

Emperor Watch & Jewellery Limited (the “Company”) together with its subsidiaries (collectively referred to as 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.

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 ended 31 December 2021 (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 HK[•] 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 HK[•] 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

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
Total	99

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.