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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 887)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS SUMMARY

HK$ million	For the year ended 31 December		
	2018	**2019**	**Changes**
Revenue	4,722	**4,110**	**-13.0%**
Gross profit	1,305	**1,264**	**-3.1%**
Gross profit margin	*27.6%*	***30.8%***	***+3.2 pp***
Net profit			
− Per reported	264	**90**	**-65.9%**
− Before the depreciation charge*	269	**182**	**-32.3%**
Net profit margin			
– Per reported	*5.6%*	***2.2%***	***-3.4 pp***
*– Before the depreciation charge**	*5.7%*	***4.4%***	***-1.3 pp***
Earnings per share	HK3.87 cents	**HK1.33 cents**	**-65.6%**

* The depreciation charge on a self-owned store at Nos. 4−8 Canton Road, Tsim Sha Tsui, Kowloon, one of the Group's flagship stores in Hong Kong was HK$92.1 million (2018: HK$4.8 million).

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 2019 (the "Year") together with the comparative figures for the year 2018 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	*3*	**4,110,117**	4,722,248
Cost of sales		**(2,846,138)**	(3,417,722)
Gross profit		**1,263,979**	1,304,526
Other income		**5,952**	11,240
Selling and distribution expenses		**(930,365)**	(841,934)
Administrative expenses		**(136,504)**	(142,860)
Other gains or losses		**(26,802)**	(8,624)
Finance costs		**(56,936)**	(4,095)
Profit before tax	*4*	**119,324**	318,253
Taxation	*5*	**(29,293)**	(53,969)
Profit for the year		**90,031**	264,284
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(13,132)**	(27,435)
Total comprehensive income for the year and attributable to owners of the Company		**76,899**	236,849
Earnings per share – basic	*7*	**HK1.33 cents**	HK3.87 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**1,850,058**	1,923,019
Right-of-use assets		**565,779**	–
Rental deposits		**116,721**	126,037
Deposits paid for acquisition of property, plant and equipment		**1,541**	18,435
Deferred tax assets		**13,086**	5,161
		2,547,185	2,072,652
Current assets			
Inventories		**3,148,350**	3,096,504
Right to returned goods asset		**3,167**	2,462
Receivables, deposits and prepayments	*8*	**144,067**	165,564
Amounts due from related companies		**3,924**	5,034
Bank balances and cash		**239,909**	627,256
		3,539,417	3,896,820
Current liabilities			
Payables and accrued charges	*9*	**117,186**	292,720
Lease liabilities		**286,327**	–
Contract liabilities		**11,957**	10,293
Refund liabilities		**4,219**	3,415
Amounts due to related companies		**1,030**	4,072
Taxation payable		**65,683**	36,350
Bank borrowings	*10*	**172,900**	561,822
		659,302	908,672
Net current assets		**2,880,115**	2,988,148
Non-current liabilities			
Deferred tax liabilities		**3,269**	1,107
Lease liabilities		**332,970**	–
Bank borrowings	*10*	**618,034**	594,673
		954,273	595,780
Net assets		**4,473,027**	4,465,020
Capital and reserves			
Share capital	*11*	**3,484,152**	3,484,152
Reserves		**988,875**	980,868
Total equity		**4,473,027**	4,465,020

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 and services.

The financial information relating to the years ended 31 December 2019 and 2018 included in this preliminary announcement of annual results 2019 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 2018 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 2019 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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has applied the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease to all contracts at transition.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rates for leases of properties in Hong Kong, Macau, The People Republic of China excluding Hong Kong and Macau ("PRC") and other regions in Asia Pacific (as defined in note 3) were determined on a portfolio basis; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3.0%.

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**558,897**
Lease liabilities discounted at relevant incremental borrowing rates	**542,174**
Add: Termination options reasonably certain not to be exercised	**28,050**
Less: Recognition exemption — short-term leases	**(55,709)**
Less: Value-Added Tax ("VAT") on rent	**(3,835)**
Less: Adjustments for contracts reassessed based on definition of lease under HKFRS 16	**(30,399)**
Lease liabilities as at 1 January 2019	**480,281**
Analysed as	
Current	**238,635**
Non-current	**241,646**
	480,281

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating lease recognised upon application of HKFRS 16	**461,081**

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
		HK$'000	*HK$'000*	*HK$'000*
Non-current Assets				
Right-of-use assets	*(a)*	–	461,081	461,081
Rental deposits		126,037	(4,737)	121,300
Current Liabilities				
Payables and accrued charges	*(b)*	292,720	(16,060)	276,660
Lease liabilities		–	238,635	238,635
Non-current liabilities				
Lease liabilities		–	241,646	241,646
Capital and reserves				
Reserves		980,868	(7,877)	972,991

Notes:

(a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$4,737,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(b) *Rent free period*

These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities under trade and other payables as at 1 January 2019 was adjusted to retained profits at transition.

Lease payments increase progressively over lease terms

These relate to accrued lease liabilities of several operating leases for leases of retail shops in which the rentals increase progressively by fixed annual percentage. The carrying amount of the accrued lease liabilities under trade and other payables as at 1 January 2019 was adjusted to retained profits at transition.

(c) In view of temporary differences relating to right-of-use assets and lease liabilities are insignificant as at 1 January 2019, no deferred taxation is recognised in the consolidated financial statements upon application of HKFRS 16.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[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 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents sales of products to retail customers and commission income from services provided.

For sales of products to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail shop. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For commission income, revenue is recognised when it expects to be entitled in exchange for arranging for the specified goods provided by the other party to the customers at the retail shop.

All revenue are recognised at a point in time.

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, PRC and other regions in Asia Pacific (representing Singapore and Malaysia). 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 2019

	Hong Kong *HK$'000*	**Macau** *HK$'000*	**PRC** *HK$'000*	**Other regions in Asia Pacific** *HK$'000*	**Elimination** *HK$'000*	**Consolidated** *HK$'000*
Revenue						
External sales	2,759,443	304,997	560,612	483,736	–	4,108,788
Inter-segment sales*	80,923	9,343	1,396	1,529	(93,191)	–
Commission income	1,234	95	–	–	–	1,329
	2,841,600	314,435	562,008	485,265	(93,191)	4,110,117

* Inter-segment sales are charged at cost

Segment profit	199,774	32,051	43,481	58,308	–	333,614
Unallocated other income						5,952
Unallocated administrative expenses						(136,504)
Unallocated other gains and losses						(26,802)
Unallocated finance costs						(56,936)
Profit before tax						119,324

For the year ended 31 December 2018

	Hong Kong *HK$'000*	Macau *HK$'000*	PRC *HK$'000*	Other regions in Asia Pacific *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Revenue						
External sales	3,639,735	286,387	409,985	382,786	–	4,718,893
Inter-segment sales*	126,556	20,898	2,624	–	(150,078)	–
Commission income	3,176	179	–	–	–	3,355
	3,769,467	307,464	412,609	382,786	(150,078)	4,722,248

* Inter-segment sales are charged at cost

Segment profit	391,183	19,235	17,868	34,306	–	462,592
Unallocated other income						11,240
Unallocated administrative expenses						(142,860)
Unallocated other gains or losses						(8,624)
Unallocated finance costs						(4,095)
Profit before tax						318,253

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 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 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 result:

For the year ended 31 December 2019

	Hong Kong *HK$'000*	**Macau** *HK$'000*	**PRC** *HK$'000*	**Other regions in Asia Pacific** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Depreciation of property, plant and equipment	112,899	4,987	7,017	5,528	6,248	136,679
Depreciation of right-of-use assets	250,357	17,890	19,725	9,132	11,633	308,737
Expenses relating to rented premises *(note)*	28,799	1,379	52,039	13,302	2,022	97,541

Note: Expenses relating to rented premises includes expenses relating to short-term leases and other leases with lease term end within 12 months of the date of initial application of HKFRS 16, variable lease payments and rental expenses for contracts reassessed not under the definition of lease under HKFRS 16.

For the year ended 31 December 2018

	Hong Kong *HK$'000*	Macau *HK$'000*	PRC *HK$'000*	Other regions in Asia Pacific *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Operating lease payments	323,000	19,748	57,385	19,253	12,090	431,476
Depreciation of property, plant and equipment	16,466	3,202	4,844	3,296	6,043	33,851

Note: Unallocated represents amount used for office.

Revenue by major products

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

	2019	2018
	HK$'000	*HK$'000*
Sales of watch	**3,156,923**	3,660,692
Sales of jewellery	**951,865**	1,058,201
Commission income − Watch	**1,329**	3,355
	4,110,117	4,722,248

Geographical information

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

As at 31 December 2019

	Hong Kong	**Macau**	**PRC**	**Other regions in Asia Pacific**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Non-current assets	2,251,540	56,364	74,711	34,763	2,417,378

As at 31 December 2018

	Hong Kong	Macau	PRC	Other regions in Asia Pacific	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	1,982,948	31,535	32,590	20,418	2,067,491

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

4. PROFIT BEFORE TAX

	2019	2018
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration		
− Current year	**3,576**	4,289
− Under (over) provision in prior years	**262**	(2)
Cost of inventories included in cost of sales (included allowance for inventories of HK$843,000 (2018: reversal of allowance for inventories HK$14,472,000))	**2,836,628**	3,407,846
(Reversal of) allowance for credit losses	**(3,837)**	4,519
Depreciation of property, plant and equipment		
− retail shops	**130,431**	27,808
− offices	**6,248**	6,043
	136,679	33,851
Depreciation of right-of-use assets		
− retail shops	**297,104**	–
− offices	**11,633**	–
	308,737	–
Staff costs, including Directors' remuneration		
− salaries and other benefits costs	**289,508**	268,662
− retirement benefits scheme contributions	**24,419**	22,998
	313,927	291,660
Included in other gains or losses:		
Impairment loss recognised in respect of property, plant and equipment	**3,406**	1,761
Impairment loss recognised in respect of right-of-use assets	**16,804**	–
Loss on disposal/write-off of property, plant and equipment	**3,559**	2,994
Gain arising from termination of leases	**(561)**	–
Net exchange losses	**3,594**	3,869
	26,802	8,624

5. TAXATION

The tax charge for the year comprises:

	2019	2018
	HK$'000	*HK$'000*
Current year:		
Hong Kong	**24,596**	41,840
Macau	**1,415**	3,004
Singapore	**8,969**	5,722
	34,980	50,566
Under (over) provision in prior years:		
Hong Kong	**61**	–
Macau	**–**	(172)
Singapore	**21**	–
	82	(172)
Deferred taxation	**(5,769)**	3,575
	29,293	53,969

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit 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.

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% for both years.

Malaysia Income Tax is calculated at 24% of the estimated assessable profits for both years. No provision for Malaysia Income Tax has been made as the Company's subsidiary did not have any assessable profit arising from Malaysia for both years.

6. DIVIDENDS

	2019 *HK$'000*	2018 *HK$'000*
Dividends recognised as distribution during the year:		
2018 Final: HK0.55 cent (2017: HK0.58 cent) per share	**37,287**	39,864
2019 Interim: HK0.35 cent (2018: interim dividend HK0.70 cent) per share	**23,728**	47,456
	61,015	87,320

The Board did not recommend any payment of a final dividend for the year ended 31 December 2019 (2018: HK0.55 cent per share).

7. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2019 *HK$'000*	2018 *HK$'000*
Earnings		
Profit for the year attributable to the owners of the Company for the purpose of basic earnings per share	**90,031**	264,284

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,779,458,129**	6,825,404,677

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

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
Trade receivables from contracts with customers	**50,716**	65,855
Less: Allowance for credit losses	**(682)**	(4,519)
	50,034	61,336
Other receivables, deposits and prepayments	**81,639**	84,378
PRC VAT recoverable	**12,394**	17,347
Singapore Goods and Services Tax recoverable	**–**	2,503
	144,067	165,564

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. The credit term of receivables from retail sales in department stores are normally ranged between 15 to 45 days.

Included in other receivables, deposits and prepayments as at 31 December 2019 were advance payments to suppliers of HK$19,208,000 (2018: HK$20,935,000) and rebate receivables of HK$33,654,000 (2018: HK$32,516,000). The remaining items are individually insignificant.

As at 1 January 2018, trade receivables from contracts with customers amounted to HK$77,490,000.

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**47,165**	52,249
31–60 days	**828**	1,362
61–90 days	**313**	2,536
Over 90 days	**2,410**	9,708
	50,716	65,855

Included in the trade receivables balance were receivables from department stores with aggregate carrying amount of HK$2,434,000 (2018: HK$4,835,000) which are past due at the reporting date for which the Group has not provided for impairment loss.

9. PAYABLES AND ACCRUED CHARGES

	2019 HK$'000	2018 HK$'000
Trade payables	**44,357**	190,625
Other payables and accrued charges	**72,631**	101,714
PRC VAT payables	**198**	381
	117,186	292,720

Included in other payables and accrued charges as at 31 December 2019 were accrued bonus and incentive of HK$4,894,000 (2018: HK$15,863,000) and accrued renovation costs of HK$13,369,000 (2018: HK$15,147,000).

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

	2019 HK$'000	2018 HK$'000
Within 30 days	**37,339**	158,937
31–60 days	**4,429**	26,048
61–90 days	**326**	4,208
Over 90 days	**2,263**	1,432
	44,357	190,625

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

10. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Carrying amounts repayable:		
Within one year	**172,900**	561,822
Within a period of more than one year but not exceeding two years	**42,396**	77,689
Within a period of more than two years but not exceeding five years	**438,088**	103,788
Within a period of more than five years	**137,550**	413,196
	790,934	1,156,495
Less: Amounts due within one year shown under current liabilities	**(172,900)**	(561,822)
Amounts shown under non-current liabilities	**618,034**	594,673

The bank borrowings carry floating interest rate ranged from 1.11% to 1.14% over Hong Kong Interbank Offered Rate (2018: 0.9% to 2.25%) and 1.2% over Singapore Interbank Offered Rate per annum (2018: Nil).

The Group had pledged a property of HK$1,703,126,000 (2018: HK$1,795,207,000) to secure banking facilities granted to the Group. In addition, corporate guarantee was also issued in favour of the banks by the Company to secure banking facilities granted to Group.

11. SHARE CAPITAL

	Number of ordinary shares		Share Capital	
	2019	2018	**2019**	2018
			HK$'000	*HK$'000*
Issued and fully paid:				
At beginning of year	**6,779,458,129**	6,882,448,129	**3,484,152**	3,484,152
Share repurchased and cancelled	**–**	(102,990,000)	–	–
At end of year	**6,779,458,129**	6,779,458,129	**3,484,152**	3,484,152

The total consideration for the shares repurchased and cancelled during the previous year was HK$51,194,000, which was debited to retained profits.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in these consolidated financial statements, which have no effect on previously reported profit for the year, to conform with the current year's presentation. In particular, for the year ended 31 December 2018, depreciation of property, plant and equipment used for retail shops was reclassified from administrative expenses to selling and distribution expenses in the consolidated statement of profit or loss and other comprehensive income. Presentation on respective operating segments in the note 3 have been restated to reflect such changes.

13. EVENT AFTER REPORTING PERIOD

Since early January 2020, the coronavirus disease has been spreading across China as well as other countries. Several travel restrictions have been introduced afterwards to combat the coronavirus disease, further deterring numbers of inbound and outbound visitors. The public health crisis is likely to hinder global economic development. It is expected that the general consumption sentiment may even turn stagnant, restraining global luxury consumption in the near-term. A tough business environment is expected to persist for some time. Since the duration of the pandemic is still uncertain, the Group cannot reasonably quantify its financial impact at the date of this annual results announcement. However, a prolonged outbreak situation may have a material effect on the Group's consolidated results of operations, cash flows and financial condition for the year ending 31 December 2020.

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 has been listed on the Main Board of the Stock Exchange since July 2008.

The Group has established a retail network of over 100 stores across Hong Kong, Macau, mainland China, Singapore and Malaysia, as well as an online shopping platform, and now has over 1,000 staff. With a history of over 75 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.

In November 2019, "英皇" and "英皇鐘錶珠寶", which have been recognised as well-known to relevant public in mainland China, obtained cross-class protection by the National Intellectual Property Administration, affirming their wide recognition and brand value in China.

MARKET REVIEW

Hong Kong's retail market landscape experienced an exceptionally tough cycle during the Year. The ongoing Sino-US trade dispute and local social issues unquestionably hindered economic development in Hong Kong. Local shoppers became cautious and put big spending on hold because of the less optimistic economic outlook. Store traffic dropped markedly as tourists refrained from visiting Hong Kong due to concerns regarding social instability. Hong Kong Tourism Board statistics revealed that the number of tourist arrivals declined by approximately 39.1% year-on-year, during the second half of 2019.

As the yuan's value remained low during the Year, Chinese tourists' spending softened and their consumption sentiment turned weak amid various external uncertainties and falling asset prices. On a global basis, the performance of luxury sales moderated.

FINANCIAL REVIEW

Overall Review

During the Year, the Group's total revenue inevitably decreased, by 13.0% to HK$4,110.1 million (2018: HK$4,722.2 million). As a result of falling visitor arrivals and dampening consumption sentiment arising from local social issues, revenue from Hong Kong market dropped to HK$2,760.7 million (2018: HK$3,642.9 million), which accounted for 67.2% (2018: 77.1%) of the total revenue. On the contrary, mainland China and Southeast Asia markets both exhibited strong growth, with revenue increasing by 36.8% and 26.4%, respectively; while revenue from Macau market increased by 6.6% year-on-year.

Considering revenue breakdown by product, the watch segment generated sales of HK$3,158.2 million (2018: HK$3,664.0 million), accounting for 76.8% (2018: 77.6%) of the total revenue. In the meantime, revenue from the jewellery segment decreased by 10.0% to HK$951.9 million (2018: HK$1,058.2 million).

Despite the weaker consumption sentiment, market demand for certain luxury watches remained stable and corresponding prices remained resilient, hence gross profit decreased only slightly to HK$1,264.0 million (2018: HK$1,304.5 million), while the gross profit margin increased by 3.2 percentage points to 30.8% (2018: 27.6%). As a result of a depreciation charge arising from the self-owned store, net profit decreased by 65.9% to HK$90.0 million (2018: HK$264.3 million), while the net profit before the depreciation charge decreased by 32.3% to HK$182.1 million (2018: HK$269.1 million). Basic earnings per share was HK1.33 cents (2018: HK3.87 cents).

Capital Structure, Liquidity and Financial Resources

Bank balances and cash on hand of the Group as at 31 December 2019 amounted to HK$239.9 million (31 December 2018: HK$627.3 million), which were mainly denominated in Hong Kong dollars and Renminbi. As at 31 December 2019, the Group had total bank borrowings of approximately HK$790.9 million (31 December 2018: 1,156.5 million), resulting in a net gearing ratio (calculated on the basis of net debts over asset value) of 12.3% (31 December 2018: 11.9%). The Group also had available un-utilised banking facilities of approximately HK$1,095.3 million.

As at 31 December 2019, the Group's current assets and current liabilities were approximately HK$3,539.4 million (31 December 2018: HK$3,896.8 million) and HK$659.3 million (31 December 2018: HK$908.7 million), respectively. Current ratio and quick ratio of the Group were 5.4 (31 December 2018: 4.3) and 0.6 (31 December 2018: 0.9), respectively.

In view of the Group's financial position as at 31 December 2019, the Directors 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 2019, the Group was operating 104 stores (31 December 2018: 95) in Hong Kong, Macau, mainland China, Singapore and Malaysia. The distribution was as follows:

	Number of stores
Hong Kong	31
Macau	5
Mainland China	59
Singapore	8
Malaysia	1
Total	**104**

These stores include self-branded "***Emperor Jewellery***" stores, dedicated watch boutiques and multi-brand watch stores (with or without jewellery counters).

Over the years, the Group has successfully built a strategic sales network of both watches and jewellery in prime shopping areas and extended the presence of "***Emperor Jewellery***" in emerging shopping areas in Hong Kong. During the Year, several "***Emperor Jewellery***" stores were opened in emerging shopping areas, to enhance its brand exposure.

The weaker yuan provided more incentives for inbound consumption. During the Year, several "***Emperor Jewellery***" stores and two dedicated watch boutiques were opened in first-tier cities within mainland China, to seize the opportunities arising from the expansion of the luxury market, which is fuelled by rising income levels, shifting demographics and improving quality of life.

Beyond Greater China, during the Year the Group continued to implement plans for expanding both watch and jewellery stores in Singapore. This enabled the Group to benefit from extensive tourist exposure as well as rising local spending.

Solidifying Leading Position

With its long-standing history, the Group is a trusted partner of and maintains solid relationships with major Swiss watch brand suppliers, thereby continuing to hold a comprehensive portfolio of watch dealerships and maintaining its leading position, especially in Hong Kong. The Group actively participates in co-marketing campaigns and events with brands, highlighting new products and connecting the customer in a personalised way.

Enhancing the Jewellery Business

The Group offers premium quality "***Emperor Jewellery***" products with a dedication to design excellence and craftsmanship. The spectacular "***Emperor Jewellery***" range features a variety of precious gem stones with a key focus on diamonds and jadeites. "***Emperor Jewellery***" unveils unique collections of exquisite designs that embrace and nurture different clusters of customers.

During the Year, the Group launched new designs of the "***Sunray***" Collection, drawing inspiration from the warm rays of the sun. To mark the launch of the collection, the Group invited Mr. Hins Cheung, a renowned artist who confidently embraces versatility, to star in the campaign advertisements.

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 retail stores at prime locations from it on an arm's length basis, the Group can enjoy guaranteed 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

Despite the recent phase-one agreements between the United States and China which slightly eased trade tensions, the ongoing trade discussions will continue casting shadows on the growth of the global economy. Meanwhile, local social issues are likely to continue to adversely affect tourism and the retail market, and hence local economic development as a whole. Against the backdrop of the unfavourable market situation, especially in Hong Kong, the Group will adhere to its prudent approach, and is planning the following strategies for mitigating the potential downside risk:

- The Group will closely monitor inventory levels and remix the product portfolio in accordance with market responses, to optimise the use of capital;

- The Group will exercise stringent control over operating costs and aim to effectively manage shop rental pressures in Hong Kong;

- The Group will evaluate individual shop performances in Hong Kong. In certain situations, the Group may consider optimising the retail network, and plan better reallocation of resources; and

- The Group will promptly react to market changes, and take appropriate measures to address and improve its overall operating efficiency.

The outbreak of coronavirus disease has been spreading across the world since January 2020. Many countries or territories have already implemented travel restrictions while some have even imposed nationwide lockdown, further decreasing the number of visitor arrivals in Hong Kong. The tough business environment which started in the second half of the Year is expected to persist for some time, with problems exacerbated by the coronavirus disease outbreak. The Group will closely monitor the market condition and strive to stay competitive in the marketplace.

Looking beyond the current uncertainties, the Group remains committed to seeking and seizing new opportunities, and is well-prepared to excel in changing times. As China remains an important engine of the world's long-term growth, the Group will focus on strengthening its footprint in mainland China and Southeast Asia, and further explore opportunities for geographical expansion.

EVENT AFTER THE REPORTING PERIOD

Since early January 2020, the coronavirus disease has been spreading across China as well as other countries. Several travel restrictions have been introduced afterwards to combat the coronavirus disease, further deterring the number of inbound and outbound visitors. The public health crisis is likely to hinder global economic development. It is expected that the general consumption sentiment may even turn stagnant, restraining global luxury consumption in the near-term. A tough business environment is expected to persist for some time. Since the duration of the pandemic is still uncertain, the Group cannot reasonably quantify its financial impact at the date of this annual results announcement. However, a prolonged pandemic may have a material effect on the Group's consolidated results of operations, cash flows and financial condition for the year ending 31 December 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group has 819 salespersons (2018: 875) and 234 office staff (2018: 251). Total staff costs (including directors' remuneration) were HK$313.9 million (2018: HK$291.7 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 did not recommend any payment of a final dividend for the year ended 31 December 2019 (2018: HK$0.55 per share).

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 2019 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 Group's audited consolidated financial statements for the year ended 31 December 2019 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 2019 and annual results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company had complied throughout the Year with all the code provisions as set in the Corporate Governance Code under Appendix 14 of the Listing Rules, except with the deviation from code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate and not be performed by the same individual. Ms. Cindy Yeung, being the Chief Executive Officer of the Group, had also been appointed as the Chairperson of the Board who provides the Board with strong and consistent leadership while at the same time leading the management on effective planning, formulation, implementation and execution of long-term business strategies of the Group. The Directors have considered the issue of balance of power of authority on the Board and believes the current structure (having strong independent elements in the Board, delegation of authorities to the management, supervision by the Board and Board committees) can properly address the potential issue on power concentration. All Directors, having different experiences to bring different expertise to the Company, are properly briefed on issues arising at Board meetings and that adequate, complete and reliable information is received by the Directors. The Board is of the opinion 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 its own code of conduct regarding securities transactions by Directors ("EWJ Securities Code") on no less exacting terms than the required standards for securities dealing as set out in Appendix 10 of the Listing Rules regarding Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"). 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 Mode Code and EWJ Securities 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 (https://www.hkexnews.hk) and the Company (https://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, 30 March 2020

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