

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 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.

## **RESULTS**

During the year ended 31 December 2022 (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

### 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:

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

These stores include self-branded “*Emperor Jewellery*” stores, dedicated watch boutiques and multi-brand watch stores (with or without jewellery counters).

Over the years, the Group has built a strategic sales network in prime shopping areas as well as popular residential districts, particularly in Hong Kong 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**

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 HKTV Mall, 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.