



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

Incorporated in Hong Kong with limited liability (Stock Code: 887)



2021 INTERIM REPORT

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# RESULTS HIGHLIGHTS

The board of directors (the “Board” or “Directors”) of Emperor Watch & Jewellery Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2021 (the “Period”).

*HK\$ million (unaudited)*

	For the six months ended 30 June		Changes
	2020	2021	
Revenue	931	<b>2,071</b>	<b>+122.4%</b>
Gross profit	305	<b>638</b>	<b>+109.2%</b>
Adjusted EBITD (LBITD)*	(44)	<b>218</b>	<b>N/A</b>
Net profit (loss)	(114)	<b>132</b>	<b>N/A</b>
Basic earnings (loss) per share	HK(1.68) cents	<b>HK1.95 cents</b>	<b>N/A</b>
Interim dividend per share	–	<b>HK0.55 cent</b>	<b>N/A</b>

\* Adjusted EBITD (LBITD) represents earnings (loss) before interest, tax and depreciation charge on the self-owned flagship store, which reflects the Group's core operating performance. The Group has fully adopted the HKFRS 16, which amortisation of right-of-use assets associated with rental lease agreements were included.

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS

As pandemic containment has become broadly stable in Greater China, and various governments made progress with vaccination programs during the Period, the Group generally continued noting signs of improvement, and the Group's total revenue surged by 122.4% to HK\$2,071.0 million (2020: HK\$930.6 million). Among the geographical segments covered by the Group, revenue from mainland China registered remarkable growth of 189.5% to HK\$704.7 million (2020: HK\$243.4 million), accounting for 34.0% (2020: 26.2%) of the total revenue. With a concrete rebound of domestic consumptions, the Group's mainland China business during the Period exceeded the pre-covid-19 level, while its segment profit recorded a fivefold increase to HK\$119.6 million (2020: HK\$22.8 million). Despite the decrease in visitor arrivals to Hong Kong, the local consumption market regained momentum, revenue from the Hong Kong market therefore increased by 70.3% to HK\$857.9 million (2020: HK\$503.7 million), accounting for 41.4% (2020: 54.1%) of the total revenue. In terms of revenue by product segment, the sales revenue from watch and jewellery segments increased to HK\$1,746.6 million (2020: HK\$701.9 million) and HK\$324.4 million (2020: HK\$228.7 million) respectively, accounting for 84.3% (2020: 75.4%) and 15.7% (2020: 24.6%) of the total revenue.

Gross profit increased to HK\$637.5 million (2020: HK\$305.2 million), while the gross profit margin was 30.8% (2020: 32.8%). As a result of the revenue growth and better operating leverage, the Group achieved a net profit of HK\$132.2 million (2020: net loss of HK\$113.7 million) during the Period. Basic earnings per share was HK1.95 cents (2020: basic loss per share of HK1.68 cents). The Group has declared an interim dividend of HK0.55 cent (2020: Nil) per share.

## BUSINESS REVIEW

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 of Hong Kong Limited since July 2008.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group has established a retail network of approximately 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.

## ***Presence in Prime Retail Locations***

As at 30 June 2021, the Group had 98 stores in Hong Kong, Macau, mainland China, Singapore and Malaysia. The distribution was as follows:

	<b>Number of stores</b>
Hong Kong	30
Macau	5
Mainland China	54
Singapore	8
Malaysia	1
<b>Total</b>	<b>98</b>

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 as well as popular residential districts, particularly in Hong Kong, Macau and mainland China. Within mainland China, more than 70% of its stores are located in first tier and new first tier cities, which fits the Group's customer targeting and market positioning. The Group also successfully expanded its presence in Singapore and Malaysia, to enhance its footprint and brand exposure beyond Greater China.

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group opened one jewellery store in Hong Kong and one dedicated watch boutique in mainland China, to further expand market coverage.

## ***Solidifying Leading Position***

With its long-standing history, the Group is a trusted partner of and maintains solid relationships with major high end luxury 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 highlighted the “***One Vow, Two Love***” Bridal Collection – a unique collection featuring a romantic love story as its design motif. Created with exquisite settings and impeccable craftsmanship, the selection of diamond engagement rings and wedding bands embodies the brilliance of an ever-lasting promise. 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

Though there are still a few sporadic outbreaks in the mainland China, China's overall economy has been recovering rapidly, providing a solid back-up to the Greater China economy and luxury consumption demand. In tandem with the expansion of the middle-income group and the release of the strong pent-up demand, the Group believes that the mainland China market will be an important driver of the Group's business growth. The Group will reinforce the retail network and business operations through cautious expansion, aiming to enhance the footprint in mainland China. It is expected that a travel bubble or health code will soon be launched by the government, and the Group will benefit from the rebound of visitation and recovery of the retail market in Hong Kong.

As consumer behaviour has been reshaped amid the pandemic, the Group will keep a watchful eye on the market changes and continue enhancing its online sales platforms, while showcasing and promoting its products on mobile apps or by social media engagements. In parallel, the Group will closely monitor inventory levels, adjust the product mix and exercise stringent control of cost expenses, aiming to achieve sustainable business development in future.

## FINANCIAL REVIEW

### ***Capital Structure, Liquidity and Financial Resources***

Bank balances and cash on hand of the Group as at 30 June 2021 increased to HK\$872.8 million (31 December 2020: HK\$405.1 million), which were mainly denominated in Hong Kong dollars and Renminbi. As at 30 June 2021, the Group had total bank borrowings of approximately HK\$715.9 million (31 December 2020: HK\$638.7 million) and was in a net cash position, hence its net gearing ratio (calculated on the basis of bank borrowings less cash and cash equivalents over net asset value) was zero (31 December 2020: 5.1%). The Group also had available un-utilised banking facilities of approximately HK\$843.7 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the Group's current assets and current liabilities were approximately HK\$3,877.6 million (31 December 2020: HK\$3,585.3 million) and HK\$1,129.9 million (31 December 2020: HK\$1,027.3 million) respectively. Current ratio and quick ratio of the Group were 3.4 (31 December 2020: 3.5) and 0.9 (31 December 2020: 0.5) respectively.

In view of the Group's financial position as at 30 June 2021, the Directors considered that the Group had sufficient working capital for its operations and future development plans.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had 712 salespersons (30 June 2020: 713) and 155 office staff (30 June 2020: 159). Total staff costs (including Directors' remuneration) were approximately HK\$137.3 million (1H2020: HK\$95.6 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 this interim report.

# INTERIM DIVIDEND

The Board is pleased to declare a dividend of HK0.55 cent per share (“Interim Dividend”) (2020: Nil) for the Period, amounting to approximately HK\$37,287,000 (2020: Nil). The Interim Dividend will be payable on 21 September 2021 (Tuesday) to shareholders whose names appear on the register of members of the Company on 10 September 2021 (Friday).

The register of members of the Company will be closed, for the purpose of determining shareholders’ entitlement to the Interim Dividend, from 9 September 2021 (Thursday) to 10 September 2021 (Friday) (both days inclusive), during which period no transfer of shares will be registered.

In order to qualify for the Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on 8 September 2021 (Wednesday).

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		<b>Six months ended 30 June</b>	
	Notes	<b>2021 (unaudited) HK\$'000</b>	2020 (unaudited) HK\$'000
Revenue	3	<b>2,070,957</b>	930,586
Cost of sales		<b>(1,433,453)</b>	(625,402)
Gross profit		<b>637,504</b>	305,184
Other income		<b>3,260</b>	4,729
Selling and distribution expenses		<b>(416,579)</b>	(331,218)
Administrative expenses		<b>(52,801)</b>	(50,048)
Other gains or losses		<b>1,409</b>	(18,538)
Finance costs		<b>(10,013)</b>	(20,783)
Profit (loss) before taxation	4	<b>162,780</b>	(110,674)
Taxation	5	<b>(30,581)</b>	(3,046)
Profit (loss) for the period		<b>132,199</b>	(113,720)
Other comprehensive income (expense) for the period <i>Item that may be reclassified subsequently to profit or loss:</i> Exchange differences arising from translation of foreign operations		<b>27,429</b>	(15,398)
Total comprehensive income (expense) for the period attributable to owners of the Company		<b>159,628</b>	(129,118)
Earnings (loss) per share – Basic	7	<b>HK1.95 cents</b>	HK(1.68) cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		<b>As at</b>	
	Notes	<b>30 June 2021 (unaudited) HK\$'000</b>	31 December 2020 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,675,571</b>	1,717,896
Right-of-use assets		<b>313,554</b>	365,022
Rental deposits		<b>84,658</b>	93,910
Deposits paid for acquisition of property, plant and equipment		<b>1,788</b>	364
Deferred tax assets		<b>10,896</b>	10,896
		<b>2,086,467</b>	2,188,088
<b>Current assets</b>			
Inventories		<b>2,877,121</b>	3,029,949
Right to returned goods asset		<b>794</b>	794
Receivables, deposits and prepayments	8	<b>126,682</b>	148,928
Amounts due from related companies	10	<b>215</b>	561
Bank balances and cash		<b>872,772</b>	405,111
		<b>3,877,584</b>	3,585,343

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2021

		<b>As at</b>	
	Notes	<b>30 June 2021 (unaudited) HK\$'000</b>	31 December 2020 (audited) HK\$'000
<b>Current liabilities</b>			
Payables and accrued charges	9	<b>119,842</b>	123,697
Lease liabilities		<b>234,319</b>	227,155
Contract liabilities		<b>10,188</b>	9,877
Refund liabilities		<b>1,035</b>	1,035
Amounts due to related companies	10	<b>3,656</b>	4,622
Taxation payable		<b>45,021</b>	22,184
Bank borrowings	11	<b>715,878</b>	638,693
		<b>1,129,939</b>	1,027,263
<b>Net current assets</b>			
		<b>2,747,645</b>	2,558,080
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>3,387</b>	3,359
Lease liabilities		<b>132,148</b>	193,691
		<b>135,535</b>	197,050
<b>Net assets</b>			
		<b>4,698,577</b>	4,549,118
<b>Capital and reserves</b>			
Share capital		<b>3,484,152</b>	3,484,152
Reserves		<b>1,214,425</b>	1,064,966
<b>Total equity</b>			
		<b>4,698,577</b>	4,549,118

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company						
	Share capital	Merger reserve	Other reserve	Capital reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 1 January 2020 (audited)</b>	3,484,152	(373,003)	(26,195)	2,529	(38,058)	1,423,602	4,473,027
Exchange differences arising on translation of foreign operations	-	-	-	-	(15,398)	-	(15,398)
Loss for the period	-	-	-	-	-	(113,720)	(113,720)
Total comprehensive expense for the period	-	-	-	-	(15,398)	(113,720)	(129,118)
<b>As at 30 June 2020 (unaudited)</b>	3,484,152	(373,003)	(26,195)	2,529	(53,456)	1,309,882	4,343,909
<b>As at 1 January 2021 (audited)</b>	<b>3,484,152</b>	<b>(373,003)</b>	<b>(26,195)</b>	<b>2,529</b>	<b>4,040</b>	<b>1,457,595</b>	<b>4,549,118</b>
Exchange differences arising on translation of foreign operations	-	-	-	-	27,429	-	27,429
Profit for the period	-	-	-	-	-	132,199	132,199
Total comprehensive income for the period	-	-	-	-	27,429	132,199	159,628
Final dividend recognised and paid for 2020 (Note 6)	-	-	-	-	-	(10,169)	(10,169)
<b>As at 30 June 2021 (unaudited)</b>	<b>3,484,152</b>	<b>(373,003)</b>	<b>(26,195)</b>	<b>2,529</b>	<b>31,469</b>	<b>1,579,625</b>	<b>4,698,577</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Net cash from operating activities	545,208	166,998
Net cash from (used in) investing activities	9,194	(728)
Net cash used in financing activities	(92,283)	(151,157)
Net increase in cash and cash equivalents	462,119	15,113
Cash and cash equivalents at the beginning of the period	405,111	239,909
Effect of foreign exchange rate changes	5,542	(3,923)
Cash and cash equivalents at the end of the period	872,772	251,099

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 financial information relating to the year ended 31 December 2020 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2021 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the CO.

The Company’s auditor has reported on those financial statements. 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

### ***Application of amendments to HKFRSs***

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current interim 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### ***Application of amendments to HKFRSs (Continued)***

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 and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5(2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 excluding Hong Kong and 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.

All the sales of products and commission income are completed within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

### For the six months ended 30 June 2021

	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	857,864	224,324	704,701	283,992	–	2,070,881
Inter-segment sales*	69,755	12,347	–	–	(82,102)	–
Commission income	52	24	–	–	–	76
	927,671	236,695	704,701	283,992	(82,102)	2,070,957

\* Inter-segment sales are charged at cost

Segment profit	67,742	35,032	119,593	44,220	–	266,587
Unallocated other income						3,260
Unallocated corporate expenses						(98,463)
Unallocated other gains or losses						1,409
Unallocated finance costs						(10,013)
Profit before taxation						162,780

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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
	511,659	43,724	243,427	143,051	(11,275)	930,586
* Inter-segment sales are charged at cost						
Segment (loss)profit	(13,566)	(5,108)	22,779	15,776	-	19,881
Unallocated other income						4,729
Unallocated corporate expenses						(95,963)
Unallocated other gains or losses						(18,538)
Unallocated finance costs						(20,783)
Loss before taxation						(110,674)

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 profit (loss) represents the profit earned from each segment without allocation of other income, corporate expenses including depreciation charged on the self-owned flagship shop, other gains or losses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. PROFIT (LOSS) BEFORE TAXATION

	<b>Six months ended 30 June</b>	
	<b>2021</b> <b>(unaudited)</b> <b>HK\$'000</b>	2020 (unaudited) HK\$'000
<b>Profit (loss) before taxation has been arrived at after charging (crediting):</b>		
Cost of inventories included in cost of sales (included allowance for inventories of HK\$7,074,000) (2020 interim: allowance for inventories of HK\$2,022,000)	<b>1,431,514</b>	622,177
Allowance for credit losses	–	528
Depreciation of property, plant and equipment		
– retail shops	<b>61,006</b>	68,697
– offices	<b>2,976</b>	2,854
	<b>63,982</b>	71,551
Depreciation of right-of-use assets		
– retail shops	<b>121,259</b>	122,231
– offices	<b>5,824</b>	5,915
	<b>127,083</b>	128,146

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. PROFIT (LOSS) BEFORE TAXATION *(Continued)*

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Staff costs including Directors' remuneration		
– salaries and other benefits costs	<b>125,588</b>	87,527
– retirement benefits scheme contributions	<b>11,690</b>	8,054
	<b>137,278</b>	95,581
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	<b>659</b>	242
Gain arising from leases modification	–	(313)
Net exchange (gains) losses	<b>(2,068)</b>	4,368
	<b>(1,409)</b>	18,538

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 5. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2021 (unaudited) HK\$'000</b>	2020 (unaudited) HK\$'000
<b>The tax charge comprises:</b>		
Profits tax:		
Hong Kong	—	398
Macau	<b>3,825</b>	—
PRC	<b>19,302</b>	—
Singapore	<b>7,454</b>	2,648
	<b>30,581</b>	3,046
Deferred taxation	—	—
	<b>30,581</b>	3,046

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 5. TAXATION *(Continued)*

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.

Singapore Income Tax is calculated at 17% of the estimated assessable profits 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

	<b>Six months ended 30 June</b>	
	<b>2021 (unaudited) HK\$'000</b>	2020 (unaudited) HK\$'000
Interim dividend declared: HK0.55 cent (2020: Nil) per share	<b>37,287</b>	–
2020 final dividend paid: HK0.15 cent (2019: Nil) per share	<b>10,169</b>	–

The Board has declared an interim dividend of HK0.55 cent per share for the financial year ending 31 December 2021 (2020: Nil), amounting to HK\$37,287,000 (2020: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7. EARNINGS (LOSS) PER SHARE – BASIC

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Earnings (loss)</b>		
Earnings (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	<b>132,199</b>	(113,720)
	<hr/>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic earnings (loss) per share	<b>6,779,458,129</b>	6,779,458,129
	<hr/>	

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>As at</b>	
	<b>30 June 2021 (unaudited) HK\$'000</b>	31 December 2020 (audited) HK\$'000
Trade receivables from contracts with customers	<b>53,573</b>	63,830
Less: Allowance for credit losses	<b>(586)</b>	(1,223)
	<b>52,987</b>	62,607
Other receivables, deposits and prepayments	<b>66,724</b>	78,140
PRC Value-Added Tax ("VAT") recoverable	<b>6,971</b>	8,181
	<b>126,682</b>	148,928

As at 1 January 2020, trade receivable from contracts with customers amounted to HK\$50,716,000.

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 2021 were advance payments to suppliers of HK\$21,185,000 (31 December 2020: HK\$15,506,000) and rebate receivables of HK\$24,914,000 (31 December 2020: HK\$30,624,000). The remaining items are individually insignificant.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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:

	<b>As at</b>	
	<b>30 June 2021 (unaudited) HK\$'000</b>	31 December 2020 (audited) HK\$'000
Within 30 days	<b>52,376</b>	60,956
31 – 60 days	<b>534</b>	409
61 – 90 days	<b>20</b>	48
over 90 days	<b>643</b>	2,417
	<b>53,573</b>	63,830

Included in the trade receivables balance were receivables from department stores with aggregate carrying amount of HK\$78,000 (31 December 2020: HK\$1,301,000) which are past due at the reporting date for which the Group has not provided for impairment loss.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 9. PAYABLES AND ACCRUED CHARGES

	<b>As at</b>	
	<b>30 June 2021 (unaudited) HK\$'000</b>	31 December 2020 (audited) HK\$'000
Trade payables	<b>44,017</b>	45,235
Other payables and accrued charges	<b>72,539</b>	75,484
Singapore Goods and Services Tax payables	<b>2,359</b>	1,892
PRC VAT payables	<b>927</b>	1,086
	<b>119,842</b>	123,697

Included in other payables and accrued charges as at 30 June 2021 were accrued bonus and incentive of HK\$8,732,000 (31 December 2020: HK\$6,621,000) and accrued renovation costs of HK\$11,604,000 (31 December 2020: HK\$12,005,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 9. PAYABLES AND ACCRUED CHARGES *(Continued)*

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

	<b>As at</b>	
	<b>30 June 2021 (unaudited) HK\$'000</b>	31 December 2020 (audited) HK\$'000
Within 30 days	<b>43,510</b>	39,964
31 – 60 days	<b>446</b>	2,131
61 – 90 days	<b>48</b>	866
Over 90 days	<b>13</b>	2,274
	<b>44,017</b>	45,235

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

## 10. AMOUNTS DUE FROM(TO) RELATED COMPANIES

The amounts due from related companies mainly represent prepayment of operating expenses.

The amounts due to related companies mainly represent the service charge payable to related companies. These amounts are unsecured, interest-free and repayable on demand.

The related companies represent companies which are controlled by a director or private trusts of which another director is one of the eligible beneficiaries.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. BANK BORROWINGS

	<b>As at</b>	
	<b>30 June 2021 (unaudited) HK\$'000</b>	31 December 2020 (audited) HK\$'000
The carrying amounts of bank loans that contain a repayment on demand clause but repayable:		
Within one year	<b>145,630</b>	45,630
Within a period of more than one year but not exceeding two years	<b>45,630</b>	45,630
Within a period of more than two years but not exceeding five years	<b>421,158</b>	430,179
Within a period of more than five years	<b>103,460</b>	117,254
	<b>715,878</b>	638,693
Less: Amounts due within one year shown under current liabilities	<b>(715,878)</b>	(638,693)
Amounts shown under non-current liabilities	—	—

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. BANK BORROWINGS *(Continued)*

The bank borrowings carry floating interest rate ranged from 1.11% to 1.14% over Hong Kong Interbank Offered Rate (31 December 2020: from 1.10% to 1.14%) per annum.

The Group had pledged a property with carrying amount of HK\$1,565,130,000 (31 December 2020: HK\$1,610,792,000) to secure banking facilities granted to the Group. In addition, corporate guarantee was also issued in favour of the banks by the Company and its subsidiary to secure banking facilities granted to the Group.

After the period ended 30 June 2021, the Group settled bank borrowings by HK\$203,803,000.

## 12. CAPITAL COMMITMENT

	<b>As at</b>	
	<b>30 June 2021 (unaudited) HK\$'000</b>	31 December 2020 (audited) HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>1,590</b>	247

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 13. RELATED PARTY TRANSACTIONS

During the Period, other than disclosed in Note 10, the Group had the following transactions with related parties:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
(1) Sales of goods to Directors, their close family members and related companies	<b>3,216</b>	571
(2) Electricity and air-conditioning expenses paid and payable to related companies	<b>113</b>	130
(3) Service charge in respect of information system and administrative work paid and payable to related companies	<b>3,101</b>	4,142
(4) Advertising expenses paid and payable to related companies	<b>47</b>	36
(5) Financial advisory fee paid and payable to a related company	<b>165</b>	165
(6) Interest expenses on lease liabilities to related companies	<b>906</b>	1,610
(7) Expenses relating to other leases with lease terms and within 12 months of the date of initial application of HKFRS 16	<b>–</b>	10
(8) Variable lease payments to related companies	<b>1,337</b>	338

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 13. RELATED PARTY TRANSACTIONS *(Continued)*

The key management personnel of the Company are the Director and senior management. The remuneration paid to them during the Period was as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Salaries and other short-term employee benefits	<b>4,144</b>	4,025
Retirement benefits costs	<b>114</b>	174
	<b>4,258</b>	4,199

*Notes:*

- (a) The related companies are controlled by a Director or private trusts of which another Director is one of the eligible beneficiaries.
- (b) Other than the expenses under items (6), (7) and (8), all other transactions are connected transactions exempt from announcement, reporting and independent shareholders' requirements under Rule 14A.33 of the Listing Rules.

As at 30 June 2021, deposits paid to related companies amounting to HK\$18,080,000 (31 December 2020: HK\$25,661,000) was included in rental deposits under non-current assets.

As at 30 June 2021, the Group had recognised lease liabilities of approximately HK\$61,304,000 (31 December 2020: HK\$40,653,000) for the leases with related companies.

# DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2021, the Director(s) and chief executive(s) of the Company who had or were deemed or taken to have interests and short positions in the following shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors adopted by the Company ("EWJ Securities Code") were as follows:

## (a) Long position interests in the Company

### *Ordinary shares of the Company ("Shares")*

<b>Name of Director</b>	<b>Capacity/ Nature of interests</b>	<b>Number of Shares interested</b>	<b>% of issued voting Shares</b>
Ms. Cindy Yeung	Eligible beneficiary of a private discretionary trust	4,298,610,000	63.41%

*Note:* These Shares were held by Emperor Watch & Jewellery Group Holdings Limited ("Emperor W&J Holdings"), a wholly-owned subsidiary of Albert Yeung Watch & Jewellery Holdings Limited ("AY W&J Holdings"). AY W&J Holdings was in turn held by First Family Advisors Trust reg. ("First Family") in trust for a private discretionary trust under which Ms. Cindy Yeung had deemed interests by virtue of being one of the eligible beneficiaries.

# DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

(b) Long position interests in associated corporations of the Company

## (i) Ordinary Shares

Name of Director	Name of associated corporation	Capacity/ Nature of interests	Number of ordinary shares interested	% of issued voting shares
Ms. Cindy Yeung	Emperor International Holdings Limited ("Emperor International")	Eligible beneficiary of a private discretionary trust	2,747,610,489 <i>(Note)</i>	74.71%
	Emperor Entertainment Hotel Limited ("Emperor E Hotel")	- ditto -	851,352,845 <i>(Note)</i>	71.11%
	Emperor Culture Group Limited ("Emperor Culture Group")	- ditto -	2,371,313,094 <i>(Note)</i>	73.80%
	Ulferts International Limited ("Ulferts")	- ditto -	600,000,000 <i>(Note)</i>	75.00%
Ms. Fan Man Seung, Vanessa	Emperor International	Beneficial owner	10,500,000	0.29%

# DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

(b) Long position interests in associated corporations of the Company (*Continued*)

## (ii) *Debentures*

Name of Director	Name of associated corporation	Capacity/ Nature of interests	Amount of debentures held
Mr. Wong Chi Fai	Emperor International	Interest in a controlled corporation	HK\$2,000,000

*Note:* Emperor International, Emperor E Hotel, Emperor Culture Group and Ulferts are companies with their shares listed on the Stock Exchange. These shares were ultimately owned by the respective private discretionary trusts. Ms. Cindy Yeung had deemed interests in the same shares by virtue of being one of the eligible beneficiaries of such trusts.

Save as disclosed above, as at 30 June 2021, none of the Directors nor chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## OTHER PERSONS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at 30 June 2021, the persons or corporations (other than a Director or a chief executive of the Company) who had, or were deemed or taken to have interests and short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO ("DI Register") were as follows:

### Long position in the Shares

<b>Name</b>	<b>Capacity/ Nature of interests</b>	<b>Number of Shares interested</b>	<b>% of issued voting Shares</b>
Emperor W&J Holdings	Beneficial owner	4,298,610,000 <i>(Note)</i>	63.41%
AY W&J Holdings	Interest in a controlled corporation	4,298,610,000 <i>(Note)</i>	63.41%
First Family	Trustee of a private discretionary trust	4,298,610,000 <i>(Note)</i>	63.41%
Dr. Yeung Sau Shing, Albert	Founder of a private discretionary trust	4,298,610,000 <i>(Note)</i>	63.41%
Ms. Luk Siu Man, Semon	Interest of spouse	4,298,610,000 <i>(Note)</i>	63.41%
Brandes Investment Partners, L.P.	Investment manager	339,017,288	5.00%

*Note:* These Shares were the same Shares as those set out under Section (a) of "Directors' and Chief Executives' Interests in Securities" above.

Save as disclosed above, as at 30 June 2021, the Directors or chief executives of the Company were not aware of any person or corporation (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares as recorded in the DI Register.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## SHARE OPTIONS

The Company adopted a share option scheme (“Share Option Scheme”) at the annual general meeting of the Company held on 23 May 2018 to provide incentive or rewards to eligible participants including Directors and employees of the Group.

No share option was granted under the Share Option Scheme since its adoption and up to 30 June 2021.

## 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 during the Period, 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE CODE *(Continued)*

Subsequent to the Period, Mr. Ng Koon Keung, Ricky (“Mr. Ng”) has been engaged as Chief Executive Officer of the Group and appointed as Executive Director of the Company (also a member of the Executive Committee) with effect from 1 July 2021 while Ms. Cindy Yeung continues her role as Chairperson of the Board. Such engagement of Mr. Ng further enhances the corporate governance standard of the Group and conforms to code provision A.2.1.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted EWJ Securities Code as its own code of conduct regarding securities transactions by Directors 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.

## CHANGES IN INFORMATION OF DIRECTORS

Save as disclosed under the section of “Corporate Governance Code” above, the Company is not aware of any change in the Directors information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2020 Annual Report.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## REVIEW OF INTERIM REPORT

The condensed consolidated financial statements of the Group for the Period as set out in this interim report have not been reviewed nor audited by the Company's auditor, Deloitte Touche Tohmatsu (Registered Public Interest Entity Auditor), but this report have been reviewed by the audit committee of the Company, which comprises the three Independent Non-executive Directors of the Company.

## 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.

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

Hong Kong, 24 August 2021

As at the date of this Report, the Board comprises:-

*Executive Directors:*

Ms. Cindy Yeung  
Mr. Ng Koon Keung, Ricky  
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

# CORPORATE GOVERNANCE AND OTHER INFORMATION

This interim report (in both English and Chinese versions) is available to any shareholder of the Company in printed form or on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.emperorwatchjewellery.com>). In order to protect the environment, the Company highly recommends the shareholders to receive electronic copy of this Interim Report. Shareholders may have the right to change their choice of receipt of our future Corporate Communications at any time by reasonable notice in writing to the Company's Share Registrar, Tricor Secretaries Limited, by post at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com).