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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 887)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

RESULTS SUMMARY

<i>HK\$ million (unaudited)</i>	For the six months		Changes
	ended 30 June		
	2019	2020	
Revenue	2,403	931	-61.3%
Gross profit	758	305	-59.8%
<i>Gross profit margin</i>	<i>31.5%</i>	<i>32.8%</i>	<i>+1.3pp</i>
Adjusted earnings (loss) BIT*	223	(44)	N/A
Net profit (loss)	118	(114)	N/A
Earnings (loss) per share	<u>HK1.73 cents</u>	<u>HK(1.68) cents</u>	<u>N/A</u>

* Adjusted earnings (loss) BIT represents earnings (loss) before interest and tax; adding back the depreciation charge on the self-owned flagship store, which reflects the Group's core operating performance

The board of directors (the “Board” or “Directors”) of Emperor Watch & Jewellery Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2020 (the “Period”) together with the comparative figures for the corresponding period 2019 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Revenue	3	930,586	2,402,664
Cost of sales		<u>(625,402)</u>	<u>(1,644,718)</u>
Gross profit		305,184	757,946
Other income		4,729	2,323
Selling and distribution expenses		(331,218)	(500,396)
Administrative expenses		(50,048)	(79,761)
Other gains or losses		(18,538)	(3,081)
Finance costs		<u>(20,783)</u>	<u>(29,689)</u>
(Loss)profit before taxation	4	(110,674)	147,342
Taxation	5	<u>(3,046)</u>	<u>(29,756)</u>
(Loss)profit for the period		<u>(113,720)</u>	<u>117,586</u>
Other comprehensive expense for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		<u>(15,398)</u>	<u>(2,975)</u>
Total comprehensive (expense)income for the period attributable to owners of the Company		<u>(129,118)</u>	<u>114,611</u>
(Loss)earnings per share – Basic	7	<u>HK(1.68) cents</u>	<u>HK1.73 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		As at	
		30 June 2020	31 December 2019
		(unaudited)	(audited)
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		1,773,090	1,850,058
Right-of-use assets		416,535	565,779
Rental deposits		101,854	116,721
Deposits paid for acquisition of property, plant and equipment		1,393	1,541
Deferred tax assets		13,086	13,086
		<u>2,305,958</u>	<u>2,547,185</u>
Current assets			
Inventories		3,101,951	3,148,350
Right to returned goods asset		3,167	3,167
Receivables, deposits and prepayments	8	95,568	144,067
Amounts due from related companies		158	3,924
Bank balances and cash		251,099	239,909
		<u>3,451,943</u>	<u>3,539,417</u>
Current liabilities			
Payables and accrued charges	9	87,277	117,186
Lease liabilities		233,429	286,327
Contract liabilities		18,785	11,957
Refund liabilities		4,219	4,219
Amounts due to related companies		13,055	1,030
Taxation payable		30,998	65,683
Bank borrowings	10	766,149	172,900
		<u>1,153,912</u>	<u>659,302</u>
Net current assets		<u>2,298,031</u>	<u>2,880,115</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 30 June 2020

		As at	
		30 June	31 December
		2020	2019
		(unaudited)	(audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current liabilities			
Deferred tax liabilities		3,134	3,269
Lease liabilities		256,946	332,970
Bank borrowings	10	–	618,034
		<u>260,080</u>	<u>954,273</u>
Net assets		<u>4,343,909</u>	<u>4,473,027</u>
Capital and reserves			
Share capital		3,484,152	3,484,152
Reserves		859,757	988,875
Total equity		<u>4,343,909</u>	<u>4,473,027</u>

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosures required under Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Companies Ordinance (“CO”).

The unaudited condensed 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.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019.

The financial information relating to the year ended 31 December 2019 that is included in this preliminary announcement of interim results 2020 does not constitute the Company’s statutory annual consolidated financial statements for 2020 but is derived from those consolidated financial statements. Further information relating to these statutory annual consolidated financial statements required to be disclosed in accordance with section 436 of the CO is as follows:

- (a) The Company has delivered the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to the CO.
- (b) The Company’s auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2019. The auditor’s report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain a statement under sections 406(2), 407(2) or (3) of the CO.

2. SIGNIFICANT ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

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 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ³

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 June 2020

The Directors are in process of assessing the potential impact of the new and amendments to HKFRSs, and at this stage have not yet anticipated or determined the effect of the application of these new and amendments to HKFRSs on the financial performance and financial position of the Group.

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, the Peoples’ Republic of China (the “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 six months ended 30 June 2020

	Hong Kong (unaudited) HK\$’000	Macau (unaudited) HK\$’000	PRC (unaudited) HK\$’000	Other regions in Asia Pacific (unaudited) HK\$’000	Elimination (unaudited) HK\$’000	Consolidated (unaudited) HK\$’000
Revenue						
External sales	503,711	40,354	243,427	143,051	–	930,543
Inter-segment sales*	7,942	3,333	–	–	(11,275)	–
Commission income	6	37	–	–	–	43
	<u>511,659</u>	<u>43,724</u>	<u>243,427</u>	<u>143,051</u>	<u>(11,275)</u>	<u>930,586</u>
* Inter-segment sales are charged at cost						
Segment (loss)profit	<u>(59,481)</u>	<u>(5,108)</u>	<u>22,779</u>	<u>15,776</u>	<u>–</u>	<u>(26,034)</u>
Unallocated other income						4,729
Unallocated administrative expenses						(50,048)
Unallocated other gains or losses						(18,538)
Unallocated finance costs						<u>(20,783)</u>
Loss before taxation						<u>(110,674)</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2019

	Hong Kong (unaudited) HK\$'000	Macau (unaudited) HK\$'000	PRC (unaudited) HK\$'000	Other regions in Asia Pacific (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
Revenue						
External sales	1,749,892	147,726	285,383	218,455	–	2,401,456
Inter-segment sales*	20,564	5,331	1,427	1,538	(28,860)	–
Commission income	1,172	36	–	–	–	1,208
	<u>1,771,628</u>	<u>153,093</u>	<u>286,810</u>	<u>219,993</u>	<u>(28,860)</u>	<u>2,402,664</u>
* Inter-segment sales are charged at cost						
Segment profit	<u>200,310</u>	<u>13,776</u>	<u>19,295</u>	<u>24,169</u>	<u>–</u>	257,550
Unallocated other income						2,323
Unallocated administrative expenses						(79,761)
Unallocated other gains or losses						(3,081)
Unallocated finance costs						<u>(29,689)</u>
Profit before taxation						<u>147,342</u>

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies stated in the unaudited condensed consolidated financial statements. Segment (loss)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.

4. (LOSS)PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(Loss)profit before taxation has been arrived at after charging (crediting):		
Cost of inventories included in cost of sales (included allowance for inventories of HK\$2,022,000) (2019 interim: reversal of allowance for inventories of HK\$262,000)	622,177	1,644,332
Allowance for credit losses	528	686
Depreciation of property, plant and equipment		
– retail shops	68,697	62,018
– offices	2,854	3,374
	71,551	65,392
Depreciation of right-of-use assets		
– retail shops	122,231	138,193
– offices	5,915	5,580
	128,146	143,773
Staff costs including Directors' remuneration		
– salaries and other benefits costs	87,527	165,283
– retirement benefits scheme contributions	8,054	13,164
	95,581	178,447
Included in other gains or losses:		
Impairment loss recognised in respect of property, plant and equipment	6,503	–
Impairment loss recognised in respect of right-of-use assets	7,738	–
Loss on disposal/write-off of property, plant and equipment	242	1,205
Gain arising from leases modification	(313)	–
Gain arising from termination of leases	–	(57)
Net exchange losses	4,368	1,933
	18,538	3,081

5. TAXATION

	Six months ended 30 June	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
The tax charge (credit) comprises:		
Profits tax:		
Hong Kong	398	25,928
Singapore	2,648	4,145
	<u>3,046</u>	<u>30,073</u>
Deferred taxation	–	(317)
	<u>3,046</u>	<u>29,756</u>

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 condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

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

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

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 periods.

Malaysia Income Tax is calculated at 24% of the estimated assessable profits for both periods. 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 periods.

6. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
2019 Interim dividend paid of HK0.35 cent per share	—	23,728
2018 final dividend paid of HK0.55 cent per share	—	37,287

The Board did not declare any payment of interim dividend for the financial year ending 31 December 2020 (2019: HK0.35 cent per share, amounting to HK\$23,728,000).

7. (LOSS)EARNINGS PER SHARE – BASIC

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

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(Loss)earnings		
(Loss)earnings for the period attributable to owners of the Company for the purpose of basic (loss)earnings per share	(113,720)	117,586

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic (loss)earnings per share	6,779,458,129	6,779,458,129

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

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	30 June	31 December
	2020	2019
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Trade receivables from contracts with customers	45,464	50,716
Less: Allowance for credit losses	<u>(1,171)</u>	<u>(682)</u>
	44,293	50,034
Other receivables, deposits and prepayments	43,621	81,639
PRC Value-Added Tax (“VAT”) receivable	<u>7,654</u>	<u>12,394</u>
	<u>95,568</u>	<u>144,067</u>

Retail 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 30 June 2020 were advance payments to suppliers of HK\$5,023,000 (31 December 2019: HK\$19,208,000) and rebate receivables of HK\$18,933,000 (31 December 2019: HK\$33,654,000). The remaining items are individually insignificant.

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:

	As at	
	30 June	31 December
	2020	2019
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Within 30 days	41,759	47,165
31 – 60 days	622	828
61 – 90 days	50	313
over 90 days	<u>3,033</u>	<u>2,410</u>
	<u>45,464</u>	<u>50,716</u>

Included in the trade receivables balance were receivables from department stores with aggregate carrying amount of HK\$2,126,000 (31 December 2019: HK\$2,434,000) which are past due at the reporting date, for which the Group has provided an allowance for credit loss of HK\$528,000 (31 December 2019: NIL).

9. PAYABLES AND ACCRUED CHARGES

	As at	
	30 June 2020	31 December 2019
	(unaudited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	17,742	44,357
Other payables and accrued charges	67,742	72,631
PRC VAT payables	1,793	198
	<u>87,277</u>	<u>117,186</u>

Included in other payables and accrued charges as at 30 June 2020 were accrued bonus and incentive of HK\$1,401,000 (31 December 2019: HK\$4,894,000) and accrued renovation costs of HK\$8,549,000 (31 December 2019: HK\$13,369,000).

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

	As at	
	30 June 2020	31 December 2019
	(unaudited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	16,045	37,339
31 – 60 days	151	4,429
61 – 90 days	7	326
Over 90 days	1,539	2,263
	<u>17,742</u>	<u>44,357</u>

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

10. BANK BORROWINGS

	As at	
	30 June 2020 (unaudited) HK\$'000	31 December 2019 (audited) HK\$'000
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities as at 30 June 2020) but repayable:		
Within one year	149,043	172,900
Within a period of more than one year but not exceeding two years	43,788	42,396
Within a period of more than two years but not exceeding five years	414,676	438,088
Within a period of more than five years	158,642	137,550
	<u>766,149</u>	<u>790,934</u>
Less: Amounts due within one year shown under current liabilities	<u>(766,149)</u>	<u>(172,900)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>618,034</u>

The bank borrowings carry floating interest rate ranged from 1.1% to 1.14% over Hong Kong Interbank Offered Rate (“HIBOR”) (31 December 2019: from 1.11% to 1.14%) and 1.2% over Singapore Interbank Offered Rate (31 December 2019: 1.2%) per annum.

The Group had pledged a property of HK\$1,657,211,000 (31 December 2019: HK\$1,703,126,000) 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 the Group.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in these condensed consolidated financial statements, which have no effect on previously reported profit for the period, to conform with the current period’s presentation. In particular, for the six months ended 30 June 2019, depreciation of property, plant and equipment used for retail shops was reclassified from administrative expenses to selling and distribution expenses in the condensed consolidated statement of profit or loss and other comprehensive income. Presentation on respective operating segments in note 3 to the condensed consolidated financial statements have been restated to reflect such changes.

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 several online shopping platforms. 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.

MARKET REVIEW

During the Period, the COVID-19 pandemic (the “Pandemic”) hit around the globe. Travel bans and health control measures upon arrival were implemented, which caused mass cancellations of individual and business travel plans. Hong Kong’s retail market experienced unprecedented challenges due to the crash in visitor numbers. During the Period, the number of mainland Chinese tourists, who accounted for majority of the city’s total arrivals, plummeted by more than 90% compared to the same period last year.

As a result of the public health crisis and global economic disputes, the economic outlook remains gloomy and shrouded in uncertainties. Despite economic activities being gradually resumed after implementation of stringent lockdown orders and slightly boosted by staycation trends, the general luxury consumption sentiment remained weak, as a market turnaround is yet to be seen.

FINANCIAL REVIEW

Overall Review

Against the backdrop of a complex business environment, the Group’s total revenue decreased by 61.3% to HK\$930.6 million (2019: HK\$2,402.7 million) during the Period. As a result of falling visitor arrivals and dampened consumption sentiment, revenue from the Hong Kong market dropped significantly to HK\$503.7 million (2019: HK\$1,751.1 million), which accounted for 54.1% (2019: 72.9%) of the total revenue. On the other hand, the Pandemic situation has eased off slightly in the mainland China and local consumption has been picking up gradually, revenue from the mainland China market thereby decreased by 14.7% only to HK\$243.4 million (2019: HK\$285.4 million), accounting for 26.2% (2019: 11.9%) of the total revenue. Considering revenue breakdown by product, the sales revenue of watch and jewellery decreased to HK\$701.9 million (2019: HK\$1,884.1 million) and HK\$228.7 million (2019: HK\$518.6 million) respectively, accounting for 75.4% (2019: 78.4%) and 24.6% (2019: 21.6%) of the total revenue.

Gross profit inevitably decreased to HK\$305.2 million (2019: HK\$757.9 million), while the gross profit margin increased by 1.3 percentage points to 32.8% (2019: 31.5%). Amid the Pandemic, the Group has actively taken all necessary measures to mitigate the adverse financial

implications. The Group strived for decrease in rental expenses by negotiating with landlords for short-term rental relief or one-off rental cuts for shops before or upon lease expiries; staff cost reductions by streamlining workflows and implementing a flexible human resources strategy; and boosting sales by enhancing customer engagement and adjusting the product range. Nevertheless, the Group incurred a net loss during the Period amounting to HK\$113.7 million (2019: net profit of HK\$117.6 million) as a result of the revenue slump and operating deleverage. Adjusted loss before interest and tax was HK\$44.0 million (2019: adjusted earnings before interest and tax of HK\$222.7 million). Basic loss per share was HK1.68 cents (2019: basic earnings per share of 1.73 cents).

Capital Structure, Liquidity and Financial Resources

Bank balances and cash on hand of the Group as at 30 June 2020 amounted to HK\$251.1 million (31 December 2019: HK\$239.9 million), which were mainly denominated in Hong Kong dollars and Renminbi. As at 30 June 2020, the Group had total bank borrowings of approximately HK\$766.1 million (31 December 2019: 790.9 million), resulting in a net gearing ratio (calculated on the basis of net debts over net asset value) of 11.9% (31 December 2019: 12.3%). The Group also had available un-utilised banking facilities of approximately HK\$1,102.8 million.

As at 30 June 2020, the Group's current assets and current liabilities were approximately HK\$3,451.9 million (31 December 2019: HK\$3,539.4 million) and HK\$1,153.9 million (31 December 2019: HK\$659.3 million), respectively. Current ratio and quick ratio of the Group were 3.0 (31 December 2019: 5.4) and 0.3 (31 December 2019: 0.6), respectively.

In view of the Group's financial position as at 30 June 2020, 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 30 June 2020, the Group had 102 stores (31 December 2019: 104) in Hong Kong, Macau, mainland China, Singapore and Malaysia. The distribution was as follows:

	Number of stores
Hong Kong	31
Macau	5
Mainland China	57
Singapore	8
Malaysia	1
Total	<u>102</u>

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 built a strategic sales network in prime shopping areas in Hong Kong, Macau and mainland China. The Group also successfully expanded its presence in Singapore and Malaysia, to enhance its footprint and brand exposure beyond Greater China.

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 customers 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 Period, the Group launched “*Fortune Bracelet*”, comprising a rice-shaped gold charm on a traditional Chinese cord bracelet. Each piece of gold rice is delicately engraved with the Chinese characters for “peace”, “health”, “happiness” or “luck”, to symbolise love and fortune, as well as a better future. In order to enhance engagements with local consumers, the Group launched many promotional and VIP events. Given the importance of social media in product promotions, the Group will continue to showcase and promote its products on mobile apps and social media platforms.

PROSPECTS

Supported by the expansion of the middle income group and more comprehensive transportation linkages, Hong Kong remains one of the region’s hottest shopping destinations, and is among the best places to benefit from a recovery in consumption sentiment, particularly among mainland China tourists and shoppers. As soon as the travel restrictions and health quarantine measures upon arrival are eased, the Group expects that the suppressed desire for tourism and pent-up consumption demand will be unleashed, resulting in an obvious rebound in the number of visitor arrivals.

Nevertheless, the unfavourable business operating environment arising from the Pandemic and the volatile global economy are likely to hinder development of the luxury consumption market. It is expected that the business operating environment of tourism related sectors and the retail market landscape in Hong Kong will remain challenging in the near term. As consumers refrained from making physical shop visits due to public health concerns, the Group will further develop online business by enhancing social media engagements and online sales platforms. Meanwhile, the Group will adhere to its prudent approach, promptly react to market changes, and take appropriate measures to improve its overall operating efficiency.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 713 salespersons (30 June 2019: 893) and 159 office staff (30 June 2019: 262). Total staff costs (including Directors' remuneration) were approximately HK\$95.6 million (1H2019: HK\$178.4 million) for the Period. Each employee's remuneration was determined in accordance with individual's responsibilities, competence and skills, experience and performance as well as market pay levels. Staff benefits include medical and life insurance, retirement benefits and other competitive fringe benefits.

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

INTERIM DIVIDEND

The Board has resolved not to declare any payment of interim dividend for the financial year ending 31 December 2020 (2019: HK0.35 cent per share).

REVIEW OF INTERIM RESULTS

These condensed consolidated Interim Financial Statements of the Group for the Period had not been reviewed nor audited by the Company's auditor, Deloitte Touche Tohmatsu (Registered Public Interest Entity Auditor), but had 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

The Company had complied throughout the Period with all 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 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 and 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, who bring different experience and 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 dealings 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 Model Code and EWJ Securities Code throughout the Period.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines in line with the Model Code. No incident of non-compliance by relevant employees was noted throughout the Period.

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 Period.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.emperorwatchjewellery.com>). The interim report of the Company for the Period will be dispatched to the shareholders of the Company and will be available on the aforesaid websites in due course.

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

Hong Kong, 27 August 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