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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

SNAPSHOTS

- Revenue decreased by 25.2% to HK$4,430.8 million (2014: HK$5,924.9 million), primarily due to weak consumption sentiment in Hong Kong resulting from a strong local currency and an unfavourable tourism environment

- Benefitting from the enhanced mix of the jewellery business, gross profit margin remained as 25.0% (2014: 25.1%) despite the watch price cuts in Hong Kong during the first half of 2015

- As a result of stringent inventory management and efficient capital control, the overall inventory level further reduced to HK$3,219.2 million (30 June 2015: HK$3,531.0 million; 31 December 2014: HK$3,838.5 million) and the bank balance and cash on hand increased to HK$809.5 million (30 June 2015: HK$605.8 million; 31 December 2014: HK$443.8 million)

- Seek to operate e-commerce for "***Emperor Jewellery***" products through online shopping platforms to capture massive potentials of internet and mobile users

- After successful store rental cuts and optimisation of Hong Kong retail network in 2015, it is expected that it will ease the rental pressure in 2016

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 2015 (the "Year") together with the comparative figures for the year 2014 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*3*	**4,430,846**	5,924,947
Cost of sales		**(3,324,757)**	(4,436,042)
Gross profit		**1,106,089**	1,488,905
Other income		**6,408**	7,563
Selling and distribution expenses		**(1,053,264)**	(1,135,906)
Administrative and other expenses		**(175,842)**	(191,872)
(Loss) profit before taxation	*4*	**(116,609)**	168,690
Taxation	*5*	**(3,473)**	(30,548)
(Loss) profit for the year		**(120,082)**	138,142
Other comprehensive expense for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(48,734)**	(20,376)
Total comprehensive (expense) income for the year and attributable to owners of the Company		**(168,816)**	117,766
(Loss) earnings per share – Basic	*6*	**HK(1.7) cents**	HK2.0 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**101,063**	123,821
Deferred tax asset		**13,731**	9,332
Rental deposits		**168,192**	200,174
Deposit paid for acquisition of property, plant and equipment		**–**	1,373
		282,986	334,700
Current assets			
Inventories		**3,219,196**	3,838,528
Receivables, deposits and prepayments	*8*	**124,547**	162,927
Taxation recoverable		**30,147**	16,366
Bank balances and cash		**809,516**	443,811
		4,183,406	4,461,632
Current liabilities			
Payables, deposits received and accrued charges	*9*	**180,480**	331,534
Amounts due to related companies		**4,036**	4,315
Taxation payable		**5,824**	2,678
		190,340	338,527
Net current assets		**3,993,066**	4,123,105
Non-current liability			
Deferred tax liability		**856**	–
Net assets		**4,275,196**	4,457,805
Capital and reserves			
Share capital		**3,484,152**	3,484,152
Reserves		**791,044**	973,653
Total equity		**4,275,196**	4,457,805

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Companies Ordinance ("CO").

The provisions of the new CO (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or the Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "*Share-based Payment*", leasing transactions that are within the scope of HKAS 17 "*Leases*", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "*Inventories*" or value in use in HKAS 36 "*Impairment of Assets*".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes:

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Notes:

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Notes:

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued in 2014 which establishes a single model to deal with revenue arising from contracts with customers. When HKFRS 15 becomes effective, HKFRS 15 will supersede HKAS 18 "*Revenue*", HKAS 11 "*Construction Contracts*" and the related Interpretations when it becomes effective.

HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when the entity satisfies a performance obligation

With regard to step 5, an entity should recognise revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Specifically, HKFRS 15 requires entities to recognise revenue over time when certain conditions are met. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors of the Company are in the process of assessing the impact on the application of HKFRS 9 and HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 and HKFRS 15 until the Group performs a detailed review.

The Directors of the Company are in the process of assessing the potential impact of the remaining new and revised HKFRSs, and at this stage have not yet determined the effect of the application of these new and revised HKFRSs on the financial performance and financial position of the Group's consolidated financial statements.

Notes:

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold less returns and net of trade discounts.

Information reported to the chief operating decision maker 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 and other regions in Asia Pacific. The revenue generated by each of the operating segments is mainly derived from sales of watch and jewellery. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

For the year ended 31 December 2015

	Hong Kong	Macau	Other regions in Asia Pacific	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	**3,456,262**	**286,930**	**687,654**	**–**	**4,430,846**
Inter-segment sales*	**71,422**	**15,905**	**–**	**(87,327)**	**–**
	3,527,684	**302,835**	**687,654**	**(87,327)**	**4,430,846**

* Inter-segment sales are charged at cost

	Hong Kong	Macau	Other regions in Asia Pacific	Elimination	Consolidated
Segment profit	**13,723**	**29,855**	**9,247**	**–**	**52,825**
Unallocated other income					**6,408**
Unallocated administrative and other expenses					**(175,842)**
Loss before taxation					**(116,609)**

Notes:

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2014

	Hong Kong	Macau	Other regions in Asia Pacific	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	4,924,624	351,048	649,275	–	5,924,947
Inter-segment sales*	96,703	18,790	–	(115,493)	–
	5,021,327	369,838	649,275	(115,493)	5,924,947

* Inter-segment sales are charged at cost

Segment profit	298,184	39,994	14,907	–	353,085
Unallocated other income					7,563
Unallocated administrative and other expenses					(191,958)
Profit before taxation					168,690

The accounting policies of the reportable segments are the same as the Group's accounting policies stated in the consolidated financial statements. Segment profit represents the gross profit generated from each segment including gross profit directly attributable to each segment, net of selling and distribution expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

No assets and liabilities are included in the information of the Group's segment reporting that are regularly reviewed by the chief operating decision maker. Accordingly, no segment assets and liabilities are presented.

Notes:

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

Amounts included in the measure of segment profit:

For the year ended 31 December 2015

	Hong Kong	**Macau**	**Other regions in Asia Pacific**	**Unallocated**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Operating lease payments	**572,699**	**14,243**	**86,893**	**8,746**	**682,581**

For the year ended 31 December 2014

	Hong Kong	Macau	Other regions in Asia Pacific	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating lease payments	590,547	14,095	90,749	8,532	703,923

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2015	2014
	HK$'000	*HK$'000*
Watch	**3,541,065**	4,824,200
Jewellery	**889,781**	1,100,747
	4,430,846	5,924,947

Notes:

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

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

As at 31 December 2015

	Hong Kong	**Macau**	**Other regions in Asia Pacific**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Non-current assets	**218,112**	**7,609**	**43,534**	**269,255**

As at 31 December 2014

	Hong Kong	Macau	Other regions in Asia Pacific	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	266,736	9,380	49,252	325,368

4. (LOSS) PROFIT BEFORE TAXATION

	2015	2014
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging:		
Auditor's remuneration	**3,265**	3,505
Cost of inventories included in cost of sales (included allowance for inventories of HK$4,706,000 (2014: HK$1,534,000))	**3,311,681**	4,421,652
Depreciation of property, plant and equipment	**63,470**	64,314
Loss on disposal of property, plant and equipment	**1,397**	2,029
Net exchange loss	**6,266**	2,839
Operating lease payments in respect of rented premises		
– minimum lease payments	**650,574**	663,091
– contingent rent	**32,007**	40,832
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	**224,212**	261,073
– retirement benefits scheme contributions	**20,971**	19,354

Notes:

5. TAXATION

	2015	2014
	HK$'000	*HK$'000*
The charge comprises:		
Profits Tax:		
Hong Kong	**1,479**	29,457
Macau	**5,215**	2,155
Singapore	**322**	–
	7,016	31,612
Deferred taxation	**(3,543)**	(1,064)
	3,473	30,548

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the Law of the People's Republic of China (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% from 1 January 2008 onwards.

The Macau Complementary Income Tax is calculated at 12% of the estimated assessable profits for both years.

Singapore Income Tax is calculated at 17% of the estimated assessable profits for both years.

Notes:

6. (LOSS) EARNINGS PER SHARE – BASIC

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

	2015	2014
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic (loss) earnings per share	**(120,082)**	138,142

	2015	2014
Number of shares		
Number of ordinary shares for the purpose of basic (loss) earnings per share	**6,882,448,129**	6,882,448,129

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

7. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividends recognised as distribution during the Year:		
2014 final dividend: HK0.20 cent per share (2014: 2013 final dividend HK0.58 cent per share)	**13,765**	39,918
2015 interim dividend: nil (2014: 2014 interim dividend HK0.40 cent per share)	**–**	27,530
	13,765	67,448

The Board did not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: HK0.20 cent per share).

Notes:

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**55,336**	63,832
Other receivables, deposits and prepayments	**63,584**	76,795
Other PRC tax recoverable	**4,763**	21,518
Other Singapore tax recoverable	**864**	782
	124,547	162,927

Retails sales are normally settled in cash or by credit card with the settlement from the corresponding banks or other financial institutions within seven days. Receivables from retail sales in department stores are normally collected within one month.

The following is an ageing analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**48,099**	51,054
31 – 60 days	**3,471**	2,149
61 – 90 days	**7**	119
Over 90 days	**3,759**	10,510
	55,336	63,832

Receivables that are neither past due nor impaired relate to receivables from credit card sales and department stores sales for whom there were no history of default.

Included in the trade receivables balance are receivables from certain department stores with aggregate carrying amount of HK$4,712,000 (2014: HK$12,778,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over nor charge any interest on these balances.

Notes:

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

Ageing of trade receivables which are past due but not impaired:

	2015	2014
	HK$'000	*HK$'000*
Overdue 1 – 30 day(s)	**1,394**	2,149
Overdue 31 – 60 days	**449**	119
Overdue 61 – 90 days	**–**	2,617
Overdue more than 90 days	**2,869**	7,893
	4,712	12,778

Receivables that were past due but not impaired relate to department stores sales that have continuous settlements subsequent to reporting date. The Directors are of opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

9. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**63,990**	190,754
Other payables, deposits received and accrued charges	**108,125**	140,562
Other PRC tax payables	**8,365**	218
	180,480	331,534

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

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**60,634**	171,940
31 – 60 days	**3,195**	17,113
61 – 90 days	**115**	1,027
Over 90 days	**46**	674
	63,990	190,754

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 Group has extensive retail networks in Hong Kong, Macau, Mainland China and Singapore. The target customers range from middle to high income groups worldwide. With a history of over 70 years, the Company carries a balanced and comprehensive watch dealership list.

MARKET REVIEW

The luxury consumption sector has been under pressure in recent years, and the industry was further hampered by the lackluster macro-economic conditions and continued austerity initiatives in the PRC. Growth in numbers of Mainland China visitors, who have for long been the mainstay of Hong Kong and Macau tourism revenue, has started to slow, in terms of both visitations and spending power. Market sentiment in Hong Kong stayed weak, in response to the unfavourable tourism environment following local protests in 2014 and rising tensions between local residents and Mainland China visitors subsequently.

Due to the weakening of foreign currencies against the US dollar, and therefore against the Hong Kong dollar, Mainland China visitors have shifted travels and shopping destinations from Hong Kong to other places. Relaxed visa requirements in popular tourist destinations such as Europe, Japan and Korea continued to impose negative impact on the consumer sentiment of tourists travelling to Hong Kong. Coupled with the recent devaluation of Renminbi ("RMB") and stock market volatility, the Hong Kong consumption sector as a whole shows signs of slowing after years of rapid growth.

Hong Kong retail space continues to rank as the world's top-ranked most expensive, although rents started moderating in the past few quarters. Hong Kong retailers are set to face an even worse situation at the operating level.

FINANCIAL REVIEW

Overall Review

During the Year, the Group's performance was adversely affected by various macro headwinds. The Group's revenue decreased by 25.2% to HK$4,430.8 million (2014: HK$5,924.9 million). In spite of the headwinds, the watch segment remained a key revenue contributor, and its revenue inevitably decreased by 26.6% to HK$3,541.0 million (2014: HK$4,824.2 million), which accounted for 79.9% (2014: 81.4%) of the Group's revenue. The revenue from jewellery segment decreased by 19.2% to HK$889.8 million (2014: HK$1,100.7 million). 78.0% (2014: 83.1%) of the Group's total revenue was supported by the Hong Kong market.

FINANCIAL REVIEW *(continued)*

Overall Review *(continued)*

Gross profit decreased by 25.7% to HK$1,106.1 million (2014: HK$1,488.9 million). Despite the watch price cuts in Hong Kong during the first half of 2015, the overall gross profit margin was relatively resilient and stayed as 25.0% (2014: 25.1%), by taking the advantages of the enhanced mix of the jewellery business.

The Group recorded LBITDA and a net loss of HK$53.1 million (2014: EBITDA of HK$233.0 million) and HK$120.1 million (2014: net profit of HK$138.1 million), respectively. Such losses were mainly attributable to an increase in rental expenses, coupled with the weakening sales momentum and decline of gross profit.

Capital Structure, Liquidity and Financial Resources

During the Year, there was no change in the capital structure of the Group. Bank balances and cash on hand of the Group as at 31 December 2015 amounted to HK$809.5 million (2014: HK$443.8 million), which were mainly denominated in Hong Kong dollars ("HKD") and RMB. As at 31 December 2015, the Group had no bank borrowings (2014: Nil) and its gearing ratio (calculated on the basis of the total borrowings over total equity) was nil (2014: Nil). The Group also had available unutilised banking facilities of approximately HK$848.0 million. The strong liquidity with debt-free position and considerable unutilised banking facilities enables the Group to retain high flexibility for future development.

As at 31 December 2015, the Group's current assets and current liabilities were approximately HK$4,183.4 million (2014: HK$4,461.6 million) and HK$190.3 million (2014: HK$338.5 million), respectively. Current ratio and quick ratio of the Group were 22.0 (2014: 13.2) and 5.1 (2014: 1.8), respectively.

In view of the Group's financial position as at 31 December 2015, the Board considered that the Group had sufficient working capital for its operations and future development plans.

BUSINESS REVIEW

Presence in Prime Locations

As at 31 December 2015, the Group had 100 stores (2014: 88) in Hong Kong, Macau, Mainland China and Singapore. The distribution is as follows:

	Number of stores
Hong Kong	21
Macau	6
Mainland China	67
Singapore	6
Total	**100**

These stores include standalone jewellery shops, specialty outlets for specific watch brands and multi-brand watch shops (with or without jewellery counters) to create a one-stop shopping experience.

The Group's retail stores in Hong Kong are strategically located in major prime shopping areas, including Russell Street in Causeway Bay, Canton Road in Tsim Sha Tsui and Queen's Road Central in Central. Having a solid presence in these prime locations is of paramount importance for a leading retailer of watches, in which the Group enjoys a high penetration rate amongst visitors and brand enhancement.

During the Year, the Group streamlined the retail network in Hong Kong, reshuffled the jewellery business in Mainland China and further extended the retail network in Singapore.

Solidifying Leading Position in Hong Kong

The Group continued to enjoy solid and long-term relationships with major Swiss watch brand suppliers, and continued holding comprehensive watch dealerships with full collections in Greater China. Coupled with its excellent customer service and the strongest presence in prime retail locations in Hong Kong, the Group continued to foster its leading position in Hong Kong.

BUSINESS REVIEW *(continued)*

Enhancing Jewellery Business

The Group continued to offer premium quality "***Emperor Jewellery***" products to customers. With the key focus on quality gem settings and fine jadeites among the comprehensive product range and commitment to high service standards, the Group enriched the design features to satisfy diverse customer tastes and enhanced the charisma of signature "***Emperor Jewellery***" collections to raise brand loyalty. During the Year, the Group newly launched "Signature Series", "Blooming Heart Series" and "Move My Heart Series" for its "Heartbeat Journey" collections, to boost loyalty of sophisticated customers and target new shoppers in different income groups. The Group has introduced an exclusive line of "Baby" collection to cover a charming range of gold jewellery items, which represents delightful gifts for infant birthdays and other special occasions. As China's nationwide two-child policy has been in place since January 2016, the "Baby" collection is poised to receive a booming response.

During the Year, the Group optimised the coverage for "***Emperor Jewellery***" stores in Mainland China and extended its retail chain in Tier II and III cities, which are experiencing higher economic growth and rapid expansion in jewellery markets.

Reinforcing "*Emperor Jewellery*" Brand Positioning

The Group also made special use of numerous celebrity endorsements, print advertisements and social media to promote its jewellery products and build brand equity. The Group hosted a variety of jewellery shows to consolidate VIP customers and widen the new customer base. By capturing ever-expanding opportunities via online and social media, the Group also strengthened its related marketing efforts and enhanced brand awareness of "***Emperor Jewellery***" through various cost-effective advertising campaigns. During the Year, the Group launched holistic promotion campaigns featuring its "Heartbeat Journey" collections with advertisements fronted by renowned artists, Ms. Charlene Choi and Mr. Hins Cheung, respectively. The Group also released a new TV commercial titled "True to Your Heart – Part 2" to highlight "Signature Series" for its "Heartbeat Journey" collections, showcasing the temperament of a modern and confident woman imprinted by the elegant yet stylish jewellery pieces.

BUSINESS REVIEW *(continued)*

Leveraging Group Synergies

The Group enjoys unique advantages by leveraging synergies with other companies within Emperor Group. For example, Emperor International Holdings Limited – another listed company under Emperor Group – owns many premium retail properties in renowned shopping areas. By leasing prime retail locations from it on an "arm's length basis", the Group can enjoy guarantee foot traffic. Another synergy arises through Emperor Entertainment Group, a private arm under Emperor Group. The Group invited VIP guests to its movie premieres and sponsored jewellery for the artistes. Such exposure opportunities, with pop artistes and high profile celebrities, serve as an important tool for enhancing the reputation of the "***Emperor***" brand, particularly in Chinese-speaking communities.

ACTION PLAN

Against the backdrop of a tough market environment, the Group is planning to implement the following strategies for mitigating the potential downside risk:

- After successful store rental cuts and optimisation of Hong Kong retail network in 2015, it is expected that it will ease the rental pressure in 2016.

- After the optimisation of retail network in prime districts, the Group is planning to extend the coverage from traditional tourist shopping areas in Hong Kong to emerging shopping areas with resilient foot traffic.

- The Group will further strengthen the marketing efforts of the jewellery business for capturing abundant market opportunities. The Group intends to increase the sales capacity of the jewellery business by optimising the retail network of "***Emperor Jewellery***" stores in Mainland China. The Group is also seeking to operate e-commerce through online shopping platforms to capture massive potentials of internet and mobile users.

- The Group will closely monitor the inventory level and remix the product portfolio in line with market responses, to maximise the use of capital and maintain an adequate cash position.

PROSPECTS

Ongoing urbanisation and a growing middle-class indicate that growth opportunities still abound in the PRC. The increase of disposal income, in particular among Chinese women, and the rising women's job market participation rate, is the strong force behind the gem set consumption. The Group aims to lead branding and marketing activities in an effective and efficient manner, to maximise the exposure of "***Emperor Jewellery***". Accordingly, the Group will offer more fashionable and affordable jewellery products suitable for wearing in workplace to cater to the trend of popularisation of jewellery consumption and to attract middle-class customers.

Subsequent to the successful expansion to Singapore, where the Group has a sound and proven track record since 2013, the Group continues to eye further expansion opportunities in Asian markets and beyond, leveraging the compelling potential arising from Mainland China visitors around the world.

In spite of the challenges in the market environment, the Group will continue to focus on Greater China while reinforcing its leadership position throughout the region. The Group will promptly react to market changes and take appropriate measures to address and improve its overall operating efficiency, to stay competitive in the marketplace and, ultimately, ensure it reaps the greatest potential once market momentum revives. Chinese consumers are exhibiting increasingly sophisticated tastes in all major categories, as a result of a general increase in education level and an ease of information access. The Group remains steadfast in its commitment to delivering the best products and experience to its customers. The Group will maximise its efforts in different areas to further enhance its distinctive strengths in both watch and jewellery businesses.

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in HKD, Macau Pataca, RMB, United States dollars and Singapore dollars. During the Year, the Group did not have any material foreign exchange exposure.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group has 925 salespersons (2014: 1,040) and 206 office staff (2014: 222). Total staff costs (including directors' remuneration) were HK$245.2 million (2014: HK$280.4 million) for the Year. Employees' remuneration was determined in accordance with individual's responsibility, competence & skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

To provide incentive or rewards to staff, the Company has adopted a share option scheme under which options of the Company may be granted to Directors or employees of the Group to subscribe for shares of the Company. No option was granted by the Company under the share option scheme since its adoption and up to 31 December 2015.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2014: HK0.20 cent per share).

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 23 May 2016 (Monday)
Book close dates	24 and 25 May 2016 (Tuesday and Wednesday)
Record date	25 May 2016 (Wednesday)
AGM	25 May 2016 (Wednesday)

In order to qualify for the right to attend and vote at the AGM, all relevant share certificates and properly completed transfer forms must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before the above latest time to lodge transfers.

PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results 2015 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 Hong Kong Companies Ordinance is as follows:

PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS *(continued)*

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course.

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 Hong Kong Companies Ordinance.

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 2015 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 audited consolidated financial statements for the year ended 31 December 2015 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 2015 and annual results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

During the Year, the Company had complied with all the code provisions of the Corporate Governance Code under Appendix 14 of the Listing Rules, except with the deviation from code provision A.2.1 which requires the roles of chairman and chief executive officer be separate and not be performed by the same individual. Ms. Cindy Yeung, also being the Chief Executive Officer of the Group, has been appointed as the Chairperson of the Board who provides the Board with strong and consistent leadership, and at the same time drives the strategic growth of the businesses of the Group. She would ensure that all the Board members are keeping abreast of the conduct, business activities and development of the Group and adequate, complete and reliable information is provided to Directors on issues discussed at Board meetings. In addition, the three independent non-executive directors, who do not have management contract with the Group, provide independent and impartial opinion on issues to be considered by the Board. The Board considers that the current Board structure functions effectively and does not intend to make any change thereof.

Model Code for Securities Transactions

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. 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 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 (http://www.hkexnews.hk) and the Company (http://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, 31 March 2016

As at the date hereof, the Board comprises:

Executive Directors:	Ms. Cindy Yeung Mr. Chan Hung Ming Mr. Wong Chi Fai Ms. Fan Man Seung, Vanessa
Independent Non-Executive Directors:	Ms. Yip Kam Man Mr. Chan Hon Piu Ms. Lai Ka Fung, May