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 2017

FINANCIAL HIGHLIGHTS

HK$' million	For the year ended 31 December		Changes
	2016	**2017**	
Revenue	3,642	**4,075**	**+ 11.9%**
Gross profit	909	**1,089**	**+ 19.8%**
Gross profit margin	25.0%	**26.7%**	**+ 1.7pp**
Net (loss)/profit	(65)	**160**	**N/A**
Net (loss)/profit margin	(1.8)%	**3.9%**	**N/A**
Basic (loss)/earnings per share	HK(0.94) cent	**HK 2.32 cents**	**N/A**
Total dividends per share	Nil	**HK0.75 cent**	**N/A**

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 2017 (the "Year") together with the comparative figures for the year 2016 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Revenue	*3*	**4,075,124**	3,641,845
Cost of sales		**(2,985,880)**	(2,732,872)
Gross profit		**1,089,244**	908,973
Other income		**7,793**	6,100
Selling and distribution expenses		**(776,232)**	(812,396)
Administrative and other expenses		**(147,568)**	(162,520)
Profit (loss) before tax	*4*	**173,237**	(59,843)
Taxation	*5*	**(13,546)**	(4,978)
Profit (loss) for the year		**159,691**	(64,821)
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**44,584**	(36,265)
Total comprehensive income (expense) for the year and attributable to owners of the Company		**204,275**	(101,086)
Profit (loss) per share - basic	*6*	**HK 2.3 cents**	HK(0.9) cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**73,047**	75,632
Deferred tax asset		**8,662**	10,862
Rental deposits		**135,793**	142,934
Deposit paid for acquisition of property, plant and equipment		**5,643**	1,786
		223,145	231,214
Current assets			
Inventories		**2,651,111**	2,646,702
Receivables, deposits and prepayments	*8*	**186,148**	176,707
Taxation recoverable		**—**	28,990
Bank balances and cash		**1,613,080**	1,324,419
		4,450,339	4,176,818
Current liabilities			
Payables, deposits received and accrued charges	*9*	**283,823**	221,994
Amounts due to related companies		**4,146**	3,678
Taxation payable		**17,780**	8,207
		305,749	233,879
Net current assets		**4,144,590**	3,942,939
Non-current liability			
Deferred tax liability		**1,050**	43
Net assets		**4,366,685**	4,174,110
Capital and reserves			
Share capital		**3,484,152**	3,484,152
Reserves		**882,533**	689,958
Total equity		**4,366,685**	4,174,110

Notes:

1. BASIS OF PREPARATION

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 ("CO").

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

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results 2017 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the CO is as follows:

(a) The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the CO and will deliver the financial statements for the year ended 31 December 2017 in due course.

(b) The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports and did not contain a statement under sections 406(2), 407(2) or (3) of the CO.

2. APPLICATION OF NEWAND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, there will be no material impact on the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 as compared to the accumulated amount recognised under HKAS 39.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows respectively by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$848,700,000 as disclosed in the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16. Upon application of HKFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Company currently consider refundable rental deposits paid of HK$147,120,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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 ("CODM"), the executive director and chief executive 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 *Operating Segments* are operations located in Hong Kong, Macau and other regions in Asia Pacific. The revenue generated by each of the operating segments is mainly derived from sales of watch and jewellery. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

For the year ended 31 December 2017

	Hong Kong	Macau	Other regions in Asia Pacific	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	**3,046,688**	**234,296**	**794,140**	**—**	**4,075,124**
Inter-segment sales*	**116,421**	**23,068**	**—**	**(139,489)**	**—**
	3,163,109	**257,364**	**794,140**	**(139,489)**	**4,075,124**

* Inter-segment sales are charged at cost

	Hong Kong	Macau	Other regions in Asia Pacific	Elimination	Consolidated
Segment profit	**237,350**	**17,679**	**57,983**	**—**	**313,012**
Unallocated other income					**7,793**
Unallocated administrative and other expenses					**(147,568)**
Profit before tax					**173,237**

For the year ended 31 December 2016

	Hong Kong *HK$'000*	Macau *HK$'000*	Other regions in Asia Pacific *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	2,796,602	211,021	634,222	—	3,641,845
Inter-segment sales*	52,221	15,000	—	(67,221)	—
	2,848,823	226,021	634,222	(67,221)	3,641,845

* Inter-segment sales are charged at cost

Segment profit (loss)	106,171	7,989	(17,583)	—	96,577
Unallocated other income					6,100
Unallocated administrative and other expenses					(162,520)
Loss before tax					(59,843)

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

Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are regularly reviewed by the CODM. Accordingly, no segment assets and liabilities are presented.

Other segment information

Amounts included in the measure of segment profit (loss):

For the year ended 31 December 2017

	Hong Kong	**Macau**	**Other regions in Asia Pacific**	**Unallocated**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Operating lease payments	**330,597**	**12,583**	**79,847**	**8,638**	**431,665**

For the year ended 31 December 2016

	Hong Kong	Macau	Other regions in Asia Pacific	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating lease payments	377,583	12,735	78,894	8,638	477,850

Revenue from major products

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

	2017	2016
	HK$'000	*HK$'000*
Watch	**3,238,603**	2,856,719
Jewellery	**836,521**	785,126
	4,075,124	3,641,845

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 2017

	Hong Kong	**Macau**	**Other regions in Asia Pacific**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Non-current assets	**160,902**	**20,113**	**33,468**	**214,483**

As at 31 December 2016

	Hong Kong	Macau	Other regions in Asia Pacific	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	170,756	13,001	36,595	220,352

No revenue from a single customer amounted to 10 percent or more of the Group's total revenue for both years.

4. PROFIT (LOSS) BEFORE TAX

	2017	2016
	HK$'000	*HK$'000*
Profit (loss) before tax has been arrived at after charging (crediting):		
Auditor's remuneration	**3,609**	3,285
Cost of inventories included in cost of sales (included net reversal of allowance for inventories of HK$20,109,000 (2016: HK$32,985,000))	**2,972,858**	2,718,875
Depreciation of property, plant and equipment	**33,070**	51,319
Impairment loss recognised in respect of property, plant and equipment (included in administrative and other expenses)	**1,135**	6,707
Loss on disposal/written off of property, plant and equipment	**3,249**	2,344
Net exchange (gain) loss	**(1,472)**	1,457
Operating lease payments in respect of rented premises		
– minimum lease payments	**401,144**	450,303
– contingent rent	**30,524**	27,547
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	**235,876**	211,870
– retirement benefits scheme contributions	**20,574**	19,854

5. TAXATION

	2017	2016
	HK$'000	*HK$'000*
The tax charge (credit) for the year comprises:		
Current year:		
Hong Kong	**5,935**	(3,005)
Macau	**2,575**	2,193
Singapore	**1,444**	951
	9,954	139
Under (over) provision in prior years:		
Hong Kong	**—**	2,985
Macau	**—**	(227)
Singapore	**389**	—
	389	2,758
Deferred taxation	**3,203**	2,081
	13,546	4,978

No provision for taxation in Hong Kong has been made as the Group has no assessable profits for the year ended 31 December 2016 while Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2017.

Under the Law of the People's Republic of China (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% for both years.

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

Singapore Income Tax is calculated at 17% of the estimated assessable profits for both years.

6. PROFIT (LOSS) PER SHARE – BASIC

The calculation of the basic profit (loss) per share attributable to the owners of the Company is based on the following data:

	2017	2016
	HK$'000	*HK$'000*
Profit (loss)		
Profit (loss) for the year attributable to owners of the Company for the purposes of basic profit (loss) per share	**159,691**	(64,821)

	2017	2016
Number of shares		
Number of ordinary shares for the purpose of basic profit (loss) per share	**6,882,448,129**	6,882,448,129

No diluted profit (loss) per share in both years was presented as there were no potential dilutive ordinary shares in issue during both years.

7. DIVIDENDS

During the year ended 31 December 2017, an interim dividend of HK0.17 cent (2016: Nil) per share in respect of the year ended 31 December 2017 amounting to approximately HK$11,700,000 (2016: Nil) was paid in September 2017. Subsequent to the end of the reporting period, the directors of the Company have recommended the payment of a final dividend of HK0.58 cent per share in respect of the year ended 31 December 2017 (2016: Nil) in an aggregate amount of HK0.75 cent (2016: Nil) and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**79,334**	75,334
Other receivables, deposits and prepayments	**99,378**	93,803
Other PRC tax recoverable	**6,318**	5,166
Other Singapore tax recoverable	**1,118**	2,404
	186,148	176,707

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

Included in other receivables, deposits and prepayments as at 31 December 2017 were advance to suppliers of HK$29,878,000 (2016: HK$26,369,000) and rebate receivables of HK$39,891,000 (2016: HK$38,622,000). The remaining are individually insignificant.

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

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**65,253**	60,577
31– 60 days	**12,821**	10,368
61– 90 days	**488**	896
Over 90 days	**772**	3,493
	79,334	75,334

Trade 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 trade receivables balance are receivables from department stores with aggregate carrying amount of HK$4,763,000 (2016: HK$5,426,000) 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:

	2017	2016
	HK$'000	*HK$'000*
Overdue 1 – 30 day(s)	**3,386**	949
Overdue 31 – 60 days	**457**	2,541
Overdue 61 – 90 days	**148**	329
Overdue more than 90 days	**772**	1,607
	4,763	5,426

Trade receivables that are 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 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

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**139,170**	93,553
Other payables, deposits received and accrued charges	**139,497**	114,595
Other PRC tax payables	**5,156**	13,846
	283,823	221,994

Included in other payables, deposits received and accured charges as at 31 December 2017 were accured bonus and incentive of HK$18,980,000 (2016: HK$6,495,000) and accured rental expense of HK$37,500,000 (2016: HK$35,375,000). The remaining are individually insignificant.

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

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**134,090**	86,362
31– 60 days	**4,154**	6,385
61– 90 days	**194**	806
Over 90 days	**732**	—
	139,170	93,553

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading retailer of European-made internationally renowned watches, together with self-designed fine jewellery products under its own brand, "***Emperor Jewellery***". The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited in July 2008.

The Group has extensive retail networks in Hong Kong, Macau, mainland China and Singapore, as well as an online shopping platform, with over 900 staff. With a history of over 70 years, the Company carries a balanced and comprehensive watch dealership list. The target customers range from middle to high income groups worldwide. The Group's core strategy focuses on maintaining its position as the leading watch and jewellery retailing group in Greater China, coupled with an eye on expansion beyond the region.

MARKET REVIEW

The luxury consumption market in Greater China showed signs of strong recovery during the Year. The pick-up in consumption was propelled by the positive market sentiment arising from the favourable economic conditions, along with increased consumer confidence driven by capital gains from the stock market boom and rising property prices.

Hong Kong is one of the top outbound travel destinations for mainland Chinese visitors because of its proximity and tax-free shopping regime. During the Year, the mainland Chinese visitor arrivals began to pick up on a recovery in consumer sentiment. The increase in tourist arrivals was also attributable to an enhanced price competitiveness of Hong Kong among major tourism countries as a result of a weaker United States Dollar/Hong Kong Dollar, as well as the government's tourism campaigns in celebration of 20th anniversary of the handover. Driven by the revival of inbound tourism and improvement in local consumption demand, Hong Kong retail sales rebounded in the Year.

FINANCIAL REVIEW

Overall Review

During the Year, the Group's total revenue increased by 11.9% to HK$4,075.1 million (2016: HK$3,641.8 million), driven by the recovery in consumption sentiment. Watch segment revenue increased by 13.4% to HK$3,238.6 million (2016: HK$2,856.7 million) and remained a key revenue contributor, accounting for 79.5% (2016: 78.4%) of the total revenue. Revenue from the jewellery segment increased by 6.5% to HK$836.5 million (2016: HK$785.1 million). 74.8% (2016: 76.8%) of the Group's total revenue was contributed by the Hong Kong market.

Gross profit grew by 19.8% to HK$1,089.2 million (2016: HK$909.0 million). The gross profit margin was lifted by 1.7 percentage points to 26.7% (2016: 25.0%), which was mainly attributable to stronger market demand for luxury watches.

Due to an improvement in sales momentum, enhanced gross profit margin and rental savings, the Group recorded a net profit of HK$159.7 million (2016: net loss of HK$64.8 million). Basic earnings per share was HK2.32 cents (2016: basic loss per share of HK0.94 cent). The Board recommended the payment of a final dividend of HK0.58 cent (2016: Nil) per share. Together with the interim dividend of HK0.17 cent (2016: Nil) per share, the total dividends for the Year are HK0.75 cent (2016: Nil) per share.

Capital Structure, Liquidity and Financial Resources

During the Year, there was no change in the capital structure of the Group. Bank balances and cash on hand of the Group as at 31 December 2017 amounted to HK$1,613.1 million (2016: HK$1,324.4 million), which were mainly denominated in Hong Kong dollars and Renminbi ("RMB"). As at 31 December 2017, the Group had no bank borrowings (2016: Nil) and its gearing ratio (calculated on the basis of the total borrowings over total equity) was nil (2016: Nil). The Group also had available unutilised banking facilities of approximately HK$848.4 million. The strong liquidity with debt-free position and considerable unutilised banking facilities enable the Group to retain high flexibility for future development.

As at 31 December 2017, the Group's current assets and current liabilities were approximately HK$4,450.3 million (2016: HK$4,176.8 million) and HK$305.7 million (2016: HK$233.9 million), respectively. Current ratio and quick ratio of the Group were 14.6 (2016: 17.9) and 5.9 (2016: 6.5), respectively.

In view of the Group's financial position as at 31 December 2017, the directors of the Board considered that the Group had sufficient working capital for its operations and future development plans.

BUSINESS REVIEW

Presence in Prime Retail Locations

As at 31 December 2017, the Group had 80 stores (2016: 97) in Hong Kong, Macau, mainland China and Singapore. The distribution is as follows:

	Number of stores
Hong Kong	24
Macau	6
Mainland China	44
Singapore	6
Total	**80**

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

The Group's retail stores in Hong Kong are strategically located in major prime shopping areas, including Russell Street in Causeway Bay, Canton Road in Tsim Sha Tsui and Queen's Road Central in Central. Having a solid presence in these prime locations is of paramount importance for a leading retailer of watches, as the Group enjoys more visitations and brand enhancement.

Solidifying Leading Position in Hong Kong

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

Enhancing Jewellery Business

The Group continued to offer premium quality "***Emperor Jewellery***" products to customers. With the key focus on quality gem settings and fine jadeites among the comprehensive product range and commitment to high service standards, the Group enriched the design features to satisfy diverse customer tastes and enhanced the charisma of signature "***Emperor Jewellery***" collections to raise brand loyalty. During the Year, the Group rolled out the "***Hearbeat #LoveSecret***" collection and "***Precious Love***" collection around Valentine's Day and Mother's Day, respectively. The themes were unlocking the secrets of romance and adoring lovers, and caring for dearest mothers, respectively.

In commemoration of its 75 years of distinguished history and craft, the Group was proud to present the "***L'Atelier Cindy Yeung High Jewellery***" collection. The design of the collection is inspired by Ms. Cindy Yeung, Chairperson and Chief Executive Officer of the Group. It is a collection of jewellery masterpieces that embodies extraordinary experience, boundless creativity and magnificent artistry. The Group ceremoniously launched the collection during the jewellery show in November 2017, to showcase the glittering gemstone pieces, revealing the brand's unique jewellery aesthetics.

During the Year, the Group continued to optimise its retail chain of "***Emperor Jewellery***" stores in mainland China, to seize the opportunities arising from the rapid growth of the jewellery market. Meanwhile, the Group took the opportunity to expand the coverage of jewellery stores in Hong Kong from traditional tourist shopping areas to emerging shopping areas with resilient foot traffic, which helped with promoting brand exposure and seizing market opportunities of emerging shoppers in domestic areas.

Leveraging Group Synergies

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

PROSPECTS

With the growing wealth among Chinese consumers, who remain the Group's major customer group, the overall consumption sentiment is expected to be buoyant. Taking into account the strong fundamentals, coupled with ongoing urbanisation, expansion of the middle-class and rising income, the Group is positive regarding the market demand for luxury items in Greater China.

The increase in disposable income, in particular among Chinese women, and the rising women's job market participation rate, are the strong forces behind gem set consumption. The Group aims to lead branding and marketing activities in an effective and efficient manner, to maximise the exposure of "***Emperor Jewellery***". Accordingly, the Group will offer more fashionable and affordable jewellery products suitable for wearing in the workplace, to cater to the trend towards popularisation of jewellery consumption and to attract middle-class customers.

As a leading watch and jewellery retailer, the Group is poised to capitalise on opportunities arising from the recovery by expanding the retail network in Hong Kong, Macau and mainland China. The Group remains optimistic about long-term prospects and business development, and continues to eye further expansion opportunities beyond Greater China while aiming to tap the growth potential arising from mainland China's robust outbound tourism.

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 2017, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group has 752 salespersons (2016: 784) and 216 office staff (2016: 186). Total staff costs (including directors' remuneration) were HK$256.5 million (2016: HK$231.7 million) for the Year. Employees' remuneration was determined in accordance with individual's responsibility, competence & skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

To provide incentive or rewards to staff, the Company adopted a share option scheme, particulars of which will be set out in the section headed "Share Options" of the annual report of the Company.

FINAL DIVIDEND

The Board is pleased to recommend the payment of a final dividend of HK0.58 cent per share for the year ended 31 December 2017 ("Final Dividend") (2016: Nil), amounting to approximately HK$39.9 million (2016: Nil), subject to the approval of the shareholders at the forthcoming annual general meeting ("AGM") of the Company to be held on 23 May 2018 (Wednesday). If being approved, the Final Dividend will be paid on 22 June 2018 (Friday) to shareholders whose names appear on the register of members of the Company on 31 May 2018 (Thursday).

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at the AGM

Latest time to lodge transfers	4:30 p.m. on 16 May 2018 (Wednesday)
Record date	16 May 2018 (Wednesday)
AGM	23 May 2018 (Wednesday)

For ascertaining shareholders' entitlement to the proposed Final Dividend

Latest time to lodge transfers	4:30 p.m. on 29 May 2018 (Tuesday)
Book close dates	30 and 31 May 2018 (Wednesday and Thursday)
Record date	31 May 2018 (Thursday)
Final Dividend payment date	22 June 2018 (Friday)

In order to qualify for the right to attend and vote at the AGM and for the entitlement to the proposed Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before the above respective latest time.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

The Audit Committee of the Company, which comprises the three Independent Non-executive Directors of the Company, had reviewed the audited consolidated financial statements for the year ended 31 December 2017 in conjunction with the Group's auditors, Messrs. Deloitte Touche Tohmatsu. Based on this review and discussion with the management of the Company, the Audit Committee was satisfied that the audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position as at 31 December 2017 and annual results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

During the Year, the Company had 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. Ms. Cindy Yeung, also being the Chief Executive Officer of the Group, has been appointed as the Chairperson of the Board who provides the Board with strong and consistent leadership, and at the same time drives the strategic growth of the businesses of the Group. She will ensure that all the Board members keep abreast of the conduct, business activities and development of the Group and adequate, complete and reliable information is provided to Directors on issues at Board meetings. On the other hand, the three Independent Non-executive Directors provide independent and impartial opinion on issues to be considered 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 had 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.hkexnews.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, 14 March 2018

As at the date hereof, the Board comprises:

Executive Directors:	Ms. Cindy Yeung Mr. Wong Chi Fai Ms. Fan Man Seung, Vanessa
Independent Non-Executive Directors:	Ms. Chan Sim Ling, Irene Mr. Liu Hing Hung Ms. Chan Wiling, Yvonne