英皇鐘錶珠寶有限公司

EMPEROR WATCH & JEWELLERY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 887)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS:

- Despite the slowdown in high-end luxury consumption, the Group managed to deliver a slight growth in revenue to HK$6,624 million (2012: HK$6,531 million).
- As a result of proactive optimisation of jewellery portfolio, its revenue increased by 22.2% to HK$1,481 million (2012: HK$1,211 million), with enhanced mix from 18.5% to 22.4% of total sales.
- In response to relatively keen price competition on watch business, the Group implemented sales promotion and hence moved down the gross profit margin to 24.1% (2012: 26.0%).
- Backed by the surge of self-driven consumption of middle income group, the Hong Kong market showed resilience with revenue staying flat at HK$5,545 million (2012: HK$5,520 million) and continued to be the key contributor (83.7%) of the Group's revenue.
- Net profit was HK$290 million (2012: HK$404 million).
- Riding on its effective inventory control, the overall inventory turnover days maintained at 265 days (2012: 267 days).
- Achieved a strong cash position with debt-free as at 31 December 2013. Bank balances and cash on hand amounted to HK$657 million (2012: HK$455 million).
- Expanded the coverage to Southeast Asia by initiating a presence in Singapore, one of the most popular tourist spots in the region.

The board of directors (the "Board" or "Directors") of Emperor Watch & Jewellery Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013 (the "Year") together with the comparative figures for the year 2012 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013** **HK$'000**	2012 *HK$'000*
Revenue	*3*	**6,624,372**	6,531,474
Cost of sales		**(5,024,681)**	(4,834,734)
Gross profit		**1,599,691**	1,696,740
Other income		**9,913**	5,050
Selling and distribution expenses		**(1,072,464)**	(992,072)
Administrative expenses		**(181,308)**	(210,177)
Finance costs		**(2)**	(4,315)
Profit before taxation	*4*	**355,830**	495,226
Taxation	*5*	**(65,513)**	(90,899)
Profit for the year		**290,317**	404,327
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**18,286**	11,134
Total comprehensive income for the year and attributable to owners of the Company		**308,603**	415,461
Earnings per share	*6*		
Basic		**HK4.2 cents**	HK6.0 cents
Diluted		**HK4.2 cents**	HK6.0 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**107,744**	102,020
Deferred tax asset		**8,268**	7,483
Rental deposits		**194,893**	177,347
Deposit paid for acquisition of property, plant and equipment		**3,675**	–
		314,580	286,850
Current assets			
Inventories		**3,649,813**	3,521,660
Receivables, deposits and prepayments	8	**172,903**	196,319
Taxation recoverable		**1,582**	8,005
Bank balances and cash		**657,099**	454,768
		4,481,397	4,180,752
Current liabilities			
Payables, deposits received and accrued charges	9	**378,349**	353,878
Amounts due to related companies		**3,899**	4,849
Taxation payable		**6,319**	7,258
Bank borrowings	10	**–**	950
		388,567	366,935
Net current assets		**4,092,830**	3,813,817
Net assets		**4,407,410**	4,100,667
Capital and reserves			
Share capital		**68,824**	67,185
Reserves		**4,338,586**	4,033,482
Total equity		**4,407,410**	4,100,667

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

Notes:

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year.

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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosure

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates* and *Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance. HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) - Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors consider that the application of HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011), together with amendments relating to the transitional guidance on the application of these HKFRSs has no impact on the amounts reported in the consolidated financial statements.

Notes:

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs in issue but not yet effective

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

HKFRSs	
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

Notes:

3. REVENUE AND SEGMENT INFORMATION

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

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

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

For the year ended 31 December 2013

	Hong Kong	Macau	Other regions in Asia Pacific	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	**5,545,186**	**404,120**	**675,066**	**–**	**6,624,372**
Inter-segment sales*	**153,504**	**18,238**	**–**	**(171,742)**	**–**
	5,698,690	**422,358**	**675,066**	**(171,742)**	**6,624,372**

* Inter-segment sales are charged at cost

	Hong Kong	Macau	Other regions in Asia Pacific	Elimination	Consolidated
Segment profit (loss)	**485,234**	**53,810**	**(11,709)**	**–**	**527,335**
Unallocated administrative expenses					**(176,410)**
Interest income					**4,907**
Finance costs					**(2)**
Profit before taxation					**355,830**

Notes:

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2012

	Hong Kong	Macau	Other regions in Asia Pacific	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	5,519,856	353,745	657,873	–	6,531,474
Inter-segment sales*	77,249	41,565	–	(118,814)	–
	5,597,105	395,310	657,873	(118,814)	6,531,474

* Inter-segment sales are charged at cost

	Hong Kong	Macau	Other regions in Asia Pacific	Elimination	Consolidated
Segment profit	626,715	62,642	16,002	–	705,359
Unallocated administrative expenses					(207,386)
Interest income					1,568
Finance costs					(4,315)
Profit before taxation					495,226

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

Notes:

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

Amounts included in the measure of segment profit or loss:

For the year ended 31 December 2013

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

For the year ended 31 December 2012

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

Revenue from major products

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

	2013	2012
	HK$'000	*HK$'000*
Watch	**5,143,745**	5,319,978
Jewellery	**1,480,627**	1,211,496
	6,624,372	6,531,474

Notes:

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

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

As at 31 December 2013

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

As at 31 December 2012

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

Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are used by the chief operating decision maker. Accordingly, no segment assets and liabilities are presented.

4. PROFIT BEFORE TAXATION

	2013 *HK$'000*	2012 *HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Allowance for inventories	**19,294**	3,090
Auditor's remuneration	**3,361**	3,386
Cost of inventories included in cost of sales	**4,993,270**	4,811,497
Depreciation of property, plant and equipment	**58,874**	72,805
Loss on disposal of property, plant and equipment	**2,322**	4,885
Net exchange gain	**(2,423)**	(2,330)
Operating lease payments in respect of rented premises		
– minimum lease payments	**615,915**	529,104
– contingent rent	**50,145**	85,749
Write down of inventories	**–**	2,106
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	**255,309**	232,586
– retirement benefits scheme contributions	**19,485**	17,554

Notes:

5. TAXATION

	2013	2012
	HK$'000	*HK$'000*
The charge comprises:		
Current year:		
Hong Kong	**60,785**	83,598
PRC	**–**	313
Macau	**5,779**	7,149
	66,564	91,060
(Over) underprovision in prior years:		
Hong Kong	**(291)**	238
Macau	**25**	564
PRC	**–**	593
	(266)	1,395
Deferred taxation	**(785)**	(1,556)
	65,513	90,899

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

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

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

Notes:

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the consolidated profit or loss based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**290,317**	404,327

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,875,711,098**	6,718,513,703
Effect of dilutive potential ordinary shares:		
Warrants	**2,545,831**	51,950,902
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,878,256,929**	6,770,464,605

7. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2012 Final: HK0.80 cent (2012: 2011 final dividend HK1.60 cents) per share	**55,061**	107,496
2013 Interim: HK0.68 cent (2012: 2011 interim dividend HK0.98 cent) per share	**46,799**	65,841
	101,860	173,337

A final dividend for the year ended 31 December 2013 of HK0.58 cent (2012: HK0.80 cent) per share has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

Notes:

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**78,645**	89,465
Other receivables, deposits and prepayments	**76,462**	63,422
Other PRC tax recoverable	**16,521**	43,432
Other Singapore tax recoverable	**1,275**	–
	172,903	196,319

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

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

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**61,412**	82,020
31 – 60 days	**6,556**	6,995
61 – 90 days	**5,187**	450
Over 90 days	**5,490**	–
	78,645	89,465

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

Included in the Group's trade receivables balance are receivables from department stores with aggregate carrying amount of HK$17,233,000 (2012: HK$7,445,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over nor charge any interest on these balances.

Ageing of trade receivables which are past due but not impaired

	2013	2012
	HK$'000	*HK$'000*
Overdue 1 – 30 days	**6,556**	5,663
Overdue 31 – 60 days	**5,187**	1,782
Overdue 61 days	**5,490**	–
	17,233	7,445

Notes:

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

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

9. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**245,982**	229,114
Other payables, deposits received and accrued charges	**131,962**	123,258
Other PRC tax payables	**405**	1,506
	378,349	353,878

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

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**242,936**	227,080
31 – 60 days	**2,129**	1,226
61 – 90 days	**917**	623
Over 90 days	**–**	185
	245,982	229,114

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

10. BANK BORROWINGS

	2013	2012
	HK$'000	*HK$'000*
Unsecured bank loans, repayable within one year	**–**	950

The interest rate for the bank borrowings denominated in Hong Kong dollars ("HKD") for the year ended 31 December 2012 was at Hong Kong Interbank Offered Rate plus 1.25% and weighted effective interest rate of bank borrowings of the Group was 1.48% per annum.

11. WARRANTS

On 16 January 2013, 163,934,426 units of warrants with an aggregate subscription value of approximately HK$100,000,000 were exercised at a subscription price of HK$0.61 per share and, accordingly, an addition 163,934,426 ordinary shares of HK$0.01 each were subsequently issued and allotted.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading retailer of European-made luxurious and internationally branded watches, together with self-designed fine jewellery products under its own brand, "***Emperor***". The Group has extensive retail networks in Hong Kong, Macau, the PRC and Singapore. The target customers range from middle to high income groups in the world. With a long history of over 70 years since its establishment, the Company is carrying a balanced and comprehensive watches' dealership list.

MARKET REVIEW

During the Year, luxury consumption in the PRC had been cooled off by the relative low economic growth and austerity initiatives. With the exit of the demand for high-ticket items and the manner of irrational purchases, the consumers have been tending to be more rational and looking for luxury items within an affordable range. The market therefore has started to show signs of returning to a normalised development pace since late of the Year.

Despite the slowdown in high-end luxury consumption, China was still the largest luxury market in the world. According to a study conveyed by Bain & Co., luxury purchases by Chinese consumers accounted for 29% of the global market in the Year, an increase of 4 percentage points compared to the last year. Given the long-standing tax-free shopping environment, Hong Kong remains a popular destination for the mainland visitors. During the Year, the number of mainland visitors arrivals to Hong Kong reached 40.7 million (2012: 34.9 million), representing a year-on-year growth of 16.7%. Underpinned by sustained growth of tourist spending and the expansion of the middle class, the retail sales in Hong Kong had continued to grow healthy, with the value of total retail sales increased by 11.0% to HK$494.5 billion during the Year.

FINANCIAL REVIEW

Overall Review

During the Year, the Group achieved a revenue growth of 1.4% to approximately HK$6,624.4 million (2012: HK$6,531.5 million). The Hong Kong market continued to be the key revenue contributor, with its revenue maintained at a flat growth as HK$5,545.2 million (2012: HK$5,519.9 million), accounting for 83.7% (2012: 84.5%) of the Group's total revenue. Despite the sluggish demand on high-ticket items, the Hong Kong market is relatively resilient in response to the surge of self-driven demand of middle income group due to the regional watch price difference between Hong Kong and the PRC. During the Year, 77.6% (2012: 81.5%) of the Group's total revenue was generated from watch segment. The Group has taken a pro-active approach for enhancing jewellery business since January 2013, which boosted its segmental revenue by 22.2% to HK$1,480.7 million (2012: HK$1,211.5 million).

FINANCIAL REVIEW *(Continued)*

Overall Review *(Continued)*

Gross profit amounted to HK$1,600.0 million (2012: HK$1,696.7 million). Gross profit margin was 24.1% (2012: 26.0%). During the Year, due to the relatively keen price competition of watches across all the ticket sizes, the Group implemented sales promotion and hence moving down the general gross profit margin. However, such pricing environment has been stabilised since the second half of the Year.

EBITDA and net profit were HK$414.7 million (2012: HK$572.3 million) and HK$290.3 million (2012: HK$404.3 million) respectively. The decrease of EBITDA and net profit were owing to the decrease in gross profit margin and mild increase in rental expenses. Basic earnings per share was HK4.20 cents (2012: HK6.00 cents). The Board recommends the payment of a final dividend of HK0.58 cent (2012: HK0.80 cent) per share. Together with the interim dividend of HK0.68 cent per share, the total dividend per share for the Year was HK1.26 cents (2012: HK1.78 cents).

Liquidity and Financial Resources

Bank balances and cash on hand of the Group as at 31 December 2013 amounted to HK$657.1 million (2012: HK$454.8 million), which were mainly denominated in HKD and Renminbi ("RMB"). As at 31 December 2013, the Group had no bank borrowings (2012: HK$1.0 million) and its gearing ratio (calculated on the basis of the total borrowings over total equity) was nil (2012: 0.02%). The Group also had available unutilised banking facilities of approximately HK$704.6 million. The strong liquidity with debt-free position and considerable unutilised banking facilities enables the Group to retain high flexibility for future development.

As at 31 December 2013, the Group's current assets and current liabilities were approximately HK$4,481.4 million (2012: HK$4,180.8 million) and HK$388.6 million (2012: HK$366.9 million) respectively. Current ratio and quick ratio of the Group were 11.5 (2012: 11.4) and 2.1 (2012: 1.8) respectively.

In view of the Group's financial position as at 31 December 2013, the Board considered that the Group had sufficient working capital for its operations and future development plans.

Capital Structure

During the Year, 163,934,426 units of warrants with an aggregate subscription value of approximately HK$100.0 million were exercised at a subscription price of HK$0.61 per share and, accordingly, an addition 163,934,426 ordinary shares of HK$0.01 each were subsequently issued and allotted.

BUSINESS REVIEW

Expanding Retail Coverage to Southeast Asia

During the Year, the Group has successfully expanded the coverage from Greater China to Southeast Asia by initiating a presence in Singapore, enabling the Group to tap into the growing wealth of Southeast Asia and Singapore's status as a tourist hub. Together with the extensive network in Hong Kong, Macau and the PRC, the Group had 74 stores as at 31 December 2013. Details of which are listed below:

	Number of stores
Hong Kong	22
Macau	6
The PRC	42
Singapore	4
Total	74

These stores include standalone jewellery shops, multi-brand watch shops (with or without jewellery counters) as well as specialty outlets for specific watch brands.

The Group's retail stores in Hong Kong are strategically located at the major high-end shopping places, including Russell Street in Causeway Bay, Canton Road in Tsim Sha Tsui and Queen's Road Central in Central. According to a survey conducted by CBRE Global Research and Consulting, Hong Kong remained the world's most expensive prime retail locations in Q4 2013. In terms of retail rental rate per square feet during the Year, these three shopping streets were labelled as world-class top-ranked most valuable shopping streets. Having a solid presence in these extreme prime locations is of paramount importance for the leading retailer of luxury watches. The Group enjoys a high penetration rate amongst the mainland visitors and brand enhancement through its presence in these extreme prime areas.

In October 2013, a duplex multi-watch shop with jewellery section was officially opened. With the help of another symbolic flagship store located in Canton Road, Tsim Sha Tsui, the Group is able to capture local shoppers as well as mainland visitors.

In June 2013, a Patek Philippe independent corner was opened in Nathan Road, Tsim Sha Tsui, where it offers elegant and fine timepiece collections. Such collaboration demonstrates management's dedication to foster solid relationships with leading watch brand suppliers, thereby achieving win-win situations where both leading watch brands and the Group enjoys brand enhancement through its presence in extreme prime areas.

BUSINESS REVIEW *(Continued)*

Solidifying Leading Position in Hong Kong

Significant regional watch price difference, authenticity assurance and full assortments provide strong incentives for mainland visitors to purchase luxury watches in Hong Kong. The Group continued to enjoy solid and long-term relationship with major Swiss watch brand suppliers and hold comprehensive watch dealership with full collections in Greater China. Dedicated to its full range of timepieces and excellent customer services, the Group was ranked as the Gold Award in "Outstanding QTS merchant Services Staff 2013 (Jewellery & Watches Category)" by Hong Kong Quality Tourism Services Association, which is the leading award among the watch and jewellery merchants in Hong Kong. Together with the strongest presence in the retail prime locations in Hong Kong, the Group continued to enjoy the best pedestrian flow and foster its leading position in Hong Kong.

Enriching Jewellery Product Portfolio

During the Year, the Group continued to offer quality with design on premium "***Emperor Jewellery***" products to the customers. With key focus on quality gem-sets and fine jadeites among the comprehensive product range and commitment to high service standards, the Group enriched design features to satisfy diversified customers' taste and enhanced charisma of signature "***Emperor Jewellery***" collections to raise brand loyalty. Stylish and prestigious gem-sets, bridal collections and fine jadeites continued to be popular items. Meanwhile, new collections with unique themed design were launched regularly at different price points for further fostering the customer loyalty of sophisticated customers and penetrating new shoppers in different income group. After continuous implementation of effective optimisation of jewellery product portfolio during the Year, the Group was able to enhance the jewellery segment among the total revenue mix and the overall capital efficiency successfully.

Enhancing Brand Image

The Group continued to promote various watch brands effectively through a range of joint promotions, sponsorships and exhibitions during the Year, all of which received positive results. To sustain its decades-old relationship with watch suppliers, the Group separately ran co-op advertising campaigns and organised joint promotion events with world-class watch suppliers to further foster the relationship and enhance the brand reputation for both leading watch brands and "***Emperor***".

BUSINESS REVIEW *(Continued)*

Enhancing Brand Image *(Continued)*

During the Year, the Group specially utilised numerous celebrity endorsements, print advertisements and social media to promote its jewellery products and build brand equity. The Group hosted various jewellery shows for consolidating VIP customers and widening new customer base. By capturing an ever-expanding opportunities over online and social media, the Group also strengthened the marketing efforts and enhanced brand awareness of "***Emperor Jewellery***" by various cost-effective advertising programs. During the Year, the Group has successfully launched "***Emperor Jewellery Bridal Campaign***" by collaborating a series of marketing plan covering promotional events, social media, advertisements as well as the establishment of bridal corners in the ***Emperor Jewellery*** stores. Such campaign was awarded by "Yahoo! Big Idea Chair Awards 2013" as the "Best Integrated Campaign Merit Award" in November 2013.

Enjoying Group Synergies

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

PROSPECTS

Nowadays, the luxury market exhibits a greater degree of sophistication as consumers put greater emphasis on brands' heritage, the intrinsic value of products, lifestyle enhancement and self-recognition. To cater for the needs of increasingly sophisticated customers, the Group strives to constantly optimise and enrich its watch portfolio to capture the market window in the dynamic luxury landscape.

PROSPECTS *(Continued)*

The growing economic independency and westernised lifestyle of working female in Greater China will drive an intensified demand for jewellery goods consumption. Taking advantage on the fast-growing jewellery market, the Group is planning ahead to further develop jewellery business to improve overall margin performance and profitability in the long-run. The Group will step up its efforts to further strengthen the brand equity of "***Emperor Jewellery***" with the launch of a series of dynamic marketing and brand-building campaign. The Group will also introduce signature collections that are designed to appeal to more refined consumers who focus on quality and craftsmanship.

Meanwhile, the Group believes that Southeast Asia will become a new revenue contributor. The Group will continue to look for other expansion opportunities in Southeast Asia in order to fully capture the luxury consumption growth momentum.

Driven by an expanding Chinese middle class, their growing wealth and an increasing demand for branded items, luxury market will remain an upbeat, despite a gradual one. This presents abundant opportunities for the Group to further establish its presence across Greater China and beyond. Riding on the Group's foothold on prime retail locations, coupled with its comprehensive product offerings, and the well-recognition of the "***Emperor***" brand, the Group is optimistic to tap the market potential and reinforce its position as a leading luxury watch retailer in the Chinese speaking communities.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group has 938 salespersons (2012: 870) and 211 office staff (2012: 209). Total staff costs (including directors' remuneration) were HK$274.8 million (2012: HK$250.1 million) for the Year. Employees' remuneration was determined in accordance with individual's responsibility, competence & skills, experience and performance. Staff benefits include medical insurance and other competitive fringe benefits.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK0.58 cent (2012: HK0.80 cent) per share ("Final Dividend") for the Year, amounting to approximately HK$39.9 million (2012: HK$55.1 million). The Final Dividend, if being approved at the forthcoming annual general meeting of the Company ("AGM"), will be paid on 6 June 2014 (Friday) to shareholders whose names appear on the register of members of the Company on 15 May 2014 (Thursday).

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at AGM

Latest time to lodge transfers	4:30 p.m. on 5 May 2014 (Monday)
Book close date	7 May 2014 (Wednesday)
Record date	7 May 2014 (Wednesday)
AGM	8 May 2014 (Thursday)

For ascertaining shareholders' entitlement to the proposed Final Dividend

Latest time to lodge transfers	4:30 p.m. on 13 May 2014 (Tuesday)
Book close dates	14 and 15 May 2014 (Wednesday and Thursday)
Record date	15 May 2014 (Thursday)
Final Dividend payment date	6 June 2014 (Friday)

In order to qualify for the right to attend and vote at the AGM and for the proposed Final Dividend, all relevant share certificates and properly completed transfer forms must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong (before 31 March 2014) or Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (on or after 31 March 2014) for registration before the above latest time to lodge transfers.

REVIEW OF ANNUAL RESULTS

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

CORPORATE GOVERNANCE

Corporate Governance Code

During the Year, the Company has complied with all the code provisions of the Corporate Governance Code under Appendix 14 of the Listing Rules, except with the deviation from code provision A.2.1 which requires the roles of chairman and chief executive officer be separate and not be performed by the same individual. Taking up the role of Chairperson and Managing Director, Ms. Cindy Yeung provides the Group with strong and consistent leadership, and at the same time, drives the strategic growth of the Group. As the Board members are keeping abreast of the conduct, business activities and development of the Group and as the day-to-day business operations of the Group are properly delegated to the management team of the Company as formalized by the Board, the Board considers that the current Board structure functions effectively and does not intend to make any change thereof.

Model Code for Securities Transactions

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

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

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

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

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

By order of the Board
Emperor Watch & Jewellery Limited
Cindy Yeung
Chairperson

Hong Kong, 19 March 2014

As at the date hereof, the Board comprises:

Executive Directors:	Ms. Cindy Yeung Mr. Chan Hung Ming Mr. Wong Chi Fai Ms. Fan Man Seung, Vanessa
Independent Non-Executive Directors:	Ms. Yip Kam Man Mr. Chan Hon Piu Ms. Lai Ka Fung, May