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ORIENTAL WATCH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(the “Company”)

(Stock Code: 398)

Website: <http://www.orientalwatch.com>

FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2020

Financial Highlights

- Turnover decreased 3.5% to HK\$2,353 million
- Profit attributable to owners of the Company was HK\$100 million
- Earnings per share was HK17.59 cents
- Final dividend of HK8.0 cents per share
- Special dividend of HK5.0 cents per share

The Board of Directors of Oriental Watch Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2020 together with the comparative figures for the corresponding year in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue	3	2,352,683	2,437,184
Cost of goods sold		<u>(1,707,356)</u>	<u>(1,834,224)</u>
Gross profit		645,327	602,960
Other income	4	28,360	42,338
Other gains and losses	5	(32,160)	(11,029)
Impairment losses under expected credit loss model, net of reversal	6	(15,461)	(253)
Distribution and selling expenses			
— Expenses related to leases		(144,836)	(171,904)
— Other distribution and selling expenses		(189,579)	(162,268)
Administrative expenses		(155,328)	(141,346)
Finance costs	7	(14,210)	(1,959)
Share of results of associates		5,379	3,244
Share of result of a joint venture		<u>(59)</u>	<u>192</u>
Profit before taxation	8	127,433	159,975
Income tax expense	9	<u>(28,324)</u>	<u>(21,936)</u>
Profit for the year		<u>99,109</u>	<u>138,039</u>
Other comprehensive (expense) income			
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of equity instruments at fair value through other comprehensive income (“FVTOCI”)		(696)	(468)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(40,056)	(42,146)
Reclassification adjustments for the cumulative exchange differences upon deregistration of a foreign operation		—	2,256
Change in fair value of debt instruments at FVTOCI		(448)	60
Release on redemption of debt instruments at FVTOCI		<u>(6)</u>	<u>—</u>
Other comprehensive expense for the year		<u>(41,206)</u>	<u>(40,298)</u>
Total comprehensive income for the year		<u><u>57,903</u></u>	<u><u>97,741</u></u>

	<i>NOTE</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owners of the Company		100,301	138,099
Non-controlling interests		<u>(1,192)</u>	<u>(60)</u>
		<u>99,109</u>	<u>138,039</u>
 Total comprehensive income (expense) attributable to:			
Owners of the Company		59,096	97,848
Non-controlling interests		<u>(1,193)</u>	<u>(107)</u>
		<u>57,903</u>	<u>97,741</u>
 Earnings per share			
Basic	<i>11</i>	<u>17.59 HK cents</u>	<u>24.21 HK cents</u>
Diluted	<i>11</i>	<u>17.59 HK cents</u>	<u>24.21 HK cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*AT 31 MARCH 2020*

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		213,034	215,444
Right-of-use assets	<i>12</i>	287,779	—
Deposits for acquisition of property, plant and equipment		3,591	10,636
Interests in associates	<i>13</i>	63,981	37,337
Interest in a joint venture		24,239	26,005
Equity instruments at FVTOCI	<i>14</i>	3,211	3,907
Debt instruments at FVTOCI	<i>15</i>	9,680	5,008
Deferred tax assets		5,153	24
Property rental deposits		24,186	31,463
		634,854	329,824
Current assets			
Inventories	<i>16</i>	798,693	823,654
Trade and other receivables	<i>17</i>	112,755	148,576
Financial assets at fair value through profit or loss ("FVTPL")	<i>18</i>	15,871	14,982
Debt instruments at FVTOCI	<i>15</i>	7,486	1,812
Taxation recoverable		7,330	4,470
Bank balances and cash		936,632	1,084,911
		1,878,767	2,078,405
Current liabilities			
Trade and other payables	<i>19</i>	86,774	119,026
Contract liabilities	<i>19</i>	4,366	7,476
Lease liabilities	<i>20</i>	101,663	—
Taxation payable		12,237	2,758
Bank loans		5,667	63,367
		210,707	192,627
Net current assets		1,668,060	1,885,778
Total assets less current liabilities		2,302,914	2,215,602

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		2,864	2,001
Lease liabilities	<i>20</i>	205,773	—
Derivative financial instruments at FVTPL		10,991	—
		<u>219,628</u>	<u>2,001</u>
Net assets		<u>2,083,286</u>	<u>2,213,601</u>
Capital and reserves			
Share capital	<i>21</i>	57,036	57,036
Reserves		2,026,575	2,155,697
		<u>2,083,611</u>	<u>2,212,733</u>
Equity attributable to owners of the Company		2,083,611	2,212,733
Non-controlling interests		<u>(325)</u>	<u>868</u>
Total equity		<u>2,083,286</u>	<u>2,213,601</u>

Notes:

1. GENERAL

Oriental Watch Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and acts as an investment holding company as well as engaged in watch trading. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company are detailed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is also the functional currency of the Company.

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 and an interpretation issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 — 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties and land leases in the People's Republic of China (the "PRC") and properties in Hong Kong was determined on a portfolio basis; and
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 2.67% to 4.85%.

	At 1 April 2019
	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	281,658
<i>Less:</i> Practical expedient — leases with lease term ending within 12 months from the date of initial application	(1,604)
Recognition exemption — short-term leases	(1,429)
	<u>278,625</u>
Lease liabilities discounted at relevant incremental borrowing rates	264,876
<i>Add:</i> Extension options reasonably certain to be exercised	121,199
	<u>386,075</u>
Lease liabilities as at 1 April 2019	<u>386,075</u>
Analysed as	
Current	135,929
Non-current	250,146
	<u>386,075</u>

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets
<i>Note</i>	<i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	386,075
Adjustments on rental deposits at 1 April 2019	(a) <u>3,167</u>
	<u>389,242</u>
By class:	
Leased properties	<u>389,242</u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	<i>Note</i>	Carrying amounts previously reported at 31 March 2019 <i>HK\$'000</i>	<i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$'000</i>
Non-current Assets				
Right-of-use assets		—	389,242	389,242
Property rental deposits	<i>(a)</i>	31,463	(2,692)	28,771
Current Assets				
Trade and other receivable	<i>(a)</i>	148,576	(475)	148,101
Current Liabilities				
Lease liabilities		—	135,929	135,929
Non-current Liabilities				
Lease liabilities		—	250,146	250,146

Note:

- (a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under property rental deposits and other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$3,167,000 was adjusted to refundable rental deposits paid and right-of-use assets.

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

New and amendments to HKFRSs in issue but yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 16	Covid-19 — Related Rent Concessions ⁵
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

- ¹ Effective for annual periods beginning on or after 1 January 2021
- ² 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
- ³ Effective for annual periods beginning on or after a date to be determined
- ⁴ Effective for annual periods beginning on or after 1 January 2020
- ⁵ Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income (“OCI”) will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual period beginning after 1 April 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. REVENUE AND SEGMENT INFORMATION

The Group’s operation is principally sales of watches. The Group’s revenue represents consideration received or receivable from sales of watches.

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purpose of resource allocation and assessment of segment performance is analysed based on the geographical markets of the goods sold.

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its operating segments. With the significant growth in the business of the Group in the PRC, the operating result is separately reported to the management. Prior year segment disclosures have been represented to conform with the current year’s presentation.

Specifically, the Group has four operating segments, being (a) Hong Kong, (b) the PRC, (c) Macau and (d) Taiwan, which is also the basis of organisation of the Group for managing the business operations. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Sales of watches (revenue recognised at a point in time)

For sales of watches, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail shop. Payment of the transaction price is due immediately at the point the customer purchases the goods.

All sales contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

	Segment revenue — recognised at a point in time		Segment profit (loss)	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,198,061	1,448,880	59,212	128,976
The PRC	944,759	803,856	104,589	38,240
Macau	204,385	154,009	23,377	12,398
Taiwan	5,478	30,439	(27,986)	24
	<u>2,352,683</u>	<u>2,437,184</u>	159,192	179,638
Unallocated other income			15,604	13,762
Unallocated corporate expenses			(31,511)	(28,949)
Unallocated other gains and losses			(20,216)	(5,953)
Interest on bank loans			(956)	(1,959)
Share of results of associates			5,379	3,244
Share of result of a joint venture			(59)	192
Profit before taxation			<u>127,433</u>	<u>159,975</u>

Segment profit represents the profit before taxation earned by each segment without allocation of interest on bank loans, share of results of associates and a joint venture, unallocated other income, unallocated other gains and losses and unallocated corporate expenses. Unallocated corporate expenses include auditor's remuneration, directors' emoluments and operating expenses of inactive companies. This is the measure reported to the chief operating decision maker of the Group for the purposes of resources allocation and performance assessment.

The Group has no customer who contributed over 10% of the total revenue of the Group for any of the two years ended 31 March 2020.

All segment revenue is generated from external customers for both years.

The following is an analysis of the Group's assets and liabilities by operating segments.

	Segment assets		Segment liabilities	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	977,166	774,804	311,958	69,661
The PRC	351,958	339,840	51,049	28,747
Macau	85,570	50,172	24,431	3,553
Taiwan	24,984	64,298	668	8,533
Segment total	1,439,678	1,229,114	388,106	110,494
Unallocated	1,067,991	1,179,115	36,277	84,134
Group's total	<u>2,507,669</u>	<u>2,408,229</u>	<u>424,383</u>	<u>194,628</u>

The segment assets by location of assets are the same as by location of markets of the goods sold.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than equity instruments at FVTOCI, debt instruments at FVTOCI, financial assets at FVTPL, deferred tax assets, interests in associates, interest in a joint venture, taxation recoverable, bank balances and cash and unallocated corporate assets; and
- all liabilities are allocated to operating segments other than taxation payable, deferred tax liabilities, derivative financial instruments at FVTPL and bank loans. Bank loans are classified as unallocated corporate liabilities because they are managed centrally by the treasury function of the Group.

Other segment information

Amounts included in the measure of segment results or segment assets:

	Additions of property, plant and equipment		Additions of right-of-use assets		Depreciation of property, plant and equipment		Depreciation of right-of-use assets		Loss on disposal property, plant and equipment		Impairment loss recognised in property, plant and equipment ^(note)		Impairment loss recognised in right-of-use assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	36,353	19,323	39,487	—	20,041	12,456	102,528	—	5,921	2,553	6,973	—	12,479	—
The PRC	7,689	11,165	17,248	—	10,314	7,459	9,561	—	—	4	1,150	263	—	—
Macau	132	124	—	—	2,611	849	18,537	—	—	—	—	—	—	—
Taiwan	—	—	—	—	287	800	1,601	—	1,510	—	—	—	—	—
Segment total	44,174	30,612	56,735	—	33,253	21,564	132,227	—	7,431	2,557	8,123	263	12,479	—
Unallocated	—	—	—	—	—	54	—	—	—	—	—	—	—	—
Group's total	<u>44,174</u>	<u>30,612</u>	<u>56,735</u>	<u>—</u>	<u>33,253</u>	<u>21,618</u>	<u>132,227</u>	<u>—</u>	<u>7,431</u>	<u>2,557</u>	<u>8,123</u>	<u>263</u>	<u>12,479</u>	<u>—</u>

Note: The amount includes the impairment loss on deposits for acquisition of property, plant and equipment in Hong Kong.

Information about the Group's non-current assets (excluding equity instruments at FVTOCI, debt instruments at FVTOCI, deferred tax assets, interests in associates and interest in a joint venture) by geographical location of the assets is detailed below:

	Carrying amount of non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	454,511	217,130
The PRC	48,213	30,310
Macau	25,866	7,804
Taiwan	—	2,299
	<u>528,590</u>	<u>257,543</u>

4. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income from bank	15,392	13,762
Interest income from rental deposits	1,402	—
Government subsidies (<i>note</i>)	8,311	4,357
Others	3,255	24,219
	<u>28,360</u>	<u>42,338</u>

Note: Government subsidies mainly comprised of unconditional subsidies received for subsidising the Group's business in the PRC.

5. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss on disposal/written off of property, plant and equipment	(7,431)	(2,557)
Loss from changes in fair value of financial assets at FVTPL	(2,123)	(890)
Impairment loss on deposits for acquisition of property, plant and equipment	(4,000)	—
Impairment loss recognised in respect of property, plant and equipment	(4,123)	(263)
Impairment loss recognised in respect of right-of-use assets	(12,479)	—
Loss arising from termination of leases	(43)	—
Gain on redemption of debt instruments at FVTOCI	6	—
Net loss on derivative financial instruments at FVTPL	(2,179)	—
Net exchange gains (losses)	212	(5,063)
Loss on deregistration of a subsidiary	—	(2,256)
	<u>(32,160)</u>	<u>(11,029)</u>

6. IMPAIRMENT LOSSES UNDER CREDIT LOSSES, NET OF REVERSAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Impairment losses under credit losses (reversed) recognised on:		
— trade receivables	671	(253)
— other receivables	<u>(16,132)</u>	<u>—</u>
	<u>(15,461)</u>	<u>(253)</u>

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank loans	956	1,959
Interest on lease liabilities	<u>13,254</u>	<u>—</u>
	<u>14,210</u>	<u>1,959</u>

8. PROFIT BEFORE TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before taxation has been arrived at after (crediting) charging:		
Directors' remuneration	27,740	26,583
Other staff's retirement benefits scheme contributions	6,066	4,789
Other staff costs	<u>103,066</u>	<u>102,021</u>
Total staff costs	<u>136,872</u>	<u>133,393</u>
Auditor's remuneration	3,480	3,190
Cost of inventories recognised as expense (including allowance for slow-moving watches of HK\$19,005,000 (2019: net of reversal of allowance for slow-moving watches of HK\$355,000))	1,707,356	1,834,224
Depreciation of property, plant and equipment	33,253	21,618
Depreciation of right-of-use assets	132,227	N/A
Minimum operating lease rentals in respect of rented premises	<u>N/A</u>	<u>162,268</u>

9. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong	13,598	20,769
PRC Enterprise Income Tax	15,348	—
Other jurisdictions	3,469	1,600
Withholding tax on dividend income from associates	420	352
	<u>32,835</u>	<u>22,721</u>
Overprovision in prior years:		
Hong Kong	(166)	(357)
Other jurisdictions	(60)	(794)
	<u>(226)</u>	<u>(1,151)</u>
Deferred taxation (credit) charge	<u>(4,285)</u>	366
	<u><u>28,324</u></u>	<u><u>21,936</u></u>

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%, after setting off of tax losses brought forward, if any.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years, after setting off of tax losses brought forward, if any.

Taxation in other jurisdictions is calculated at the rates prevailing pursuant to the relevant laws and regulations.

10. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Interim dividend for financial year ended 31 March 2020 of 2.8 HK cents (2019: 2.8 HK cents) per share on 570,358,224 (2019: 570,358,224) shares	15,970	15,970
Interim special dividend for financial year ended 31 March 2020 of 8.7 HK cents (2019: 8.7 HK cents) per share on 570,358,224 (2019: 570,358,224) shares	49,621	49,621
Final dividend for financial year ended 31 March 2019 of 8.0 HK cents (2018: 8.0 HK cent) per share on 570,358,224 (2018: 570,610,224) shares	45,629	45,649
Special dividend for financial year ended 31 March 2019 of 13.5 HK cents (2018: 15.0 HK cents) per share on 570,358,224 (2018: 570,610,224) shares	76,998	85,592
	<u>188,218</u>	<u>196,832</u>
Dividends proposed after year end (note):		
Proposed final dividend for financial year ended 31 March 2020 of 8.0 HK cents (2019: 8.0 HK cents) per share on 570,358,224 (2019: 570,358,224) shares	45,629	45,629
Proposed special dividend for financial year ended 31 March 2020 of 5.0 HK cents (2019: 13.5 HK cents) per share on 570,358,224 (2019: 570,358,224) shares	28,518	76,998
	<u>74,147</u>	<u>122,627</u>

Note: Subsequent to the end of the reporting period, a final dividend and a special dividend for the year ended 31 March 2020 have been proposed by the directors of the Company and are subject to approval by the shareholders in the forthcoming annual general meeting.

11. EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<u>Earnings</u>		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>100,301</u>	<u>138,099</u>
	2020 '000	2019 '000
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>570,358</u>	<u>570,501</u>

The diluted earnings per share for both years has not included the effect from the Company's share options because the exercise prices of the share options are higher than the average market price of the shares of the Company.

12. RIGHT-OF-USE ASSETS

	Leased properties <i>HK\$'000</i>
As at 1 April 2019	
Carrying amount	<u>389,242</u>
As at 31 March 2020	
Carrying amount	<u>287,779</u>

For the year ended 31 March 2020**2020**
HK\$'000**Expenses relating to leases**

Expenses relating to leases with lease terms end within 12 months from the date of initial application of HKFRS16	1,788
Expenses relating to short-term leases	6,960
Variable lease payments not included in the measurement of lease liabilities	3,861
Depreciation for the year	<u>132,227</u>
	<u><u>144,836</u></u>
Additions to right-of-use assets	56,735
Termination of lease	(7,456)
Modification of lease	<u>(4,731)</u>
	<u><u>147,772</u></u>
Total cash outflow for leases	<u><u>147,772</u></u>

During the year ended 31 March 2019, expenses related to leases amounted to HK\$162,268,000 were paid as the minimum operating lease rentals in respect of rented premises, which were accounted for under HKAS 17.

For both years, the Group leases various retail shops and offices for its operations. Lease contracts are entered into for fixed term of 1 year to 8 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year, the Group entered into new lease agreements for the use of leased properties for 5 years. On the lease commencement, the Group recognised right-of-use assets and related lease liabilities of HK\$56,369,000, which constitutes non-cash transactions.

In addition to the short-term lease for a retail shop in the PRC which are regularly entered into by the Group during the year ended 31 March 2020, the Group incurred expenses related to extended lease term for 2 months upon the expiry of the original lease during the year amounting to HK\$3,300,000.

Variable lease payments

Leases of retail shops are either with only fixed lease payments or contain variable lease payment that are based on certain percentage of sales. The payment terms are common in retail shops in Hong Kong and the PRC where Group operates.

For leases of retail shops that contain both fixed lease payments and variable lease payment that are based on 2% to 13% sales, the amount of fixed and variable lease payments paid/payable to relevant lessors for the year ended 31 March 2020 are as below:

	Number of shops	Fixed payments <i>HK\$'000</i>	Variable payments <i>HK\$'000</i>	Total payments <i>HK\$'000</i>
Retail shops without variable lease payments	3	16,462	—	16,462
Retail shops with variable lease payments	4	6,612	3,861	10,473
	<u>7</u>	<u>23,074</u>	<u>3,861</u>	<u>26,935</u>

The overall financial effect of using variable payment terms is that higher rental costs are incurred by shops with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of shops sales in future years.

Extension options

The Group has extension options in three of the leases for retail shops. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date or date of initial application whether it is reasonably certain to exercise the extension options. The directors of the Company concluded the Group is reasonably certain to exercise all leases with renewal options impact considering all relevant facts and circumstances including economic incentives for exercising the options.

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 March 2020, there is no such triggering event.

Restriction on assets

In addition, lease liabilities of HK\$307,436,000 are recognised with related right-of-use assets of HK\$287,779,000 as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

13. INTERESTS IN ASSOCIATES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of investments in unlisted associates	53,192	30,201
Exchange adjustments	(558)	(834)
Share of post-acquisition profits, net of dividends received	11,347	7,970
	<u>63,981</u>	<u>37,337</u>

14. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Listed investments		
Equity securities listed in Hong Kong	36	41
Unlisted investments	<u>3,175</u>	<u>3,866</u>
	<u>3,211</u>	<u>3,907</u>

The directors of the Company have elected to designate these investments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance in the long run.

15. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Listed investments		
Debt securities listed in overseas with fixed interests ranging from 1.80% to 4.25% (2019: 1.56% to 4.25%) per annum and maturity dates ranging from 6 June 2020 to 15 June 2023 (2019: 16 May 2020 to 26 October 2020)	10,926	3,683
Debt securities listed in Hong Kong with fixed interests 2.50% per annum and maturity date on 28 November 2019	—	1,568
Unlisted investments		
Debt securities issued in overseas with fixed interests ranging from 2.00% to 5.30% (2019: 2.63%) per annum and maturity date from 6 May 2020 to 15 August 2025 (2019: 14 January 2020)	<u>6,240</u>	<u>1,569</u>
	<u>17,166</u>	<u>6,820</u>
Analysed as:		
Current portion	7,486	1,812
Non-current portion	<u>9,680</u>	<u>5,008</u>
	<u>17,166</u>	<u>6,820</u>

At 31 March 2020, debt instruments at FVTOCI are stated at fair values, which have been determined with reference to the quoted bid prices available and quoted market prices provided by brokers which are financial institutions.

The amount of the Group's debt instruments at FVTOCI denominated in currencies other than functional currency of the Group is set out below:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
United State Dollars ("US\$")	<u>17,166</u>	<u>6,820</u>

16. INVENTORIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Watches	780,556	803,095
Accessories and parts	<u>18,137</u>	<u>20,559</u>
	<u>798,693</u>	<u>823,654</u>

17. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	83,835	89,885
<i>Less: Allowance for credit losses</i>	<u>(2,959)</u>	<u>(3,839)</u>
	80,876	86,046
Property rental deposits	17,566	22,997
PRC value added tax ("VAT") recoverable	2,528	2,452
Advances to suppliers	6,790	16,797
Earnest money paid	—	16,467
Other receivables	<u>4,995</u>	<u>3,817</u>
	<u>112,755</u>	<u>148,576</u>

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

As at 1 April 2018, trade receivables from contract with customers amounted to HK\$105,130,000.

The Group maintains a general credit policy of not more than 30 days for its retail sales in department store and wholesales customers. Sales made to retail customers are mainly made on a cash basis. The following is an aged analysis of trade receivables net of allowance for credit losses based on the invoice date at the end of the reporting period:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Age</u>		
0 to 30 days	61,106	75,335
31 to 60 days	19,770	9,843
61 to 90 days	<u>—</u>	<u>868</u>
	<u>80,876</u>	<u>86,046</u>

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$19,770,000 (2019: HK\$10,711,000) which are past due as at the reporting date. These balances are not considered as in default because historical experience indicated that such receivables could be recoverable from the relevant debtors. The Group does not hold any collateral over these balances.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed investments		
Equity securities listed in Hong Kong	4,230	6,112
Equity securities listed in overseas	11,641	8,870
	<u>15,871</u>	<u>14,982</u>

The amount of the Group's financial asset at FVTPL denominated in currencies other than functional currency of the Group is set out below:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	<u>11,641</u>	<u>8,870</u>

19. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Trade and other payables

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	26,168	50,907
Payroll and welfare payables	15,648	20,559
Commission payables	25,886	25,996
Renovation work payables	1,430	3,468
PRC VAT and other taxes payables	1,230	5,970
Advertising fee payables	613	1,007
Property rental fee payables	1,916	1,408
Other payables	10,883	6,521
Accrued expenses	3,000	3,190
	<u>86,774</u>	<u>119,026</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<u>Age</u>		
0 to 60 days	25,088	43,498
61 to 90 days	52	1,227
Over 90 days	1,028	6,182
	<u>26,168</u>	<u>50,907</u>

Contract liabilities

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract liabilities on sales of watches	<u>4,366</u>	<u>7,476</u>

During the year ended 31 March 2020, revenue recognised in current year of HK\$7,476,000 (2019: HK\$8,780,000) was included in the contract liability balance at the beginning of the year.

Contract liabilities represent receipts in advance for sales of watches, giving rise to contract liabilities until revenue is recognised.

As at 1 April 2018, contract liabilities amounted to HK\$8,780,000.

20. LEASE LIABILITIES

2020
HK\$'000

Lease liabilities payable:	
Within one year	101,663
Within a period of more than one year but not more than two years	70,777
Within a period of more than two years but not more than five years	90,675
Within a period of more than five years	<u>44,321</u>
	307,436
<i>Less:</i> Amount due for settlement with 12 months shown under current liabilities	<u>(101,663)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u><u>205,773</u></u>

21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2018, 31 March 2019 and 31 March 2020	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2018	570,610,224	57,061
Share repurchased and cancelled (<i>note</i>)	<u>(252,000)</u>	<u>(25)</u>
At 31 March 2019 and 31 March 2020	<u>570,358,224</u>	<u>57,036</u>

Note: During the year ended 31 March 2019, the Company repurchased a total of 252,000 issued ordinary shares on 25 October 2018 at prices ranging from HK\$1.78 per share to HK\$1.80 per share in the market for a consideration of HK\$452,000. The ordinary shares were cancelled upon repurchase.

22. ACQUISITION OF A SUBSIDIARY UNDER ASSET ACQUISITION

On 18 September 2018, the Group acquired entire equity interest in Fully Field Development Limited (“Fully Field”) at a consideration of HK\$4,186,000. Fully Field holds 3 signage spaces in Hong Kong. The directors of the Company were of the opinion that acquisition of Fully Field did not constitute business combinations as defined in HKFRS 3, therefore, the acquisition had been accounted for as asset acquisition. Details of acquisition were summarised follows:

Assets and liabilities recognised at the date of acquisition

	Total <i>HK\$'000</i>
Net assets of Fully Field acquired:	
Property, plant and equipment	4,200
Bank balances	31
Other payables	(45)
	<hr/>
Net assets	4,186
	<hr/> <hr/>
Cash consideration paid	4,186
Bank balances acquired	(31)
	<hr/>
Net cash outflow from acquisition of a subsidiary under asset acquisition	4,155
	<hr/> <hr/>

23. SHARE-BASED PAYMENT TRANSACTION

(a) 2003 Share Option Scheme

Pursuant to an ordinary resolution passed at the Company’s special general meeting held on 3 November 2003, the Company adopted a share option scheme (the “2003 Share Option Scheme”). The 2003 Share Option Scheme was valid for a period of ten years commencing on the adoption date on 3 November 2003.

Under the 2003 Share Option Scheme, options may be granted to any director, employee, consultant, customer, supplier or advisor of the Group or a company in which the Company holds an interest or a subsidiary of such company, the trustee of the eligible persons or a company beneficially owned by the eligible persons. The purpose of the 2003 Share Option Scheme is to attract and retain quality personnel and other persons to provide incentive to them to contribute to the business and operation of the Group. No eligible persons shall be granted an option in any 12-month period for such number of shares (issued and to be issued) which in aggregate would

exceed 1% of the share capital of the Company in issue on the last day of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. The exercisable period is determined by the directors of the Company, which shall not be more than ten years from the date of grant, and may include a minimum period for which the options must be held before it can be exercised. The exercise price per share payable on the exercise of an option equals to the highest of:

- (a) the nominal value of one share;
- (b) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of grant; and
- (c) the average closing price per share as quoted in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant.

On 6 April 2011, 32,300,000 share options were granted and on 29 August 2011, and 23,000,000 share options were granted under the 2003 Share Option Scheme. The options may be exercised by the grantees at any time during the option period up to the termination of employment. All share options vested immediately at the date of grant. The estimated fair values of the options granted on these dates are HK\$44,855,000 and HK\$48,698,000, respectively. The closing prices immediately before the date of grant were HK\$3.95 per share and HK\$4.38 per share, respectively.

Details of specific categories of options are as follows:

Date of grant	Number of share options granted	Exercisable period	Original exercise price per share	Adjusted exercise price per share
6 April 2011	32,300,000	6 April 2011 to 5 April 2021	HK\$4.13	HK\$3.44 <i>(note i)</i>
29 August 2011	23,000,000	29 August 2011 to 28 August 2021	HK\$4.80	N/A

The following tables disclose movements of the Company's share options granted under the 2003 Share Option Scheme held by directors, employees and consultants during the years ended 31 March 2019 and 2020 respectively:

Share options granted on 6 April 2011

Categories of participants	Number of shares under option outstanding at 1 April 2018	Forfeited during the year ended 31 March 2019	Number of shares under option outstanding at 31 March 2019 and 31 March 2020
Directors of the Company	11,520,000	—	11,520,000
Other employees	14,400,000	—	14,400,000
Consultants (<i>note ii</i>)	5,640,000	(3,000,000)	2,640,000
Total	<u>31,560,000</u>	<u>(3,000,000)</u>	<u>28,560,000</u>

Share options granted on 29 August 2011

Categories of participants	Number of shares under option outstanding at 1 April 2018, 31 March 2019 and 31 March 2020
Other employees	18,000,000
Consultants (<i>note ii</i>)	5,000,000
Total	<u>23,000,000</u>

Notes:

- (i) The number of shares under the outstanding options and the exercise price have been adjusted upon the bonus issue of shares in July 2011 on the basis of one new ordinary share for every five ordinary shares held.
- (ii) The share options were granted to consultants for services rendered in exploring investment opportunities for the Group.

The 2003 Share Option Scheme expired on 2 November 2013. The options could be exercised by the participants at any time during the option exercisable period and notwithstanding that the 2003 Share Option Scheme had expired. During the year ended 31 March 2019, 3,000,000 (2020: nil) options under the 2003 Share Option Scheme were forfeited.

(b) 2013 Share Option Scheme

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 13 August 2013, a new share option scheme was adopted with effect on 3 November 2013 (the “2013 Share Option Scheme”) after the expiry of the 2003 Share Option Scheme.

Under the 2013 Share Option Scheme, options may be granted to (i) any director, employee or consultant of the Group or a company in which the Company holds an equity interest or a subsidiary of such company (“Affiliate”); or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate; or (iv) any customer, supplier or adviser whose service to the Group or business with the Group contributes or is expected to contribute to the business or operation of the Group. The purpose of the 2013 Share Option Scheme is to attract and retain quality personnel and other persons to provide incentive to them to contribute to the business and operation of the Group. The total number of shares available for issue under the 2013 Share Option Scheme as at the date of this announcement is 57,061,022 shares, representing about 10% of the issued share capital of the Company on such date. No eligible persons shall be granted an option in any 12-month period for such number of shares (issued and to be issued) which in aggregate would exceed 1% of the share capital of the Company in issue on the last day of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. The exercisable period is determined by the directors of the Company, which shall not be more than ten years from the date of grant, and may include a minimum period for which the options must be held before it can be exercised. The exercise price per share payable on the exercise of an option equals to the highest of:

- (a) the nominal value of one share;
- (b) the closing price per share as stated in the Stock Exchange’s daily quotations sheet on the date of grant; and
- (c) the average closing price per share as quoted in the Stock Exchange’s daily quotations sheet for the five business days immediately preceding the date of grant.

The 2013 Share Option Scheme will remain in force until 2 November 2023.

No option was granted, exercised or lapsed under the 2013 Share Option Scheme since its effective date on 3 November 2013 and there was no outstanding share option as at 31 March 2020.

No share-based payment expense was recognised for the years ended 31 March 2019 and 2020 in relation to share options granted by the Company.

24. CONTINGENT LIABILITIES

As at 31 March 2020, the Group and the other shareholders issued financial guarantees jointly to banks in respect of banking facilities granted to associates. The amount disclosed represents the aggregate amount of such contingent liabilities for which the Group and the other shareholders as a investor are liable that could be required to be paid if the guarantees were called upon in entirety amounted to New Taiwan Dollar (“NT\$”) 150,000,000 and equivalent to HK\$38,775,000 (2019: NT\$150,000,000 and equivalent to HK\$38,624,000), which was fully utilised by these associates at 31 March 2020. The fair value of the financial guarantee contracts at the grant date is not significant and in the opinion of the directors, the default risk of associates at 31 March 2019 and 2020 is considered as low.

25. OPERATING LEASE ARRANGEMENTS

At 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 <i>HK\$'000</i>
Within one year	122,768
In the second to fifth year inclusive	158,304
Over five years	586
	<hr/>
	281,658
	<hr/> <hr/>

Operating lease payments represent rentals payable by the Group for certain shops and office premises. Leases are negotiated for a term ranged from 1 to 8 years. Some group entities are required to pay lease charges based on a fixed percentage of net sales.

26. CAPITAL COMMITMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<hr/> 8,378 <hr/>	<hr/> 8,780 <hr/>

FINAL DIVIDEND

The directors have proposed to pay a final dividend of 8.0 Hong Kong cents per share for the year ended 31 March, 2020 (2019: 8.0 Hong Kong cents) and a special dividend of 5.0 Hong Kong cents per share (2019: 13.5 Hong Kong cents) to the shareholders whose names appear on the register of members of the Company on 4 September, 2020. Subject to approval at the forthcoming annual general meeting, dividend warrants will be sent to shareholders on or before 17 September, 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 September, 2020 to 4 September, 2020 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and special dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 2 September, 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results

On behalf of the Board of Directors of the Company (the "Board"), I hereby present the audited consolidated results of the Group for the year ended 31 March 2020 (the "Year").

The Year was a challenging year for the Group. Our business was adversely affected by the global macroeconomic uncertainty, social unrest in Hong Kong since June last year and most importantly, the COVID-19 outbreak which have impacted the retail and tourism industries. The number of tourists visiting Hong Kong, and among whom those from Mainland China, has significantly decreased. The Group's turnover for the year decreased by 3.5% to HK\$2,353 million (2019: HK\$2,437 million). However, gross profit increased by 7.0% to HK\$645 million (2019: HK\$603 million) and gross profit margin improved by around 27.4% (2019: 24.7%), mainly due to the Group's positioning at the high-end luxurious watch market where our long-term customers maintain strong purchasing power, as well as our vigorous efforts in control on inventory. The Group's net profit attributable to owners of the Company decreased by 27.5% to HK\$100 million (2019: net profit of HK\$138 million) mainly as a result of impairment losses made in respect of right-of-use assets and property, plant and equipment and increase in allowance of slowing moving watches, and decrease in revenue caused by the Covid-19 outbreak in the first quarter of 2020.

To show our appreciation for shareholders' continuous support, the Board has resolved to recommend a final dividend of 8.0 HK cent per share (2019: 8.0 HK cents) and special final dividend of 5.0 HK cents (2019: 13.5 HK cents) for the year ended 31 March 2020.

Business Review and Prospects

As at 31 March 2020, the Group operates 62 retail and wholesale points (including associate retail stores) in the Greater China region. Breakdown by geographic region is as follows:

	As at 31 March 2020
Hong Kong	11
Macau	1
China	47
Taiwan	3
	<hr/>
Total	<u>62</u>

According to the National Bureau of Statistics, China's gross domestic product ("GDP") has sustained with a 6.1% yoy growth in 2019, representing a slower growth rate as compared to the past. Chinese government's measures to stimulate consumption came into effect, with consumer confidence index showed continuous increase in the fourth quarter of 2019. However, the pandemic, together with the lock-down measure, posted a huge impact on China economy. China's GDP has recorded the first-ever decline of 6.8% in the first quarter of 2020 since 1992. Although the purchasing power rebounded in March 2020 which stimulated the Group's sales in China. Despite the slower economic growth in Mainland China, the Group revenue in such market increased by 17.5% to HK\$945 million (2019: 804 million) mainly due to the Group's ability to offer in-demand watch products to customers, though sales in the first quarter of 2020 was hit by the Covid-19 outbreak. With the Covid-19 pandemic more under control, the Group's sales in Mainland China has rebound since March 2020. Profit contribution of our Mainland China operation increased substantially, which was principally attributable to the reversal of provision on the inventory made in previous years and higher profit margin of in-demand watch products.

For the Hong Kong market, the Group's sales for the year were stable despite the social unrest since June 2019, but was hit by the Covid-19 outbreak in the first quarter of 2020. Revenue decreased by 17.3% to HK\$1,198 million (2019: HK\$1,449 million) for the year, and attributable profit dropped mainly as a result of impairment losses made in respect of right-of-use assets and property, plant and equipment and increase in allowance for slow-moving watches.

Sales of our shops in Taiwan and Macau grew slightly but suffered loss mainly due to increase in allowance for slow-moving watches.

The Group has implemented stringent cost control measures, in particular, control on rental cost. For the Year, the Group's aggregate expenses related to leases decreased by 15.7% to HK\$145 million, accounting for 28.7% of the Group's overall operating expenses (2019: 36.0%). We have successfully negotiated lower rental rates and more flexible leasing terms, and hence lowering the overall rental cost. In addition, we conduct regular assessment on the performance of all retail stores and close down non-performing ones to improve resources allocation. The Group will continue to closely monitor our stores' performance as well as rental contracts in order to improve our efficiency and cost structure.

The Group has adopted policies on inventory management to ensure stable cashflow and healthy financial position. We monitor the inventory level of high-ticket products and purchase stocks only when the existing inventory falls to a pre-determined level. As at 31 March 2020, the Group's overall inventory level amounted to HK\$799 million, a decrease of 3.0% from HK\$824 million as at 31 March 2019. We have also stepped up efforts in adjusting and optimising our brand portfolio, in order to improve the Group's overall sales performance and keep abreast of market trend. We will continue to take measures to keep inventory at optimum level, maintain our strong liquidity position and develop our business.

Looking forward, the China-US trade dispute, the on-going COVID-19 pandemic, the social unrest of Hong Kong and the uncertain global economic outlook are expected to continue to affect the Group's business. The negative effect has not been fully reflected in this year's results. Even through the COVID-19 pandemic seems to be abating in Hong Kong, without a readily available vaccine for the virus, the possibility of a second or third wave attack is still high. The unknown will continue to place tremendous pressure on the performance of the Group in the coming periods. As a watch retailer with long history offering high quality products, the Group will continue to take prudent strategies to improve the performance of our outlets, strengthen cost and inventory management, as well as enrich our product portfolio in order to enhance the Group's business in these difficult situations.

On behalf of the Group, we would like to thank our customers, suppliers, staff and shareholders for their contribution, loyalty and unfailing support.

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

During the year ended 31 March, 2020, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities on The Stock Exchange of Hong Kong Limited.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good governance practices and procedures. The Company has met the code provisions set out in the on Corporate Governance Code (“CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”), throughout the year ended 31 March 2020, except the deviations as explained below:

1. Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, the independent non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation in annual general meeting of the Company at least once every three years in accordance with the Bye-law of the Company. The retiring directors are eligible for re-election.
2. Code Provisions A5.1 to A5.4 provide for the establishment of a nomination committee. The Board has not established a nomination committee as it considers that all directors should be involved in performing the duties set out in such Code Provisions.
3. Code provision E.1.5 relates to disclosure of dividend policy. The Company does not have a dividend policy and the Board will decide on the declaration/recommendation of any future dividends after taking into consideration a number of factors, including the prevailing market conditions, the Group’s operating results, business plans and prospects, financial position and working capital requirements, and other factors that the Board considers relevant.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Enquiry has been made with all Directors and all Directors have confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 March, 2020.

AUDIT COMMITTEE

The Audit Committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of audited consolidated financial statements for the year ended 31 March, 2020.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2020 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.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting will be held on 27 August, 2020. Notice of the annual general meeting will be published and dispatched to shareholders in due course.

PUBLICATION OF FINAL RESULTS AND DISPATCH OF ANNUAL REPORT

The final results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at (www.hkex.com.hk) and the Company at (www.orientalwatch.com). The 2020 annual report containing all information required by the Listing Rules will be dispatched to the Company's shareholders and available on the above websites in due course.

MEMBERS OF THE BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Dr. Yeung Ming Bui, Mr. Yeung Him Kit, Dennis, Madam Yeung Man Yee, Shirley and Mr. Lam Hing Lun, Alain as executive directors and Dr. Sun Ping Hsu, Samson, Dr. Li Sau Hung, Eddy and Mr. Choi Man Chau, Michael as independent non-executive directors.

By order of the Board
Yeung Ming Bui
Chairman

Hong Kong, 26 June 2020