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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)

2021 ANNUAL RESULTS ANNOUNCEMENT

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 2021 (the “Year”).

FINANCIAL HIGHLIGHTS

HK\$ million

	For the year ended 31 December		Changes
	2020	2021	
Revenue	2,627	3,927	+ 49.5%
Gross profit	840	1,230	+ 46.4%
Adjusted EBITD*	160	365	+ 128.1%
Net profit	34	205	+ 502.9%
Basic earnings per share	HK0.50 cent	HK3.02 cents	+ 504.0%
Final dividend per share	HK0.15 cent	HK0.35 cent	+ 133.3%

* Adjusted EBITD represents earnings 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

With the improved business performance in the mainland China and Hong Kong markets, the Group's total revenue increased by 49.5% to HK\$3,926.6 million (2020: HK\$2,626.6 million) during the Year. Regarding results by geographical segment, the mainland China market showed a strong rebound during the Year, with revenue from this market increasing by 56.7% to HK\$1,227.8 million (2020: HK\$783.3 million), accounting for 31.3% (2020: 29.8%) of the total revenue. In Hong Kong, the relatively stabilised pandemic situation provided support to domestic consumption, hence the revenue from the Hong Kong market increased by 38.4% to HK\$1,739.3 million (2020: HK\$1,256.6 million), accounting for 44.3% (2020: 47.8%) of the total revenue. In terms of revenue by product segment, the sales revenue from watch and jewellery segments increased to HK\$3,268.9 million (2020: HK\$2,056.2 million) and HK\$657.7 million (2020: HK\$570.4 million), respectively, accounting for 83.3% (2020: 78.3%) and 16.7% (2020: 21.7%) of the total revenue.

Gross profit increased to HK\$1,229.5 million (2020: HK\$840.1 million), while the gross profit margin was 31.3% (2020: 32.0%). As a result of the increase in revenue and better operating leverage, the Group's net profit surged 502.9% to HK\$204.7 million (2020: HK\$34.0 million) during the Year. Basic earnings per share was HK3.02 cents (2020: HK0.5 cent). The Group has recommended the payment of a final dividend of HK0.35 cent (2020: HK0.15 cent) per share. Together with the interim dividend of HK0.55 cent (2020: Nil) per share, the total dividends for the Year are HK0.9 cent (2020: HK0.15 cent) per share.

MARKET REVIEW

During the first half of the Year, the Covid-19 pandemic stabilised around the world, and the global economy was on track towards recovery. The public's daily activities broadly returned to normal and consumption sentiment further revived, hence there was a significant recovery in the retail industry. Domestic purchasing power stayed strong in mainland China, contributing to an upward trend in its consumption market. Relaxation of the travel restrictions within the Greater Bay Area by the Chinese government has also benefited the Greater Bay Area cities. In Hong Kong, although it was still affected by the closure of the major borders, local consumption was stable and business performance continued to improve.

Nevertheless, in the second half of the Year, various policies announced by the Chinese Government plus credit crises of the mainland China property industry have adversely impacted the China economy. With a high base in the second half of the previous year, the growth rate of the mainland China consumption market began slowing in the second half of the Year. Closer to the end of the Year, the Omicron variant of Covid-19 started to invade various countries and drove the numbers of cases to new highs. The first mainland China and Hong Kong Omicron cases were discovered in December 2021, prompting the governments to immediately tighten measures, inevitably affecting consumption sentiment.

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.

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 nearly 80 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 a 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 31 December 2021, the Group had 99 stores in Hong Kong, Macau, mainland China, Singapore and Malaysia. The distribution was as follows:

	Number of stores
Hong Kong	30
Macau	5
Mainland China	55
Singapore	8
Malaysia	1
	<hr/>
Total	99
	<hr/> <hr/>

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 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.

During the Year, the Group opened one jewellery store in Hong Kong, and one dedicated watch boutique and five jewellery stores 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 Year, the Group highlighted the *Nuò by Cindy Yeung “Sautoir”* High Jewellery Collection – a tribute to the contemporary women. The “*Sautoir*” is inspired by an iconic design of 20th century women’s fashion, the Sautoir necklace, which evokes the image of the modern women in a new era. A mix of classic beauty and contemporary chic, the collection reveals the unique grace of women. In order to enhance engagements with local consumers, the Group launched many promotional and VIP events during the Year.

PROSPECTS

The luxury market has been picking up during the Year. Nevertheless, with local Omicron cases detected in mainland China and Hong Kong, the governments have again tightened social distancing measures after stability of the pandemic for almost a year, aiming to bring the strain under control as soon as possible. This has led to delays in reopening borders among mainland China, Hong Kong and Macau, which in turn undoubtedly dampened market sentiment and impeded full market recovery.

On the other hand, against the backdrop of volatile stock and property markets, some luxury items with value retention and appreciation potential are alternatives for certain investors. Besides, cooped-up consumers may tend to pamper themselves with high-ticket consumption amid the pandemic. Coupled with the expansion of the middle-income group in mainland China, the Group believes that the mainland China market will be an important driver of the Group’s business growth in the near future. The Group will therefore continue to enhance its retail network in mainland China through cautious expansion.

With both opportunities and challenges ahead, the Group will closely monitor the changes in market trends as well as consumer behaviour, so that it can promptly adjust its strategy as appropriate. The Group will also strive to maintain healthy inventory levels by meticulously adjusting the product portfolio and replenishment. 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. Although a full recovery is yet to come, the Group will be prepared in order to reap the benefits when opportunities arise.

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

Bank balances and cash on hand of the Group as at 31 December 2021 increased to HK\$556.3 million (2020: HK\$405.1 million), which were mainly denominated in Hong Kong dollars and Renminbi. As at 31 December 2021, the Group had total bank borrowings of approximately HK\$165.5 million (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 (2020: 5.1%). The Group also had available un-utilised banking facilities of approximately HK\$942.7 million.

As at 31 December 2021, the Group's current assets and current liabilities were approximately HK\$3,435.6 million (2020: HK\$3,585.3 million) and HK\$535.4 million (2020: HK\$1,027.3 million), respectively. Current ratio and quick ratio of the Group were 6.4 (2020: 3.5) and 1.4 (2020: 0.5), respectively.

In view of the Group's financial position as at 31 December 2021, the Directors considered that the Group has sufficient working capital for its operations and future development plans.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group has 678 salespersons (2020: 706) and 179 office staff (2020: 159). Total staff costs (including Directors' remuneration) were HK\$288.5 million (2020: HK\$192.2 million) for the Year. Employees' remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, retirement benefits and other competitive fringe benefits.

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

FINAL DIVIDEND

The Board is pleased to recommend the payment of a final dividend of HK0.35 cent per share for the Year ("Final Dividend") (2020: HK0.15 cent), subject to the approval of the shareholders at the forthcoming annual general meeting of the Company ("AGM") to be held on 26 May 2022 (Thursday). If being approved, the Final Dividend will be paid on 17 June 2022 (Friday) to shareholders whose names appear on the register of members of the Company on 2 June 2022 (Thursday).

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at AGM

Latest time to lodge transfers	4:30 p.m. on 20 May 2022 (Friday)
AGM	26 May 2022 (Thursday)

For ascertaining shareholders' entitlement to the proposed Final Dividend

Latest time to lodge transfers	4:30 p.m. on 31 May 2022 (Tuesday)
Book close dates	1 June 2022 (Wednesday) and 2 June 2022 (Thursday) (both days inclusive)
Record date	2 June 2022 (Thursday)
Final Dividend payment date	17 June 2022 (Friday)

In order to qualify for the right to attend and vote at the AGM and for the entitlement to the proposed Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before the above respective latest time.

The audited consolidated results of the Group for the Year together with the comparative figures for the year 2020 are set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	3	3,926,608	2,626,609
Cost of sales		(2,697,103)	(1,786,545)
Gross profit		1,229,505	840,064
Other income		8,848	8,195
Selling and distribution expenses		(840,549)	(677,227)
Administrative expenses		(113,566)	(89,265)
Other gains or losses		(11,591)	(13,832)
Finance costs		(16,378)	(33,139)
Profit before tax	4	256,269	34,796
Taxation	5	(51,574)	(803)
Profit for the year		204,695	33,993
Other comprehensive income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		14,433	42,098
Total comprehensive income for the year and attributable to owners of the Company		219,128	76,091
Earnings per share – basic	7	HK3.02 cents	HK0.50 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		1,615,723	1,717,896
Right-of-use assets		207,527	365,022
Rental deposits		85,765	93,910
Deposits paid for acquisition of property, plant and equipment		504	364
Deferred tax assets		5,103	10,896
		<u>1,914,622</u>	<u>2,188,088</u>
Current assets			
Inventories		2,710,757	3,029,949
Right to returned goods asset		1,553	794
Receivables, deposits and prepayments	8	166,226	148,928
Amounts due from related companies		753	561
Bank balances and cash		556,344	405,111
		<u>3,435,633</u>	<u>3,585,343</u>
Current liabilities			
Payables and accrued charges	9	150,137	123,697
Lease liabilities		160,343	227,155
Contract liabilities		18,653	9,877
Refund liabilities		2,204	1,035
Amounts due to related companies		2,122	4,622
Taxation payable		36,455	22,184
Bank borrowings	10	165,452	638,693
		<u>535,366</u>	<u>1,027,263</u>
Net current assets		<u>2,900,267</u>	<u>2,558,080</u>
Non-current liabilities			
Deferred tax liabilities		2,988	3,359
Lease liabilities		91,111	193,691
		<u>94,099</u>	<u>197,050</u>
Net assets		<u>4,720,790</u>	<u>4,549,118</u>
Capital and reserves			
Share capital		3,484,152	3,484,152
Reserves		1,236,638	1,064,966
Total equity		<u>4,720,790</u>	<u>4,549,118</u>

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”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) 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 2021 and 2020 included in this preliminary announcement of annual results 2021 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 2020 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 2021 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 HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of the 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.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in these consolidated financial statements.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration of incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration of both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

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 and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

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

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

Except for the amendment to HKFRSs mentioned below, 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.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s 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 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 People’s 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.

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

For the year ended 31 December 2021

	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	1,737,379	370,731	1,227,807	586,971	–	3,922,888
Inter-segment sales*	125,342	16,225	–	–	(141,567)	–
Commission income	1,872	1,848	–	–	–	3,720
	<u>1,864,593</u>	<u>388,804</u>	<u>1,227,807</u>	<u>586,971</u>	<u>(141,567)</u>	<u>3,926,608</u>
* Inter-segment sales are charged at cost						
Segment profit	<u>137,376</u>	<u>48,709</u>	<u>188,250</u>	<u>106,702</u>	<u>–</u>	481,037
Unallocated other income						8,848
Unallocated corporate expenses						(205,647)
Unallocated other gains or losses						(11,591)
Unallocated finance costs						<u>(16,378)</u>
Profit before tax						<u>256,269</u>

For the year ended 31 December 2020

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Other regions in Asia Pacific <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue						
External sales	1,256,426	160,393	783,267	426,331	–	2,626,417
Inter-segment sales*	42,681	6,637	–	–	(49,318)	–
Commission income	155	37	–	–	–	192
	<u>1,299,262</u>	<u>167,067</u>	<u>783,267</u>	<u>426,331</u>	<u>(49,318)</u>	<u>2,626,609</u>
* Inter-segment sales are charged at cost						
Segment profit	<u>70,570</u>	<u>11,599</u>	<u>104,509</u>	<u>68,493</u>	<u>–</u>	255,171
Unallocated other income						8,195
Unallocated corporate expenses						(181,599)
Unallocated other gains or losses						(13,832)
Unallocated finance costs						<u>(33,139)</u>
Profit before tax						<u>34,796</u>

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 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.

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 2021

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Other regions in Asia Pacific <i>HK\$'000</i>	Unallocated <i>HK\$'000</i> <i>(note b)</i>	Consolidated <i>HK\$'000</i>
Depreciation of property, plant and equipment	107,584	3,685	6,638	4,916	5,962	128,785
Depreciation of right-of-use assets	209,540	12,532	23,955	9,010	11,129	266,166
Expense relating to rented premises <i>(note a)</i>	<u>960</u>	<u>329</u>	<u>98,599</u>	<u>11,136</u>	<u>771</u>	<u>111,795</u>

For the year ended 31 December 2020

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Other regions in Asia Pacific <i>HK\$'000</i>	Unallocated <i>HK\$'000</i> <i>(note b)</i>	Consolidated <i>HK\$'000</i>
Depreciation of property, plant and equipment	116,031	5,864	7,758	6,159	5,778	141,590
Depreciation of right-of-use assets	189,143	12,528	19,552	9,533	11,759	242,515
Expense relating to rented premises <i>(note a)</i>	<u>33</u>	<u>–</u>	<u>66,882</u>	<u>5,767</u>	<u>945</u>	<u>73,627</u>

Notes:

(a) Expenses relating to rented premises includes expenses relating to variable lease payments and rental expenses for contracts assessed not under the definition of lease under HKFRS 16.

(b) 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of watch	3,265,202	2,055,960
Sales of jewellery	657,686	570,457
Commission income – Watch	<u>3,720</u>	<u>192</u>
	<u>3,926,608</u>	<u>2,626,609</u>

Geographical information

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

As at 31 December 2021

	Hong Kong HK\$'000	Macau HK\$'000	PRC HK\$'000	Other regions in Asia Pacific HK\$'000	Consolidated HK\$'000
Non-current assets	<u>1,711,497</u>	<u>13,617</u>	<u>86,582</u>	<u>12,058</u>	<u>1,823,754</u>

As at 31 December 2020

	Hong Kong HK\$'000	Macau HK\$'000	PRC HK\$'000	Other regions in Asia Pacific HK\$'000	Consolidated HK\$'000
Non-current assets	<u>1,946,835</u>	<u>31,634</u>	<u>83,829</u>	<u>20,984</u>	<u>2,083,282</u>

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

4. PROFIT BEFORE TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration		
– Current year	3,520	3,433
– Overprovision in prior years	(222)	(220)
Cost of inventories included in cost of sales (included allowance for inventories of HK\$16,604,000 (2020: reversal of allowance for inventories of HK\$1,189,000))	2,692,567	1,777,163
(Reversal of) allowance for credit losses	(665)	536
Depreciation of property, plant and equipment		
– retail shops	122,823	135,812
– offices	5,962	5,778
	<u>128,785</u>	<u>141,590</u>
Depreciation of right-of-use assets		
– retail shops	255,037	230,756
– offices	11,129	11,759
	<u>266,166</u>	<u>242,515</u>
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	264,738	177,664
– retirement benefits scheme contributions	23,804	14,534
	<u>288,542</u>	<u>192,198</u>
Included in other gains or losses:		
Impairment loss recognised in respect of property, plant and equipment	6,729	6,990
Impairment loss recognised in respect of right-of-use assets	7,939	8,951
Loss on disposals/write-off of property, plant and equipment	1,202	1,580
Gain arising from termination/modification of leases	(50)	(317)
Net exchange gains	(4,229)	(3,372)
	<u>11,591</u>	<u>13,832</u>

5. TAXATION

The tax charge (credit) for the year comprises:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current year:		
Hong Kong	7,039	–
Macau	5,673	–
PRC	19,143	–
Singapore	16,313	9,286
	<u>48,168</u>	<u>9,286</u>
(Over) underprovision in prior years:		
Hong Kong	–	(5,894)
Macau	(2,153)	(4,855)
Singapore	87	–
	<u>(2,066)</u>	<u>(10,749)</u>
Deferred taxation	<u>5,472</u>	<u>2,266</u>
	<u><u>51,574</u></u>	<u><u>803</u></u>

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.

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.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2020 Final: HK0.15 cent (2020: 2019 final dividend: Nil) per share	10,169	–
2021 Interim: HK0.55 cent (2020: interim dividend: Nil) per share	37,287	–
	<u>47,456</u>	<u>–</u>

The Board proposed the payment of a final dividend of HK0.35 cent (2020: HK0.15 cent) per share for the year ended 31 December 2021 which is subject to approval by the shareholders of the Company at the forthcoming AGM.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to the owners of the Company for the purpose of basic earnings per share	<u>204,695</u>	<u>33,993</u>
	2021	2020
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>6,779,458,129</u>	<u>6,779,458,129</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables from contracts with customers	54,589	63,830
Less: Allowance for credit losses	<u>(585)</u>	<u>(1,223)</u>
	54,004	62,607
Other receivables, deposits and prepayments	96,531	78,140
PRC Value-Added Tax (“VAT”) recoverable	<u>15,691</u>	<u>8,181</u>
	<u><u>166,226</u></u>	<u><u>148,928</u></u>

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

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 2021 were advance payments to suppliers of HK\$13,814,000 (2020: HK\$15,506,000) and rebate receivables of HK\$37,297,000 (2020: HK\$30,624,000). 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	51,939	60,956
31–60 days	1,222	409
61–90 days	200	48
Over 90 days	<u>1,228</u>	<u>2,417</u>
	<u><u>54,589</u></u>	<u><u>63,830</u></u>

Included in the trade receivables balance were receivables from department stores with aggregate carrying amount of HK\$636,000 (2020: HK\$1,301,000) which are past due at the reporting date for which the Group has not provided for impairment loss.

9. PAYABLES AND ACCRUED CHARGES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	51,394	45,235
Other payables and accrued charges	96,776	75,484
Singapore Goods and Services Tax payables	1,909	1,892
PRC VAT payables	58	1,086
	<u>150,137</u>	<u>123,697</u>

Included in other payables and accrued charges as at 31 December 2021 were accrued bonus and incentive of HK\$16,605,000 (2020: HK\$6,621,000) and accrued renovation costs of HK\$30,642,000 (2020: HK\$12,005,000).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	48,716	39,964
31–60 days	2,442	2,131
61–90 days	29	866
Over 90 days	207	2,274
	<u>51,394</u>	<u>45,235</u>

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

10. BANK BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	18,041	45,630
Within a period of more than one year but not exceeding two years	18,041	45,630
Within a period of more than two years but not exceeding five years	129,370	430,179
Within a period of more than five years	–	117,254
	<u>165,452</u>	<u>638,693</u>
Less: Amounts due within one year shown under current liabilities	<u>(165,452)</u>	<u>(638,693)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>–</u>

The bank borrowings carry floating interest rate ranged from 0.50% to 1.14% over Hong Kong Interbank Offered Rate (2020: 1.10% to 1.14%) per annum.

The Group had pledged a property with carrying amount of HK\$1,518,711,000 (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 Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU, REGISTERED PUBLIC INTEREST ENTITY AUDITOR

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 2021 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 2021 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 2021 and annual results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

Code provision C.2.1 of the Corporate Governance Code ("CG Code") under Appendix 14 of the Listing Rules stipulates that the roles of chairman and chief executive should be separate. Following the appointment of Mr. Ng Koon Keung, Ricky ("Mr. Ng") as Executive Director of the Company on 1 July 2021, Ms. Cindy Yeung continues her role as Chairperson of the Board while Mr. Ng takes up the role of Chief Executive Officer of the Group. Since then, the Company had fully complied with all code provisions of the CG Code during the Year.

Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding securities transactions by Directors ("EWJ Securities Code") on no less exacting terms than the required standards 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 Year.

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 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, 23 March 2022

As at the date hereof, 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