英皇鐘錶珠寶有限公司

EMPEROR WATCH & JEWELLERY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 887)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

RESULTS HIGHLIGHTS

HK$ million	For the year ended 31 December		
	2017	**2018**	**Changes**
Revenue	4,075	**4,722**	**+15.9%**
Gross profit	1,089	**1,305**	**+19.8%**
Gross profit margin	*26.7%*	***27.6%***	***+0.9 pp***
Net profit			
– Per Reported	160	**264**	**+65.0%**
– Adjusted*	160	**269**	**+ 68.1%**
Net profit margin			
– Per Reported	*3.9%*	***5.6%***	***+ 1.7 pp***
*– Adjusted**	*3.9%*	***5.7%***	***+ 1.8 pp***
Basic earnings per share	HK2.32 cents	**HK3.87 cents**	**+66.8%**
Total dividends per share	HK0.75 cent	**HK1.25 cents**	**+66.7%**

* Excluding a depreciation charge of HK$4.8 million (2017: Nil) on a self-owned store at Nos. 4-8 Canton Road, Tsim Sha Tsui, Kowloon, one of the Group's flagship stores in Hong Kong.

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 2018 (the "Year") together with the comparative figures for the year 2017 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	3	**4,722,248**	4,075,124
Cost of sales		**(3,417,722)**	(2,985,880)
Gross profit		**1,304,526**	1,089,244
Other income		**11,240**	7,793
Selling and distribution expenses		**(817,746)**	(776,232)
Administrative and other expenses		**(175,672)**	(147,568)
Finance costs		**(4,095)**	–
Profit before tax	4	**318,253**	173,237
Taxation	5	**(53,969)**	(13,546)
Profit for the year		**264,284**	159,691
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(27,435)**	44,584
Total comprehensive income for the year and attributable to owners of the Company		**236,849**	204,275
Earnings per share – basic	7	**HK3.87 cents**	HK2.32 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Property, plant and equipment		**1,923,019**	73,047
Deferred tax assets		**5,161**	8,662
Rental deposits		**126,037**	135,793
Deposits paid for acquisition of property, plant and equipment		**18,435**	5,643
		2,072,652	223,145
Current assets			
Inventories		**3,096,504**	2,651,111
Right to returned goods asset		**2,462**	–
Receivables, deposits and prepayments	*8*	**165,564**	186,148
Amount due from a related company		**5,034**	–
Bank balances and cash		**627,256**	1,613,080
		3,896,820	4,450,339
Current liabilities			
Payables, deposits received and accrued charges	*9*	**292,720**	283,823
Contract liabilities		**10,293**	–
Refund liabilities		**3,415**	–
Amounts due to related companies		**4,072**	4,146
Taxation payable		**36,350**	17,780
Bank borrowings	*10*	**561,822**	–
		908,672	305,749
Net current assets		**2,988,148**	4,144,590
Non-current liabilities			
Deferred tax liabilities		**1,107**	1,050
Bank borrowings	*10*	**594,673**	–
		595,780	1,050
Net assets		**4,465,020**	4,366,685
Capital and reserves			
Share capital		**3,484,152**	3,484,152
Reserves		**980,868**	882,533
Total equity		**4,465,020**	4,366,685

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"). 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 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 2018 and 2017 included in this preliminary announcement of annual results 2018 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 2017 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 2018 in due course.

(b) The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports and did not contain a statement under sections 406(2), 407(2) or (3) of the CO.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year 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.

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations.

The Group recognises revenue from the sales of watches and jewellery and commission income, which arise from contracts with customers.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Current Assets				
Right to returned goods asset	*(a)*	–	1,844	1,844
Receivables, deposits and prepayments		186,148	(1,844)	184,304
Current Liabilities				
Payables, deposits received and accrued charges	*(b)*	283,823	(18,384)	265,439
Contract liabilities	*(b)*	–	15,777	15,777
Refund liabilities	*(a)*	–	2,607	2,607

Notes:

(a) As at 1 January 2018, the Group expected to refund some of the considerations received from customers and hence such balance was reclassified from payables, deposits received and accrued charges to refund liabilities. The Group also recognised an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and hence such balance was reclassified from receivables, deposits and prepayments to right to returned goods asset.

(b) As at 1 January 2018, advances from customers of HK$15,777,000 in respect of sales of watches and jewellery, previously included in payables, deposits received and accrued charges, were reclassified to contract liabilities for HK$15,777,000.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Note	**As reported** *HK$'000*	**Reclassification** *HK$'000*	**Amounts without application of HKFRS 15** *HK$'000*
Current Assets				
Right to returned goods asset	*(a)*	2,462	(2,462)	–
Receivables, deposits and prepayments		165,564	2,462	168,026
Current Liabilities				
Payables, deposits received and accrued charges	*(b)*	292,720	13,708	306,428
Contract liabilities	*(b)*	10,293	(10,293)	–
Refund liabilities	*(a)*	3,415	(3,415)	–

Notes:

(a) As at 31 December 2018, the Group expected to refund some of the considerations received from customers and hence such balance was reclassified from payables, deposits received and accrued charges to refund liabilities. The Group also recognised an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and hence such balance was reclassified from receivables, deposits and prepayments to right to returned goods asset.

(b) As at 31 December 2018, advances from customers of HK$8,593,000 in respect of sales of watches and jewellery, previously included in payables, deposits received and accrued charges, were reclassified to contract liabilities for HK$8,593,000.

Sales of goods that result in award credits for customers, under the Group's customer loyalty programmes, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. As at 31 December 2018, the consideration allocated to the award credits of HK$1,700,000, previously included in payables, deposits received and accrued charges, was reclassified to contract liabilities for HK$1,700,000.

Impact on the consolidated statement of profit or loss and other comprehensive income

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Revenue *(note)*	4,722,248	15,678	4,737,926
Cost of sales *(note)*	(3,417,722)	(15,678)	(3,433,400)

Note: Under HKAS 18, the Group recognised sales of watches and jewellery on a gross basis, i.e. the Group was considered as a principal, due to its significant exposure to credit risk of customers. Upon application of HKFRS 15, the Group is considered as an agent, the performance obligation is to arrange for the provision of watches and jewellery as the Group did not obtain the control over the goods before passing on to customers. This change in accounting policies resulted in a reduction of revenue by HK$15,678,000 for the year ended 31 December 2018. Revenue from commission income reported on gross basis for the year ended 31 December 2017 amounted to HK$17,184,000.

Impact on the consolidated statement of cash flows

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Increase in payables, deposits received and accrued charges *(note)*	20,373	(5,484)	14,889
Decrease in contract liabilities *(note)*	(7,184)	7,184	–
Provision for customer loyalty programmes *(note)*	1,700	(1,700)	–

Note: As at 31 December 2018, advances from customers of HK$8,593,000 in respect of sales of watches and jewellery, previously included in payables, deposits received and accrued charges, were reclassified to contract liabilities for HK$8,593,000.

Sales of goods that result in award credits for customers, under the Group's customer loyalty programmes, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. As at 31 December 2018, the consideration allocated to the award credits of HK$1,700,000, previously included in payables, deposits received and accrued charges, was reclassified to contract liabilities for HK$1,700,000.

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, and 2) expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at I January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for the trade receivables from contracts with customers. Except for those which had been determined as credit impaired under HKAS 39, trade receivables from contracts with customers have been assessed individually with outstanding significant balances with customers, the remaining balances are grouped based on internal credit rating and past due analysis.

The Group has therefore estimated the expected loss rates for the trade receivables from contracts with customers based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, there would be no material impact on the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 as compared to the accumulated amount recognised under HKAS 39.

ECL for other financial assets at amortised cost including other receivables, amount due from a related company and bank balances are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

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 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[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 HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[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 2021
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

Except for the new HKFRS mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Furthermore, extensive disclosures are required by HKFRS 16.

As at December 2018, the Group has non-cancellable operating lease commitments of HK$558,897,000 as disclosed in the consolidated financial statements. An assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$126,037,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) - Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold less returns and net of trade discounts and commission income from services provided.

Information reported to the chief operating decision maker ("CODM"), the Executive Director and Chief Executive 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 CODM 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 2018

	Hong Kong *HK$'000*	**Macau** *HK$'000*	**Other regions in Asia Pacific** *HK$'000*	**Elimination** *HK$'000*	**Consolidated** *HK$'000*
Revenue					
External sales	**3,639,735**	**286,387**	**792,771**	**–**	**4,718,893**
Inter-segment sales*	**126,556**	**20,898**	**2,624**	**(150,078)**	**–**
Commission income	**3,176**	**179**	**–**	**–**	**3,355**
	3,769,467	**307,464**	**795,395**	**(150,078)**	**4,722,248**

* Inter-segment sales are charged at cost

Segment profit	**406,752**	**21,942**	**58,086**	**–**	**486,780**
Unallocated other income					**11,240**
Unallocated administrative and other expenses					**(175,672)**
Unallocated finance costs					**(4,095)**
Profit before tax					**318,253**

For the year ended 31 December 2017

	Hong Kong *HK$'000*	Macau *HK$'000*	Other regions in Asia Pacific *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	3,046,688	234,296	794,140	–	4,075,124
Inter-segment sales*	116,421	23,068	–	(139,489)	–
	3,163,109	257,364	794,140	(139,489)	4,075,124

* Inter-segment sales are charged at cost

Segment profit	237,350	17,679	57,983	–	313,012
Unallocated other income					7,793
Unallocated administrative and other expenses					(147,568)
Profit before tax					173,237

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 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 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 profit:

For the year ended 31 December 2018

	Hong Kong	**Macau**	**Other regions in Asia Pacific**	**Unallocated**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Operating lease payments	**323,000**	**19,748**	**76,638**	**12,090**	**431,476**

For the year ended 31 December 2017

	Hong Kong	Macau	Other regions in Asia Pacific	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating lease payments	330,597	12,583	79,847	8,638	431,665

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:

For the year ended 31 December 2018

	Hong Kong	**Macau**	**Other regions in Asia Pacific**	**Unallocated**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Depreciation of property, plant and equipment	**16,466**	**3,202**	**8,140**	**6,043**	**33,851**

For the year ended 31 December 2017

	Hong Kong	Macau	Other regions in Asia Pacific	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment	19,944	2,155	6,754	4,217	33,070

Revenue by major products

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

	2018	2017
	HK$'000	*HK$'000*
Sales of watch	**3,660,692**	3,238,603
Sales of jewellery	**1,058,201**	836,521
Commission income – Watch	**3,355**	–
	4,722,248	4,075,124

All revenue are recognised at a point in time.

Geographical information

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

As at 31 December 2018

	Hong Kong	**Macau**	**Other regions in Asia Pacific**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Non-current assets	**1,982,948**	**31,535**	**53,008**	**2,067,491**

As at 31 December 2017

	Hong Kong	Macau	Other regions in Asia Pacific	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	160,902	20,113	33,468	214,483

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

4. PROFIT BEFORE TAX

	2018	2017
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration	**4,287**	3,609
Cost of inventories included in cost of sales (included reversal of allowance for inventories of HK$14,472,000 (2017: reversal of allowance for inventories HK$20,109,000))	**3,423,524**	2,972,858
Allowance for doubtful debts	**4,519**	–
Depreciation of property, plant and equipment used for:		
– retail shops	**27,808**	28,853
– offices	**6,043**	4,217
Impairment loss recognised in respect of property, plant and equipment (included in administrative and other expenses)	**1,761**	1,135
Loss on disposal/written off of property, plant and equipment	**2,994**	3,249
Net exchange loss (gain)	**3,869**	(1,472)
Operating lease payments in respect of rented premises		
– minimum lease payments	**401,577**	401,144
– contingent rent	**29,899**	30,521
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	**268,662**	235,876
– retirement benefits scheme contributions	**22,998**	20,574

5. TAXATION

The tax charge for the year comprises:

	2018	2017
	HK$'000	*HK$'000*
Current year:		
Hong Kong	**41,840**	5,935
Macau	**3,004**	2,575
Singapore	**5,722**	1,444
	50,566	9,954
(Over) underprovision in prior years:		
Macau	**(172)**	–
Singapore	**–**	389
	(172)	389
Deferred taxation	**3,575**	3,203
	53,969	13,546

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. 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.

Singapore Income Tax is calculated at 17% 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% for both years.

Malaysia Income Tax is calculated at 24% of the estimated assessable profits for the year ended 31 December 2018.

6. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2017 Final: HK0.58 cent (2017: Nil) per share	**39,864**	–
2018 Interim: HK0.70 cent (2017: interim dividend HK0.17 cent) per share	**47,456**	11,700
	87,320	11,700

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK0.55 cent (2017: HK0.58 cent) per ordinary share, in an aggregate amount of HK$37,287,000 (2017: HK$39,864,000), has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

7. EARNINGS PER SHARE – BASIC

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to the owners of the Company for the purpose of basic earnings per share	**264,284**	159,691

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,825,404,677**	6,882,448,129

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

	2018	2017
	HK$'000	*HK$'000*
Trade receivables from contracts with customers	**65,855**	79,334
Less: Allowance for credit losses	**(4,519)**	–
	61,336	79,334
Other receivables, deposits and prepayments	**84,378**	99,378
Other PRC tax recoverable	**17,347**	6,318
Other Singapore tax recoverable	**2,503**	1,118
	165,564	186,148

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

Included in other receivables, deposits and prepayments as at 31 December 2018 were advance payments to suppliers of HK$20,935,000 (2017: HK$29,878,000) and rebate receivables of HK$32,516,000 (2017: HK$39,891,000). The remaining are individually insignificant.

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.

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**52,249**	65,253
31– 60 days	**1,362**	12,821
61– 90 days	**2,536**	488
Over 90 days	**9,708**	772
	65,855	79,334

Trade 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 were receivables from department stores with aggregate carrying amount of HK$4,835,000 (2017: HK$4,763,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collaterals over nor charge any interest on these balances.

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

	2017
	HK$'000
Overdue 1 – 30 day(s)	3,386
Overdue 31 – 60 days	457
Overdue 61 – 90 days	148
Overdue more than 90 days	772
	4,763

Trade receivables that are past due but not impaired relate to department stores sales that have continuous settlements subsequent to reporting date.

Movement in the allowance for doubtful debts

	2018
	HK$'000
As at 1 January 2018	**–**
Impairment losses recognised	**4,519**
As at 31 December 2018	**4,519**

9. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**190,625**	139,170
Other payables, deposits received and accrued charges	**101,714**	139,497
Other PRC tax payables	**381**	5,156
	292,720	283,823

Included in other payables, deposits received and accured charges as at 31 December 2018 were accured bonus and incentive of HK$15,863,000 (2017: HK$18,980,000) and effective rental payables of HK$21,590,000 (2017: HK$37,500,000). The remaining are individually insignificant.

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

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**158,937**	134,090
31– 60 days	**26,048**	4,154
61– 90 days	**4,208**	194
Over 90 days	**1,432**	732
	190,625	139,170

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

10. BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Carrying amounts repayable:		
Within one year	**561,822**	–
Within a period of more than one year but not exceeding two years	**77,689**	–
Within a period of more than two years but not exceeding five years	**103,788**	–
Within a period of more than five years	**413,196**	–
	1,156,495	–
Less: Amounts due within one year shown under current liabilities	**(561,822)**	–
Amounts shown under non-current liabilities	**594,673**	–

The bank borrowings carry variable interest rate ranged from 0.9% to 2.25% over Hong Kong Interbank Offered Rate ("HIBOR") per annum (2017: Nil).

As at 31 December 2018, the weighted effective interest rate on the Group's borrowings is 2.88% (2017: Nil).

The Group had pledged a property of HK$1,795,207,000 and related interests to secure banking facilities granted to the Group. In addition, corporate guarantee was also issued in favour of the banks by the Company to secure banking facilities granted to the Group.

11. ACQUISITION OF SUBSIDIARIES

On 12 December 2018, the Group acquired entire equity interest in Perfect Raise Holdings Limited ("Perfect Raise") and its subsidiaries (together, "Perfect Raise Group") and the amount due to a fellow subsidiary of Perfect Raise at cash consideration of HK$1,151,472,000. This acquisition has been accounted for acquisition of an asset. Perfect Raise is an investment holding company. Perfect Raise Group is principally engaged in property investment in Hong Kong.

Assets acquired and liabilities recognised at the date of acquisition (which is 12 December 2018) are set as follows:

	HK$'000
Property, plant and equipment	1,800,000
Receivables and deposits	2,106
Tax recoverable	1,253
Bank balances and cash	3,001
Payables, deposits received and accrued charges	(17,882)
Bank borrowings	(637,006)
Total identifiable net assets	1,151,472
Purchase consideration settled in cash	1,151,472
Less: Cash and cash equivalent balances acquired	(3,001)
Net cash outflow arising on acquisition of Perfect Raise Group	1,148,471

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 Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since July 2008.

The Group has established a retail network of over 90 stores across Hong Kong, Macau, mainland China, Singapore and Malaysia, as well as an online shopping platform, and now has over 1,100 staff. With a history of over 75 years, the Company carries a balanced and comprehensive watch dealership list. The target customers range from middle to high income groups worldwide. The Group's core strategy focuses on maintaining its position as the leading watch and jewellery retailing group in Greater China, coupled with an eye on expansion beyond the region.

MARKET REVIEW

2018 was a year of contrasts. The first half of the year was marked by encouraging growth for the luxury consumption market in general. However, this growth was not sustained and the second half was punctuated by a fall-off in market sentiment in the shadow of a prolonged Sino-US trade dispute.

In Hong Kong, retail sales growth has moderated since September 2018, particularly in the jewellery and watch sector. Statistics from The Census and Statistics Department revealed that September retail sales in the jewellery, watches and clocks category increased year-on-year by a slight 1.9% only after eight straight months of double-digit growth, and the trend has become even weaker after the third quarter of 2018. The moderation in retails sales was due partly to softer Chinese tourist spending because of a weaker yuan, and partly to the more cautious local consumption sentiment amid various external uncertainties and weaker asset prices.

FINANCIAL REVIEW

Overall Review

Despite a slowdown in the second half, the Group's overall results during the Year remained satisfactory. During the Year, the Group's total revenue increased by 15.9% to HK$4,722.2 million (2017: HK$4,075.1 million). Gross profit grew by 19.8% to HK$1,304.5 million (2017: HK$1,089.2 million). The gross profit margin was lifted by 0.9 percentage point to 27.6% (2017: 26.7%), which was mainly attributable to stronger market demand for luxury watches.

The Group's net profit recorded a growth of 65.5% to HK$264.3 million (2017: HK$159.7 million). Subsequent to the completion of the acquisition of a retail space at Nos. 4-8 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong – as a self-owned store (the "Self-owned Store") – on 12 December 2018, a depreciation charge of HK$4.8 million (2017: Nil) was incurred. Excluding such depreciation charge, the adjusted net profit grew by 68.5% to HK$269.1 million (2017: HK$159.7 million). The increase in profit was due to an improved gross profit and disciplined control over the operating and administrative expenses. Basic earnings per share increased to HK3.87 cents (2017: HK2.32 cents). The Board recommended the payment of a final dividend of HK0.55 cent (2017: HK0.58 cent) per share. Together with the interim dividend of HK0.70 cent (2017: HK0.17 cent) per share, the total dividends for the Year are HK1.25 cents (2017: HK0.75 cent) per share.

Hong Kong remained the core market for the Group, with revenue delivering a solid growth of 19.6% to HK$3,642.9 million (2017: HK$3,046.7 million), which accounted for 77.1% (2017: 74.8%) of the total revenue. Revenue from Macau grew by 22.4% to HK$286.6 million (2017: HK$234.2 million), while sales from Southeast Asia and mainland China were broadly stable year-on-year.

Considering the breakdown by product, watch segment revenue rose 13.1% to HK$3,664.0 million (2017: HK$3,238.6 million) and accounted for 77.6% (2017: 79.5%) of the total revenue. Revenue from the jewellery segment recorded impressive growth of 26.5% to HK$1,058.2 million (2017: HK$836.5 million), as a result of an expanded "***Emperor Jewellery***" store network, coupled with successful marketing strategies.

Capital Structure, Liquidity and Financial Resources

In December 2018, the Group completed the acquisition of the Self-owned Store at a total consideration of HK$1,800 million. Approximately HK$1,200 million cash was deployed, equivalent to the total consideration net of the outstanding amounts payable under the mortgages of approximately HK$600 million. The acquisition has resulted in changes in the Group's financial position.

Bank balances and cash on hand of the Group as at 31 December 2018 amounted to HK$627.3 million (31 December 2017: HK$1,613.1 million), which were mainly denominated in Hong Kong dollars and Renminbi ("RMB"). As at 31 December 2018, the Group had total bank borrowings of approximately HK$1,156.5 million (31 December 2017: Nil), resulting a net gearing ratio (calculated on the basis of net debts over net asset value) of 11.9% (31 December 2017: Nil). The Group also had available un-utilised banking facilities of approximately HK$526.6 million.

During the Year, the Company repurchased a total of 102,990,000 of its own shares from the market by using internal resources at an aggregate consideration of HK$51.2 million, with an average price of HK$0.50 per share. These repurchased shares were cancelled during the Year. Having considered the Group's cash reserves, the Directors believe the share repurchases would recognise value to the Company's shareholders and benefit the Company and its shareholders as a whole.

As at 31 December 2018, the Group's current assets and current liabilities were approximately HK$3,896.8 million (31 December 2017: HK$4,450.3 million) and HK$908.7 million (31 December 2017: HK$305.7 million), respectively. Current ratio and quick ratio of the Group were 4.3 (31 December 2017: 14.6) and 0.9 (31 December 2017: 5.9), respectively.

In view of the Group's financial position as at 31 December 2018, the Directors considered that the Group had sufficient working capital for its operations and future development plans.

BUSINESS REVIEW

Presence in Prime Retail Locations

As at 31 December 2018, the Group was operating 95 stores (31 December 2017: 80) in Hong Kong, Macau, mainland China, Singapore and Malaysia. The distribution was as follows:

	Number of stores
Hong Kong	29
Macau	5
Mainland China	53
Singapore	7
Malaysia	1
Total	**95**

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

In Hong Kong, the Group has established a strong presence in prime shopping areas, on Russell Street in Causeway Bay, Canton Road in Tsim Sha Tsui, and Queen's Road Central in Central. Surrounded by the world's leading brands, the stores located in these areas continue to benefit from massive tourist exposure and high foot traffic. In addition, the solid foothold in prime areas enables the Group to ensure its market position as one of Hong Kong's leading watch retailers.

In December 2018, the Group secured its significant foothold on the core part of Canton Road through the acquisition of the Self-owned Store, which it has operated as a flagship store for over the past decade. Being one of the busiest shopping streets in Hong Kong, Canton Road receives massive tourist traffic as it is within a comprehensive public transportation network comprising mass transit railways, buses and ferries. Acquiring the Self-owned Store has enabled the Group to sustain a strategic sales network on Canton Road, which abounds with the world's premier brands. Given its proven sales performance, the continuity of a major financial contributor has also been guaranteed.

Solidifying Leading Position

In the watch sector, it is imperative to maintain a collaborative brand-retailer relationship. The Group has continued to enjoy solid long-term relationships with major Swiss watch brand suppliers and retain comprehensive watch dealerships in Greater China.

The Group actively participates in co-marketing campaigns and events with brands, highlighting new products and connecting the customer in a personalised way. During the Year, one multi-watch store and three dedicated watch boutiques were launched in Beijing and Chongqing, further reinforcing the Group's market penetration in mainland China.

Enhancing the Jewellery Business

The Group offers premium quality "***Emperor Jewellery***" products with a dedication to design excellence and craftsmanship. The spectacular "***Emperor Jewellery***" range features a variety of precious gem stones with a key focus on diamonds and jadeites. "***Emperor Jewellery***" unveils unique collections of exquisite designs that embrace and nurture different clusters of customers.

During the Year, the Group strived to enrich its product offerings in an effort to penetrate the affordable luxury jewellery segment. The signature collections launched during the Year included new "***Yo Yo***" Collection featuring unisex designs, "***Mini Me***" mother-and-baby pendant sets, "***One Vow, Two Love***" Bridal Collection, "***Emperor Jewellery X Joey Yung Heartbeat***" Collection and Chinese Wedding Fine Gold Collection. To engage with the evolving preferences of fashion-savvy customers, the Group has been revamping the images of some "***Emperor Jewellery***" stores, to refresh them with new store layouts. Meanwhile, the Group also seeks to broaden customer portfolio through expanding its presence in local shopping areas, enhancing product displays, and implementing a series of social media campaigns.

In Hong Kong, six "***Emperor Jewellery***" stores were added during the Year. These are all in shopping malls with heavy foot traffic, such as Telford Plaza I in Kowloon Bay, APM in Kwun Tong and MOSTown in Ma On Shan. The stores are decorated with warm colour combinations, creating a harmonious and relaxing atmosphere, and are perfect settings for presenting exquisite jewellery pieces.

Going beyond borders, "***Emperor Jewellery***" has expanded its footprint to include Malaysia. The new store was opened in November 2018, spans 2,000 square feet and is strategically located in the iconic premium shopping mall Pavilion Kuala Lumpur. The grand launch was graced by special guests including Dr. Albert Yeung, Chairman of Emperor Group; multi-hyphenate Hong Kong pop star Ms. Joey Yung; as well as Malaysia prominent celebrity couple Mr. Awal Ashaari and Ms. Scha Alyahya, who were joined by Ms. Cindy Yeung, Chairperson and Chief Executive Officer of the Group, to officiate the opening ceremony and celebrate this important milestone.

The Group has organised various marketing events to showcase and reveal the design essence of "***Emperor Jewellery***". In November 2018, the Group was proud to present "***Nuò by Cindy Yeung***", the new high jewellery brand led by Ms. Yeung, in its prestigious annual jewellery exhibition. "***Nuò***" is a brand of high jewellery that embodies perfect artwork imbued with boundless creativity and passion, delivering an extraordinary experience. Meaning "promise", the word "***Nuò***" is taken from the Putonghua pronunciation of a Chinese character in the names of Ms. Yeung and her daughter. The collection symbolises a distinctive family lineage that continues through generations.

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 retail stores at prime locations from it on an arm's length basis, the Group can enjoy guaranteed foot traffic. Another synergy arises through Emperor Entertainment Group and Emperor Motion Pictures, two private arms under Emperor Group. The Group invited VIP guests to its movie premieres and sponsored jewellery for the artistes. Such exposure opportunities, with pop artistes, movie stars and high-profile celebrities, serve as an important tool for enhancing the reputation of the "***Emperor***" brand, particularly in Chinese-speaking communities.

During the Year, the Group continued collaborating with pop stars of Emperor Entertainment Group and Emperor Motion Pictures, to tie-in with the launch of its new initiatives. For instance, pop star Ms. Gillian Chung, who got married last year, was invited to showcase the Chinese Wedding Fine Gold Collection and to share her joy, creating a vibrant touch for the wedding jewellery. To spotlight the new "***Yo Yo***" collection, renowned artist Mr. Nicholas Tse carried the jewellery pieces that are imbued with an urban sense of style. In October 2018, famous actress Ms. Niki Chow was appointed as the endorser for "***One Vow Two Love***" Bridal Collection, which featured a romantic story as its design motif.

PROSPECTS

The macro-economic headwinds such as the Sino-US trade dispute, cooling economy in China and swings in currencies all present formidable business challenges in the near-term. Over the past decades, the Group has witnessed many ups and downs, and has emerged stronger after each cycle. As such, the Group will continue to execute responsive and flexible strategies while fine-tuning its priorities to stay competitive. The Group will also strive to optimise its cost structures across each level of business and remain vigilant regarding uncertainties on the horizon.

China remains an important engine of the world's growth. Despite recent uncertainties, the expansion of the luxury market is apparent across China, fuelled by rising income levels, shifting demographics and improving quality of life. With convenient access supported by better infrastructure, comprehensive assortment of luxury products and competitive pricing, Hong Kong remains a top shopping destination for mainland Chinese. All these factors result in favourable market fundamentals and propel the Group's long-term growth prospects.

With rising female empowerment, along with women's increasing spending, the jewellery sector is well placed to benefit from the expanding roles of modern women in the society. The Group is committed to reinforcing the brand identity of "***Emperor Jewellery***" in Chinese-speaking communities. In the coming years, the Group will focus on boosting marketing efforts, strengthening its presence in strategic locations and delivering a more favourable product mix to evolve the right path for sustainable growth in the affordable luxury jewellery segment.

Geographically, the Group is adopting a two-pronged strategy, comprising further penetration in Greater China while expanding its presence into new cities in other regions. The Group's recent initiative in Malaysia has demonstrated its dedication to strengthening its footprint in Southeast Asia. In view of ample opportunities arising from outbound travel by mainland Chinese, the Group will continue to further explore scope for geographical expansion.

Looking beyond the near-term uncertainties, the Group is confident that its acknowledged position as a leading retailer shall enable it to effectively capitalise on its core competencies. The Group remains committed to seeking and seizing new opportunities, and is well-prepared to excel in changing times.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group has 875 salespersons (2017: 752) and 251 office staff (2017: 216). Total staff costs (including directors' remuneration) were HK$291.7 million (2017: HK$256.5 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 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 HK0.55 cent per share for the year ended 31 December 2018 ("Final Dividend") (2017: HK0.58 cent per share), amounting to approximately HK$37.3 million (2017: 39.9 million), subject to the approval of the shareholders at the forthcoming annual general meeting ("AGM") of the Company to be held on 23 May 2019 (Thursday). If being approved, the Final Dividend will be paid on 21 June 2019 (Friday) to shareholders whose names appear on the register of members of the Company on 31 May 2019 (Friday).

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at the AGM

Latest time to lodge transfers	4:30 p.m. on 17 May 2019 (Friday)
AGM	23 May 2019 (Thursday)

For ascertaining shareholders' entitlement to the proposed Final Dividend

Latest time to lodge transfers	4:30 p.m. on 29 May 2019 (Wednesday)
Book close dates	30 and 31 May 2019 (Thursday and Friday)
Record date	31 May 2019 (Friday)
Final Dividend payment date	21 June 2019 (Friday)

In order to qualify for the right to attend and vote at the AGM and for the entitlement to the proposed Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before the above respective latest time.

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 2018 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 2018 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 2018 and annual results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

Code provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Cindy Yeung (being the Chief Executive Officer of the Group) has also been appointed as the Chairperson of the Board who provides the Group and the Board with strong and consistent leadership while at the same time allows for more effective planning, formulation, implementation and execution of long-term business strategies and overall business management of the Group. The Company has considered the issue of balance of power of authority on the Board and believes the structure of the Company, including strong independent elements in the Board, delegation of authorities to the management, supervision by the Board and Board committees, is sufficient to address the potential issue on power concentration. All Directors, who possess different experiences and bring expertise to the Company, are properly briefed on issues arising at Board meetings and that adequate, complete and reliable information is received by the Directors. The Board is of the opinion 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 its own code of conduct regarding securities transactions by Directors ("EWJ Securities Code") on less exacting terms than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Appendix 10 of the Listing Rules. 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 Mode Code and EWJ Securities Code throughout the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY' S LISTED SECURITIES

During the Year, the Company repurchased a total of 102,990,000 shares of the Company ("Shares") at an aggregate consideration of HK$51,193,950 (before expenses) on the Stock Exchange.

Particulars of the Share repurchase during the Year are as follows :

Months of share repurchase	Date of Cancellation	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid (before expenses)
			HK$	*HK$*	*HK$*
April 2018	15 May 2018	4,010,000	0.495	0.480	1,970,150
May 2018	15 May 2018	22,790,000	0.520	0.485	11,394,100
June 2018	29 June 2018	53,690,000	0.530	0.510	27,965,700
July 2018	31 July 2018	22,500,000	0.480	0.410	9,864,000
Total		102,990,000			51,193,950

The repurchases were made with a view to enhancing the net asset value and/or earnings per Share.

Save as disclosed above, during the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

As at 31 December 2018, there was a total of 6,779,458,129 Shares in issue (2017: 6,882,448,129 Shares).

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, 19 March 2019

As at the date hereof, the Board comprises:

Executive Directors:	Ms. Cindy Yeung 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