</u>
Earnings per share	14			
Basic (cents)		<u>2.61</u>	<u>5.40</u>	<u>15.88</u>

COMBINED BALANCE SHEETS

		At 31 December		
	<i>Notes</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current asset				
Property, plant and equipment	15	5,086	16,570	21,793
Current assets				
Inventories	16	412,038	585,730	800,799
Receivables, deposits and prepayments	17	14,726	29,545	40,403
Amounts due from fellow subsidiaries	18	96,044	117,578	–
Bank balances and cash	19	2,989	7,993	46,706
		<u>525,797</u>	<u>740,846</u>	<u>887,908</u>
Current liabilities				
Payables, deposits received and accrued charges	20	44,988	48,598	73,805
Amount due to immediate holding company	21	–	95,425	184,421
Amounts due to fellow subsidiaries	21	76,212	84,092	–
Amount due to ultimate holding company	21	267,203	–	–
Amounts due to shareholders of immediate holding company	21	9,520	9,520	–
Amounts due to related companies	21	–	76	765
Dividend payable		–	–	245,000
Tax payable		763	5,402	22,531
Obligation under a finance lease				
– due within one year	22	75	75	75
Bank borrowings – due within one year	23	9,529	8,673	4,200
Bank overdrafts	19	17,173	10,743	–
		<u>425,463</u>	<u>262,604</u>	<u>530,797</u>
Net current assets		<u>100,334</u>	<u>478,242</u>	<u>357,111</u>
Total assets less current liabilities		<u>105,420</u>	<u>494,812</u>	<u>378,904</u>
Non-current liabilities				
Obligation under a finance lease				
– due after one year	22	175	100	25
Bank borrowings – due after one year	23	55,578	46,916	17,400
Deferred taxation	24	201	367	262
		<u>55,954</u>	<u>47,383</u>	<u>17,687</u>
Net assets		<u>49,466</u>	<u>447,429</u>	<u>361,217</u>
Capital and reserves				
Share capital	25	–	3	3
Reserves	26	49,466	447,426	361,214
Total equity		<u>49,466</u>	<u>447,429</u>	<u>361,217</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i> <i>(Note 25)</i>	Other reserve <i>HK\$'000</i> <i>(Note 26)</i>	Capital reserve <i>HK\$'000</i> <i>(Note 26)</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005	–	–	2,529	20,967	23,496
Capital contribution from immediate holding company	–	6	–	–	6
Profit for the year	–	–	–	26,126	26,126
Dividend declared	–	–	–	(162)	(162)
At 31 December 2005	–	6	2,529	46,931	49,466
Issue of shares	3	343,997	–	–	344,000
Profit for the year	–	–	–	53,963	53,963
At 31 December 2006	3	344,003	2,529	100,894	447,429
Profit for the year	–	–	–	158,788	158,788
Dividend declared	–	–	–	(245,000)	(245,000)
At 31 December 2007	<u>3</u>	<u>344,003</u>	<u>2,529</u>	<u>14,682</u>	<u>361,217</u>

COMBINED CASH FLOW STATEMENTS

	Year ended 31 December		
	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Profit before taxation	31,731	65,084	191,757
Adjustments for:			
Depreciation of property, plant and equipment	2,523	6,180	9,307
Allowance for inventories	–	–	6,369
Loss on disposal of property, plant and equipment	–	150	2,959
Interest expenses	2,902	5,137	3,168
Interest income	(1,820)	1,284	(23)
Operating cash flows before movements in working capital	35,336	77,835	213,537
Increase in inventories	(161,027)	(173,692)	(221,438)
Increase in receivables, deposits and prepayments	(7,074)	(14,819)	(10,858)
Increase in payables, deposits received and accrued charges	25,045	2,600	24,816
Increase in amount due to a fellow subsidiary	57	57	57
Increase in amounts due to related companies	–	76	689
Net cash (used in) generated from operations	(107,663)	(107,943)	6,803
Income tax paid	(7,913)	(6,316)	(15,945)
NET CASH USED IN OPERATING ACTIVITIES	(115,576)	(114,259)	(9,142)
INVESTING ACTIVITIES			
(Advances to) repayment from fellow subsidiaries	(48,193)	(22,831)	14,786
(Advances to) repayment from immediate holding company	–	(7)	7
Repayment from a related company	35	–	–
Proceeds from disposal of property, plant and equipment	–	–	52
Interest received	1	13	23
Purchase of property, plant and equipment	(2,747)	(16,804)	(17,150)
NET CASH USED IN INVESTING ACTIVITIES	(50,904)	(39,629)	(2,282)

	Year ended 31 December		
	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000
FINANCING ACTIVITIES			
Advances from fellow subsidiaries	15,350	7,823	72,971
Capital contribution from immediate holding company	6	–	–
Repayments of a finance lease	(118)	(75)	(75)
New bank loans raised	65,000	–	–
Interest paid	(2,902)	(5,137)	(3,168)
Repayments of bank loans	(25,297)	(9,518)	(33,989)
Advance from ultimate holding company	127,853	172,229	2,860
Advance from immediate holding company	–	–	31,801
Repayment to shareholders of immediate holding company	–	–	(9,520)
	<u>179,892</u>	<u>165,322</u>	<u>60,880</u>
NET CASH FROM FINANCING ACTIVITIES			
	<u>179,892</u>	<u>165,322</u>	<u>60,880</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,412	11,434	49,456
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(27,596)	(14,184)	(2,750)
	<u>(27,596)</u>	<u>(14,184)</u>	<u>(2,750)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>(14,184)</u>	<u>(2,750)</u>	<u>46,706</u>
Representing:			
Bank balances and cash	2,989	7,993	46,706
Bank overdrafts	(17,173)	(10,743)	–
	<u>(14,184)</u>	<u>(2,750)</u>	<u>46,706</u>

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The combined income statements, combined statements of changes in equity and combined cash flow statements are presented as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, whichever is the shorter period. The combined balance sheets as at 31 December 2005, 31 December 2006, and 31 December 2007 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates. The Group Reorganisation completed on 19 June 2008 was to intersperse Wise Sunshine Enterprises Limited and the Company between Allmighty Group Limited and the companies now comprising the Group. The Financial Information has been prepared by using the principles of merger accounting.

All intra-group transactions, cash flows and balances have been eliminated on combination.

The Financial Information is presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting Financial Information of the Relevant Periods, the Group has consistently adopted Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("INT(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on 1 January 2007.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and interpretations which are not yet effective for the Relevant Periods.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions ³
HK(IFRIC) – INT 12	Service Concession Arrangements ⁴
HK(IFRIC) – INT 13	Customer Loyalty Programmes ⁵
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁴

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 March 2007

⁴ Effective for annual periods beginning on or after 1 January 2008

⁵ Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the accounting policies which conform with the Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business and net of discounts.

Revenue from sales of goods are recognised when goods are sold and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of relevant lease.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the combined income statement in the year in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using specific identification basis for watches and certain identifiable and separable jewellery, and the weighted average method for other jewellery.

Financial instruments

Financial assets and financial liabilities are recognised on the combined balance sheet 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.

Financial assets

The Group's financial assets are all classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on 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 financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

Loans and receivables

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are 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 impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets that are assessed not to be impaired individually, such as receivables, are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 7 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss where there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of 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

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

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

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including payables, amount due to immediate holding company, amounts due to fellow subsidiaries, amount due to ultimate holding company, amounts due to shareholders of immediate holding company, amounts due to related companies, dividend payable and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the relevant group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leases

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.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined balance sheet as a finance lease obligations. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Taxation

Taxation 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 the profit as reported in the combined income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement 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 balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the combined income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the combined income statement in the year in which they are incurred.

Retirement benefit costs

Payments to retirement benefit schemes are charged 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 in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Impairment

At each balance sheet date, 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 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 as an expense immediately.

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets within the next financial year.

Allowances 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 each balance sheet date 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.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of nets debts, which includes the amount due to ultimate holding company, amount due to immediate holding company and borrowings disclosed in notes 21 and 23, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. The Group considers the cost of capital and risks associated with the capital, and will balance its overall capital structure through the new share issues of the Company as well as the raise of bank borrowings.

The Group's overall strategy remains unchanged over the Relevant Periods.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets			
Loans and receivables (including cash and cash equivalent)	101,938	138,370	66,079
	<u> </u>	<u> </u>	<u> </u>
Financial liabilities			
At amortised cost	473,007	291,646	510,046
	<u> </u>	<u> </u>	<u> </u>

b. Financial risk management objectives and policies

The Group's major financial instruments include receivables, amounts due from fellow subsidiaries, bank balances, payables, amounts due to fellow subsidiaries/immediate holding company/ultimate holding company/related companies/shareholders of immediate holding company, dividend payable and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

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

(i) Interest rate risk

The Group has exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on amounts due from fellow subsidiaries, bank deposits and bank borrowings (see note 23) which carry at prevailing market interest rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management of the Company will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates from the Group's interest bearing bank balances, amounts due from fellow subsidiaries and variable-rate bank borrowings. The analysis is prepared assuming the bank balances, amounts due from fellow subsidiaries and bank borrowings outstanding at the balance sheet date were outstanding for the whole year. A 200 basis point increase or decrease is used, which represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 200 basis point higher and all other variables were held constant, the Group's profit for the years ended 31 December 2005, 31 December 2006 and 31 December 2007 would decrease by HK\$922,000, decrease by HK\$1,167,000 and increase by HK\$502,000 respectively. An equal and opposite impact on the Group's profit for the respective years would be resulted if the interest rates had been 200 basis points lower.

(ii) Foreign currency risk

The Group undertakes certain sales and purchases transactions denominated in Macau Pataca ("MOP") and United States Dollars ("USD"). The Group is mainly exposed to currency fluctuation of MOP and USD. As the foreign exchange rate of HK\$ is closed to MOP and HK\$ is pegged with USD, the directors of the Company consider the Group's exposure to foreign currency risk is minimal. The Group's sales denominated in foreign currency represented nil, 4.6% and 5.0% of total sales for the years ended 31 December 2005, 31 December 2006 and 31 December 2007 respectively. The Group's purchase denominated in foreign currency represented 15.7%, 11.9% and 13.3% of total purchase for the years ended 31 December 2005, 31 December 2006 and 31 December 2007, respectively. The Group manages its foreign currency risk by closely monitoring the movements of the foreign currency rates. The directors of the Company conduct periodical review of foreign currency exposure and will consider hedging significant foreign exchange exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	At 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets			
MOP	–	613	2,695
USD	19	45	166
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
USD	–	–	9,184
	<u> </u>	<u> </u>	<u> </u>

Sensitivity analysis

1% is the sensitivity rate used, which represents the management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis in the following table includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for 1% change in foreign currency rates. A positive number indicates an increase in profit for the year where the HK\$ strengthens against the relevant currency. There would be an equal and opposite impact on the profit for the year below where the HK\$ weakens against the relevant currency.

	MOP impact			USD impact		
	Year ended 31 December			Year ended 31 December		
	2005	2006	2007	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Receivables, deposits and prepayment	-	(1)	(17)	-	-	-
Bank balances and cash	-	(5)	(10)	(1)	-	(2)
Payables, deposits received and accrued charges	-	-	-	-	-	92
	<u>-</u>	<u>(6)</u>	<u>(27)</u>	<u>(1)</u>	<u>-</u>	<u>90</u>

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the combined balance sheets.

The management of the Company considers the credit risk exposure of the Group is low as the sales are normally settled within 7 days. The management of the Company nonetheless reviews the recoverable amount of each individual debt regularly, if any, to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. In addition, sales are made 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 international credit-rating agencies.

The Group has concentration of credit risk of the Group's amounts due from fellow subsidiaries. In order to minimise the credit risk, the management continuously monitor the level of exposure to ensure that follow up action and/or corrective actions are taken promptly to lower the risk exposure or to recover over due balances.

Liquidity Risk

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 by the management 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 Group mainly relies on bank borrowings and advances from fellow subsidiaries/immediate holding company/ultimate holding company/shareholders of immediate holding company/related companies as a significant source of liquidity. As at 31 December 2005, 31 December 2006 and 31 December 2007, the Group has available unutilised overdraft and bank loan facilities of approximately HK\$29,556,000, HK\$41,218,000 and HK\$45,350,000 respectively.

Liquidity Risk

The following table details the Group's contractual maturity for its financial liabilities. 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.

	Weighted average effective interest rate	Less than 3 months HK\$'000	3-6 months HK\$'000	6-12 months HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total		
							Over 5 years HK\$'000	undiscounted cash flows HK\$'000	Total HK\$'000
At 31 December 2005									
Payables and accrued charges	-	37,174	618	-	-	-	-	37,792	37,792
Amounts due to fellow subsidiaries	-	76,212	-	-	-	-	-	76,212	76,212
Amount due to ultimate holding company	-	267,203	-	-	-	-	-	267,203	267,203
Amounts due to shareholders of immediate holding company	-	9,520	-	-	-	-	-	9,520	9,520
Obligation under a finance lease	3.50	21	22	43	86	113	-	285	250
Bank borrowings	4.07	3,079	2,977	5,946	10,775	40,800	10,545	74,122	65,107
Bank overdrafts	6.19	17,173	-	-	-	-	-	17,173	17,173
		<u>410,382</u>	<u>3,617</u>	<u>5,989</u>	<u>10,861</u>	<u>40,913</u>	<u>10,545</u>	<u>482,307</u>	<u>473,257</u>
At 31 December 2006									
Payables and accrued charges	-	36,158	43	-	-	-	-	36,201	36,201
Amount due to immediate holding company	-	95,425	-	-	-	-	-	95,425	95,425
Amounts due to fellow subsidiaries	-	84,092	-	-	-	-	-	84,092	84,092
Amounts due to shareholders of immediate holding company	-	9,520	-	-	-	-	-	9,520	9,520
Amounts due to related companies	-	76	-	-	-	-	-	76	76
Obligation under a finance lease	3.50	21	22	43	86	28	-	200	175
Bank borrowings	5.81	2,940	2,925	5,807	11,437	37,295	4,600	65,004	55,589
Bank overdrafts	8.12	10,743	-	-	-	-	-	10,743	10,743
		<u>238,975</u>	<u>2,990</u>	<u>5,850</u>	<u>11,523</u>	<u>37,323</u>	<u>4,600</u>	<u>301,261</u>	<u>291,821</u>
At 31 December 2007									
Payables and accrued charges	-	58,195	65	-	-	-	-	58,260	58,260
Amount due to immediate holding company	-	184,421	-	-	-	-	-	184,421	184,421
Amounts due to related companies	-	765	-	-	-	-	-	765	765
Obligation under a finance lease	3.50	21	22	43	28	-	-	114	100
Dividend payable	-	245,000	-	-	-	-	-	245,000	245,000
Bank borrowings	5.98	1,368	1,352	2,657	5,126	13,874	-	24,377	21,600
		<u>489,770</u>	<u>1,439</u>	<u>2,700</u>	<u>5,154</u>	<u>13,874</u>	<u>-</u>	<u>512,937</u>	<u>510,146</u>

c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. TURNOVER AND SEGMENT INFORMATION

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

Geographical segments

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

Combined income statement for the year ended 31 December 2005

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Combined <i>HK\$'000</i>
Revenue	645,264	–	645,264
Segment profit (loss)	34,764	(296)	34,468
Unallocated corporate expenses			(1,655)
Interest income			1,820
Finance costs			(2,902)
Profit before taxation			31,731
Taxation			(5,605)
Profit for the year			26,126

Other information for the year ended 31 December 2005

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Combined <i>HK\$'000</i>
Additions to property, plant and equipment	3,748	–	3,748
Depreciation	2,523	–	2,523

Combined balance sheet as at 31 December 2005

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Combined <i>HK\$'000</i>
ASSETS			
Segment assets	426,099	5,751	431,850
Unallocated corporate assets			99,033
Combined total assets			<u>530,883</u>
LIABILITIES			
Segment liabilities	45,238	–	45,238
Unallocated corporate liabilities			436,179
Combined total liabilities			<u>481,417</u>

Combined income statement for the year ended 31 December 2006

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Combined <i>HK\$'000</i>
Revenue	<u>1,034,089</u>	<u>50,306</u>	<u>1,084,395</u>
Segment profit	<u>68,972</u>	<u>3,921</u>	72,893
Unallocated corporate expenses			(1,388)
Interest income			(1,284)
Finance costs			(5,137)
Profit before taxation			65,084
Taxation			(11,121)
Profit for the year			<u>53,963</u>

Other information for the year ended 31 December 2006

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Combined <i>HK\$'000</i>
Additions to property, plant and equipment	12,604	5,210	17,814
Depreciation	4,862	1,318	6,180
Loss on disposal of property, plant and equipment	<u>150</u>	<u>–</u>	<u>150</u>

APPENDIX I**ACCOUNTANTS' REPORT***Combined balance sheet as at 31 December 2006*

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Combined <i>HK\$'000</i>
ASSETS			
Segment assets	567,999	63,846	631,845
Unallocated corporate assets			<u>125,571</u>
Combined total assets			<u><u>757,416</u></u>
LIABILITIES			
Segment liabilities	43,758	5,015	48,773
Unallocated corporate liabilities			<u>261,214</u>
Combined total liabilities			<u><u>309,987</u></u>

Combined income statement for the year ended 31 December 2007

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Combined <i>HK\$'000</i>
Revenue				
External sales	1,483,665	77,798	–	1,561,463
Inter-segment sales*	<u>33,138</u>	<u>–</u>	<u>(33,138)</u>	<u>–</u>
	<u><u>1,516,803</u></u>	<u><u>77,798</u></u>	<u><u>(33,138)</u></u>	<u><u>1,561,463</u></u>
* <i>Inter-segment sales are charged at cost</i>				
Segment profit	<u><u>188,897</u></u>	<u><u>10,813</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><u>158,788</u></u>

Other information for the year ended 31 December 2007

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Combined <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>

Combined balance sheet as at 31 December 2007

	Hong Kong HK\$'000	Macau HK\$'000	Combined HK\$'000
ASSETS			
Segment assets	795,365	67,630	862,995
Unallocated corporate assets			46,706
Combined total assets			<u>909,701</u>
LIABILITIES			
Segment liabilities	316,026	2,879	318,905
Unallocated corporate liabilities			229,579
Combined 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.

8. OTHER INCOME

	Year ended 31 December		
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
Interest income from (refunded to)			
a fellow subsidiary	1,819	(1,297)	–
Interest income from bank deposits	1	13	23
Others	230	677	86
	<u>2,050</u>	<u>(607)</u>	<u>109</u>

The basis of calculation of interest income from Emperor Jewellery Manufacturing Limited (“EJML”) a fellow subsidiary, is disclosed in note 18. Interest income refunded to EJML represented an overcharge of interest income for the year ended 31 December 2005.

9. FINANCE COSTS

	Year ended 31 December		
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
Interests on:			
Bank borrowings			
– wholly repayable within five years	2,433	3,117	3,157
– not wholly repayable within five years	462	2,010	–
Finance lease	7	10	11
	<u>2,902</u>	<u>5,137</u>	<u>3,168</u>

10. PROFIT BEFORE TAXATION

	Year ended 31 December		
	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:			
Allowance for inventories	–	–	6,369
Auditor's remuneration	200	430	1,415
Cost of inventories included in cost of sales	548,098	907,374	1,200,388
Depreciation of property, plant and equipment	2,523	6,180	9,307
Loss on disposal of property, plant and equipment	–	150	2,959
Operating lease payment in respect of rented premises	16,122	31,031	49,503
Staff costs, including directors' remuneration			
– salaries and other benefits costs	31,429	46,688	69,988
– retirement benefits scheme contribution	909	1,256	1,512
	<u> </u>	<u> </u>	<u> </u>

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

Details of the emoluments paid and payable to the directors of the Company for the Relevant Periods are as follows:

For the year ended 31 December 2005

	Fees	Salaries, allowance and benefits-in-kind	Performance related incentive payment	Retirement benefits scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ms. Yeung Cindy	–	828	615	12	1,455
Mr. Wong Chi Fai	–	–	–	–	–
Ms. Fan Man Seung, Vanessa	–	–	–	–	–
Mr. Chan Hung Ming	–	162	46	6	214
Ms. Yip Kam Man	–	–	–	–	–
Mr. Chan Hon Piu	–	–	–	–	–
Ms. Lai Ka Fung, May	–	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	–	990	661	18	1,669
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 December 2006

	Fees	Salaries, allowance and benefits-in-kind	Performance related incentive payment	Retirement benefits scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ms. Yeung Cindy	–	828	118	12	958
Mr. Wong Chi Fai	–	–	–	–	–
Ms. Fan Man Seung, Vanessa	–	–	–	–	–
Mr. Chan Hung Ming	–	428	283	12	723
Ms. Yip Kam Man	–	–	–	–	–
Mr. Chan Hon Piu	–	–	–	–	–
Ms. Lai Ka Fung, May	–	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	–	1,256	401	24	1,681
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 December 2007

	Fees <i>HK\$'000</i>	Salaries, allowance and benefits- in-kind <i>HK\$'000</i>	Performance related incentive payment <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Ms. Yeung Cindy	–	840	141	12	993
Mr. Wong Chi Fai	–	–	–	–	–
Ms. Fan Man Seung, Vanessa	–	–	–	–	–
Mr. Chan Hung Ming	–	494	458	12	964
Ms. Yip Kam Man	–	–	–	–	–
Mr. Chan Hon Piu	–	–	–	–	–
Ms. Lai Ka Fung, May	–	–	–	–	–
	–	1,334	599	24	1,957

(b) **Employees**

Of the five individuals with the highest emoluments in the Group, one, one and nil is director of the Company for year ended 31 December 2005, 31 December 2006 and 31 December 2007 respectively, details of whose emoluments are included in note 11 (a) above. The emoluments of the remaining four, four and five individuals were as follows:

	Year ended 31 December		
	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Salaries, allowance and benefits-in-kind	1,611	1,790	3,137
Performance related incentive payment	1,354	1,359	3,006
Retirement benefits scheme contributions	47	50	63
	3,012	3,199	6,206

Their emoluments were within the following bands:

	Number of employee Year ended 31 December		
	2005	2006	2007
Nil to HK\$1,000,000	3	4	–
HK\$1,000,001 to HK\$1,500,000	1	–	5
	4	4	5

During the Relevant Periods, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

No remunerations was paid to independent non-executive directors during the Relevant Periods. Moreover, two executive directors, namely Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa had no emoluments during the Relevant Periods since they did not hold any employment with the Group.

12. TAXATION

	Year ended 31 December		
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
The charge comprises:			
Current year			
Hong Kong	5,544	10,535	31,813
Other jurisdiction	–	420	1,261
	<u>5,544</u>	<u>10,955</u>	<u>33,074</u>
Deferred tax			
Current year charge (credit) (note 24)	61	166	(105)
	<u>5,605</u>	<u>11,121</u>	<u>32,969</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the Relevant Periods.

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

Taxation for the year can be reconciled to the profit before taxation per the combined income statement as follows:

	Year ended 31 December		
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
Profit before taxation	<u>31,731</u>	<u>65,084</u>	<u>191,757</u>
Tax charge at income tax of 17.5%	5,553	11,390	33,557
Tax effect of expenses not deductible for tax purpose	–	–	2
Effect of different tax rates of a subsidiary operated in other jurisdiction	16	(233)	(590)
Tax effect of tax loss not recognised	36	–	–
Utilisation of tax loss previously not recognised	–	(36)	–
Taxation for the year	<u>5,605</u>	<u>11,121</u>	<u>32,969</u>

13. DIVIDENDS

During the year ended 31 December 2005, interim dividend of HK\$81,000 per share in respect of the year ended 31 December 2005 amounted to HK\$162,000 was paid to the shareholders of Charter Loyal Limited.

During the year ended 31 December 2007, interim dividend of HK\$2,450,000 per share in respect of the year ended 31 December 2007 amounting to HK\$245,000,000 was declared and payable to the shareholders of Emperor Watch & Jewellery (HK) Company Limited. The interim dividend was subsequently paid on 20 February 2008.

14. EARNINGS PER SHARE

The calculations of basic earnings per share for the Relevant Periods are based on the profit for each of the years ended 31 December 2005, 31 December 2006 and 31 December 2007 of HK\$26,126,000, HK\$53,963,000 and HK\$158,788,000 respectively attributable to equity holders of the Company and on the basis of 10,000,000 shares in issue on the assumption that the Group Reorganisation had been effective on 1 January 2005.

No diluted earnings per share has been presented for the Relevant Periods as there is no outstanding potential ordinary share during the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 January 2005	8,447	5,897	–	14,344
Additions	2,780	600	368	3,748
At 31 December 2005	11,227	6,497	368	18,092
Additions	14,775	3,001	38	17,814
Disposals	(5,255)	(506)	–	(5,761)
At 31 December 2006	20,747	8,992	406	30,145
Additions	13,668	3,873	–	17,541
Disposals	(5,192)	(3,620)	–	(8,812)
At 31 December 2007	29,223	9,245	406	38,874
Accumulated depreciation				
At 1 January 2005	5,906	4,577	–	10,483
Provided for the year	1,965	503	55	2,523
At 31 December 2005	7,871	5,080	55	13,006
Provided for the year	5,245	855	80	6,180
Eliminated on disposals	(5,110)	(501)	–	(5,611)
At 31 December 2006	8,006	5,434	135	13,575
Provided for the year	8,046	1,180	81	9,307
Eliminated on disposals	(2,420)	(3,381)	–	(5,801)
At 31 December 2007	13,632	3,233	216	17,081
Carrying values				
At 31 December 2007	<u>15,591</u>	<u>6,012</u>	<u>190</u>	<u>21,793</u>
At 31 December 2006	<u>12,741</u>	<u>3,558</u>	<u>271</u>	<u>16,570</u>
At 31 December 2005	<u>3,356</u>	<u>1,417</u>	<u>313</u>	<u>5,086</u>

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

Leasehold improvements	Over the unexpired lease term or five years, whichever is shorter
Furniture, fixtures and equipment	10% – 33.3%
Motor vehicle	20%

The net book value of a motor vehicle held under a finance lease as at 31 December 2005, 31 December 2006 and 31 December 2007 were HK\$313,000, HK\$239,000 and HK\$166,000, respectively.

16. INVENTORIES

	At 31 December		
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
Raw material	–	–	10,572
Goods held for resale	412,038	585,730	790,227
	<u>412,038</u>	<u>585,730</u>	<u>800,799</u>

17. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December		
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
Trade receivables	2,374	8,202	9,997
Incentive bonus receivables	531	4,596	9,376
Deposits	11,222	15,062	19,887
Prepayments	334	1,535	641
Others	265	150	502
	<u>14,726</u>	<u>29,545</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. Incentive bonus receivables represent the incentive bonus from the watch suppliers on purchasing of watches. Deposits mainly represent rental deposits and decoration deposits.

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

	At 31 December		
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
MOP	–	116	1,708

18. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts are unsecured, interest-free, repayable on demand and non-trading in nature, except for an amount of HK\$33,187,000 due from a fellow subsidiary as at 31 December 2005 which bore interest at prime rate for the year ended 31 December 2005.

19. BANK BALANCES AND CASH / BANK OVERDRAFTS

Bank balances carry interest at market rates which range from 0.17% to 2.09% per annum for the year ended 31 December 2005, 1.6% to 4.09% per annum for the year ended 31 December 2006 and 1.11% to 2.31% per annum for the year ended 31 December 2007.

Bank overdrafts carry interest at market rates which range from 5.99% to 6.22% per annum for the year ended 31 December 2005, 7.96% to 8.13% per annum for the year ended 31 December 2006 and 8.46% to 8.75% for the year ended 31 December 2007.

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

	At 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
MOP	–	497	987
USD	19	45	166
	<u> </u>	<u> </u>	<u> </u>

20. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	33,401	26,869	48,072
Other payables and accrued charges	9,713	18,268	19,949
Deposits received from customers	1,874	3,461	5,784
	<u> </u>	<u> </u>	<u> </u>
	<u>44,988</u>	<u>48,598</u>	<u>73,805</u>

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

	At 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables			
0 – 30 days	23,917	17,157	33,709
31 – 60 days	4,001	9,238	13,531
61 – 90 days	4,865	431	767
Over 90 days	618	43	65
	<u> </u>	<u> </u>	<u> </u>
	<u>33,401</u>	<u>26,869</u>	<u>48,072</u>

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

Other payables and accrued charges mainly represent staff costs payables and the accrued renovation costs. Deposits received from customers mainly represent amounts received in advance for the jewellery ordered by the customers.

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

	At 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
USD	–	–	9,184
	<u> </u>	<u> </u>	<u> </u>

21. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES/ULTIMATE HOLDING COMPANY/SHAREHOLDERS OF IMMEDIATE HOLDING COMPANY/RELATED COMPANIES

The amounts are unsecured, interest-free and repayable on demand. Other than the amounts of HK\$14,000 and HK\$745,000 included in amounts due to related companies at 31 December 2006 and 31 December 2007 respectively, the remaining balances were non-trading in nature.

The related companies are the companies owned by The Albert Yeung Discretionary Trust. The aged analysis of amounts due to related companies at the respective balance sheet dates are as follow:

	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	–	–	149
31 – 60 days	–	–	26
61 – 90 days	–	–	465
Over 90 days	–	14	105
	<u>–</u>	<u>14</u>	<u>745</u>

During the year ended 31 December 2006, amount due to ultimate holding company of HK\$439,432,000 was assigned to immediate holding company of the same amount. In addition, 344 ordinary shares of US\$1 each in Treasure Bright Investments Limited were issued at HK\$344,000,000 for capitalising the amount due to immediate holding company of the same amount.

During the year ended 31 December 2007, the outstanding balances of the amounts due from fellow subsidiaries of HK\$45,744,000 and the amounts due to fellow subsidiaries and ultimate holding company of HK\$100,072,000 and HK\$2,860,000, respectively, were settled through the current account due to immediate holding company at a net amount of HK\$57,188,000.

The directors confirm that the outstanding balance of the amount due to immediate holding company as at the date immediately before the listing of the shares of the Company on the Stock Exchange of Hong Kong Limited (the “Listing”) will be fully capitalised upon the issue of 3,140,000,000 shares of the Company before the Listing.

22. OBLIGATION UNDER A FINANCE LEASE

	Minimum lease payments			Present value of minimum lease payments		
	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Amounts payable under a finance lease:						
Within one year	86	86	86	75	75	75
In more than one year but not more than two years	199	114	28	175	100	25
	<u>285</u>	<u>200</u>	<u>114</u>	<u>250</u>	<u>175</u>	<u>100</u>
Less: Future finance charges	(35)	(25)	(14)	–	–	–
Present value of lease obligations	<u>250</u>	<u>175</u>	<u>100</u>	250	175	100
Less: Amounts due within one year shown under current liabilities				(75)	(75)	(75)
Amounts due after one year				<u>175</u>	<u>100</u>	<u>25</u>

The Group has leased its motor vehicle under a finance lease. The lease term is 4 years. Interest rate underlying obligation under a finance lease is fixed at the contract date at 3.5% per annum.

The Group's obligation under a finance lease is secured by the lessors' charge to the leased assets.

23. BANK BORROWINGS

	At 31 December		
	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Bank loans	<u>65,107</u>	<u>55,589</u>	<u>21,600</u>
Analysed as:			
Secured	63,961	55,589	21,600
Unsecured	<u>1,146</u>	<u>–</u>	<u>–</u>
	<u>65,107</u>	<u>55,589</u>	<u>21,600</u>
Carrying amount repayable:			
	At 31 December		
	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within one year	9,529	8,673	4,200
In more than one year but not more than two years	8,673	8,949	4,200
In more than two years but not more than five years	36,745	33,476	13,200
More than five years	<u>10,160</u>	<u>4,491</u>	<u>–</u>
	65,107	55,589	21,600
Less: Amounts due within one year shown under current liabilities	<u>(9,529)</u>	<u>(8,673)</u>	<u>(4,200)</u>
Amounts due after one year	<u>55,578</u>	<u>46,916</u>	<u>17,400</u>

The bank borrowings carry interest at weighted average effective interest rates of approximately 4.07%, 5.81% and 5.98% per annum for the years ended 31 December 2005, 31 December 2006 and 31 December 2007, respectively and are secured over certain properties of fellow subsidiaries.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	Year ended 31 December					
	2005		2006		2007	
	Amount		Amount		Amount	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Effective interest rate:						
Variable-rate borrowings	82,280	2.75-6.31	66,332	4.90-8.18	21,600	4.20-8.31

24. DEFERRED TAXATION

The following is the major deferred tax liability recognised by the Group and the movements thereon during the Relevant Periods:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 January 2005	140
Charge to combined income statement	61
	<hr/>
At 31 December 2005	201
Charge to combined income statement	166
	<hr/>
At 31 December 2006	367
Credit to combined income statement	(105)
	<hr/>
At 31 December 2007	<u>262</u>

25. SHARE CAPITAL

For the purpose of this report, the share capital of the Group as at 31 December 2005, 31 December 2006 and 31 December 2007 represented the aggregate issued share capital of Beauty Royal Limited, Charter Loyal Limited, Emperor Watch & Jewellery (HK) Company Limited, Glad Fortune Limited, Glory Wish Limited, Moral Step Limited, Perfect Perform Limited, Treasure Bright Investments Limited and Trillion Winner Limited at each balance sheet date.

The movements of authorised and issued share capital of the above companies during the Relevant Periods are as follows:

- (a) Treasure Bright Investments Limited was incorporated on 25 August 2005 with authorised share capital of US\$50,000, divided into 50,000 ordinary shares of US\$1 each. At the date of incorporation, one ordinary share having a par value of US\$1 was issued at par to the subscriber. During the year ended 31 December, 2006, 344 ordinary shares of US\$1 each were issued at HK\$344,000,000 for capitalising the amount due to immediate holding company of the same amount.
- (b) Trillion Winner Limited was incorporated on 1 February 2007 with authorised share capital of HK\$10,000, divided into 10,000 ordinary shares of HK\$1 each. At the date of incorporation, one ordinary share having a par value of HK\$1 was issued at par to the subscribers.
- (c) Moral Step Limited was incorporated on 17 May 2007 with authorised share capital of HK\$10,000, divided into 10,000 ordinary shares of HK\$1 each. At the date of incorporation, one ordinary share having a par value of HK\$1 was issued at par to the subscriber.

- (d) Glad Fortune Limited was incorporated on 9 November 2007 with authorised share capital of HK\$10,000, divided into 10,000 ordinary shares of HK\$1 each. At the date of incorporation, one ordinary share having a par value of HK\$1 was issued at par to the subscriber.
- (e) Full Gold Enterprises Limited was incorporated on 11 December 2007 with authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. The share of US\$1 was issued on 1 February 2008.
- (f) Plus Gain Enterprises Limited was incorporated on 12 December 2007 with authorised share capital of US\$50,000, divided into 50,000 ordinary shares of US\$1 each. The share of US\$1 was issued on 1 April 2008.

26. RESERVES

Other reserve

The amount represented (i) the capital contribution by Allmighty Group Limited in Emperor Watch and Jewellery Company Limited; and (ii) difference between the nominal value of share capital and the amount due to immediate holding company capitalised for issue of 344 ordinary shares of US\$1 each in Treasure Bright Investments Limited, details of which are set out in notes 21 and 25(a).

Capital reserve

The amount represented the excess of the value of net assets acquired over purchase consideration from Emperor Watch and Jewellery Company, Limited (now renamed as Prime Sharp Limited), a fellow subsidiary, by Emperor Watch & Jewellery (HK) Company Limited in 1987.

27. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2005, the Group entered into a finance lease arrangement in respect of a motor vehicle with a total capital value of HK\$368,000 at the inception of the lease.

During the year ended 31 December 2006, amount due to ultimate holding company of HK\$439,432,000 was assigned to immediate holding company of the same amount. In addition, 344 ordinary shares of US\$1 each in Treasure Bright Investments Limited were issued at HK\$344,000,000 for capitalising the amount due to immediate holding company of the same amount.

During the year ended 31 December 2007, the outstanding balances of the amounts due from fellow subsidiaries of HK\$45,744,000 and the amounts due to fellow subsidiaries and ultimate holding company of HK\$100,072,000 and HK\$2,860,000, respectively, were settled through the current account due to immediate holding company at a net amount of HK\$57,188,000.

28. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At each balance sheet date, the future lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
With one year	23,567	41,339	53,314
In the second to fifth year inclusive	25,308	43,995	47,855
	48,875	85,334	101,169
	48,875	85,334	101,169

Operating lease payments represent rentals payable by the Group for its offices and shops. Leases are negotiated for terms ranging from four months to three years with fixed monthly rentals and no arrangements have been entered into for contingent rental payments.

Included in the above is future lease payments with related companies of HK\$3,430,000, HK\$20,276,000 and HK\$53,644,000 as at 31 December 2005, 31 December 2006 and 31 December 2007, respectively.

29. CAPITAL COMMITMENTS

	At 31 December		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Financial Information	2,484	183	516

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 combined income statement 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.

As at 31 December 2005, 31 December 2006 and 31 December 2007, forfeited contributions of HK\$22,000, HK\$11,000 and nil respectively, which arose upon employees leaving the ORSO Scheme, are available to reduce the contributions payable in future years.

The eligible employees of the Company's subsidiary in Macau are members of pension schemes operated by the Macau government. The subsidiary is required to contribute a certain percentage of the relevant cost of the payroll of these employees to the pension schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contribution under the scheme.

31. PLEDGE OF ASSETS

The Group had made a floating charge of assets of HK\$20,000,000 and HK\$20,000,000 as at 31 December 2005 and 31 December 2006 respectively, to a bank to secure general banking facilities granted to the Group. During the year ended 31 December 2007, such floating charge of assets was released.

32. RELATED PARTY TRANSACTIONS

The balances with related parties at the respective balance sheet dates are set out in notes 18, 21 and 28.

During the Relevant Periods, the Group had the following transactions with related parties:

	Year ended 31 December		
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
Continuing transactions			
(i) Service charges paid to			
– Emperor International Holdings Limited and its subsidiaries (“Emperor International Group”) (note a)	424	564	757
(ii) Advertising and promotion expenses paid to			
– Emperor Entertainment Group Limited and its subsidiaries (“Emperor Entertainment Group”) (note b)	70	68	120
– Emperor International Group (note b)	300	82	–
– other related companies (note b)	–	282	733
	<u>370</u>	<u>432</u>	<u>853</u>
(iii) Sales of goods to directors and their close family members (note b)	<u>6,801</u>	<u>3,222</u>	<u>6,914</u>
(iv) Air-conditioning and electricity expenses paid to			
– Emperor Entertainment Hotel Limited and its subsidiaries (“Emperor Entertainment Hotel Group”) (note a)	–	249	304
(v) Rental expenses paid to			
– Emperor International Group (note b)	2,576	5,322	12,137
– Emperor Entertainment Hotel Group (note b)	–	2,028	2,469
– Great Future Hong Kong Limited, a fellow subsidiary (note c)	60	60	60
– other related company (note b)	–	–	117
	<u>2,636</u>	<u>7,410</u>	<u>14,783</u>
Non-continuing transactions			
(vi) Purchase of inventories from			
– Emperor Jewellery Manufacturing Limited, a fellow subsidiary (note a)	101,663	175,649	150,483
– Harvest Victory Limited, a fellow subsidiary (note b)	110	61	180
– Emperor International Group (note b)	97	526	938
	<u>101,870</u>	<u>176,236</u>	<u>151,601</u>
(vii) Sub-contracting fee paid to Emperor Jewellery Manufacturing Limited, a fellow subsidiary (note a)	<u>2,120</u>	<u>2,603</u>	<u>1,300</u>
(viii) Interest income received from (refunded to) Emperor Jewellery Manufacturing Limited, a fellow subsidiary (note d)	<u>1,819</u>	<u>(1,297)</u>	<u>–</u>
(ix) Purchase of property, plant and equipment from Emperor Jewellery Manufacturing Limited, a fellow subsidiary (note e)	<u>–</u>	<u>–</u>	<u>346</u>
(x) Undertaking fee paid to other related companies (note f)	<u>993</u>	<u>–</u>	<u>–</u>

Notes:

- (a) Items (i), (iv), (vi) on purchase of inventories from Emperor Jewellery Manufacturing Limited and (vii) were charged at cost.
- (b) Items (ii), (iii), (v) on rental expenses paid to Emperor International Group, Emperor Entertainment Hotel Group and other related company, and (vi) on purchase of inventories from Harvest Victory Limited and Emperor International Group were calculated in accordance with the terms mutually agreed between the Group and the relevant parties.
- (c) The amounts represented rental expenses paid for a shop owned by a fellow subsidiary. Should this premises rented to outsider, the directors of the Company consider the estimated market rentals would have been HK\$4,020,000, HK\$4,080,000 and HK\$4,080,000 for the years ended 31 December 2005, 31 December 2006 and 31 December 2007 respectively.
- (d) Item (viii) was carried at prime rate.
- (e) Item (ix) was purchased at the net book value of the relevant assets.
- (f) Item (x) was charged at the average rate of 6% on purchase amounts of relevant products.

Emperor International Group, Emperor Entertainment Hotel Group, Emperor Entertainment Group, and other related companies are companies held indirectly under The Albert Yeung Discretionary Trust (the "Trust"). Dr. Albert Yeung, as founder of the Trust, was deemed to be the ultimate shareholder of these companies.

The directors represented that they consider the above transactions were carried out in the Group's ordinary and usual course of business.

Except for the rental expenses paid to Great Future Hong Kong Limited, certain sales of goods to directors and their close family members, purchase of property, plant and equipment from Emperor Jewellery Manufacturing Limited, and undertaking fee paid to other related companies, the directors represented that they consider the above transactions were conducted on normal commercial terms.

The compensation to the directors and key management personnel of the Company are disclosed in note 11.

In addition to the above, a fellow subsidiary has acted as a sales agent of the Group and collected the relevant sales monies from customers on its behalf at free of charge during the Relevant Periods.

The banking facilities granted to a subsidiary of the Company were secured by certain properties held by fellow subsidiaries of the Company, and corporate guarantees given by a fellow subsidiary and a related company (as explained above) amounting to HK\$131,500,000, HK\$129,050,000 and HK\$11,000,000 as at 31 December 2005, 31 December 2006 and 31 December 2007 respectively.

In addition, the banking facilities granted to a subsidiary of the Company were under:

- (i) joint and several personal guarantee given by a deemed ultimate shareholder and shareholders of the immediate holding company of the Group amounting to HK\$105,500,000, HK\$79,000,000 and HK\$79,000,000 as at 31 December 2005, 31 December 2006 and 31 December 2007 respectively; and
- (ii) personal guarantee given by a deemed ultimate shareholder of the Group amounting to HK\$11,000,000, HK\$37,500,000 and HK\$37,500,000 as at 31 December 2005, 31 December 2006 and 31 December 2007 respectively.

The corporate guarantees given by a fellow subsidiary and a related company, joint and several personal guarantee given by a deemed ultimate shareholder and shareholders of the immediate holding company of the Group, and personal guarantee given by a deemed ultimate shareholder of the Group will be fully released upon the Listing.

II. HOLDING COMPANIES

In the opinion of the directors of the Company, the Company's ultimate holding company and immediate holding company are Diamond Palace Limited and Allmighty Group Limited respectively throughout the Relevant Periods. Both are private limited companies incorporated in the British Virgin Islands. The directors of the Company consider that The Albert Yeung Discretionary Trust has indirect controlling shareholding in Diamond Palace Limited before and after the Group Reorganisation.

III. SUBSEQUENT EVENTS

On 13 March 2008, the Company was incorporated with an authorised share capital of HK\$10,000 divided into 1,000,000 Shares of HK\$0.01 each. One share was issued to the subscriber on 18 March 2008. Pursuant to the written resolutions of the Company's Shareholder passed on 19 June 2008, 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. Details of the Company's share capital are set out in Appendix V "Statutory and General Information – Changes in the share capital of the Company" to the Prospectus.

On 19 June 2008, 9,999,999 Shares of HK\$0.01 each were issued to the Company's immediate holding company pursuant to the corporate reorganisation as set out in Appendix V "Statutory and General Information – Corporate Reorganisation" to the Prospectus.

On 28 April 2008, an interim dividend of HK\$730,000 per share in respect of the year ending 31 December 2008 amounting to HK\$73,000,000 was declared to the shareholders of Emperor Watch and Jewellery (HK) Company Limited. Such amount was paid on 15 May 2008.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of any of the companies in the Group have been prepared in respect of any period subsequent to 31 December 2007.

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this appendix does not form part of the Accountants' Report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company as set out in Appendix I to the prospectus, and is included herein for information only.

The unaudited pro forma financial information set out below should be read in conjunction with the section headed "Financial Information" of the prospectus and the Accountants' Report on the Company set out in Appendix I to the prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets of the Group is prepared based on the audited combined net tangible assets of the Group as at 31 December 2007, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and adjusted as described below.

The unaudited pro forma adjusted net tangible assets has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, is set out here to illustrate the effect of the Share Offer on the net tangible assets of the Group as at 31 December 2007 as if it had taken place on 31 December 2007. This unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group.

	Audited combined net tangible assets attributable to equity holders of the Company as at 31 December 2007 <i>HK\$'000</i> <i>(Note a)</i>	Add: Estimated net proceeds from Share Offer <i>HK\$'000</i> <i>(Note b)</i>	Unaudited pro forma adjusted net tangible assets <i>HK\$'000</i> <i>(Note d)</i>	Unaudited pro forma adjusted net tangible assets per Share <i>HK\$</i> <i>(Note c)</i>
Based on an Offer Price per Share of HK\$0.30	<u>361,217</u>	<u>377,294</u>	<u>738,511</u>	<u>0.16</u>
Based on an Offer Price per Share of HK\$0.43	<u>361,217</u>	<u>547,529</u>	<u>908,746</u>	<u>0.20</u>

Notes:

- (a) Audited combined net tangible assets attributable to equity holders of the Company as at 31 December 2007 is based on the net assets extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (b) The estimated net proceeds from the Share Offer are based on the offer price of HK\$0.30 and HK\$0.43 per Share, after deduction of the underwriting fees and other related expenses payable by the Company.
- (c) The number of shares used for the calculation of unaudited pro forma adjusted net tangible assets per Share is based on 4,500,000,000 shares in issue immediately after the Share Offer.
- (d) The unaudited pro forma adjusted net tangible assets has not been adjusted for the following events:
 - (i) The outstanding balance of amount due to the immediate holding company as at the date immediate before the listing of the shares of the Company on the Stock Exchange of Hong Kong Limited (the "Listing"), as confirmed by the Directors, will be fully capitalised upon the issue of 3,140,000,000 shares of the Company before the Listing. The directors represented that as at 24 June 2008, the amount due to the immediate holding company is approximately HK\$757,600,000.
 - (ii) On 28 April 2008, an interim dividend of HK\$730,000 per share in respect of the year ending 31 December 2008 amounting to HK\$73,000,000 was declared to the shareholders of Emperor Watch and Jewellery (HK) Company Limited before the Group Reorganisation. Such amount was paid on 15 May 2008.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is the text of a report prepared for the purpose of incorporation in this prospectus, received from the auditors and reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong in respect of the unaudited pro forma adjusted net tangible assets for the purpose of incorporation in this prospectus:

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS' OF EMPEROR WATCH & JEWELLERY LIMITED

We report on the unaudited pro forma financial information of Emperor Watch & Jewellery Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the placing of 1,215,000,000 shares and public offering of 135,000,000 shares of HK0.01 each in the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus dated 30 June 2008 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out on page II-1 to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the

adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2007 or any future date.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 June 2008

The texts of a letter, summary of values and valuation certificate, prepare for the purpose of incorporation in this prospectus, received from Savills Valuation and Professional Services Limited an independent valuer, in connection with their valuations of our property interests as at 31 May 2008 are set out below.



Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

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savills.com

30 June 2008

The Directors
Emperor Watch & Jewellery Limited
25th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

RE: VALUATION OF VARIOUS PROPERTY INTERESTS IN HONG KONG AND MACAU

In accordance with your instructions for us to value the various property interests held by Emperor Watch & Jewellery Limited (referred to as the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) located in Hong Kong and Macau, we confirm that we have carried out inspections, made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of these property interests as at 31 May 2008 for the purpose of incorporation in prospectus of the Company dated 30 June 2008.

Our valuation of each of the property interests is our opinion of its market value which we would define as intended to mean “the estimated amount for which a Property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property interest is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Our valuation is prepared in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors and in compliance with the requirements of Chapter 5 of Listing Rules published by the Stock Exchange of Hong Kong Limited.

In valuing the property interests in Groups I and II, which are rented by the Group in Hong Kong and Macau respectively under tenancy/licence agreements, we are of the opinion that they have no commercial values mainly due to the short term nature of the property interests, the prohibition against assignment or sub-letting in the tenancy/licence agreements or otherwise, due to the lack of substantial profit rent.

We have been provided with copies of relevant tenancy/licence agreements in respect of the property interests in Groups I and II. We have not, however, inspected the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies provided to us.

We have relied to a very considerable extent on information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised by the Group that no material facts have been omitted from the information provided.

We have inspected the exterior of the properties valued and, where possible, we have also inspected the interior of the premises. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free from rot, infestation or any other structural defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

We enclose herewith our summary of values and valuation certificate.

Yours faithfully

For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan

MSc FRICS FHKIS MCI Arb RPS (GP)

Managing Director

Note: Mr Charles C K Chan, Chartered Estate Surveyor, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer since June 1987 and has about 23 years experience in the valuation of properties in Hong Kong and has about 18 years experience in the valuation of properties in Macau.

SUMMARY OF VALUES**Group I – Property interests rented by the Group in Hong Kong
for self-occupation**

	Capital value in existing state as at 31 May 2008
1. Shop No. 20B on Basement and Ground Floor, Pacific House, 20, 20A and 20B Queen's Road Central, Central, Hong Kong	No commercial value
2. Front Shop on Ground Floor and Basement, Commercial House, 35 Queen's Road Central, Central, Hong Kong	No commercial value
3. Shops A, D2 and E2 on Ground Floor, Harilela Mansion, 81 Nathan Road, Tsim Sha Tsui, Kowloon	No commercial value
4. Shop B on Ground Floor, Harilela Mansion, 81 Nathan Road, Tsim Sha Tsui, Kowloon	No commercial value
5. Shop Nos. 6 and 8 on Ground Floor, "4, 6 and 8 Canton Road", 4 Canton Road, Tsim Sha Tsui, Kowloon	No commercial value
6. Shop No. 1 on Ground Floor, Oterprise Square, 26 Nathan Road, Tsim Sha Tsui, Kowloon	No commercial value

	Capital value in existing state as at 31 May 2008
7. Shop No. 3 on Ground Floor, Oterprise Square, 26 Nathan Road, Tsim Sha Tsui, Kowloon	No commercial value
8. Shop Unit G03 on Ground Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	No commercial value
9. Shop Units G04 and G05 on Ground Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	No commercial value
10. Shops B1 and B3 on Ground Floor, Lai Yuen Apartments, 29, 31 and 33 Lee Garden Road, 78, 80 and 82 Percival Street, 59 Russell Street, Causeway Bay, Hong Kong	No commercial value
11. Shop Q on Ground Floor (including Mezzanine Floor), Hong Kong Mansion, 2-10 Great George Street, Causeway Bay, Hong Kong	No commercial value
12. Shops 1 and 2 on Ground Floor together with a right to use an Outdoor Advertising Sign Board erected on 5th Floor, “No. 8 Russell Street”, 8 Russell Street, Causeway Bay, Hong Kong	No commercial value

	Capital value in existing state as at 31 May 2008
13. Ground Floor (Shop A including the yard) and First Floor (Office A), Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong	No commercial value
14. Office Units 2501-05 on 25th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	No commercial value
15. Office Unit 1803 on 18th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	No commercial value
16. Storeroom on Ground Floor, “4, 6 and 8 Canton Road”, 4 Canton Road, Tsim Sha Tsui, Kowloon	No commercial value
17. Portion of the whole of 1st Floor, “4, 6 and 8 Canton Road”, 4 Canton Road, Tsim Sha Tsui, Kowloon	No commercial value
18. Flat A on 3rd Floor, “4, 6 and 8 Canton Road”, 4 Canton Road, Tsim Sha Tsui, Kowloon	No commercial value
19. Portion of 12th Floor, The Ulferts Centre, 4 Kin Fat Lane, Tuen Mun, New Territories	No commercial value

	Capital value in existing state as at 31 May 2008
20. Projected Signage at 3rd Floor, Tenement A, “4, 6 and 8 Canton Road”, 4 Canton Road, Tsim Sha Tsui, Kowloon	No commercial value
21. Projected Signage Space at the external wall of 3rd Floor and 4th Floor and roof, Tenement A, “4, 6 and 8 Canton Road”, 4 Canton Road, Tsim Sha Tsui, Kowloon	No commercial value
22. Signboard space erected on the external wall of 1st Floor, Harilela Mansion, 81 Nathan Road, Tsim Sha Tsui, Kowloon	No commercial value
Sub-Total	<hr/> No commercial value

**Group II – Property interest rented by the Group in Macau
for self-occupation**

	Capital value in existing state as at 31 May 2008
23. Shops 1-4 on Ground Floor, Grand Emperor Hotel, 288 Avenida Comercial De Macau, Macau	No commercial value
24. Shop 5 on Ground Floor, Grand Emperor Hotel, 288 Avenida Comercial De Macau, Macau	No commercial value
Sub-Total	<hr/> No commercial value <hr/>
Grand Total:	<hr/> No commercial value <hr/> <hr/>

VALUATION CERTIFICATE

Group I – Property interests rented by the Group in Hong Kong for self-occupation

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
1. Shop No. 20B on Basement and Ground Floor, Pacific House, 20, 20A and 20B Queen's Road Central, Central, Hong Kong	Pacific House is a 15-storey commercial building including 1-storey basement completed in about 1964. The property comprises a Ground Floor shop and a Basement with a total gross area of approximately 331.85 sq m (3,572 sq ft).	The property is occupied by the Group as a retail shop.	No commercial value
	By a tenancy agreement dated 23 June 2008 made between Tsai Hing Company Limited, an independent third party, as the landlord, and Charter Loyal Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 16 May 2008 and expiring on 15 May 2010 at a monthly rent of HK\$1,500,000 inclusive of Government rent but exclusive of management fee, rates, air-conditioning charge and all other outgoings with an option to renew for two years at market rent.		

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
2. Front Shop on Ground Floor and Basement, Commercial House, 35 Queen's Road Central, Central, Hong Kong	<p>Commercial House is a 13-storey commercial building including 1-storey basement completed in about 1957.</p> <p>The property comprises a Ground Floor shop and a Basement of the building with a total saleable area of approximately 269.14 sq m (2,897 sq ft).</p> <p>By a tenancy agreement dated 23 May 2008 ("Head Tenancy Agreement") made between Fook Lee Estates Limited, an independent third party, as the landlord, and Sheraton Valuers Limited, an independent third party, as the tenant, the property is leased to the tenant from 1 June 2008 and expiring on 31 May 2010.</p> <p>By a sub-tenancy agreement dated 31 May 2008 made between Sheraton Valuers Limited, an independent third party, as the landlord, and Zeal Team Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 June 2008 and expiring on 31 May 2014 at a monthly rent of HK\$1,900,000 for the 1st and 2nd years, HK\$2,280,000 for the 3rd and 4th years and HK\$2,500,000 for the 5th and 6th years inclusive of Government rent but exclusive of rates, management charges and air-conditioning charges with an option to renew for two years at a monthly rent of HK\$1,900,000 or market rent whichever is higher.</p>	The property is occupied by the Group as a retail shop.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
3. Shops A, D2 and E2 on Ground Floor, Harilela Mansion, 81 Nathan Road, Tsim Sha Tsui, Kowloon	<p>Harilela Mansion is a 19-storey composite building including 1-storey basement completed in about 1965.</p> <p>The property comprises 3 shop units on the Ground Floor of the building with a total lettable area of approximately 225.29 sq m (2,425 sq ft).</p> <p>By a tenancy agreement dated 20 March 2008 made between Great Future Hong Kong Limited, a related company of the Group, as the landlord, and Beauty Royal Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 April 2008 and expiring on 31 March 2011 at a monthly rent of HK\$482,000 inclusive of Government rent but exclusive of management fee and rates with an option to renew for three years at market rent.</p>	The property is occupied by the Group as a retail shop.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
4. Shop B on Ground Floor, Harilela Mansion, 81 Nathan Road, Tsim Sha Tsui, Kowloon	<p>Harilela Mansion is a 19-storey composite building including 1-storey basement completed in about 1965.</p> <p>The property comprises a shop unit on the Ground Floor of the building with a lettable area of approximately 75.72 sq m (815 sq ft).</p> <p>By a tenancy agreement dated 26 July 2007 made between Asia Shoes & Luggage Company Limited, an independent third party, as the landlord, and Trillion Winner Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 16 August 2007 and expiring on 15 August 2010 at a monthly rent of HK\$300,000 inclusive of Government rent but exclusive of management fee and rates.</p>	The property is occupied by the Group as a retail shop.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
5. Shop Nos. 6 and 8 on Ground Floor, "4, 6 and 8 Canton Road", 4 Canton Road, Tsim Sha Tsui, Kowloon	<p>"4, 6 and 8 Canton Road" is a 5-storey tenement building completed in about 1969.</p> <p>The property comprises 2 shop units on the Ground Floor of the building with a total saleable area of approximately 112.60 sq m (1,212 sq ft).</p> <p>By a tenancy agreement dated 29 June 2005 made between Snowland Limited, an independent third party, as the landlord, and Perfect Perform Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 August 2005 and expiring on 31 July 2008 at a monthly rent of HK\$540,000 inclusive of Government rent but exclusive of management fee and rates with an option to renew for two years at market rent or at monthly rent of HK\$648,000 whichever is higher.</p>	The property is occupied by the Group as a retail shop.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
6. Shop No. 1 on Ground Floor, Oterprise Square, 26 Nathan Road, Tsim Sha Tsui, Kowloon	<p>Oterprise Square is a 26-storey commercial building including 1-storey basement completed in about 1998.</p> <p>The property comprises a shop unit on the Ground Floor of the building with a gross area of approximately 91.32 sq m (983 sq ft) together with the right for erection of a signboard on the canopy.</p> <p>By a tenancy agreement dated 18 October 2006 made between Vast Earn Property Corp., an independent third party, as the landlord, and Glory Wish Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 December 2006 and expiring on 30 November 2009 at a monthly rent of HK\$310,000 inclusive of Government rent but exclusive of rates, air-conditioning and management charges with an option to renew for two years at market rent.</p>	The property is occupied by the Group as a retail shop.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
7. Shop No. 3 on Ground Floor, Oterprise Square, 26 Nathan Road, Tsim Sha Tsui, Kowloon	<p>Oterprise Square is a 26-storey commercial building including 1-storey basement completed in about 1998.</p> <p>The property comprises a shop unit on the Ground Floor of the building with a gross area of approximately 490.43 sq m (5,279 sq ft) and the right for erection of a signboard on the canopy.</p> <p>By a tenancy agreement dated 27 April 2006 made between Vast Earn Property Corp., an independent third party, as the landlord, and Glory Wish Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 11 April 2006 and expiring on 30 November 2009 at a monthly rent of HK\$540,000 inclusive of Government rent but exclusive of rates, air-conditioning and management charges with an option to renew for two years at market rent.</p>	The property is occupied by the Group as a retail shop.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
8. Shop Unit G03 on Ground Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	<p>Emperor Group Centre is a 29-storey commercial building including 2-storey basement completed in about 1994.</p> <p>The property comprises a shop unit on the Ground Floor of the building with a gross area of approximately 146.41 sq m (1,576 sq ft).</p> <p>By a tenancy agreement dated 24 July 2007 made between Very Sound Investments Limited, a related company of the Group, as the landlord, and Beauty Royal Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 September 2007 and expiring on 31 March 2010 at a monthly rent of HK\$118,000 inclusive of Government rent but exclusive of rates, management and air-conditioning charges.</p>	The property is occupied by the Group as a retail shop.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
9. Shop Units G04 and G05 on Ground Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	<p>Emperor Group Centre is a 29-storey commercial building including 2-storey basement completed in about 1994.</p> <p>The property comprises 2 shop units on the Ground Floor of the building with a total gross area of approximately 300.82 sq m (3,238 sq ft).</p> <p>By a tenancy agreement dated 22 June 2007 made between Very Sound Investments Limited, a related company of the Group, as the landlord, and Beauty Royal Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 April 2007 and expiring on 31 March 2010 at a monthly rent of HK\$220,000 inclusive of Government rent but exclusive of rates, management and air-conditioning charges.</p>	The property is occupied by the Group as a retail shop.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
10. Shops B1 and B3 on Ground Floor, Lai Yuen Apartments, 29, 31 and 33 Lee Garden Road, 78, 80 and 82 Percival Street, 59 Russell Street, Causeway Bay, Hong Kong	<p>Lai Yuen Apartments is a 14-storey composite building completed in about 1964.</p> <p>The property comprises 2 shop units on the Ground Floor of the building with a total gross area of approximately 79.43 sq m (855 sq ft).</p> <p>By a tenancy agreement dated 5 January 2007 made between Po Lun Investment Company Limited, an independent third party, as the landlord, and Beauty Royal Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 January 2007 and expiring on 30 September 2008 at a monthly rent of HK\$660,000 inclusive of Government rent but exclusive of rates, management fee and air-conditioning charge.</p>	<p>The property is occupied by the Group as a retail shop.</p>	<p>No commercial value</p>

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
11. Shop Q on Ground Floor (including Mezzanine Floor), Hong Kong Mansion, 2-10 Great George Street, Causeway Bay, Hong Kong	<p>Hong Kong Mansion is a 26-storey composite building including 1-storey basement and 1-storey mezzanine floor completed in about 1965.</p> <p>The property comprises a shop unit on the Ground Floor and Mezzanine Floor of the building with a total gross area of approximately 91.32 sq m (983 sq ft).</p> <p>By a tenancy agreement dated 29 June 2006 made between Forever Crown Limited, a related company of the Group, as the landlord, and Beauty Royal Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 16 July 2006 and expiring on 15 July 2009 at a monthly rent of HK\$400,000 for the 1st year, HK\$410,000 for the 2nd year and HK\$420,000 for the 3rd year inclusive of Government rent but exclusive of rates, management fees and all other outgoings.</p>	The property is occupied by the Group as a retail shop.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
12. Shops 1 and 2 on Ground Floor together with a right to use an outdoor advertising sign board erected on 5th Floor, "No. 8 Russell Street", 8 Russell Street, Causeway Bay, Hong Kong	<p>"No. 8 Russell Street" is a 27-storey commercial building completed in 2001.</p> <p>The property comprises 2 shop units on the Ground Floor of the building with a total gross area of approximately 312.80 sq m (3,367 sq ft) together with a right to use an outdoor advertising sign board erected on the external wall of the 5th Floor.</p> <p>By a tenancy agreement dated 24 July 2007 made between Planwing Limited, a related company of the Group, as the landlord, and Beauty Royal Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 September 2007 and expiring on 31 August 2010 at a monthly rent of HK\$1,050,000 inclusive of Government rent but exclusive of rates, management fees and air-conditioning charge with an option to renew for three years at market rent.</p>	The property is occupied by the Group as a retail shop.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
13. Ground Floor (Shop A including the yard) and First Floor (Office A), Tak Fat Building, 50-52 Russell Street, Causeway Bay, Hong Kong	<p>Tak Fat Building is a 12-storey composite building completed in about 1983.</p> <p>The property comprises a shop unit on the Ground Floor and an office unit on the First Floor of the building with a total saleable area of approximately 124.63 sq m (1,342 sq ft) plus a yard area of approximately 18.82 sq m (203 sq ft).</p> <p>By a tenancy agreement dated 16 May 2008 made between Richorse Limited, a related company of the Group, as the landlord, and Beauty Royal Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 July 2008 and expiring on 30 June 2011 at a monthly rent of HK\$700,000 for the 1st and 2nd years and HK\$750,000 for the 3rd year inclusive of Government rent but exclusive of rates, management fees and all other outgoing charges with an option to renew for three years at market rent.</p>	The Ground Floor and the First Floor of the property are occupied by the Group as a retail shop and an office respectively.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
14. Office Units 2501-05 on 25th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	<p>Emperor Group Centre is a 29-storey commercial building including 2-storey basement completed in about 1994.</p> <p>The property comprises a portion of 25th Floor of the building with a gross area of approximately 704.94 sq m (7,588 sq ft).</p> <p>By a tenancy agreement dated 16 May 2008 made between Very Sound Investments Limited, a related company of the Group, as the landlord, and Beauty Royal Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 April 2008 and expiring on 31 March 2010 at a monthly rent of HK\$189,700 inclusive of Government rent but exclusive of rates, management fees and all other outgoings.</p>	The property is occupied by the Group as an office.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
15. Office Unit 1803 on 18th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	<p>Emperor Group Centre is a 29-storey commercial building including 2-storey basement completed in about 1994.</p> <p>The property comprises an office unit on the 18th Floor of the building with a gross area of approximately 64.29 sq m (692 sq ft).</p> <p>By a tenancy agreement dated 16 May 2008 made between Headwise Investment Limited, a related company of the Group, as the landlord, and Beauty Royal Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 April 2008 and expiring on 31 March 2010 at a monthly rent of HK\$14,532 inclusive of Government rent but exclusive of rates, management fees and all other outgoings.</p>	The property is occupied by the Group as an office.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
16. Storeroom on Ground Floor, "4, 6 and 8 Canton Road", 4 Canton Road, Tsim Sha Tsui, Kowloon	<p>"4, 6 and 8 Canton Road" is a 5-storey tenement building completed in about 1969.</p> <p>The property comprises a storeroom on the Ground Floor of the building with a gross area of approximately 8.36 sq m (90 sq ft).</p> <p>By a tenancy agreement dated 13 May 2008 made between Yuen Cheong International Company Limited, an independent third party, as the landlord, and Moral Step Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 May 2008 and expiring on 15 June 2010 at a monthly rent of HK\$8,000 inclusive of rates and Government rent but exclusive of management fees and all other outgoings with an option to renew for three years at a monthly rent of HK\$9,600.</p>	The property is occupied by the Group as a storeroom.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
17. Portion of the whole of 1st Floor "4, 6 and 8 Canton Road", 4 Canton Road, Tsim Sha Tsui, Kowloon	<p>"4, 6 and 8 Canton Road" is a 5-storey tenement building completed in about 1969.</p> <p>The property comprises a portion of the 1st Floor of the building with a gross area of approximately 201.04 sq m (2,164 sq ft) and the right for erection of a signboard at the external wall.</p> <p>By a tenancy agreement dated 15 June 2007 made between Yuen Cheong International Company Limited, an independent third party, as the landlord, and Moral Step Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 16 June 2007 and expiring on 15 June 2010 at a monthly rent of HK\$200,000 inclusive of Government rent but exclusive of rates and management fee with an option to renew for three years at a monthly rent of HK\$240,000.</p>	The property is occupied by the Group as a training centre.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
18. Flat A on 3rd Floor, "4, 6 and 8 Canton Road", 4 Canton Road, Tsim Sha Tsui, Kowloon	<p>"4, 6 and 8 Canton Road" is a 5-storey tenement building completed in about 1969.</p> <p>The property comprises an unit on the 3rd Floor of the building with a gross area of approximately 83.61 sq m (900 sq ft).</p> <p>By a tenancy agreement dated 17 October 2005 made between Glory Yield Development Limited, an independent third party, as the landlord, and Perfect Perform Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 November 2005 and expiring on 31 July 2008 at a monthly rent of HK\$8,000 inclusive of Government rent, rates and management fee with an option to renew for two years at a monthly rent of HK\$9,600.</p>	The property is occupied by the Group mainly for staff pantry use.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
19. Portion of 12th Floor, The Ulferts Centre, 4 Kin Fat Lane, Tuen Mun, New Territories	<p>The Ulferts Centre is a 14-storey industrial building with ancillary car parking spaces on the Ground Floor completed in 1980.</p> <p>The property comprises a portion of the 12th Floor of the building with a gross area of approximately 78.97 sq m (850 sq ft).</p> <p>By a tenancy agreement dated 16 May 2008 made between Golden Pegasus Investment Limited, a related company of the Group, as the landlord, and Beauty Royal Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 April 2008 and expiring on 31 March 2011 at a monthly rent of HK\$3,400 inclusive of Government rent, rates and management fees.</p>	The property is occupied by the Group as a godown.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
20. Projected Signage at 3rd Floor, Tenement A, "4, 6 and 8 Canton Road", 4 Canton Road, Tsim Sha Tsui, Kowloon	<p>"4, 6 and 8 Canton Road" is a 5-storey tenement building completed in about 1969.</p> <p>The property comprises a projected signage at the 3rd Floor of the building.</p> <p>By a licence agreement dated 6 September 2005 made between Glory Yield Development Limited, an independent third party, as the licensor, and Perfect Perform Limited, in which the Company has a 100% interest, as the licensee, the property is licenced to the Group for a term from 15 September 2005 and expiring on 31 July 2008 at a licence fee of HK\$12,000 for the period from 15 September 2005 to 28 February 2007 and HK\$14,000 for the period from 1 March 2007 to 31 July 2008 inclusive of Government rent, rates and management fee but exclusive of electricity charges with an option to renew for two years at a licence fee of HK\$16,800.</p>	The property is occupied by the Group for advertising use.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
21. Projected Signage Space at the external wall of 3rd Floor and 4th Floor and roof, Tenement A, "4, 6 and 8 Canton Road", 4 Canton Road, Tsim Sha Tsui, Kowloon	<p>"4, 6 and 8 Canton Road" is a 5-storey tenement building completed in about 1969.</p> <p>The property comprises a projected signage space at the external wall of the 3rd Floor and 4th Floor and the roof.</p> <p>By a licence agreement dated 10 October 2006 made between Glory Yield Development Limited and Ms Cheng Choi Hung, independent third parties, as the licensor, and Perfect Perform Limited, in which the Company has a 100% interest, as the licensee, the property is licenced to the Group from 15 October 2006 and expiring on 31 July 2008 at a licence fee of HK\$20,000 inclusive of Government rent, rates, management fee and electricity charge.</p>	The property is occupied by the Group for advertising use.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
22. Signboard space erected on the external wall of 1st Floor, Harilela Mansion, 81 Nathan Road, Tsim Sha Tsui, Kowloon	<p>Harilela Mansion is a 19-storey composite building including 1-storey basement completed in about 1965.</p> <p>The property comprises a signboard space erected on the external wall of the 1st Floor of the building.</p> <p>By a tenancy agreement dated 13 August 2007 made between Fawsons Company Limited, an independent third party, as the landlord, and Trillion Winner Limited, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 16 August 2007 and expiring on 15 August 2010 at a monthly rent of HK\$28,000 inclusive of rates, management fee and Government rent.</p>	The property is occupied by the Group for advertising use.	No commercial value

Group II – Property interests rented by the Group in Macau for self-occupation

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
23. Shops 1-4 on Ground Floor, Grand Emperor Hotel, 288 Avenida Comercial De Macau, Macau	<p>Grand Emperor Hotel is a 22-storey, casino/hotel development including a mezzanine floor and a 3-storey basements completed in about 1998. It was converted into a hotel development in 2005.</p> <p>The property comprises 4 shop units on the Ground Floor of the building with a total gross area of approximately 407.93 sq m (4,391 sq ft).</p> <p>By a tenancy agreement dated 27 March 2006 made between Pacific Strong Bases (Holding) Company Limited, a related company of the Group, as the landlord, and EWJ Macau, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 April 2006 and expiring on 31 March 2009 at a monthly rent of HK\$197,595 for the 1st year, HK\$208,572 for the 2nd year and HK\$219,550 for the 3rd year, inclusive of Government rent but exclusive of management fee and service charges.</p>	The property is occupied by the Group as a retail shop.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 31 May 2008
24. Shop 5 on Ground Floor, Grand Emperor Hotel, 288 Avenida Comercial De Macau, Macau	<p>Grand Emperor Hotel is a 22-storey casino/hotel development including a mezzanine floor and a 3-storey basements completed in about 1998. It was converted into a hotel development in 2005.</p> <p>The property comprises a shop unit on the Ground Floor of the building with a gross area of approximately 144.93 sq m (1,560 sq ft).</p> <p>By a tenancy agreement dated 2 June 2008 made between Pacific Strong Bases (Holding) Company Limited, a related company to the Group, as the landlord, and EWJ Macau, in which the Company has a 100% interest, as the tenant, the property is leased to the Group from 1 July 2008 and expiring on 30 June 2011 at a monthly rent of HK\$109,200 inclusive of Government rent but exclusive of management fee and service charges.</p>	The property is occupied by the Group as a retail shop.	No commercial value

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY

The existing Articles of Association of the Company were adopted and became effective on 19 June 2008. The following is a summary of certain provisions of the Articles of Association. A copy of the Articles of Association is available for inspection at the address specified in the section headed “Documents Available for Inspection” in Appendix VI to this prospectus.

1. ALTERATION OF CAPITAL

The Company may, from time to time, by ordinary resolution increase its authorised share capital by the creation of new shares of such amount as may be deemed expedient.

The Company may, from time to time, by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- (b) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (c) by sub-division of its existing shares or any of them, divide its share capital or any part thereof into shares of smaller amount than is fixed by its Memorandum of Association, and the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have such preferred or other special rights, or may have such qualified or deferred rights or be subject to such restrictions, as compared with the others, as the Company has power to attach to new shares;

subject nevertheless to the provisions of the Companies Ordinance and every other ordinance for the time being in force concerning companies and affecting the Company (together, the “Statutes”).

Subject to the provisions of the Statutes and the Articles of Association, the Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any other undistributable reserve in any way.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY

2. VARIATION OF RIGHTS

Whenever the capital of the Company is divided into different classes of shares, all or any of the special rights or privileges attached to any class may be varied or abrogated, either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class, or with the sanction of special resolution passed at a separate general meeting of the holders of that class (but not otherwise), and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. In every such separate general meeting all the provisions of the Articles of Association relating to general meetings of the Company or to the proceedings thereat shall apply, mutatis mutandis, to every such separate general meeting, except that the necessary quorum at any such meeting (other than an adjourned meeting) shall be two or more persons holding or representing by proxy not less than one-third in nominal amount of the issued shares of that class and that at an adjourned meeting one person holding shares of the class present in person or by proxy shall be a quorum, that every holder of shares of the class shall be entitled on a poll to one vote for every share of the class held by him, and that any holder of shares of the class present in person or by proxy may demand a poll.

3. VOTES OF MEMBER

Subject to the provisions of the Articles of Association and any special rights or restrictions as to voting for the time being attached to any shares of the Company, at a general meeting every member who is present in person or by proxy (or in the case of a shareholder being a corporation, by its duly authorised representative) is entitled, on a show of hands, to one vote only and on a poll, to one vote for every share of which he is the holder.

Where any member is, under the rules prescribed by the Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

A member of the Company, being a recognised clearing house (within the meaning of the SFO) or its nominee, may authorise any number of person or persons as it thinks fit to act as its proxy (or proxies) or representative (or representatives) at any general meeting of the Company or at any separate meeting of any class of members of the Company provided that, if more than one person is so authorised, the instrument of proxy or authorisation must specify the number and class of shares in respect of which such person is so authorised. The person so authorised will be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) as if such person was the registered holder of the shares of the Company held by that recognized clearing house (or its nominee), including the right to vote individually on a show of hands or on a poll and to demand or concur in demanding a poll.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY

4. METHOD OF VOTING AND DEMAND FOR POLL

- (1) Subject to the rules prescribed by the Stock Exchange from time to time, at every general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless (before or upon the declaration of the result of the show of hands) a poll be demanded by:
 - (a) the chairman of the meeting; or
 - (b) at least three members present in person or by proxy having the right to vote on the resolution; or
 - (c) a member or members present in person or by proxy representing in aggregate not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or
 - (d) a member or members present in person or by proxy holding shares conferring the right to attend and vote at the meeting on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or
 - (e) if required by the rules prescribed by the Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting;and a demand for a poll by a person as proxy for a member shall be as valid as if the demand were made by the member himself.
- (2) A demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the chairman of the meeting and the demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.
- (3) Unless a poll be so demanded (and the demand is not withdrawn), a declaration by the chairman of the meeting that a resolution has been carried, or has been carried by a particular majority, or lost, or not carried by a particular majority, shall be conclusive, and an entry to that effect in the books of proceedings of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.
- (4) The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY

5. DIRECTORS

Unless otherwise determined by an ordinary resolution of the members of the Company, the number of Directors (other than alternate Directors) shall be not less than two and there shall be no maximum number of Directors. A Director need not be a member of the Company.

Subject to the Articles of Association, the Company may by ordinary resolution appoint any person to be a Director, either to fill a casual vacancy or as an additional Director. The Board may appoint one or more Directors to hold any executive office under the Company for such period (subject to the Statutes and the applicable rules prescribed by the Stock Exchange from time to time) and on such terms as it may decide and may revoke or terminate any appointment so made without prejudice to any claim for damages for breach of any contract of service between the Director and the Company.

Without prejudice to the power of the Company in general meeting in accordance with any of the provisions of the Articles of Association to appoint any person to be a Director, the Board may, at any time, and from time to time, appoint any person to be a Director, either to fill a casual vacancy or by way of addition to their number. Any Director so appointed by the Board (except that the person appointed to fill a casual vacancy shall hold office only until the next general meeting) shall hold office only until the next following annual meeting of the Company, and shall then be eligible for re-election.

Subject to the other provisions of the Articles of Association, at the annual general meeting in each year, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but greater than one-third) shall retire from office. Subject to the provisions of the Statutes and of the Articles of Association and until otherwise determined by the Company by ordinary resolution, the Directors to retire in every year shall be the Directors who have been longest in office since their last election or appointment. As between Directors of equal seniority, the Directors to retire shall be selected from among them by lot. Every director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

A retiring Director shall (unless he is removed from office or his office is vacated in accordance with the Articles of Association) retain office until the close of the meeting at which he retires or (if earlier) when a resolution is passed at that meeting not to fill the vacancy or to appoint another person in his place or the resolution to re-elect him is put to the meeting and lost. A retiring Director shall be eligible for reappointment. Subject to the provision of the Articles of Association, if the Company, at any meeting at which a Director retires in accordance with the Articles of Association by rotation or otherwise, does not fill the office vacated by such Director, the retiring Director, if willing to act, shall be deemed to be re-appointed, unless at the meeting a resolution is passed not to fill the vacancy or to appoint another person in his place or unless the resolution to re-elect him is put to the meeting and lost. There are no provisions relating to retirement of Directors upon reaching any age limit.

No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the

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meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgement of such notices shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

The Company may by ordinary resolution remove any Director before his period of office has expired notwithstanding anything in the Articles of Association or in any agreement between him and the Company.

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and unless so fixed at any other number, two Directors shall be a quorum.

6. DIRECTORS' REMUNERATION AND PENSIONS

The Directors shall be entitled to be paid by the Company such remuneration as may be proposed by the Board and determined by the Company in general meeting.

The Directors shall also be paid out of the funds of the Company all their traveling, hotel and other expenses reasonably and properly incurred by them in and about the discharge of their duties, including their expenses of traveling to and from meetings of the Board, or committee meetings, or general meetings (subject always to the provisions of any agreement between the Company and any Director).

The Board may grant special remuneration to any Director who, being called upon, shall perform any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration (if any) as a Director, and may be made payable by a lump sum or by way of salary, commission, participation in profits or otherwise as the Board may decide.

7. DIRECTORS' INTERESTS

Subject to the Statutes, no Director or intending Director shall be disqualified by his office from entering into any contract with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company or as vendor, purchaser or otherwise, nor (subject to the interest of the Director being duly declared) shall any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so interested be liable to account to the Company for any benefit resulting from the contract by reason of such Director holding that office or of the fiduciary relationship established by his holding that office.

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A Director may hold any other office or place of profit with the Company (except that of the auditor) in conjunction with his office of Director for such period (subject to the Statutes) and upon such terms as the Board may decide and may be paid such extra remuneration for so doing (whether by way of salary, commission, participation in profits or otherwise) as the Board may decide, either in addition to or in lieu of any remuneration under any other provision of the Articles of Association.

Any Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

Any Director may continue to be or become a member or director of, or hold any other office or place of profit under, any other company in which the Company may be interested and no such Director shall be accountable for any dividend, remuneration, superannuating payment or other benefits received by him as a member or director of, or holder of any other office or place of profit under, any such other company. The Board may also cause any voting power conferred by the shares in any other company held or owned by the Company or any power of appointment to be exercised in such manner in all respects as it thinks fit (including the exercise of the voting power or power of appointment in favour of the appointment of the Directors or any of them as directors or officers of the other company or in favour of the payment of any benefit to the directors or officers of the other company) provided always that a Director who is also a director or a member of the senior management of any Controlling Shareholder(s) shall not hold any executive position in either: (i) the Company or its subsidiaries; or (ii) any Controlling Shareholder(s) or their respective subsidiaries which is engaged in the same or similar business as that of the Company save for any Director who has been appointed to the board of a subsidiary of any Controlling Shareholder(s) to represent the Company's minority interest in such subsidiary.

A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall, if his interest in such contract or proposed contract is material, declare the nature of his interest at a meeting of the Board at which the question of entering into the contract is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For this purpose, a general notice given to the Board by a Director to the effect that (a) he is a member of a specified company or firm and is to be regarded as interested in any other contract which may after the date of the notice be made with that company or firm, or (b) he is to be regarded as interested in any contract which may after the date of the notice be made with a specified person who is connected with him, shall be deemed to be a sufficient declaration of interest in relation to any such contract but no such notice shall be effective unless either it is given at a Board meeting or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

A Director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration

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concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more Directors to offices or places of profit with the Company or any other company in which the Company is interested, those proposals may be divided and a separate resolution may be put in relation to each Director and in that case each of the Directors concerned (if not otherwise debarred from voting under this Article) shall be entitled to vote (and be counted in the quorum) in respect of each resolution unless it concerns his own appointment or the termination of his own appointment.

A Director shall also not vote (or be counted in the quorum at a meeting) in relation to any resolution relating to any contract or arrangement or other proposal in which he has or any of his associates has a material interest and, if he purports to do so, his vote shall not be counted, but this prohibition shall not apply and a Director may vote (and be counted in the quorum) in respect of any resolution concerning any one or more of the following matters:

- (a) the giving of any security or indemnity either:–
 - (I) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (II) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (b) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (c) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
- (d) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
 - (I) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or

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- (II) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director, or his associates(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (e) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

Notwithstanding the above, any conflicted Director, meaning any Director who is also a director or member of the senior management of the Company's Controlling Shareholder(s) or their respective subsidiaries (other than the Group), shall abstain from participation in any Board meeting or part thereof when matters relating to the exercise of any options or rights of first refusal granted in favour of the Company or any other connected transactions pursuant to contractual arrangements with any Controlling Shareholder(s) are discussed, unless his attendance is requested by a majority of the independent non-executive Directors. Notwithstanding his attendance, he shall not vote or be counted towards the quorum in respect of such matters.

For the purposes of this Article, references to a contract include references to any proposed contract and to any transaction or arrangement whether or not constituting a contract, and "subsidiary" has the same meaning as defined in the Listing Rules.

8. BORROWING POWERS

The Board may exercise all the powers of the Company to borrow money, and to mortgage or charge the whole or any part of its undertaking, property and assets (both present and future) and uncalled capital, or any part thereof, and (subject, to the extent applicable, to the provisions of the Statutes) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

9. DIVIDENDS

Subject to the provisions of the Statutes, the Company may, from time to time, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profits, and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the Board.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide: (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purpose of this Article as paid up on the share; and (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

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The Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment.

The Board may, with the authority of an ordinary resolution of the Company, offer any holders of shares the right to elect to receive further shares, credited as fully paid, instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution (a “scrip dividend”) in accordance with the provisions of the Articles of Association. The Board shall not make a scrip dividend available unless the Company has sufficient unissued shares and undistributed profits or reserves to give effect to elections which could be made to receive that scrip dividend.

With the authority of an ordinary resolution of the Company and on the recommendation of the Board, payment of any dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid-up shares or debentures of any other company. Where any difficulty arises with the distribution, the Board may settle the difficulty as it thinks fit and, in particular, may issue fractional certificates (or ignore fractions), fix the value for distribution of the specific assets or any part of them, determine that cash payments be made to any members on the basis of the value so fixed in order to secure equality of distribution and vest any of the specific assets in trustees on such trusts for the persons entitled to the dividend as the Board may think fit.

The Board may deduct from any dividend or other moneys payable to any person (either alone or jointly with another) on or in respect of a share all such sums as may be due from him (either alone or jointly with another) to the Company on account of calls or otherwise in relation to shares of the Company.

All unclaimed dividends, interest or other sums payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend unclaimed after a period of six years from the date it became due for payment shall be forfeited and shall revert to the Company. The payment of any unclaimed dividend, interest or other sum payable by the Company on or in respect of any share into a separate account shall not constitute the Company a trustee in respect of it.

10. TRANSFER OF SHARES

Subject to the Statutes and the restrictions in the Articles of Association, a member may transfer all or any of his shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor and the transferee (provided that the Board may dispense with the signing of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so), and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect of the share. The machine imprinted signature on an instrument of transfer may be accepted by the Company for the purpose of such transfer subject to any terms which the Company may impose. Shares of different classes shall not be comprised in

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the same instrument of transfer. All instruments of transfer which shall be registered may be retained by the Company. Nothing in the Articles of Association shall preclude the Board from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

The Board may in its absolute discretion and without assigning any reason thereof refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien.

The Board may also refuse to register any transfer unless:

- (a) the instrument of transfer is in respect of only one class of shares;
- (b) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (c) subject to the Statutes, the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove the title of the intending transferor or his right to transfer the shares; and
- (d) the instrument of transfer is accompanied by payment of such fee, not exceeding the maximum amount prescribed by the Stock Exchange from time to time, as the Board may from time to time require.

If the Board refuses to register any share, it shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to the transferor and the transferee notice of the refusal.

11. PURCHASE OF OWN SHARES

Subject to the provisions of the Statutes and any rules prescribed by the Stock Exchange from time to time, the Company may purchase its own shares of any class in the capital of the Company, including any redeemable shares or warrants or other securities carrying a right to subscribe for or purchase shares of the Company issued by the Company and, should the Company acquire its own shares or warrants or other such securities, neither the Company nor the Board shall be required to select the shares or warrants to be acquired rateably or in any other particular manner as between the holders of shares or warrants of the same class or as between them and the holders of shares or warrants of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares or warrants. In the case of purchases of redeemable shares, purchases not made through the market or by tender shall be limited to a maximum price and if purchases are by tender, tenders shall be available to all shareholders holding redeemable shares of the Company alike.

FURTHER INFORMATION ABOUT THE COMPANY**1. Incorporation**

The Company was incorporated in Hong Kong under the Companies Ordinance as a limited liability company on 13 March 2008. The Company's registered office is at 25th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong. A summary of the Articles of Association of the Company is set out in Appendix IV to this prospectus.

2. Changes in the share capital of the Company

As at the date of incorporation of the Company, its initial authorised share capital was HK\$10,000 divided into 1,000,000 Shares with a par value of HK\$0.01 each.

Pursuant to the written resolutions of the Shareholders passed on 19 June 2008, 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, part of which were on that date issued and credited as fully paid in the manner described in paragraph below.

Immediately following the Share Offer and the Loan Capitalisation Issue, the authorised share capital of the Company will be HK\$1,000,000,000 divided into 100,000,000,000 Shares, of which 4,500,000,000 Shares will be issued fully paid or credited as fully paid, and 95,500,000,000 Shares will remain unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, the Company does not have any present intention to issue any of the authorised but unissued share capital.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the Company since its incorporation.

3. Written resolutions of the Shareholders passed on 19 June 2008

Pursuant to the resolutions in writing passed by all the shareholders of the Company on 19 June 2008:

- (a) the increase of the authorised share capital of the Company from HK\$10,000 to HK\$1,000,000,000 by the creation of additional 99,999,000,000 Shares of HK\$0.01 each in the capital of the Company was approved;
- (b) the allotment and issue of a total of 9,999,999 Shares to Allmighty Group to rank pari passu in all respects with the existing issued Shares pursuant to the Reorganisation was approved;
- (c) conditional on (i) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares which may be issued pursuant to the Loan Capitalisation Issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme) and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by Emperor Securities acting for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreements or otherwise,

in each case on or before such dates as may be specified in the Underwriting Agreement, the loan due from the Company to Allmighty Group in existence immediately before the allotment of the Offer Shares (being a loan in the sum of not less than HK\$700,000,000) be capitalised by way of allotment and issue of an aggregate of 3,140,000,000 Shares to Allmighty Group at an aggregate subscription price of an amount equals to the same amount due from the Company to Allmighty Group, and such loan be applied towards the satisfaction of the subscription price for such Shares and the Directors be authorised to give effect to such capitalisation;

- (d) conditional on (i) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares which may be issued pursuant to the Loan Capitalisation Issue or pursuant to the exercise of the any options which may be granted under the Share Option Scheme) and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by Emperor Securities acting for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreement:
- (i) the Share Offer was approved and the Directors were authorised to effect the same and to allot and issue the new Shares in the Share Offer; and
 - (ii) the rules of the Share Option Scheme (the principal terms of which are set out in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus) were approved and adopted and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with Shares issued pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;
- (e) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal in, otherwise than by way of rights issue or an issue of Shares upon the exercise of options which may be granted under the Share Option Scheme or under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or any other person of Shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the total nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Loan Capitalisation Issue (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; or
 - (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing such mandate;

- (f) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares with a total nominal value not exceeding 10% of the aggregate of the total nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Loan Capitalisation Issue (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; or
 - (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing such mandate;
- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above provided that such extended amount shall not exceed 10% of the total nominal value of the share capital of the Company in issue immediately following the completion of the Loan Capitalisation Issue and the Share Offer (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme); and
- (h) the Company approved and adopted the Articles.

4. Corporate Reorganisation

In preparation of the Share Offer, the Reorganisation was effected, as a result of which the Company became the holding company of the Group. The Reorganisation involved the following:

- (i) On 13 March 2008, the Company was incorporated in Hong Kong;
- (ii) On 12 December 2007, Plus Gain Enterprises Limited was incorporated in the British Virgin Islands, which company was acquired by the Group as a shelf company on 1 April 2008;
- (iii) On 30 January 2008, Wise Sunshine Enterprises Limited was incorporated in the British Virgin Islands, which company was acquired by the Group as a shelf company on 19 June 2008;
- (iv) On 28 January 2008, Winner Sea Enterprises Limited was incorporated in the British Virgin Islands, which company was acquired by the Group as a shelf company on 3 March 2008;

- (v) On 5 June 2008, Allmighty Group transferred 24.8% of the total capital in EWJ Macau to Winner Sea Enterprises Limited for the consideration of HK\$4,637,995.30 which was satisfied by a promissory note in the same amount issued by Multifold to Allmighty Group and in return, Winner Sea Enterprises Limited issued a promissory note in the same amount to Wise Sunshine Enterprises Limited which also in return issued a promissory note in the same amount to Multifold;
- (vi) On 28 April 2008, Multifold transferred the entire issued share capital in EWJ HK to Plus Gain Enterprises Limited for the consideration of HK\$10,142,000.00 which was satisfied by a promissory note in the same amount issued by Wise Sunshine Enterprises Limited to Multifold, and in return, Plus Gain Enterprises Limited issued a promissory note in the same amount to Wise Sunshine Enterprises Limited;
- (vii) On 12 June 2008, Multifold transferred the entire issued share capital in Moral Step Limited, Perfect Perform Limited, Beauty Royal Limited, Glory Wish Limited, Charter Loyal Limited, Trillion Winner Limited, Glad Fortune Limited and Full Gold Enterprises Limited to Plus Gain Enterprises Limited for the total considerations of HK\$12 which were settled by promissory notes in the total sum of HK\$12 issued by Wise Sunshine Enterprises Limited to Multifold, and in return, Plus Gain Enterprises Limited issued the promissory notes in the total sum of HK\$11 and US\$1 to Wise Sunshine Enterprises Limited;
- (viii) On 13 June 2008, Allmighty Group transferred the entire issued share capital in and the shareholder's loan owed by Treasure Bright Investments Limited to Wise Sunshine Enterprises Limited for the consideration of HK\$827,926,910 which was satisfied by a promissory note in the same amount issued by Multifold to Allmighty Group and in return, Wise Sunshine Enterprises Limited issued a promissory note in the same amount to Multifold;
- (ix) On 19 June 2008, Multifold transferred the entire issued share capital in and shareholder's loan due and owed by Wise Sunshine Enterprises Limited to the Company at the considerations of HK\$32,523,170 and HK\$757,562,305.31 respectively which were settled by the allotment and issue of 9,999,999 Shares issued by the Company to Allmighty Group and a promissory note in a sum equal to the face value of the loan issued by the Company to Allmighty Group respectively. In return, a promissory note equal to the consolidated net asset value of Wise Sunshine Enterprises Limited and the face value of the loan was issued by Allmighty Group to Multifold; and
- (x) On 25 June 2008, Luckdoor Investments Limited and Bansford Investments Limited completed the transfer of 13% and 15% of the entire issued share capital in Allmighty Group to Diamond Palace for considerations of HK\$38.56 million and HK\$44.49 million respectively pursuant to an agreement dated 17 March 2008 entered into between them.

5. Corporate structure and changes in the share capital of subsidiaries of the Company

(a) Beauty Royal Limited

On 10 February 1999, Beauty Royal Limited was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Upon its incorporation, 2 shares were allotted and issued as fully paid.

(b) *Charter Loyal Limited*

On 30 April 1999, Charter Loyal Limited was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Upon its incorporation, 2 shares were allotted and issued as fully paid.

(c) *EWJ HK*

On 31 July 1987, EWJ HK, formerly known as Continuous Gold Limited, was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Upon its incorporation, 2 shares were allotted and issued as fully paid. Subsequently, 98 shares were allotted and issued as fully paid on 9 October 1987. On 25 February 1999, the company was changed its name to Emperor Watch & Jewellery (HK) Company Limited.

(d) *EWJ Macau*

On 22 August 2005, EWJ Macau was incorporated in Macau with limited liability with a registered capital of MOP25,000. Upon its incorporation, the registered capital of MOP25,000 was fully paid.

(e) *Full Gold Enterprises Limited*

On 11 December 2007, Full Gold Enterprises Limited was incorporated in the British Virgin Islands with limited liability with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Upon its incorporation, 1 share was allotted and issued as fully paid.

(f) *Glad Fortune Limited*

On 9 November 2007, Glad Fortune Limited was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Upon its incorporation, 1 share was allotted and issued as fully paid.

(g) *Glory Wish Limited*

On 17 September 1999, Glory Wish Limited was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Upon its incorporation, 2 shares were allotted and issued as fully paid.

(h) *Moral Step Limited*

On 17 May 2007, Moral Step Limited was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Upon its incorporation, 1 share was allotted and issued as fully paid.

(i) *Perfect Perform Limited*

On 29 October 1999, Perfect Perform Limited was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Upon its incorporation, 2 shares were allotted and issued as fully paid.

(j) *Plus Gain Enterprises Limited*

On 12 December 2007, Plus Gain Enterprises Limited was incorporated in BVI with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Upon its incorporation, 1 share was allotted and issued as fully paid.

(k) *Treasure Bright Investments Limited*

On 25 August 2005, Treasure Bright Investments Limited was incorporated in BVI with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Upon its incorporation, 1 share was allotted and issued as fully paid. Subsequently, 344 shares were allotted and issued as fully paid during the period from 2 January 2006 to 11 October 2006.

(l) *Trillion Winner Limited*

On 1 February 2007, Trillion Winner Limited was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Upon its incorporation, 1 share was allotted and issued as fully paid.

(m) *Winner Sea Enterprises Limited*

On 28 January 2008, Winner Sea Enterprises Limited was incorporated in BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Upon its incorporation, 1 share was allotted and issued as fully paid.

(n) *Wise Sunshine Enterprises Limited*

On 30 January 2008, Wise Sunshine Enterprises Limited was incorporated in BVI with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Upon its incorporation, 1 share was allotted and issued as fully paid.

(o) *Zeal Team Limited*

On 22 February 2008, Zeal Team Limited was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Upon its incorporation, 1 share was allotted and issued as fully paid.

6. Repurchase by the Company of its own securities

This section includes information relating to the repurchase of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant legal and regulatory requirements

The Listing Rules permit Shareholders to grant the Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange.

(b) Shareholder's approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of a general mandate or by the specific approval of a particular transaction.

On 19 June 2008, the Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Share Offer and the Loan Capitalisation Issue (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose. The mandate will expire at the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association and any other applicable laws to be held, or (iii) such mandate being revoked, varied or renewed by ordinary resolutions of the Shareholders in a general meeting.

(c) Source of funds

The repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association and the applicable laws and regulations of Hong Kong and any other laws and regulations applicable to the Company. The Company may not repurchase Shares on the Stock Exchange for consideration other than cash or for the settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(d) Trading restrictions

The Company may repurchase up to 10% of the issued share capital immediately after the allotment of the Offer Shares and the Loan Capitalisation Issue (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme). The Company may not issue or announce a proposed new issue of the Shares for a period of 30 days immediately following a repurchase of Shares (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the Company to issue securities which were outstanding prior to such repurchase)

without the prior approval of the Stock Exchange. The Company is also prohibited from repurchasing the Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by the Company to effect a repurchase of the Shares is required to disclose to the Stock Exchange any information with respect to a Share repurchase as the Stock Exchange may require.

(e) Status of repurchased securities

All repurchased securities (whether on the Stock Exchange or otherwise) will be automatically cancelled and the certificates for those securities must be cancelled and destroyed.

(f) Suspension of repurchase

Securities repurchases are prohibited after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In addition, the Stock Exchange reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(g) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, the company's annual report and accounts are required to disclose details regarding repurchases of securities made during the financial year under review, showing the number of securities repurchased each month and the purchase price per Share or the highest and lowest price paid for all such repurchases (where relevant), and the aggregate prices paid for such repurchases.

(h) Connected persons

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or any of their associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to the Company on the Stock Exchange.

(i) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and its Shareholders to have a general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Repurchases will only be made where the Directors believe that such repurchases will benefit the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or earnings per Share.

(j) *General*

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum of Association and the Articles of Association of the Company and any other applicable laws and regulations of Hong Kong.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate is exercised in full. However, the Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing positions which in the opinion of the Directors are from time to time appropriate for the Company.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the Company's voting rights increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase in the Shareholders' interests, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to the Company.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell his Shares to the Company, or has undertaken not to do so, if the repurchase mandate is exercised.

7. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (1) a deed dated 19 March 2008 entered into between EWJ HK and Dr. Yeung, pursuant to which the parties confirmed the undertaking arrangements entered into between them in 2003, details of which are set out under the paragraph "Undertaking by Controlling Shareholder" under the section "Connected Transactions" of this prospectus;

- (2) a sale and purchase agreement dated 28 April 2008 entered into between Multifold, Plus Gain Enterprises Limited and Wise Sunshine Enterprises Limited, pursuant to which Multifold agreed to sell the entire issued share capital in EWJ HK to Plus Gain Enterprises Limited at a consideration of HK\$10,142,000.00;
- (3) a share transfer agreement dated 5 June 2008 entered into between Allmighty Group, Winner Sea Enterprises Limited and Treasure Bright Investments Limited, pursuant to which Allmighty Group agreed to sell 24.8% of the total capital in EWJ Macau to Winner Sea Enterprises Limited at a consideration of HK\$4,637,995.30;
- (4) a sale and purchase agreement dated 12 June 2008 entered between Multifold, Plus Gain Enterprises Limited and Wise Sunshine Enterprises Limited, pursuant to which Multifold agreed to sell the entire issued share capital in Moral Step Limited, Perfect Perform Limited, Beauty Royal Limited, Glory Wish Limited, Charter Loyal Limited, Trillion Winner Limited, Glad Fortune Limited and Full Gold Enterprises Limited to Plus Gain Enterprises Limited at total consideration of HK\$11 and US\$1;
- (5) a sale and purchase agreement dated 13 June 2008 entered between Allmighty Group, Wise Sunshine Enterprises Limited and Multifold, pursuant to which Allmighty Group agreed to sell the entire issued share capital in and the shareholder's loan owed by Treasure Bright Investments Limited to Wise Sunshine Enterprises Limited at a total consideration of HK\$827,926,910;
- (6) a deed of reorganization dated 19 June 2008 entered into between Allmighty Group, Multifold, the Indemnifiers and the Company, pursuant to which Multifold agreed to sell the entire issued share capital in Wise Sunshine Enterprises Limited and the shareholder's loan owed by Wise Sunshine Enterprises Limited to the Company at the considerations of HK\$32,523,170 and HK\$757,562,305.31 respectively to be satisfied by the allotment and issue of 9,999,999 Shares and a promissory note in the sum of HK\$757,562,305.31 in favour of Allmighty Group, details of which are set out under the paragraph "4. Corporate Reorganisation" in this appendix;
- (7) the Deed of Assignment;
- (8) the PRC License Agreement;
- (9) the Franchise License Agreement;
- (10) a deed of indemnity and undertaking dated 27 June 2008 entered into between the Company and the Indemnifiers under which the Indemnifiers agreed to give certain indemnities and undertakings in favour of the Company (for itself and as trustee for and on behalf of its subsidiaries and associated companies) subject to and upon the terms and conditions set out therein;

- (11) the Non-competition Deed;
- (12) a deed of taxation indemnity dated 27 June 2008 entered into between the Indemnifiers and the Company, pursuant to which the Indemnifiers agreed to give certain tax and estate duty indemnities in favour of the Company (for itself and as trustee for and on behalf of its subsidiaries) subject to and in accordance with the terms and conditions set out therein; and
- (13) the Underwriting Agreement.

8. Intellectual property rights of the Group

(a) Trademarks

Pursuant to the Deed of Assignment entered into on 23 June 2008, EWJ Management and Emperor Management agreed to transfer their registered trademarks and/or trademarks under application, including “英皇”, “EMPEROR”, “英皇鐘錶珠寶” and the crown logo, in the PRC, Hong Kong, Taiwan, Macau, Malaysia and Singapore to Full Gold.

Trademarks in the PRC

Among the PRC Trademarks and Logo, three of them are under application by Emperor Management in the PRC while the remaining five of them are registered in the name of EWJ Management in the PRC.

According to Company’s PRC legal adviser, Unitalen Attorneys at Law, Full Gold will effectively own the PRC Trademarks and Logo only after the assignment applications are approved by the Trademark Office. The registration of assignment in the PRC is expected to take approximately a year.

In respect of the PRC Trademarks and Logo which are still under application, Emperor Management does not have any exclusive right to use these trademarks until the applications have been approved by the Trademark Office, thus it is legal for Full Gold to use these trademarks during the period of application. According to the Company’s PRC legal adviser, the registration of these trademarks under application, which is expected to complete in approximately three years, may be subject to opposition or rejection. By the time of the registration, the PRC Trademarks and Logo currently under application will be registered directly in the name of Full Gold.

Since the Group is only granting license to EWJ Management to use the PRC Trademarks and Logo for its Franchising Business, any failure to register those registered trademarks and/or those trademarks under application in the PRC is not expected to give rise to any material impact on the operation and financial position of the Group.

In respect of the PRC Trademarks and Logo which are duly registered in the PRC in the name of EWJ Management, notwithstanding the execution of the Deed of Assignment, Full Gold is not entitled to use these registered trademarks before the assignment applications are approved by the Trademark Office. Therefore, EWJ Management entered into the PRC License Agreement with Full Gold pursuant to which Full Gold has been granted a license for the use of the registered PRC Trademarks and Logo until it has effectively become the registered owner of the trademarks.

Full Gold also entered into the Franchise License Agreement with EWJ Management on 23 June 2008 pursuant to which Full Gold shall, upon becoming the registered owner of any of the PRC Trademarks and Logo, license the use of that PRC Trademarks and Logo to EWJ Management. The Franchise License Agreement will expire upon the expiry or termination of all franchising agreements on or around end of June 2009.

Trademarks in Hong Kong

Among the Emperor Trademarks and Logo, four trademarks are duly registered in Hong Kong and five trademarks are in the course of application. The registration of those trademarks under application is expected to complete within approximately nine months from the date of application. As advised by the Company's Hong Kong legal adviser, under the current registration procedures in Hong Kong, the trademarks under applications are subject to opposition by other interested parties in the public, which may be raised during the publication period. After execution of the Deed of Assignment, Full Gold is entitled to use those Emperor Trademarks and Logo in Hong Kong. An application for registration of the assignment of the Emperor Trademarks and Logo in Hong Kong was filed with the Registrar of Trademarks on 24 June 2008 and the registration of assignment was completed on the same date.

Trademarks in Macau

Two of the Emperor Trademarks and Logo are duly registered in Macau. According to the Company's Macau legal adviser, the legal ownership of these two trademarks was transferred to Full Gold upon execution of the Deed of Assignment on 23 June 2008. The Group has proceeded to apply for the registration of the assignment. The registration of assignment is expected to complete within approximately three months if the application is complete and in order. In addition, as advised by the Company's Macau legal adviser, there is no impediment to the re-registration of the trademarks in Macau, and should the Group fail to complete the registration, the trademarks will remain registered under the name of the assignor, being the party entitled to the protection thereunder.

Further details regarding the Group's intellectual property rights are set out in the sub-section headed "Intellectual property rights" in the section headed "Business".

Details of the registered trademarks which have been assigned to Full Gold are as follows:

Trademark	Name of Assignor	Territory	Registration number	Registration Date	Class (Note 1)
	EWJ Management	PRC	940324	7 February 1997	14
	EWJ Management	Taiwan	00869675	1 May 2001	14
	EWJ Management	Taiwan	00144014	16 July 2001	35
	EWJ Management	Hong Kong	199703804	2 April 1997	14
	EWJ Management	Hong Kong	199705967	29 May 1997	35
英皇	EWJ Management	Hong Kong	199606838	24 July 1996	35
英皇	EWJ Management	PRC	924354	7 January 1997	14
英皇	EWJ Management	Taiwan	00845709	1 May 1999	14
英皇	EWJ Management	Taiwan	00143472	1 July 2001	35
英皇	EWJ Management	Macau	N/018731	5 January 2006	35
Emperor	EWJ Management	Hong Kong	199606475	17 July 1996	35
Emperor	EWJ Management	PRC	940325	7 February 1997	14
Emperor	EWJ Management	PRC	3876707	28 August 2006	35
Emperor	EWJ Management	Taiwan	00845710	1 May 1999	14
 英皇鐘錶珠寶	EWJ Management	PRC	1160070	21 March 1998	14
 英皇	EWJ Management	Malaysia	98005380	5 November 2007	14
 英皇	EWJ Management	Malaysia	98005369	16 November 2007	35
 英皇 Emperor	EWJ Management	Singapore	T98/07959D	15 January 1999	35
 英皇 Emperor	EWJ Management	Macau	N/012239	8 January 2004	42

Details of the trademarks under application which have been assigned to Full Gold are as follows:

Trademark	Name of Assignor	Territory	Application number	Application Date	Class (Note 1)
	EWJ Management	Hong Kong	300959185	21 September 2007	16
	EWJ Management	Hong Kong	301006325	4 December 2007	14
	EWJ Management	Hong Kong	301006325	4 December 2007	35
	Emperor Management	PRC	6299242	27 September 2007	16
英皇	EWJ Management	Hong Kong	300959194	21 September 2007	16
Emperor	EWJ Management	Hong Kong	300959176	21 September 2007	16
 Emperor 英皇	Emperor Management	PRC	6299239	27 September 2007	14
 Emperor 英皇	Emperor Management	PRC	6299240	27 September 2007	16

Note 1:

Class	Specification of Goods/Services in Hong Kong
14	precious metals & their alloys and goods in precious metals or coated therewith, not included in other classes, jewellery, precious stones; horological and chronometric instruments (for registration no. 199703804) precious metals & their alloys and goods in precious metals or coated therewith, not included in other classes, jewellery, precious stones; (for application no. 301006325)
16	paper, cardboard and goods made from these materials, not included in other classes; printed matter; books, magazines, booklets; adhesives for stationery or household purpose; instructional and teaching material (except apparatus); stationery, writing paper, envelopes, notebooks, diaries, address books, note cards, greeting cards, trading cards, lithographs; pens, pencils, cases therefor, erasers, crayons, markers, coloured pencils, painting sets, chalk and chalkboards; printers' type; printing blocks; typewriters and office requisites (except furniture); posters; photographs; book covers, book marks, calendars, gift wrapping paper; plastic materials for packaging (not included in other classes) paper party decorations, paper napkins, paper doilies, paper place mats, crepe papers, invitations, paper table cloths, paper cake decorations; printed transfers for embroidery or fabric appliques printed patterns for costumes;
35	retail and wholesale services in respect of watches, precious metal and their alloys and goods in precious metals or coated therewith, precious stones, diamond and gold jewellery;

Class	Specification of Goods/Services in the PRC
14	<p>precious metals and their alloys (for registration no. 940325)</p> <p>precious metals and their alloys, and goods coated with precious metals; chronometric and horological instruments; watches (for registration no. 940324)</p> <p>precious metals and their alloys; goods coated with precious metals; jewellery and precious stones; chronometric and horological instruments; watches (for registration no. 924354)</p> <p>precious metals and their alloys; goods in precious metals; goods coated with gold; jewellery and precious stones; chronometric instruments; watches; clocks (for registration no. 1160070)</p> <p>unwrought or semi-wrought precious metals, alloys of precious metals, jewellery boxes, precious stones, bracelets (jewellery), accessories (jewellery), brooches (jewellery), chains (jewellery), ornaments (jewellery), pearls (jewellery), rings (jewellery), jade jewellery products, earrings, pins (jewellery), tie-clips (tie-pin), clocks, watches, watchbands, clockworks, chronographs (watches), chronometers, chronoscopes, electric clocks and watches, watch cases, clock cases, movements for clocks and watches, cases for watches (presentation), watch bags (cover) (for application no. 6299239)</p>
16	<p>paper; printing paper (including uncoated paper, newsletters, paper for printing of books and periodicals, bond paper and paper for offset and letter press printing); flocking paper; copying paper (stationery); tissue paper; signboards made of paper or cardboard; white linerboard; albums; loose-leaf binders; pamphlets; tear-off calendar; cards; paper (stationery); catalogues; envelopes (stationery); printed matter; calendars; pamphlets (handbook); plans; posters; periodicals; printed publications; manuals; painting; lithographic works of art; pictures; propaganda posters; book bindings; boxes made of cardboard or paper; conical paper bags; packing paper; bags for packing made of paper or plastics (envelopes, pouches); both wrappers made of cardboard or paper; stapler; document files; stationery; ink; printers (office requisites); writing instrument; stationery tape; drawing instruments; drawing boards; typewriter (electric or non-electric); printing blocks; teaching materials (except apparatus)</p>
35	<p>advertising strategy</p>
Class	Specification of Goods/Services in the Taiwan
14	<p>precious metals and their alloys; jewellery and precious stones (for registration no. 00869675)</p> <p>precious metals and their alloys, jewellery, precious stones, watches and their parts, chronometric instruments and astronomical/marine chronometer (for registration nos. 00845709 and 00845710)</p>
35	<p>department stores; retail services in respect of watches and jewellery</p>
Class	Specification of Goods/Services in the Malaysia
14	<p>precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery; precious stones, horological and chronometric instruments (an application for the amendment to the specification of goods by deleting “horological and chronometric instruments” has been filed.)</p>
35	<p>retail services for the sale of watches & jewellery</p>
Class	Specification of Goods/Services in the Singapore
35	<p>retailing of watches and jewellery</p>
Class	Specification of Goods/Services in the Macau
35, 42	<p>wholesales and retail services in respect of watches, precious metals and their alloys, goods in precious metals or coated therewith, precious stones, diamonds, and gold jewellery</p>

(b) *Domain names*

As at the Latest Practicable Date, the Group was the registered proprietor of the domain www.emperorwatchjewellery.com, which was registered on 10 April 2003 and will expire on 10 April 2013.

FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

9. Disclosure of Interests*(a) Particulars of service contracts*

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the date on which the Shares of the Company are listed on the Stock Exchange and is renewable automatically for successive terms of one year each commencing from the date next after the expiry of the then current term. Each party has the right to give not less than three months' written notice to terminate the service contract. The director's fee payable to each executive Director is HK\$100,000 per year. In addition to the service contract as referred to above, Ms. Cindy Yeung and Mr. Chan Hung Ming also entered into employment contracts with the Company pursuant to which Ms. Cindy Yeung and Mr. Chan Hung Ming are entitled to a basic salary of HK\$200,000 and HK\$40,500 per month respectively and with commission, benefit-in-kind, allowance and/or discretionary bonus which will be determined by the Board from time to time with reference to the performance of the Group. The employment contract of Ms. Yeung and Mr. Chan can be terminated by either party by serving on the other party not less than three months and one month prior notice in writing or by paying three months and one month basic salary in lieu of notice respectively.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of two years commencing from the date on which the Shares of the Company are listed on the Stock Exchange and shall continue thereafter from year to year until terminated by either party with notice in writing served on the other side. The director's fee payable to each independent non-executive Director is HK\$150,000 per year.

(b) Remuneration of Directors

Remuneration and benefits-in-kind (including performance related incentive payment) of approximately HK\$1,957,000 in aggregate were paid and granted by the Group to Ms. Cindy Yeung and Mr. Chan Hung Ming in respect of the financial year ended 31 December 2007.

Under the arrangements currently in force, only Ms. Cindy Yeung and Mr. Chan Hung Ming, the executive Directors will be entitled to receive remuneration in the form of salaries, allowance, commissions, discretionary bonus and/or benefits-in-kind. Other Directors will receive only annual director's fees. For the year ending 31 December 2008, the aggregate remuneration payable to all Directors is expected to be approximately HK\$2.7 million (excluding discretionary bonus, if any).

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the financial year ended 31 December 2007 by the Company and its subsidiaries to the Directors.

(c) Personal guarantees

EWJ HK, in its normal course of business, borrowed funds from various banks for financing the Group's operation and personal guarantees were given by Dr. Yeung himself or

together with Ms. Teresa Yeung and/or Mr. Ricky Yeung in favour of them for facilities granted to the extent of HK\$116.5 million as at 30 April 2008 and to the extent of HK\$476.5 million subsequent to 30 April 2008 and up to the Latest Practicable Date. These bankers include The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia, Limited and Chong Hing Bank Limited and they had confirmed on 11 June 2008, 13 June 2008 and 7 May 2008 in writing to release the guarantees mentioned above on the date immediately before the Listing Date provided that certain conditions contained therein are satisfied, in particular, corporate guarantee shall be given by the Company to replace the said personal guarantees.

(d) Interests and short positions of the Directors in the share capital of the Company and its associated corporations following the completion of the Share Offer

Immediately following completion of the Share Offer and the Loan Capitalisation Issue, without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein once the Shares are listed, or which will be required to be notified to the Company and the Stock Exchange once the Shares are listed pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules will be as follows:

Long positions in Shares

Name of Director	Capacity/Nature of Interest	Total no. of Shares	Approximate percentage of interest in the Company
Cindy Yeung	Beneficiary of a trust	3,150,000,000	70%

Note: Ms. Cindy Yeung is deemed to be interested in 3,150,000,000 Shares held by Allmightly Group which is indirectly owned by the AY Discretionary Trust by virtue of being one of the eligible beneficiaries of the AY Discretionary Trust. Apart from the interest in the shareholding of the Company, the AY Discretionary Trust also indirectly holds 55.76% of the shareholding of EIHL (which indirectly holds 43.43% of the shareholding of EEH), 78.65% of the shareholding of Emperor Entertainment Group Limited, 75% of the shareholding of New Media and 45.09% of the shareholding of Emperor Capital Group Limited, each of which is listed on the Stock Exchange.

(e) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following the allotment of the Offer Shares and the Loan Capitalisation Issue, without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and any Shares which may be taken up under the Share Offer, in addition to the interests disclosed under paragraph (a) above, so far as the Directors were aware, as of the Latest Practicable Date, the following

persons were (other than members of the Group) expected to have interests and/or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and/or are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name of interested party	Capacity/Nature of Interest	Total no. of Shares	Approximate percentage of interest in the Company
Allmighty Group	Legal/Beneficial owner	3,150,000,000	70%
Diamond Palace	Interest in controlled corporation (<i>Note 1</i>)	3,150,000,000	70%
Jumbo Gold	Trustee (<i>Note 1</i>)	3,150,000,000	70%
GZ Trust Corporation	Trustee (<i>Note 2</i>)	3,150,000,000	70%
Dr. Yeung	Settlor of a discretionary trust (<i>Note 2</i>)	3,150,000,000	70%
Ms. Luk Siu Man, Semon	Interest of spouse (<i>Note 3</i>)	3,150,000,000	70%

Notes:

- The entire issued share capital of Allmighty Group is held by Diamond Palace, which in turn is wholly-owned by Jumbo Gold acting as a trustee of the Albert Yeung Unit Trust, a unit trust under the AY Discretionary Trust. GZ Trust Corporation is the trustee of AY Discretionary Trust and is holding all units of the Albert Yeung Unit Trust save for one which is held by Dr. Yeung.
- GZ Trust Corporation and Dr. Yeung are the trustee and settlor of the AY Discretionary Trust respectively. By virtue of the SFO, each of GZ Trust Corporation and Dr. Yeung is deemed to be interested in the 3,150,000,000 Shares held by Allmighty Group.
- Ms. Luk Siu Man, Semon is deemed to be interested in the 3,150,000,000 Shares held by Allmighty Group by virtue of the interest held by her spouse, Dr. Yeung.

(f) Related party transactions

Save as disclosed in this prospectus and in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, the Company had not engaged in any other material connected transactions or related party transactions.

(g) Disclaimers

Save as disclosed in this prospectus:

- the Directors were not aware of any person (not being a Director or chief executive of the Company) who would, immediately after completion of the Share Offer and the Loan Capitalisation Issue taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and any Shares which may be taken up under the Share Offer, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who would, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group;

- (ii) none of the Directors nor chief executive of the Company had any interest or short position in any of the shares, underlying shares or debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;
- (iii) none of the Directors nor any of the parties listed in the section headed “Consents of experts” of this Appendix was interested in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this prospectus, acquired by or disposed of or leased to the Company or any of its subsidiaries, or were proposed to be acquired by or disposed of or leased to the Company or any of its subsidiaries;
- (iv) none of the Directors nor any of the parties listed in the section headed “Consents of experts” of this Appendix was materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant in relation to the Company’s business;
- (v) none of the parties listed in the section headed “Consents of experts” of this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (vi) none of the Directors nor their associates nor any Shareholder which to the knowledge of the Directors held more than 5% of the total issued Shares as at the Latest Practicable Date had any interest in any of the five largest customers or the five largest suppliers of the Group;
- (vii) none of the Directors had entered into or was proposing to enter into a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

10. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme approved by the resolution of the Shareholders passed on 19 June 2008:

(a) Purpose

The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented Participants (as defined in paragraph (c) below) to strive for future developments and expansion of the Group. The Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Company attained through their efforts and contributions.

(b) *Conditions*

The Share Option Scheme is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting approval (whether subject to conditions or not) of the Share Option Scheme and any right to subscribe for Shares pursuant to the Share Option Scheme (“Options”) which may be granted thereunder, and the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the Options; and
- (ii) the obligations of the Underwriters under the Underwriting Agreement referred to in the paragraph headed “Underwriting Arrangements and Expenses” in the section titled “Underwriting” becoming unconditional (including, if relevant, as a result of the waiver of any such conditions) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise.

(c) *Scope of Participants and eligibility of Participants*

The Board may, at its discretion, invite:

- (i) any executive or non-executive director including any independent non-executive director or any employee (whether full-time or part-time) of any member of the Group;
- (ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of the Group;
- (iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to the Group;
- (iv) any provider of goods and/or services to the Group; or
- (v) any other person who the Board considers, in its sole discretion, has contributed to the Group to take up Options.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(d) *Acceptance of offer*

Offer of an Option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the Option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

(e) *Subscription price*

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Option is granted, (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 Business Days immediately preceding the date on which an Option is granted; and (iii) the nominal value of a Share.

(f) *Maximum number of Shares available for subscription*

- (i) Subject to (iv) below, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of the Shares in issue as at the date of completion of the Share Offer and the Loan Capitalisation Issue, unless the Company obtains an approval from its shareholders pursuant to (ii) below.
- (ii) Subject to (iv) below, the Company may seek approval from its shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of the Shares in issue as at the date of approval to refresh such limit.
- (iii) Subject to (iv) below, the Company may seek separate approval from its shareholders in general meeting for granting Options to specified Participants beyond the 10% limit provided that the Options granted in excess of such limit are specially approved by the Shareholders in general meeting and the Participants are specifically identified by the Company before such approval is sought. In such case, the Company shall send a circular to its shareholders containing the information required under the Listing Rules.
- (iv) Notwithstanding any other provisions of the Share Option Scheme, the maximum number of Shares in respect of which Options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time. No Options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such limit being exceeded.

(g) *Conditions, restrictions or limitations on offers of Options*

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer of the Option, there are neither any performance targets that need to be achieved by the grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board may when making the offer of Options impose any conditions, restrictions or limitations in relation to the Option as it may at its absolute discretion think fit.

(h) *Maximum entitlement of Shares of each Participant*

- (i) Subject to paragraph (ii) below, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- (ii) Notwithstanding (i) above, any further grant of Options to a Participant in excess of the 1% limit shall be subject to approval by the Shareholders in general meeting with such Participant and his or her associates abstaining from voting. The number and the terms of the Options to be granted to such Participant shall be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date for grant for the purpose of calculating the subscription price.

(i) *Grant of Options to connected persons*

- (i) Any grant of Options to a Participant who is a director, chief executive or substantial shareholder (as defined under the Listing Rules) of the Company or their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the Participant).
- (ii) Where the Board proposes to grant any Option to a Participant who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates, and such Option which if exercised in full, would result in such Participant becomes entitled to subscribe for such number of Shares, when aggregated with the total number of Shares already issued and issuable to him or her pursuant to all Options granted and to be granted (including Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:
 - (1) representing in aggregate more than 0.1% of the relevant class of securities of the Company in issue on the date of such grant; and
 - (2) having an aggregate value, based on the closing price of the Shares as at the date of such grant, in excess of HK\$5,000,000,

such proposed grant of Options must be approved by the Shareholders in general meeting. In such a case, the Company shall send a circular to its shareholders containing all those terms as required under the Listing Rules. The Participant concerned and all connected persons of the Company must abstain from voting at such general meeting (except where any connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

(j) Exercise of Options

An Option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an Option was granted, at any time during the option period after the Option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

(k) Transferability of Options

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Option.

(l) If a grantee ceased to be a Participant by reason other than death or misconduct

If the grantee ceases to be a Participant for any reason other than on the grantee's death or the termination of the grantee's employment or directorship on one or more of the grounds specified in paragraph (n) below, the grantee may exercise the Option up to his entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of 9 months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the relevant company in the Group whether salary is paid in lieu of notice or not, or the last date of appointment as director of the relevant company in the Group, as the case may be, failing which it will lapse.

(m) On the death of a grantee

If the grantee dies before exercising the Option in full and none of the events which would be a ground for termination of the grantee's employment or directorship under paragraph (n) below arises, the personal representative(s) of the grantee shall be entitled to exercise the Option up to the entitlement of such grantee at the date of death (to the extent which has become exercisable and not already exercised) within a period of 12 months or such longer period as the Board may determine from the date of death, failing which it will lapse.

(n) Termination of employment of a grantee by reason of misconduct

An Option shall lapse automatically (to the extent not already exercised) on the date on which the grantee ceased to be a Participant by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of misconduct, or appears either to be unable to pay or have no reasonable prospect to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty.

(o) Voluntary winding-up of the Company

In the event a notice is given by the Company to its shareholders to convene a Shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees. Each grantee (or his or her legal representative(s)) may by notice in writing to the Company (such notice to be received by the Company not later than 4 Business Days prior to the proposed general meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and, in any event, no later than the day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of shares to the grantee which falls to be issued on such exercise. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(p) General offer by way of take-over

If a general offer by way of take-over is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) with the terms of the offer having been approved by the holders of not less than nine-tenths in value of the Shares comprised in the offer within four months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining Shares, the grantee (or where appropriate, his or her legal personal representatives) shall be entitled to exercise the Options in full (to the extent not already exercised) even though the option period has not come into effect during the occurrence of the general offer within 21 days after the date of such notice by the offeror. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(q) Rights on a compromise or arrangement

If a compromise or arrangement between the Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the grantee on the same date as it despatches the notice which is sent to each shareholder or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the Court provided that the relevant Options are not subject to a term or condition precedent to them being exercisable which has not been fulfilled, exercise any of his or her Options whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme.

(r) *Rank pari passu*

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu with the fully paid Shares in issue as from the date of allotment and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof is before the date of allotment.

(s) *Alteration in capital structure*

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, open offer, consolidation, sub-division, or reduction of share capital of the Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange, excluding any alteration in the capital structure of the Company as a result of an issue of Shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising any employee, consultant or adviser to the Company or any employee, consultant or adviser to the Group or in the event of any distribution of the Company's legal assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to its shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised;
or
- (ii) the subscription price

or any combination thereof, as an independent financial adviser or the auditors of the Company shall certify in writing, either generally or as regards any particular grantee, to have, in their opinion, fairly and reasonably satisfied the requirement that any such adjustment shall be in compliance with the relevant provisions of the Listing Rules or such other guidelines or the supplemental guidance as may be issued by the Stock Exchange from time to time, but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

(t) *Duration of the Share Option Scheme*

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(u) Cancellation of Options granted

The Board may at any time at its absolute discretion cancel any Option previously granted to, but not exercised by the grantee. Where the Company cancels Options and offers Options to the same grantee, the offer of the grant of such new Options may only be made with available Options to the extent not yet granted (excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph (f) above. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date on which the Option is cancelled by the Board as provided above.

(v) Termination of the Share Option Scheme

The Company may by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme in relation to any outstanding Options shall remain in full force and effect.

(w) Alteration of provisions of the Share Option Scheme

The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that provisions relating to matters set out in Rule 17.03 of the Listing Rules cannot be altered to extend the class of person eligible for the grant of Options or to the advantage of the Participants without the prior approval of the Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by the Stock Exchange and the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms and conditions of the Share Option Scheme must still comply with the relevant requirements of Chapter 17 of the Listing Rules. Any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(x) Restrictions on the time of grant of Options

No offer shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the Listing Rules, in particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish announcement for its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no Option may be granted.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. On the assumption that 4,500,000,000 Shares are in issued on the date of commencement of dealings in the Shares on the Stock Exchange, the application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Shares on the Stock Exchange includes the 450,000,000 Shares which may be issued upon the exercise of the Options which may be granted under the Share Option Scheme.

OTHER INFORMATION**11. Estate duty and tax indemnity**

Each of the Indemnifier(s) has, pursuant to a deed of indemnity referred to in the paragraph headed “Summary of material contracts” under the section headed “Further information about the business” in this Appendix, given indemnities in favour of the Group in connection with, among other things, any taxation which might be payable by any member of the Group in respect of any, incomes, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional.

Each of the Indemnifier(s) has, also pursuant to the deed of indemnity referred to above, given indemnities in favour of the Group in connection with, among other things, any estate duty which is or becomes payable by any member of the Group by virtue of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) by reason of the death of any person and by reason of the assets of the Group or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his death by reason of that person making or having made a relevant transfer to the Group or any member of the Group at any time prior to 11 February 2006 (i.e. being the date on which The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect).

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation where:

- (a) provision or allowance has been made for such taxation in the audited combined accounts of the Group for the 3 years ended 31 December 2007 (the “Accounts”);
- (b) the claim in respect of taxation arises or is incurred as a result of the imposition of taxation as a consequence of a retrospective change in law or an increase in tax rates coming into force after the effective date of the deed of indemnity;
- (c) the taxation falling on any member of the Group in respect of its current accounting periods or any accounting period commencing on or after 1 January 2008 unless liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of the member of the Group with the prior written consent or agreement or acquiescence of the Indemnifiers other than any such act, omission or transaction:
 - (1) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 December 2007 or
 - (2) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 December 2007 or pursuant to any statement of intention made in the Prospectus; and
- (d) provision or reserve made for such taxation in the Accounts is established to be an over-provision or an excessive reserve.

12. Litigation

On 3 November 2006, EWJ HK received a building order issued by the Building Authority under the Buildings Ordinance in relation to a signboard erected at the external wall of the building where the Group's No.81 Nathan Road, Tsim Sha Tsui store is situated.

On 30 January 2008, EWJ HK received another building order in relation to the signboard erected at the external wall of the building where the Group's No.8 Russell Street, Causeway Bay store is situated.

The signboards, showing the names of Emperor Watch and Jewellery and the products of the Group, were alleged by the Building Authority that they were erected without the consent of the Building Authority. EWJ HK was required to demolish the signboards.

As at the date hereof, necessary steps have been taken out by EWJ HK to rectify the situation. EWJ HK has informed the landlords of respective stores. In view that prudent and prompt action has already taken out by EWJ HK, and that the Building Authority has started the approval process, the Directors consider that the building orders have no material influence to the day-to-day operation of the Group. More details in relation to the building orders are set out in the paragraph "Legal and Regulatory" under the section "Business" of this prospectus.

Save as disclosed above, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

13. Joint Sponsors

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue as mentioned in this prospectus and any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

14. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately HK\$34,865 and are payable by the Company.

15. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Dao Heng Securities Limited	a licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Emperor Capital Limited	a licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Savills Valuation and Professional Services Limited	Property valuers
Tung & Co.	Legal advisor as to Hong Kong law
Unitalen Attorneys at Law	Legal advisor as to PRC law
Advogados & Notários	Legal advisor as to Macau law

16. Consents of experts

Each of Dao Heng Securities Limited, Emperor Capital Limited, Deloitte Touche Tohmatsu, Savills Valuation and Professional Services Limited, Tung & Co., Unitalen Attorneys at Law and Advogado & Notários has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

17. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

18. Taxation of holders of Shares*(a) Hong Kong*

The sale, purchase and transfer of Shares registered with the Company's Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of or of the fair value of the Shares being sold or transferred, whichever is the higher. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax of corporation.

(b) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of the Company, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

19. Miscellaneous*(a) Save as disclosed in this prospectus:*

- (i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of the Company or any of its subsidiaries; and
- (iv) the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2007 (being the date to which the latest audited financial statements of the Group were made up).

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE** and **YELLOW** application forms, (ii) the written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus, and (iii) copies of each of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Tung & Co., at 19th Floor, No. 8 Wyndham Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles;
2. the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus and the related statement of adjustment;
3. the letter report on unaudited pro forma financial information issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
4. the letter, summary of values and valuation certificate relating to the property interests of the Group in Hong Kong and Macau prepared by Savills Valuation and Professional Services Limited, the text of which is set out in Appendix III to this prospectus;
5. the rules of the Share Option Scheme;
6. the service contracts referred to in the section headed “Directors, senior management and staff” of this prospectus;
7. the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus;
8. the written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus;
9. the audited financial statements of each of the companies comprising the Group which are incorporated in Hong Kong and Macau (other than Zeal Team Limited which was incorporated on 22 February 2008) for the financial years ended 31 December 2005, 2006 and 2007 or from their respective dates of incorporation where this is a shorter period;
10. the PRC legal opinions issued by Unitaleen Attorneys at Law; and
11. the Macau legal opinions issued by Advogados & Notários.