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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)

2022 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 2022 (the “Year”).

FINANCIAL SUMMARY	For the year ended	
<i>HK\$ million</i>	31 December	
	2021	2022
Revenue	3,927	3,684
Gross profit	1,230	1,177
<i>Gross profit margin</i>	<i>31.3%</i>	<i>31.9%</i>
Adjusted EBITD*	365	376
Net profit	205	222
Basic earnings per share	HK3.02 cents	HK3.28 cents
Final dividend per share	HK0.35 cent	HK0.62 cent

* 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 HKFRS16, which amortisation of right-of-use assets associated with rental lease agreements were included.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the Year, the pandemic continued posing an unstable business operating environment for the Group, and the Group's total revenue was HK\$3,684.3 million (2021: HK\$3,926.6 million). Revenues from Hong Kong and mainland China were HK\$1,652.5 million (2021: HK\$1,739.3 million) and HK\$1,186.3 million (2021: HK\$1,227.8 million), respectively, accounting for 44.9% (2021: 44.3%) and 32.2% (2021: 31.3%) of the total revenue, respectively. In terms of revenue by product segment, the sales revenues from the watch and jewellery segments were HK\$3,017.6 million (2021: HK\$3,268.9 million) and HK\$666.7 million (2021: HK\$657.7 million), respectively, accounting for 81.9% (2021: 83.3%) and 18.1% (2021: 16.7%) of the total revenue, respectively.

Gross profit was HK\$1,177.3 million (2021: HK\$1,229.5 million), while the gross profit margin increased slightly to 31.9% (2021: 31.3%). Attributable to the increase in gross profit margin and its effective cost saving measures, the Group's net profit increased mildly to HK\$222.1 million (2021: HK\$204.7 million) during the Year. Basic earnings per share was HK3.28 cents (2021: HK3.02 cents). The Group has recommended the payment of a final dividend of HK0.62 cent (2021: HK0.35 cent) per share. Together with the interim dividend of HK0.38 cent (2021: HK0.55 cent) per share, the total dividends for the Year are HK1.0 cent (2021: HK0.9 cent) per share.

MARKET REVIEW

The pandemic situation has broadly stabilised around the world, while business travel and leisure activities have resumed. The local labour market has shown signs of improvement, although the development of the macro economy was still hindered by geo-political tensions and interest hikes.

In Hong Kong, there has been phased easing of inbound quarantine and social distancing measures during the Year, and the total number of visitor arrivals to Hong Kong in 2022 increased by 562% year-on-year, to approximately 600,000. Shoppers' traffic has picked-up, and luxury consumption regained momentum since the second half of the Year.

In mainland China, the release of pent-up demand and accumulated savings has provided a solid basis for actual spending by consumers. Nevertheless, mainland China was hit hard by the resurgence of the pandemic in the last quarter of the Year, which somewhat affected the recovery of consumption sentiment.

BUSINESS REVIEW

The Group is a leading retailer of European-made internationally renowned watches, together with 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 across Hong Kong, Macau, mainland China, Singapore and Malaysia, as well as several online shopping platforms. With a history of 80 years, the Group 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 31 December 2022, the Group had a total of 93 stores in Hong Kong, Macau, mainland China, Singapore and Malaysia. The distribution was as follows:

	Number of stores
Hong Kong	29
Macau	5
Mainland China	50
Singapore	8
Malaysia	1
Total	93

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, approximately 75% 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 three jewellery stores in Hong Kong, as well as four jewellery stores and one Rolex store in mainland China. The Group also established a stores rollout plan for 2023, focusing on the residential areas of Hong Kong and prominent cities of mainland China.

Solidifying Leading Position in the Watch Industry

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*” features a variety of precious gem stones with a key focus on diamonds and jadeites. “*Emperor Jewellery*” unveils unique collections of exquisite designs that embrace and nurture different clusters of customers.

During the Year, the Group launched several new contemporary collections. These include *Flare*, which is meticulously crafted with a setting technique in which the diamond is framed within a 18K white gold crown, highlighting the sparkling diamond. *Love Adventure* features a lock and a matching key, symbolising couples who open up their hearts, complementing and completing each other. Both collections are designed for daily-wear, to suit women favouring different styles.

To strengthen engagements with local customers, the Group launched a number of jewellery promotional events during the Year.

Strengthening the E-commerce Business

With the growing popularity of the internet, the Group has established a jewellery presence on several online shopping platforms – including HKTVMall, Zalora, Tmall, jd.com – in order to expand its revenue source and enhance brand visibility. To formulate an effective product strategy, the Group analysed the database and internet behaviour of the users.

During the Year, the Group expanded its online shopping platforms from solely featuring jewellery to also including watches. In collaboration with Tudor, the Group has launched a Tudor online sales platform, which helped promote the brand as well as drive Tudor's sales. The Group will continue enhancing the Tudor online sales platform, in order to enhance the online shopping experience and drive website traffic. The Group will also continue identifying opportunities for collaboration with other watch brands.

PROSPECTS

Subsequent to the Year, the borders between Hong Kong, Macau and mainland China have been fully reopened, and the inbound quarantine measures for all travellers have been lifted. The number of Hong Kong's visitor arrivals is expected to increase, which will accelerate the revival of tourism and the retail industry. In addition, a stabilising property market and a less volatile stock market will provide incentives for luxury consumption. All these factors will serve as a positive influence on the Group's business.

Looking ahead, the Group will continue with prudent expansion of its network, and is expected to open jewellery stores in Tai Wai and Kwun Tong, Hong Kong, as well as Chengdu and Hebei, mainland China in 2023. It will also continue monitoring the market landscape and developments in various regions, and observe customer preferences and spending patterns, in order to devise appropriate business strategies.

Despite the resumption of consumers' physical visits to stores, the importance of online shopping platforms will remain, as consumer behaviour has changed throughout the pandemic cycle. The Group will step up efforts in this regard, to further enhance its brand image and capture online market opportunities. With the industry gradually recovering from the pandemic, the Group will adopt a prudent approach, and continue exercising stringent control over operating costs, aiming to enhance operating efficiency and improve profitability.

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

Bank balances and cash on hand of the Group as at 31 December 2022 increased to HK\$664.4 million (2021: HK\$556.3 million), which were mainly denominated in Hong Kong dollar and Renminbi. As at 31 December 2022, the Group did not have any bank borrowings (2021: HK\$165.5 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 (2021: zero). The Group also had available un-utilised banking facilities of approximately HK\$942.6 million.

As at 31 December 2022, the Group's current assets and current liabilities were approximately HK\$3,505.9 million (2021: HK\$3,435.6 million) and HK\$433.5 million (2021: HK\$535.4 million), respectively. Current ratio and quick ratio of the Group were 8.1 (2021: 6.4) and 1.9 (2021: 1.4), respectively.

In view of the Group's financial position as at 31 December 2022, the Directors considered that the Group had sufficient working capital for its operations and future development plans.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had 638 salespersons (2021: 678) and 201 office staff (2021: 179). Total staff costs (including Directors' remuneration) were HK\$262.9 million (2021: HK\$288.5 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 HK0.62 cent per share for the Year ("Final Dividend") (2021: HK0.35 cent), subject to the approval of the shareholders at the forthcoming annual general meeting of the Company ("AGM") to be held on 25 May 2023 (Thursday). If being approved, the Final Dividend will be paid on 16 June 2023 (Friday) to shareholders whose names appear on the register of members of the Company on 2 June 2023 (Friday).

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 19 May 2023 (Friday)
AGM	25 May 2023 (Thursday)

For ascertaining shareholders' entitlement to the proposed Final Dividend

Latest time to lodge transfers	4:30 p.m. on 31 May 2023 (Wednesday)
Book close dates	1 June 2023 (Thursday) and 2 June 2023 (Friday) (both days inclusive)
Record date	2 June 2023 (Friday)
Final Dividend payment date	16 June 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 2021 are set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	3	3,684,261	3,926,608
Cost of sales		<u>(2,506,999)</u>	<u>(2,697,103)</u>
Gross profit		1,177,262	1,229,505
Other income		9,828	8,848
Selling and distribution expenses		(765,201)	(840,549)
Administrative expenses		(116,481)	(113,566)
Other gains or losses		(21,268)	(11,591)
Finance costs		<u>(6,896)</u>	<u>(16,378)</u>
Profit before tax	4	277,244	256,269
Taxation	5	<u>(55,119)</u>	<u>(51,574)</u>
Profit for the year		<u>222,125</u>	<u>204,695</u>
Other comprehensive (expense) income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(48,366)</u>	<u>14,433</u>
Total comprehensive income for the year and attributable to owners of the Company		<u>173,759</u>	<u>219,128</u>
Earnings per share – basic	7	<u>HK3.28 cents</u>	<u>HK3.02 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		1,516,410	1,615,723
Right-of-use assets		274,495	207,527
Rental deposits	8	78,758	85,765
Deposits paid for acquisition of property, plant and equipment		6,264	504
Deferred tax assets		–	5,103
		<u>1,875,927</u>	<u>1,914,622</u>
Current assets			
Inventories		2,703,418	2,710,757
Right to returned goods asset		1,286	1,553
Receivables, deposits and prepayments	8	136,024	166,226
Amounts due from related companies		782	753
Time deposits with original maturity over three months		198,200	–
Cash and cash equivalents		466,192	556,344
		<u>3,505,902</u>	<u>3,435,633</u>
Current liabilities			
Payables and accrued charges	9	159,505	150,137
Lease liabilities		200,838	160,343
Contract liabilities		13,380	18,653
Refund liabilities		2,053	2,204
Amounts due to related companies		6,954	2,122
Taxation payable		50,742	36,455
Bank borrowings	10	–	165,452
		<u>433,472</u>	<u>535,366</u>
Net current assets		<u>3,072,430</u>	<u>2,900,267</u>
Non-current liabilities			
Deferred tax liabilities		4,036	2,988
Lease liabilities		99,262	91,111
		<u>103,298</u>	<u>94,099</u>
Net assets		<u>4,845,059</u>	<u>4,720,790</u>
Capital and reserves			
Share capital		3,484,152	3,484,152
Reserves		1,360,907	1,236,638
Total equity		<u>4,845,059</u>	<u>4,720,790</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 2022 and 2021 included in this preliminary announcement of annual results 2022 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 2021 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 2022 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 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 Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

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.

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
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	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

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

³ Effective for annual periods beginning on or after 1 January 2024.

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.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”)* and Amendments to HKAS 1 *Non-current Liabilities with Covenants (the “2022 Amendments”)*

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group’s outstanding liabilities as at 31 December 2022, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group’s liabilities.

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 2022

	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	1,644,971	216,137	1,186,332	628,146	-	3,675,586
Inter-segment sales*	39,513	36,175	-	-	(75,688)	-
Commission income	7,542	1,133	-	-	-	8,675
	<u>1,692,026</u>	<u>253,445</u>	<u>1,186,332</u>	<u>628,146</u>	<u>(75,688)</u>	<u>3,684,261</u>

* Inter-segment sales are charged at cost

Segment profit	<u>166,964</u>	<u>33,988</u>	<u>181,202</u>	<u>121,988</u>	<u>-</u>	<u>504,142</u>
Unallocated other income						9,828
Unallocated corporate expenses						(208,562)
Unallocated other gains or losses						(21,268)
Unallocated finance costs						(6,896)
Profit before tax						<u>277,244</u>

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>	<u>481,037</u>
Unallocated other income						8,848
Unallocated corporate expenses						(205,647)
Unallocated other gains or losses						(11,591)
Unallocated finance costs						(16,378)
Profit before tax						<u>256,269</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 2022

	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	108,685	2,609	7,212	2,938	5,661	127,105
Depreciation of right-of-use assets	173,405	9,143	26,870	7,258	10,055	226,731
Expense relating to rented premises <i>(note a)</i>	2,101	18	90,980	15,376	671	109,146

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>	960	329	98,599	11,136	771	111,795

Notes:

- (a) Expenses relating to rented premises include expenses relating to variable lease payments and rental expenses for contracts which the landlords have the substantive right to substitute the rented premises.
- (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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sales of watch	3,008,968	3,265,202
Sales of jewellery	666,618	657,686
Commission income – Watch	8,675	3,720
	<u>3,684,261</u>	<u>3,926,608</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 2022

	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>	Consolidated <i>HK\$'000</i>
Non-current assets	<u>1,686,712</u>	<u>8,430</u>	<u>77,117</u>	<u>24,910</u>	<u>1,797,169</u>

As at 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>	Consolidated <i>HK\$'000</i>
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>

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

4. PROFIT BEFORE TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration		
– Current year	3,763	3,520
– Overprovision in prior years	(62)	(222)
Cost of inventories included in cost of sales (included reversal of allowance for inventories of HK\$1,839,000 (2021: allowance for inventories of HK\$16,604,000))	2,499,637	2,692,567
Reversal of allowance for credit losses	–	(665)
Depreciation of property, plant and equipment		
– retail shops	121,444	122,823
– offices	5,661	5,962
	<u>127,105</u>	<u>128,785</u>
Depreciation of right-of-use assets		
– retail shops	216,676	255,037
– offices	10,055	11,129
	<u>226,731</u>	<u>266,166</u>
Staff costs, including Directors' remuneration		
– salaries and other benefits costs (<i>Note</i>)	237,459	264,738
– retirement benefits scheme contributions	25,451	23,804
	<u>262,910</u>	<u>288,542</u>
Included in other gains or losses:		
Impairment loss recognised in respect of property, plant and equipment	129	6,729
Impairment loss recognised in respect of right-of-use assets	500	7,939
Loss on disposals/write-off of property, plant and equipment	2,074	1,202
Gain arising from termination/modification of leases	(162)	(50)
Net exchange losses (gains)	18,727	(4,229)
	<u>21,268</u>	<u>11,591</u>

Note: During the current year, the Group recognised government grants to HK\$9,217,000 in respect of COVID-19-related subsidies, of which HK\$7,383,000 relates to Employment Support Scheme provided by the Hong Kong government and HK\$1,286,000 related to Jobs Support Scheme provided by the Singapore government. These amounts have been offset against staff cost for the year.

5. TAXATION

The tax charge for the year comprises:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current year:		
Hong Kong	6,200	7,039
Macau	3,797	5,673
PRC	24,987	19,143
Singapore	20,108	16,313
	<u>55,092</u>	<u>48,168</u>
(Over) underprovision in prior years:		
Hong Kong	(3,556)	–
Macau	(2,575)	(2,153)
Singapore	–	87
	<u>(6,131)</u>	<u>(2,066)</u>
Deferred taxation	<u>6,158</u>	<u>5,472</u>
	<u><u>55,119</u></u>	<u><u>51,574</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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2021 Final: HK0.35 cent (2021: 2020 final dividend: HK0.15 cent) per share	23,728	10,169
2022 Interim: HK0.38 cent (2021: interim dividend: HK0.55 cent) per share	<u>25,762</u>	<u>37,287</u>
	<u>49,490</u>	<u>47,456</u>

The Board proposed the payment of a final dividend of HK0.62 cent (2021: HK0.35 cent) per share for the year ended 31 December 2022 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>222,125</u>	<u>204,695</u>
	2022	2021
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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from contracts with customers	52,393	54,589
Less: Allowance for credit losses	<u>(538)</u>	<u>(585)</u>
	51,855	54,004
Other receivables, deposits and prepayments	74,188	96,531
Rental deposits	78,758	85,765
PRC Value-Added Tax (“VAT”) recoverable	<u>9,981</u>	<u>15,691</u>
	<u>214,782</u>	<u>251,991</u>
Analysed as:		
Current	136,024	166,226
Non-current	<u>78,758</u>	<u>85,765</u>
	<u>214,782</u>	<u>251,991</u>

As at 1 January 2021, trade receivable from contracts with customers amounted to HK\$63,830,000.

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 31 December 2022 were advance payments to suppliers of HK\$7,442,000 (2021: HK\$13,814,000) and rebate receivables of HK\$30,493,000 (2021: HK\$37,297,000). 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	50,995	51,939
31-60 days	519	1,222
61-90 days	189	200
Over 90 days	<u>690</u>	<u>1,228</u>
	<u>52,393</u>	<u>54,589</u>

Included in the trade receivables balance were receivables from department stores with aggregate carrying amount of HK\$511,000 (2021: HK\$636,000) which are past due at the reporting date for which the Group has not provided for impairment loss.

9. PAYABLES AND ACCRUED CHARGES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	51,362	51,394
Other payables and accrued charges	107,115	96,776
Singapore Goods and Services Tax payables	1,018	1,909
PRC VAT payables	10	58
	<u>159,505</u>	<u>150,137</u>

Included in other payables and accrued charges as at 31 December 2022 were accrued bonus and incentive of HK\$17,511,000 (2021: HK\$16,605,000) and accrued commission of HK\$8,521,000 (2021: HK\$7,845,000).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	44,215	48,716
31-60 days	2,393	2,442
61-90 days	4,452	29
Over 90 days	302	207
	<u>51,362</u>	<u>51,394</u>

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

10. BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <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
Within a period of more than one year but not exceeding two years	–	18,041
Within a period of more than two years but not exceeding five years	–	129,370
	–	165,452
Less: Amounts due within one year shown under current liabilities	–	(165,452)
Amounts shown under non-current liabilities	<u>–</u>	<u>–</u>

As at 31 December 2021, the bank borrowings carry floating interest rate ranged from 0.50% to 1.14% over Hong Kong Interbank Offered Rate per annum.

The Group had pledged a property with carrying amount of HK\$1,426,630,000 (2021: HK\$1,518,711,000) to secure banking facilities granted to the Group. The property remains pledged as long as the banking facilities granted to the Group is effective. 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

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 2022 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 audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 23 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

The Audit Committee, 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 2022 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 2022 and annual results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company has complied with all the code provisions as set out in the Corporate Governance Code under Appendix 14 to the Listing Rules throughout 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 to the Listing Rules regarding Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"). Having made specific enquiry to all Directors, all of them confirmed that they had complied with the required standard of dealings as set out in the 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 2023

As at the date of this announcement, 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