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 2014

RESULTS SUMMARY

- Revenue decreased by 10.6% to HK$5,924.9 million (2013: HK$6,624.4 million), due to weak consumption sentiment in relation to continued austerity initiatives and local protest in the second half of 2014.

- Watch segment was relatively resilient amid a consumption market slowdown with its revenue decreased by 6.2% to HK$4,824.2 million (2013: HK$5,143.7 million) and continued to be the key contributor, accounting for 81.4% (2013: 77.6%) of the total revenue.

- Gross profit margin improved to 25.1% (2013: 24.1%), attributable to a more stabilised pricing environment since late 2013 and price hikes exercised by many watch brands during 2014.

- Net profit decreased to HK$138.1 million (2013: HK$290.3 million), mainly due to an uprise of rental pressure.

- Maintained a strong cash debt-free position as at 31 December 2014.

- Revenue from Singapore market increased by 39.4% to HK$164.6 million (2013: HK$118.1 million). Subsequent to the successful initiation in Singapore with sound and proven track record since 2013, the Group continues to eye further expansion opportunities in Asian markets and beyond, riding on the compelling prospects of Chinese travellers around the world.

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 2014 (the "Year") together with the comparative figures for the year 2013 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** ***HK$'000***	2013 *HK$'000*
Revenue	*3*	**5,924,947**	6,624,372
Cost of sales		**(4,436,042)**	(5,024,681)
Gross profit		**1,488,905**	1,599,691
Other income		**7,563**	9,913
Selling and distribution expenses		**(1,135,906)**	(1,072,464)
Administrative expenses		**(191,872)**	(181,308)
Finance costs		**–**	(2)
Profit before taxation	*4*	**168,690**	355,830
Taxation	*5*	**(30,548)**	(65,513)
Profit for the year		**138,142**	290,317
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(20,376)**	18,286
Total comprehensive income for the year and attributable to owners of the Company		**117,766**	308,603
Earnings per share	*6*		
Basic		**HK2.0 cents**	HK4.2 cents
Diluted		**HK2.0 cents**	HK4.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**123,821**	107,744
Deferred tax asset		**9,332**	8,268
Rental deposits		**200,174**	194,893
Deposit paid for acquisition of property, plant and equipment		**1,373**	3,675
		334,700	314,580
Current assets			
Inventories		**3,838,528**	3,649,813
Receivables, deposits and prepayments	8	**162,927**	172,903
Taxation recoverable		**16,366**	1,582
Bank balances and cash		**443,811**	657,099
		4,461,632	4,481,397
Current liabilities			
Payables, deposits received and accrued charges	9	**331,534**	378,349
Amounts due to related companies		**4,315**	3,899
Taxation payable		**2,678**	6,319
		338,527	388,567
Net current assets		**4,123,105**	4,092,830
Net assets		**4,457,805**	4,407,410
Capital and reserves			
Share capital		**3,484,152**	68,824
Reserves		**973,653**	4,338,586
Total equity		**4,457,805**	4,407,410

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

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 (Cap. 622).

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.

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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

Notes:

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations ("INTs") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA for the first time in the current year.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC*) – INT 21	Levies

* IFRIC represents the International Financial Reporting Interpretations Committee.

The application of the above new and revised HKFRSs has had no material effect on the amounts reported and disclosures set out in the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[4]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 July 2014
[4] Effective for annual periods beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" 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. All other debt investments and equity investments are measured at their fair values 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.

The new general hedge accounting requirements retain the three types of hedge accounting. However, 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 effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors will assess the impact on the application of HKFRS 9. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

The Directors are in the process of assessing the potential impact of the remaining new and revised standards, and at this stage have not yet determined the effect of the application of these standards on the results and financial position of the Group.

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 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 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

	Hong Kong	Macau	Other regions in Asia Pacific	Elimination	Consolidated
Segment profit	**298,184**	**39,994**	**14,907**	**–**	**353,085**
Unallocated administrative expenses					**(190,359)**
Interest income					**5,964**
Profit before taxation					**168,690**

Notes:

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2013

	Hong Kong *HK$'000*	Macau *HK$'000*	Other regions in Asia Pacific *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	5,545,186	404,120	675,066	–	6,624,372
Inter-segment sales*	153,504	18,238	–	(171,742)	–
	5,698,690	422,358	675,066	(171,742)	6,624,372

* Inter-segment sales are charged at cost

	Hong Kong	Macau	Other regions in Asia Pacific	Elimination	Consolidated
Segment profit (loss)	485,234	53,810	(11,709)	–	527,335
Unallocated administrative expenses					(176,410)
Interest income					4,907
Finance costs					(2)
Profit before taxation					355,830

The accounting policies of the reportable segments are the same as the Group's accounting policies used in the consolidated financial statements. Segment profit or loss 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.

Notes:

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

Amounts included in the measure of segment profit or loss:

For the year ended 31 December 2014

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

For the year ended 31 December 2013

	Hong Kong	Macau	Other regions in Asia Pacific	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating lease payments	540,749	10,542	107,297	7,472	666,060

Revenue from major products

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

	2014	2013
	HK$'000	*HK$'000*
Watch	**4,824,200**	5,143,745
Jewellery	**1,100,747**	1,480,627
	5,924,947	6,624,372

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 2014

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

As at 31 December 2013

	Hong Kong *HK$'000*	Macau *HK$'000*	Other regions in Asia Pacific *HK$'000*	Consolidated *HK$'000*
Non-current assets	256,061	14,055	36,196	306,312

Segment assets and liabilities

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

4. PROFIT BEFORE TAXATION

	2014 *HK$'000*	2013 *HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Allowance for inventories	**1,534**	19,294
Auditor's remuneration	**3,505**	3,361
Cost of inventories included in cost of sales	**4,420,118**	4,993,270
Depreciation of property, plant and equipment	**64,314**	58,874
Loss on disposal of property, plant and equipment	**2,029**	2,322
Net exchange loss (gain)	**2,839**	(2,423)
Operating lease payments in respect of rented premises		
– minimum lease payments	**663,091**	615,915
– contingent rent	**40,832**	50,145
Staff costs, including Directors' remuneration		
– salaries and other benefits costs	**261,073**	255,309
– retirement benefits scheme contributions	**19,354**	19,485

Notes:

5. TAXATION

	2014	2013
	HK$'000	*HK$'000*
The charge comprises:		
Current year:		
Hong Kong	**29,370**	60,785
Macau	**2,504**	5,779
	31,874	66,564
(Over) underprovision in prior years:		
Hong Kong	**87**	(291)
Macau	**(349)**	25
	(262)	(266)
Deferred taxation	**(1,064)**	(785)
	30,548	65,513

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.

Notes:

6. EARNINGS PER SHARE

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

	2014	2013
	HK$'000	*HK$'000*
Earnings		
Earnings (profit for the year attributable to owners of the Company) for the purposes of basic and diluted earnings per share	**138,142**	290,317

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,882,448,129**	6,875,711,098
Effect of dilutive potential ordinary shares:		
Warrants	**–**	2,545,831
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,882,448,129**	6,878,256,929

7. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividends recognised as distribution during the Year:		
2013 Final: HK0.58 cent per share (2013: 2012 final dividend of HK0.80 cent per share)	**39,918**	55,061
2014 Interim: HK0.40 cent per share (2013: 2013 interim dividend of HK0.68 cent per share)	**27,530**	46,799
	67,448	101,860

A final dividend for the year ended 31 December 2014 of HK0.20 cent per share (2013: HK0.58 cent per share) has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

Notes:

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**63,832**	78,645
Other receivables, deposits and prepayments	**76,795**	76,462
Other PRC tax recoverable	**21,518**	16,521
Other Singapore tax recoverable	**782**	1,275
	162,927	172,903

Retails sales are normally settled in cash or by credit card with the settlement from the corresponding banks or other financial institutions within 7 days. Receivables from retail sales in department stores are collected within one month.

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

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**51,054**	61,412
31 – 60 days	**2,149**	6,556
61 – 90 days	**119**	5,187
91 – 120 days	**–**	5,490
Over 120 days	**10,510**	–
	63,832	78,645

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 Group's trade receivables balance are receivables from department stores with aggregate carrying amount of HK$12,778,000 (2013: HK$17,233,000) 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.

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

	2014	2013
	HK$'000	*HK$'000*
Overdue 1 – 30 days	**2,149**	6,556
Overdue 31 – 60 days	**119**	5,187
Overdue 61 – 90 days	**2,617**	5,490
Overdue more than 90 days	**7,893**	–
	12,778	17,233

Notes:

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

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

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**190,754**	245,982
Other payables, deposits received and accrued charges	**140,562**	131,962
Other PRC tax payables	**218**	405
	331,534	378,349

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

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**171,940**	242,936
31 – 60 days	**17,113**	2,129
61 – 90 days	**1,027**	917
Over 90 days	**674**	–
	190,754	245,982

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading retailer of European-made luxurious and internationally branded watches, together with self-designed fine jewellery products under its own brand, "***Emperor Jewellery***". The Group has extensive retail networks in Hong Kong, Macau, the PRC and Singapore. The target customers range from middle to high income groups in the world. With a history of over 70 years since its establishment, the Company carries a balanced and comprehensive watches' dealership list.

MARKET REVIEW

The Year was undoubtedly challenging. The luxury consumption market was weakening following China's slowing economic growth and austerity initiatives. Local consumption sentiment further deteriorated in the wake of local's protests that started in late September 2014. With the exit of demand for high-ticket items and irrational purchasing, consumers were tending to be more rational and looking for luxury items within an affordable range.

FINANCIAL REVIEW

Overall Review

During the Year, the Group's revenue decreased by 10.6% to HK$5,924.9 million (2013: HK$6,624.4 million) due to weak consumption sentiment. Against the backdrop of the challenging market environment, revenue from the watch segment inevitably decreased, by 6.2% to HK$4,824.2 million (2013: HK$5,143.7 million), which accounted for 81.4% (2013: 77.6%) of the Group's revenue and continued to be the key revenue contributor. The revenue from the jewellery segment slumped by 25.7% to HK$1,100.7 million (2013: HK$1,480.7 million). The higher revenue from the jewellery segment in 2013 was due to the special promotion campaigns on jewellery items and "gold fever" which brought additional traffic to ***Emperor Jewellery*** stores. 83.1% (2013: 83.7%) of the Group's total revenue was supported by the Hong Kong market.

Gross profit decreased by 6.9% to HK$1,488.9 million (2013: HK$1,600.0 million). Following the stabilised pricing environment of watches in late 2013, there were price hikes for several watch brands during the Year. As a result of the competitive advantages of the Group's retail network spanning prime locations and diverse product portfolio, the overall gross profit margin improved to 25.1% from 24.1% in the previous year.

FINANCIAL REVIEW *(Continued)*

Overall Review *(Continued)*

EBITDA and net profit were HK$233.0 million (2013: HK$414.7 million) and HK$138.1 million (2013: HK$290.3 million) respectively. The decrease of EBITDA and net profit were due to an increase in rental expenses. Basic earnings per share was HK2.00 cents (2013: HK4.20 cents). The Board recommends the payment of a final dividend of HK0.20 cent (2013: HK0.58 cent) per share. Together with the interim dividend of HK0.40 cent per share, the total dividend per share for the Year was HK0.60 cent (2013: HK1.26 cents).

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 2014 amounted to HK$443.8 million (2013: HK$657.1 million), which were mainly denominated in Hong Kong dollars ("HKD") and Renminbi ("RMB"). As at 31 December 2014, the Group had no bank borrowings (2013: Nil) and its gearing ratio (calculated on the basis of the total borrowings over total equity) was nil (2013: Nil). The Group also had available unutilised banking facilities of approximately HK$852.9 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 2014, the Group's current assets and current liabilities were approximately HK$4,461.6 million (2013: HK$4,481.4 million) and HK$338.5 million (2013: HK$388.6 million) respectively. Current ratio and quick ratio of the Group were 13.2 (2013: 11.5) and 1.8 (2013: 2.1) respectively.

In view of the Group's financial position as at 31 December 2014, the Board considered that the Group had sufficient working capital for its operations and future development plans.

BUSINESS REVIEW

Further Strengthening Presence in Prime Locations

As at 31 December 2014, the Group had 88 stores (2013: 74) in Hong Kong, Macau, the PRC and Singapore. Details are as follows:

	Number of stores
Hong Kong	24
Macau	6
The PRC	54
Singapore	4
Total	88

These stores include standalone jewellery shops, specialty watch outlets for specific 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 high-end shopping areas, including Russell Street in Causeway Bay, Canton Road in Tsim Sha Tsui and Queen's Road Central in Central. During the Year, these three shopping streets remained in the global top ranking of rental per square foot. Having a solid presence in these extreme prime locations is of paramount importance for a leading retailer of watches. The Group enjoys a high penetration rate amongst visitors and brand enhancement through its presence in these extreme prime areas.

During the Year, the Group further expanded its presence in prime retail locations. In June 2014, Patek Philippe independent corner, Chopard boutique and ***Emperor Jewellery*** store were opened in 1881 Heritage, which is the cultural and shopping hub in Tsim Sha Tsui featuring iconic and luxury shops. This collaboration once again demonstrated the management's dedication to fostering solid relationships with leading watch brand suppliers, thereby achieving win-win situations where both leading watch brands and the Group enjoy brand enhancement through a presence in extreme prime areas.

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 enjoy the best pedestrian flows and fostered its leading position in Hong Kong.

Enriching Jewellery Product Portfolio

During the Year, 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. Stylish and prestigious gem settings, bridal collections and fine jadeites remained popular. Meanwhile, new collections with unique themed designs were regularly launched at different price points, to boost loyalty of sophisticated customers and target new shoppers in different income groups.

Enhancing Brand Image

During the Year, the Group continued to effectively promote various watch brands through a range of joint promotions, sponsorships and exhibitions, which all achieved positive results. To sustain its decades-old relationships with watch suppliers, the Group ran co-op advertising campaigns and organised joint promotion events with individual world-class watch suppliers. These enhanced the relationships and brand reputation for both leading watch brands and "***Emperor***".

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 relevant marketing efforts and enhanced brand awareness of "***Emperor Jewellery***" through various cost-effective advertising campaigns.

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.

PROSPECTS

As urbanisation continues being promoted by the Chinese government, the population of the middle class will keep on growing. The Group holds a cautiously optimistic view regarding the consumption power of the middle class, which is driven by the gradual improvement of the economic environment and their growing wealth. This presents abundant opportunities for the Group to further establish its presence across Greater China and even beyond. The Group will continue to look for other expansion opportunities in Asia, in order to fully capitalise on Chinese consumers' rising demand for watches and jewellery.

Significant regional watch price differences, absence of a sales tax on luxury goods, authenticity assurance and full assortments continue providing strong incentives for mainland visitors to purchase luxury watches in Hong Kong. The Group believes that jewellery market is set for long-term growth, driven by rising demand for gem-set jewellery alongside the gradual increase in disposable income of Chinese consumers and stable demand arising from various celebratory occasions. The Group is striving to expand its product mix to offer customers an even wider selection of choices.

Success in the luxury market is linked to brand image and distinctiveness. These features depend on many factors, like the style and design of products, the quality of materials, production techniques, the image and location of stores, and communications activities spanning public relations, advertising and marketing. Building on the Group's strong presence in prime retail locations, its prestigious gem settings with unique designs, its comprehensive watch offerings, and the strong recognition of the "***Emperor***" brand, the Group is optimistic to tap market potential and reinforce its position as a leading luxury watch and jewellery retailer in Chinese-speaking communities.

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 2014, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group has 1,040 salespersons (2013: 938) and 222 office staff (2013: 211). Total staff costs (including directors' remuneration) were HK$280.4 million (2013: HK$274.8 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.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK0.20 cent (2013: HK0.58 cent) per share ("Final Dividend") for the Year, amounting to approximately HK$13.8 million (2013: HK$39.9 million). The Final Dividend, if being approved at the forthcoming annual general meeting of the Company ("AGM"), will be paid on 17 June 2015 (Wednesday) to shareholders whose names appear on the register of members of the Company on 22 May 2015 (Friday).

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at AGM

Latest time to lodge transfers	4:30 p.m. on 14 May 2015 (Thursday)
Book close date	15 and 18 May 2015 (Friday and Monday)
Record date	18 May 2015 (Monday)
AGM	18 May 2015 (Monday)

For ascertaining shareholders' entitlement to the proposed Final Dividend

Latest time to lodge transfers	4:30 p.m. on 20 May 2015 (Wednesday)
Book close dates	21 and 22 May 2015 (Thursday and Friday)
Record date	22 May 2015 (Friday)
Final Dividend payment date	17 June 2015 (Wednesday)

CLOSURE OF REGISTER OF MEMBERS *(Continued)*

In order to qualify for the right to attend and vote at the AGM and for the proposed Final Dividend, 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.

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 2014 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 2014 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 2014 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. Taking up the role of Chairperson and Managing Director, Ms. Cindy Yeung provides the Group with strong and consistent leadership, and at the same time drives the strategic growth of the Group. As the Board members are keeping abreast of the conduct, business activities and development of the Group and as the day-to-day business operations of the Group are properly delegated to the management team of the Company as formalized 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.

PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION

In order to bring the Articles of Association of the Company ("Articles of Association") in line with the new Companies Ordinance (Chapter 622 Laws of Hong Kong) ("New CO"), which came into effect on 3 March 2014, the Board has proposed the adoption of a new Articles of Association to replace the existing Memorandum and Articles of Association of the Company and will seek for the shareholders' approval at the AGM. The new Articles of Association align with the new provisions/requirements under the New CO and certain amendments are proposed for administrative efficiency and housekeeping purposes, details of which and other business to be conducted at the AGM will be set out in the circular to shareholders of the Company and posted on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (www.emperorwatchjewellery.com).

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange and the Company. 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, 30 March 2015

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