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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 31 MARCH, 2022

FINANCIAL HIGHLIGHTS

- Turnover increased 3.9% to HK\$3,640 million
- Profit attributable to owners of the Company was HK\$363 million
- Earnings per share was 74.4 HK cents
- Final dividend of 10.0 HK cents per share
- Special dividend of 30.5 HK 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 2022 together with the comparative figures for the corresponding year in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	3,639,774	3,504,022
Cost of goods sold		<u>(2,459,489)</u>	<u>(2,541,906)</u>
Gross profit		1,180,285	962,116
Other income	4	42,750	34,573
Other gains and losses	5	17,482	5,250
Impairment losses reversed (recognised) under expected credit loss model, net	6	18,161	(1,712)
Distribution and selling expenses			
— Expenses related to leases		(166,057)	(145,490)
— Other distribution and selling expenses		(338,661)	(285,960)
Administrative expenses		(243,704)	(211,994)
Finance costs	7	(12,033)	(10,203)
Share of results of associates		14,789	9,193
Share of result of a joint venture		425	(37)
Profit before taxation	8	513,437	355,736
Income tax expense	9	<u>(150,461)</u>	<u>(123,112)</u>
Profit for the year		<u>362,976</u>	<u>232,624</u>
Other comprehensive income (expense)			
<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”)		1,128	1,323
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		39,417	59,366
Change in fair value of debt instruments at FVTOCI		(172)	598
Release on redemption of debt instruments at FVTOCI		(10)	1
Other comprehensive income for the year		<u>40,363</u>	<u>61,288</u>
Total comprehensive income for the year		<u><u>403,339</u></u>	<u><u>293,912</u></u>

	<i>NOTE</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owners of the Company		362,574	233,256
Non-controlling interests		402	(632)
		<u>362,976</u>	<u>232,624</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		402,916	294,533
Non-controlling interests		423	(621)
		<u>403,339</u>	<u>293,912</u>
Earnings per share			
Basic and diluted	<i>11</i>	<u>74.40 HK cents</u>	<u>43.17 HK cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2022

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		244,148	208,112
Right-of-use assets	12	415,289	334,082
Deposits for acquisition of property, plant and equipment		4,477	9,261
Interests in associates	13	83,135	66,362
Interest in a joint venture		26,688	26,256
Equity instruments at FVTOCI	14	13,436	4,525
Debt instruments at FVTOCI	15	—	8,645
Financial assets at fair value through profit or loss (“FVTPL”)	19	15,616	—
Loans receivables	17	—	41,957
Deferred tax assets		4,248	4,015
Property rental deposits		36,835	25,539
		843,872	728,754
Current assets			
Inventories	16	483,625	622,768
Loans receivables	17	46,319	17,095
Trade and other receivables	18	205,097	286,023
Debt instruments at FVTOCI	15	7,158	—
Financial assets at FVTPL	19	5,374	6,036
Taxation recoverable		5,388	5,534
Bank balances and cash		1,282,442	1,061,320
		2,035,403	1,998,776
Current liabilities			
Trade and other payables	20	270,825	287,370
Contract liabilities	20	26,817	4,502
Lease liabilities	21	114,744	85,651
Derivative financial instruments at FVTPL		—	14,000
Taxation payable		44,975	43,425
Bank loans		28,708	17,525
		486,069	452,473
Net current assets		1,549,334	1,546,303
Total assets less current liabilities		2,393,206	2,275,057

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		30,373	18,797
Lease liabilities	<i>21</i>	326,666	265,711
		<hr/> 357,039 <hr/>	<hr/> 284,508 <hr/>
Net assets		2,036,167	1,990,549
		<hr/> <hr/> 2,036,167 <hr/> <hr/>	<hr/> <hr/> 1,990,549 <hr/> <hr/>
Capital and reserves			
Share capital	<i>22</i>	48,736	48,736
Reserves		1,986,271	1,942,759
		<hr/> 1,986,271 <hr/>	<hr/> 1,942,759 <hr/>
Equity attributable to owners of the Company		2,035,007	1,991,495
Non-controlling interests		1,160	(946)
		<hr/> 1,160 <hr/>	<hr/> (946) <hr/>
Total equity		2,036,167	1,990,549
		<hr/> <hr/> 2,036,167 <hr/> <hr/>	<hr/> <hr/> 1,990,549 <hr/> <hr/>

Notes:

1. GENERAL INFORMATION

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 is 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs 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 Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 “Financial Instruments: Disclosures”.

As at 1 April 2021, the Group has bank loan amounted to HK\$15,858,000 which carried interest at London Interbank Offered Rate (“LIBOR”), the interests of which are indexed to benchmark rate that will or may be subject to interest rate benchmark reform.

The Group’s bank loan at 31 March 2021 that carried interest at LIBOR was fully repaid in November 2021 and therefore, the amendments have had no impact on the consolidated financial statements as the relevant contract has not been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loan measured at amortised cost.

2.2 Potential impacts on application of the June 2021 International Financial Reporting Standards Interpretations Committee’s agenda decision — Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

As at 31 March 2022, the Group is still in the process of assessing the potential impact and has yet to implement the change in accounting policy based on the Committee’s agenda decision, specifically how non-incremental costs such as related to leases and other distribution and selling expenses should be considered when determining costs which the Group must incur to make the sale. The impacts on such change, if any, will be disclosed in the Group’s future consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

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 HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 “Definition of Accounting Estimates”

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, for transactions in which provisions for decommissioning and restoration are recognised with the corresponding amounts recognised as part of the cost of the related assets, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

As at 31 March 2022, the carrying amount of right-of-use assets and lease liabilities of lease transactions which the tax deductions are attributable to the lease liabilities, are HK\$109,237,000 and HK\$113,107,000, respectively. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements as the net temporary differences relating to relevant assets and liabilities are insignificant except that it would result in recognition of deferred tax asset and deferred tax liability for temporary differences on a gross basis.

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 which is consistent with the basis of the Group's organisation for managing the business operations.

Specifically, the Group had four operating segments, being (a) Hong Kong, (b) the Mainland China, (c) Macau and (d) Taiwan. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. During the current year, the business in Taiwan had been discontinued. The management considers the Group's operation in Taiwan did not constitute a separate major geographical area of operations as the results for the years ended 31 March 2021 and 31 March 2022 were not significant to the Group. Accordingly, such operating segment is not presented as discontinued operation.

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, including those sales through department stores. Payment of the transaction price is due immediately at the point the customer purchases the goods. A credit period of not more than 30 days is granted to department stores who receive the payment on behalf of the Group 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 —		Segment profit (loss)	
	recognised at			
	a point in time			
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,062,847	979,837	115,280	87,589
Mainland China	2,415,056	2,359,018	475,135	353,589
Macau	161,871	164,796	35,876	10,660
Taiwan	—	371	(423)	(3,723)
	3,639,774	3,504,022	625,868	448,115
Unallocated other income			18,443	10,964
Unallocated corporate expenses			(184,069)	(119,035)
Unallocated other gains and losses			22,476	6,706
Unallocated impairment loss reversed under ECL			16,132	—
Interest on bank loans			(627)	(170)
Share of results of associates			14,789	9,193
Share of result of a joint venture			425	(37)
Profit before taxation			513,437	355,736

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, unallocated impairment loss reversed under ECL and unallocated corporate expenses. Unallocated corporate expenses include auditor's remuneration, directors' emoluments, expenses of the Group's headquarter which are unallocated between the operating segments 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 2022.

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	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	822,608	904,781	426,618	388,913
Mainland China	466,353	530,241	107,641	176,017
Macau	100,282	30,376	80,345	5,717
Taiwan	1	19,972	50	131
Segment total	1,389,244	1,485,370	614,654	570,778
Unallocated	1,490,031	1,242,160	228,454	166,203
Group's total	2,879,275	2,727,530	843,108	736,981

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, loans receivables, 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, bank loans and unallocated corporate liabilities. 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 of property, plant and equipment		Impairment losses reversed (recognised) under ECL model		(Allowance) reversal of allowance for inventories	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	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	66,279	17,768	96,749	144,709	28,194	19,057	94,036	81,665	4,046	658	—	—	(4,500)	(4,481)
Mainland China	11,270	6,462	24,712	14,198	9,705	10,114	17,369	12,502	—	—	2,029	(1,712)	4,587	7,007
Macau	83	75	89,787	—	346	596	15,761	17,954	2	—	—	—	64	(35)
Segment total	77,632	24,305	211,248	158,907	38,245	29,767	127,166	112,121	4,048	658	2,029	(1,712)	151	2,491
Unallocated	—	—	—	—	—	—	—	—	—	—	16,132	—	—	—
Group's total	77,632	24,305	211,248	158,907	38,245	29,767	127,166	112,121	4,048	658	18,161	(1,712)	151	2,491

Note: The amounts of interest in associates and share of results of associates, and the interest in a joint venture and share of result of a joint venture, are presented to the CODM as a whole but not included in the measure of segment profit or loss or segment assets.

Information about the Group's non-current assets (excluding equity instruments at FVTOCI, financial assets at FVTPL, debt instruments at FVTOCI, loans receivables, 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	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong	557,795	524,326
Mainland China	63,945	49,805
Macau	79,009	2,863
	700,749	576,994

4. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income from bank	13,239	9,032
Interest income from loan receivable at amortised cost	4,362	1,628
Interest income from rental deposits	1,128	1,304
Government subsidies (<i>note a</i>)	17,696	7,363
Government subsidies in respect of COVID-19 (<i>note b</i>)	—	11,143
Others	6,325	4,103
	<hr/>	<hr/>
	42,750	34,573
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) Government subsidies mainly comprised of unconditional subsidies received for subsidising the Group's business in the PRC.
- (b) During the year ended 31 March 2021, the Group recognised government grants in respect of COVID-19-related subsidies, including subsidies from the Employment Support Scheme provided by the Hong Kong Government of HK\$10,243,000.

5. OTHER GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain from changes in fair value of financial assets at FVTPL	1,223	3,016
Gain from changes in fair value of loans receivables at FVTPL	2,368	—
Gain (loss) arising from termination of leases	52	(4)
Loss on disposal/written off of property, plant and equipment	(4,048)	(658)
Gain (loss) on redemption of debt instruments at FVTOCI	10	(1)
Net gain (loss) on derivative financial instruments at FVTPL	13,318	(3,221)
Net exchange gains	4,559	6,118
	<hr/>	<hr/>
	17,482	5,250
	<hr/> <hr/>	<hr/> <hr/>

6. IMPAIRMENT LOSSES REVERSED (RECOGNISED) UNDER EXPECTED CREDIT LOSSES MODEL, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Impairment losses reversed (recognised) on:		
— trade receivables	2,029	(1,712)
— other receivables	16,132	—
	<u>18,161</u>	<u>(1,712)</u>

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank loans	627	170
Interest on lease liabilities	11,406	10,033
	<u>12,033</u>	<u>10,203</u>

8. PROFIT BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Directors' remuneration	130,365	93,796
Other staff costs	142,901	136,100
Other staff's retirement benefits scheme contributions	3,990	4,942
	<u>277,256</u>	<u>234,838</u>
Auditor's remuneration	3,330	3,320
Cost of inventories recognised as expense (including reversal of allowance for slow-moving watches of HK\$151,000 (2021: reversal of allowance for slow-moving watches of HK\$2,491,000))	2,459,489	2,541,906
Depreciation of property, plant and equipment	38,245	29,767
Depreciation of right-of-use assets	127,166	112,121
	<u>2,705,471</u>	<u>2,658,052</u>

9. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Hong Kong	8,755	8,503
PRC Enterprise Income Tax	118,364	88,657
Other jurisdictions	4,782	2,717
Withholding tax on dividend income from associates	1,437	1,677
Withholding tax on dividend income from subsidiaries	6,893	6,043
	<u>140,231</u>	<u>107,597</u>
Overprovision in prior years:		
Hong Kong	(1,144)	(1,178)
Other jurisdictions	(1)	(453)
	<u>(1,145)</u>	<u>(1,631)</u>
Deferred taxation charge	<u>11,375</u>	<u>17,146</u>
	<u>150,461</u>	<u>123,112</u>

Hong Kong Profits Tax for both years is calculated at 16.5% of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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 mainly represents Macau SAR Complementary Tax, which is calculated at the rate of 12% on the estimated assessable profits.

10. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Interim dividend for financial year ended 31 March 2022 of 8.6 HK cents (2021: 2.8 HK cents) per share on 487,358,224 (2021: 487,358,224) shares	41,913	13,646
Interim special dividend for financial year ended 31 March 2022 of 25.8 HK cents (2021: 9.2 HK cents) per share on 487,358,224 (2021: 487,358,224) shares	125,738	44,837
Final dividend for financial year ended 31 March 2021 of 12.0 HK cents (2020: 8.0 HK cents) per share on 487,358,224 (2020: 570,358,224) shares	58,483	45,629
Special dividend for financial year ended 31 March 2021 of 27.0 HK cents (2020: 5.0 HK cents) per share on 487,358,224 (2020: 570,358,224) shares	131,587	28,518
	<u>357,721</u>	<u>132,630</u>
Dividends proposed after year end (<i>note</i>):		
Proposed final dividend for financial year ended 31 March 2022 of 10 HK cents (2021: 12 HK cents) per share on 487,358,224 (2021: 487,358,224) shares	48,736	58,483
Proposed special dividend for financial year ended 31 March 2022 of 30.5 HK cents (2021: 27 HK cents) per share on 487,358,224 (2021: 487,358,224) shares	148,644	131,587
	<u>197,380</u>	<u>190,070</u>

Note: Subsequent to the end of the reporting period, a final dividend and a special dividend for the year ended 31 March 2022 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:

	2022 <i>HK\$'000</i>	2021 <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>362,574</u>	<u>233,256</u>
	2022 <i>'000</i>	2021 <i>'000</i>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>487,358</u>	<u>540,342</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.

For the year ended 31 March 2021, the weighted average number of ordinary shares for the purpose of basic earnings per share had been adjusted for the repurchase of shares on 20 November 2020.

12. RIGHT -OF-USE ASSETS

	Leased properties <i>HK\$'000</i>
As at 31 March 2022	
Carrying amount	<u>415,289</u>
As at 31 March 2021	
Carrying amount	<u>334,082</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Expenses related to leases		
Expenses relating to short-term leases	16,616	10,597
Variable lease payments not included in the measurement of lease liabilities	30,380	22,772
Depreciation for the year	127,166	112,121
	174,162	145,490
Analysed as:		
Distribution and selling expenses	166,057	145,490
Administrative expenses	8,105	—
	174,162	145,490
Additions to right-of-use assets	211,248	160,827
Total cash outflow for leases	171,417	156,397

For both years, the Group leases various retail shops and offices for its operations. Lease contracts are entered into for fixed terms of 1 year to 8 years (2021: 1 year to 8 years), but may have extension options. 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.

13. INTERESTS IN ASSOCIATES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of investments in unlisted associates	59,192	53,192
Exchange adjustments	3,440	615
Share of post-acquisition profits, net of dividends received	20,503	12,555
	83,135	66,362

Included in the interests of investments are goodwill of HK\$26,817,000 (2021: HK\$26,076,000) arising on acquisition of associates.

14. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Listed investments		
Equity securities listed in Hong Kong	—	27
Unlisted investments	<u>13,436</u>	<u>4,498</u>
	<u>13,436</u>	<u>4,525</u>

Note:

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Listed investments		
Debt securities listed overseas with fixed interests ranging from 2.89% to 3.25% (2021: 2.89% to 3.25%) per annum and maturity dates ranging from 3 August 2022 to 9 January 2023 (2021: 3 August 2022 to 9 January 2023)	7,158	7,330
Unlisted investments		
Debt securities issued overseas (2021: with fixed interests of 5.30% per annum and maturity date is 15 August 2025)	<u>—</u>	<u>1,315</u>
	<u>7,158</u>	<u>8,645</u>
Analysed as:		
Current portion	7,158	—
Non-current portion	<u>—</u>	<u>8,645</u>
	<u>7,158</u>	<u>8,645</u>

At 31 March 2022, 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.

These debt securities are held by the Group within a business model whose objective is to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding and to sell these financial assets. Hence, the investments in debt securities are classified as at FVTOCI.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
United States Dollars ("US\$")	7,158	8,645

16. INVENTORIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Watches	465,647	603,763
Accessories and parts	17,978	19,005
	483,625	622,768

17. LOANS RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loan receivable at amortised cost	46,319	41,957
Loan receivable at FVTPL	—	17,095
	46,319	59,052

The following is the maturity profile of the loans receivables at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Repayable after one year	—	41,957
Repayable within one year	46,319	17,095
	<u>46,319</u>	<u>17,095</u>
	<u>46,319</u>	<u>59,052</u>

18. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	182,436	265,217
<i>Less:</i> Allowance for credit losses	(2,821)	(4,690)
	<u>179,615</u>	<u>260,527</u>
Property rental and other deposits	14,401	16,368
PRC value added tax (“VAT”) recoverable	—	129
Receivable from sale of loan receivable	4,975	—
Advances to suppliers	1,886	4,716
Other receivables	4,220	4,283
	<u>205,097</u>	<u>286,023</u>
	<u>205,097</u>	<u>286,023</u>

As at 1 April 2020, trade receivables from contract with customers, net of allowance for credit losses, amounted to HK\$80,876,000.

The Group maintains a general credit policy of not more than 30 days for its retails sales in department stores. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<u>Age</u>		
0 to 30 days	165,998	219,729
31 to 60 days	9,047	30,882
61 to 90 days	3	5,688
Over 90 days	4,567	4,228
	<u>179,615</u>	<u>260,527</u>
	<u>179,615</u>	<u>260,527</u>

As at 31 March 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$13,617,000 (2021: HK\$40,798,000) which are past due as at the reporting date. Out of the past due balances, HK\$4,567,000 (2021: HK\$4,228,000) has been past due 90 days or more. 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.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Listed investments		
Equity securities listed in Hong Kong	3,873	2,902
Equity securities listed in overseas	1,501	3,134
	<u>5,374</u>	<u>6,036</u>
Unlisted investments	15,616	—
	<u>20,990</u>	<u>6,036</u>
Analysed as:		
Current portion	5,374	6,036
Non-current portion	15,616	—
	<u>20,990</u>	<u>6,036</u>

The amount of the Group's financial assets at FVTPL denominated in currencies other than functional currencies of the relevant group's entities is set out below:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
US\$	<u>17,117</u>	<u>3,134</u>

20. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Trade and other payables

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	35,278	112,064
Payroll and welfare payables	123,236	87,499
Commission payables	32,672	30,553
Renovation work payables	2,525	2,506
PRC VAT and other taxes payables	26,806	28,133
Property rental fee payables	9,652	6,173
Dividend payable	13,214	—
Other	27,442	20,442
	<u>270,825</u>	<u>287,370</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<u>Age</u>		
0 to 60 days	34,587	110,976
61 to 90 days	48	17
Over 90 days	643	1,071
	<u>35,278</u>	<u>112,064</u>

The average credit period on purchases of goods is 30 days.

Contract liabilities

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract liabilities on sales of watches	<u>26,817</u>	<u>4,502</u>

During the year ended 31 March 2022, revenue recognised in current year of HK\$4,502,000 (2021: HK\$4,366,000) was included in the contract liabilities 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 and the contract liabilities increased significantly during the year ended 31 March 2022 due to more deposits are received for the obligation to deliver watches to customers.

As at 1 April 2020, contract liabilities amounted to HK\$4,366,000.

21. LEASE LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Lease liabilities payable:		
Within one year	114,744	85,651
Within a period of more than one year but not more than two years	108,806	70,185
Within a period of more than two years but not more than five years	213,459	177,952
Within a period of more than five years	4,401	17,574
	<u>441,410</u>	<u>351,362</u>
<i>Less: Amount due for settlement with 12 months shown under current liabilities</i>	<u>(114,744)</u>	<u>(85,651)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u><u>326,666</u></u>	<u><u>265,711</u></u>

22. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2020, 31 March 2021 and 31 March 2022	1,000,000,000	100,000
Issued and fully paid:		
At 1 April 2020	570,358,224	57,036
Share repurchased and cancelled (<i>note</i>)	(83,000,000)	(8,300)
At 31 March 2021 and 2022	<u><u>487,358,224</u></u>	<u><u>48,736</u></u>

Note: During the year ended 31 March 2021, the Company repurchased a total of 83,000,000 issued ordinary shares on 20 November 2020 at the price of HK\$3.00 per share of the Company under the conditional cash offer which was fulfilled in full. The ordinary shares were cancelled upon repurchase on 20 November 2020. Further details of this transaction were set out in the Company’s announcements and circular. The differences of the price and the nominal amount of the share was charged to share premium.

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, 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 or exercisable period. 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 and HK\$4.38, 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 2021 and 2022:

Share options granted on 6 April 2011

Categories of participants	Number of shares under option outstanding at 1 April 2020 and 31 March 2021	Lapsed during the year	Number of shares under option outstanding at 31 March 2022
Directors of the Company	11,520,000	(11,520,000)	—
Other employees	14,400,000	(14,400,000)	—
Consultants <i>(note ii)</i>	2,640,000	(2,640,000)	—
Total	28,560,000	(28,560,000)	—

Share options granted on 29 August 2011

Categories of participants	Number of shares under option outstanding at 1 April 2020 and 31 March 2021	Lapsed during the year	Number of shares under option outstanding at 31 March 2022
Other employees	18,000,000	(18,000,000)	—
Consultants (<i>note ii</i>)	5,000,000	(5,000,000)	—
Total	<u>23,000,000</u>	<u>(23,000,000)</u>	<u>—</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 2022, all options under the 2003 Share Option Scheme were lapsed (2021: No options under 2003 Share Option Scheme was granted, exercised, lapsed or 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 report is 57,061,022 shares representing about 11.7% 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, lapsed or forfeited 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 2022.

No share-based payment expense was recognised for the years ended 31 March 2021 and 2022 in relation to share options granted by the Company.

24. CAPITAL COMMITMENTS

	2022	2021
	<i>HK\$’000</i>	<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	10,280	16,975

DIVIDENDS

The directors proposed to pay a final dividend of 10.0 Hong Kong cents per share for the year ended 31 March 2022 (2021: 12.0 Hong Kong cents) and a special dividend of 30.5 Hong Kong cents per share (2021: 27.0 Hong Kong cents) to the shareholders whose names appear on the register of members of the Company on 7 October 2022. Subject to approval at the forthcoming annual general meeting, dividend warrants will be sent to shareholders on or before 24 October 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 October 2022 to 7 October 2022 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, and with effect from 15 August 2022 onwards, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 30 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results

On behalf of the Board of Directors (the "Board") of Oriental Watch Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), I hereby present the audited consolidated results of the Group for the year ended 31 March 2022 (the "Year").

Despite numerous challenges to the global economy, 2021 offered a much brighter outlook filled with opportunities. As the COVID-19 pandemic situation in Hong Kong, Macau, and the Mainland of People's Republic of China (the "PRC") has been relatively stabilized, we saw a good recovery in consumer sentiment and domestic consumption, supported by the increase in vaccination rate and relaxing social distancing policies in the first three quarters of the year. To capture the rising opportunities in e-commerce and to enhance the brand awareness, we launched e-commerce platforms catering for the Mainland China and Hong Kong markets, extending our premium service offerings from offline to online. Door-to-door watchband adjustment services were also offered specifically in the Hong Kong market to meet customers' demand for convenient services. This move enables us to expand our range of target customers in terms of needs and age, as well as providing us with the necessary agility to navigate the unpredictable market. Hence, in spite of the slowdown in business in the fourth quarter due to the COVID-19 rebound, the Group was able to deliver a steady

growth in revenue of 3.9% year-on-year (“yoy”) to HK\$3,640 million (2021: HK\$3,504 million), mainly attributable to the growing domestic consumption as a result of recovering consumer sentiment and overseas travel restrictions. Gross profit increased significantly by 22.7% to HK\$1,180 million (2021: HK\$962 million), with gross profit margin increased by 4.9 percentage points to 32.4% (2021: 27.5%), attributable to the strong growth in the retail business. The Company’s profit attributable to owners of the Company surged by 55.8% to HK\$363 million (2021: HK\$233 million).

To show our appreciation for shareholders’ continuous support, the Board has resolved to recommend a final dividend of 10.0 HK cents per share (2021: 12.0 HK cents) and a special dividend of 30.5 HK cents per share (2021: 27.0 HK cents) for the year ended 31 March 2022.

Business Review and Prospects

As at 31 March 2022, the Group operated 44 retail points (including associate retail stores) in the Greater China region, and 1 online store in each of the Mainland China and Hong Kong respectively. Breakdown of retail points by geographic region is as follows:

	As at 31 March 2022
Hong Kong	11
Macau	1
Mainland China	30
Taiwan	2
	<hr/>
Total	44
	<hr/> <hr/>

According to the National Bureau of Statistics, the PRC’s gross domestic product (GDP) has recorded a 8.1% yoy growth in 2021, outpaced the 2.3% yoy growth in 2020. The robust market recovery in the PRC was attributable to the improving domestic consumer sentiment in the country due to overseas travel restrictions. Specifically, private consumption contributed 65.4% of the growth in 2021, driving GDP growth by 5.3 percentage points. Sales of gold, silver and jewelry also recorded a 29.8% yoy growth in 2021. According to the Federation of the Swiss Watch Industry FH, the PRC was the second largest market for Swiss watch exports in 2021, with total value of CHF2,967.2 million and a yoy growth of 23.9%, further proving the strong and stable demand of luxury watches in the PRC market. Benefitting from the improving economic conditions and strong local consumption, revenue from the Group’s Mainland China operation increased by 2.4% to HK\$2,415 million (2021: HK\$2,359 million), whereas its profit contribution also increased substantially.

In Hong Kong, COVID-19 pandemic has been largely under control in the second half of 2021. With the easing social-distancing measures and the increasing vaccination rate, local consumption was on the rise, with total retail sales increasing by 8.1% yoy in value and 6.5% yoy in volume. In particular, the sales of jewelry, watches and clocks, and valuable gifts recorded a 27.3% yoy growth in 2021. Despite the sales drop during the fourth quarter of the Year due to the rebound of COVID-19, revenue of the Group's Hong Kong operation still increased by 8.5% to HK\$1,063 million for the Year (2021: HK\$980 million).

The Group has implemented stringent cost control, especially on rent, in order to further boost operating efficiency. The Group would conduct regular internal assessment on retail store performances, and close down high-rent yet non-performing stores. During the Year, the Company maintained regular communication with the landlords, and was able to receive certain concessions on rental expenses during renewal. However, as the Group continued to grow its business in the Mainland China, there was an increase in variable lease payments due to improving financial performance. Therefore, the Group's aggregated expenses related to leases increased to HK\$174 million, while expenses related to lease as a percentage of overall expenses remained stable at 22.9% (2021: 22.2%). The Group will continue to closely monitor store performance and review rental contracts from time to time, in order to maximize profitability.

The Group also implements strict inventory control measures to ensure stable cash flow and healthy financial position. These measures include closely reviewing and monitoring the inventory level of high-ticket products, and purchasing stocks only when the existing inventory depletes to a pre-determined level. Riding on the collaborated effort from various departments, the Group's overall inventory level successfully decreased to HK\$484 million as at 31 March 2022, a drop of 22.3% from HK\$623 million as at 31 March 2021. Meanwhile, we are stepping up our efforts to optimize our brand portfolio in order to diversify our revenue stream and keep abreast of latest market trends.

After the Year, the COVID-19 pandemic has resurged across the Mainland China, in which some of the regions have once again entered lockdowns. It seems that the fluctuating COVID-19 pandemic, together with the unprecedented challenges in the global supply chain are going to put pressure on the Group's business in the upcoming periods. As one of the largest watch retailers in the region, the Group will continue to monitor the situation, take prudent measures to strengthen cost and inventory management, and optimise product portfolio and marketing strategies for a more sustainable development.

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

FINANCIAL REVIEW

Liquidity and financial resources

At 31 March 2022, the Group's total equity reached HK\$2,036 million, compared with HK\$1,991 million as at 31 March 2021. The Group had net current assets of HK\$1,549 million, including bank and cash balances of HK\$1,282 million as at 31 March 2022, as compared with balances of HK\$1,546 million and HK\$1,061 million respectively as at 31 March 2021. At 31 March 2022, bank loans of the Group amounted to HK\$29 million (31 March 2021: HK\$18 million) and the gearing ratio (defined as total bank loans on total equity) was 0.014 (31 March 2021: 0.009).

Management considers that the financial position of the Group is healthy with adequate funds and unused banking facilities.

Foreign exchange exposure

The Group's sales and purchase transactions are primarily denominated in Hong Kong dollars and Renminbi. The Group did not face any significant risk from exposure to foreign exchange fluctuations.

HUMAN RESOURCES

As at 31 March 2022, our Group employed approximately 587 employees in Hong Kong, Macau, Mainland China and Taiwan, of which approximately 63% were located in Mainland China.

Our employees' compensation packages include basic salary, commission, annual bonus, medical insurance and other common benefits. They are structured by reference to the nature of their posts, experiences and performance, and are reviewed annually based on the Group's objective performance appraisal system.

The Group has allocated significant resources to provide training programmes to employees to improve their services to customers. The management team has used results of a "Mystery Shoppers Programme" conducted by an independent consultancy firm to tailor-made training programmes for specific shop and at individual level.

The Group has also developed a series of training programmes for senior executives with diverse topics ranging from leadership, personal development and effectiveness, task and team management. These programmes enable our senior executives to improve their management skills and help to bring in innovative ideas to the Group.

The Company has adopted a share option scheme relating to the grant of options to eligible persons including directors and employees of the Group to subscribe for shares of the Company. The share option scheme enables the Group to offer valuable incentive to attract and retain quality personnel and other persons to work to increase the value of the shares of the Company.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 March 2022.

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good governance practices and procedures. The Company has met the code provisions of the Corporate Governance Code (“CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), throughout the year ended 31 March 2022, except the following deviations (references to Code Provision numbers mentioned below are to those contained in the CG Code as at 31 December 2021, which since has been amended with effect on 1 January 2022):

1. Under Code Provision A.2.1, the roles of the chairman and chief executive should be separated and should not be performed by the same individual. However, such roles have been taken up by Mr. Yeung Him Kit, Dennis since 10 February 2021 after Dr. Yeung Ming Bui, the Company’s former chairman, passed away as the Board considers that he is the most suitable person with the necessary experience to provide leadership to the Board as well as to manage the day-to-day operations of the Group.
2. 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. This requirement was removed on 1 January 2022.
3. Code Provisions A5.1 to A5.4 provided for the establishment of a nomination committee. The Board had not established a nomination committee up to 31 December 2021 as it considered that all directors should be involved in performing the duties set out in such Code Provisions. In compliance with the amended Listing Rules, the Company has established a nomination committee with effect on 1 January 2022.

4. For Code provision E.1.5 which 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 to 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 2022.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company. Terms of reference of the Audit Committee have been updated in accordance with the CG Code.

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 2022.

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 2022 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.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises three members, a majority of whom are independent non-executive directors of the Company. The principal functions of the Remuneration Committee include reviewing the remuneration policies of the Company, assessing the performance of the directors and senior management of the Company and determining the policies in respect to their remuneration packages.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting will be held on 24 August 2022. The Notice of Annual General Meeting will be published and dispatched to the 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 2022 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 in accordance with the Listing Rules.

MEMBERS OF THE BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Yeung Him Kit, Dennis (Chairman), Madam Yeung Man Yee, Shirley and Mr. Lam Hing Lun, Alain as executive directors and Dr. Li Sau Hung, Eddy, Mr. Choi Man Chau, Michael and Mr. Sun Dai Hoe, Harold as independent non-executive directors.

By order of the Board
Yeung Him Kit, Dennis
Chairman

Hong Kong, 23 June 2022