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ORIENTAL WATCH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(the “Company”)

(Stock Code: 398)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The Board of Directors of Oriental Watch Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2022 together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		(Unaudited)	
		Six months ended	
		30 September	30 September
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	1,673,846	1,859,457
Cost of goods sold		(1,137,087)	(1,281,980)
Gross profit		536,759	577,477
Other income	4A	13,614	10,074
Other gains and losses	4B	(1,710)	(4,183)
Distribution and selling expenses			
— Expenses related to leases		(74,553)	(76,031)
— Other distribution and selling expenses		(154,562)	(172,705)
Administrative expenses		(111,388)	(89,311)
Finance costs		(5,867)	(5,148)
Share of results of associates		10,568	7,245
Share of result of a joint venture		(274)	345

		(Unaudited)	
		Six months ended	
		30 September	30 September
		2022	2021
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Profit before taxation	5	212,587	247,763
Income tax expense	6	(61,326)	(80,646)
Profit for the period		151,261	167,117
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”)		(667)	1,611
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(108,032)	18,004
Change in fair value of debt instruments at FVTOCI		(57)	(81)
Release on redemption of debt instruments at FVTOCI		18	17
Other comprehensive (expense) income for the period		(108,738)	19,551
Total comprehensive income for the period		42,523	186,668
Profit for the period attributable to:			
Owners of the Company		151,241	166,615
Non-controlling interests		20	502
		151,261	167,117
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		42,617	186,125
Non-controlling interests		(94)	543
		42,523	186,668
Earnings per share	8		
— Basic and diluted		31.03 HK cents	34.19 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

		(Unaudited) 30 September 2022 <i>HK\$'000</i>	(Audited) 31 March 2022 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	253,374	244,148
Right-of-use assets	9	388,885	415,289
Deposits for acquisition of property, plant and equipment		—	4,477
Interests in associates		84,211	83,135
Interest in a joint venture		24,664	26,688
Equity instruments at FVTOCI		12,769	13,436
Financial assets at fair value through profit or loss (“FVTPL”)		13,502	15,616
Deferred tax assets		4,052	4,248
Property rental deposits		28,670	36,835
		810,127	843,872
Current assets			
Inventories	10	467,621	483,625
Loans receivables	11	39,814	46,319
Trade and other receivables	12	222,068	205,097
Debt instruments at FVTOCI		4,009	7,158
Financial assets at FVTPL		7,965	5,374
Taxation recoverable		175	5,388
Bank balances and cash		1,360,144	1,282,442
		2,101,796	2,035,403
Current liabilities			
Trade and other payables	13	317,948	257,611
Contract liabilities	13	29,230	26,817
Dividend payable		197,380	13,214
Lease liabilities		128,618	114,744
Taxation payable		44,500	44,975
Bank loan	14	—	28,708
		717,676	486,069
Net current assets		1,384,120	1,549,334
Total assets less current liabilities		2,194,247	2,393,206

		(Unaudited)	(Audited)
		30 September	31 March
		2022	2022
	<i>Note</i>	HK\$'000	HK\$'000
Non-current liabilities			
Deferred tax liabilities		25,066	30,373
Lease liabilities		287,985	326,666
		313,051	357,039
Net assets		1,881,196	2,036,167
Capital and reserves			
Share capital	<i>15</i>	48,736	48,736
Reserves		1,831,394	1,986,271
Equity attributable to owners of the Company		1,880,130	2,035,007
Non-controlling interests		1,066	1,160
Total equity		1,881,196	2,036,167

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policy resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 — 2020

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

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, for the purpose of resource allocation and assessment of segment performance is analysed based on the geographical markets of the goods sold, which is also the basis of organisation of the Group for managing the business operations.

Specifically, the Group had four operating segments, being (a) Hong Kong, (b) People's Republic of China (the "PRC"), (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. In prior year, the business in Taiwan had been discontinued. The management considered the Group's operation in Taiwan did not constitute a separate major geographical area of operations as the result for the six months ended 30 September 2021 was not significant to the Group. Accordingly, such operating segment was 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. 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	
	Six months ended 30 September		Six months ended 30 September	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	503,779	474,748	42,751	23,510
The PRC	1,101,462	1,302,116	189,858	246,597
Macau	68,605	82,593	12,923	14,315
Taiwan	—	—	—	(186)
	<u>1,673,846</u>	<u>1,859,457</u>	<u>245,532</u>	<u>284,236</u>
Unallocated other income			6,349	5,753
Unallocated other gains and losses			(962)	(4,334)
Unallocated corporate expenses			(47,727)	(45,200)
Interest on bank loan			(899)	(282)
Share of results of associates			10,568	7,245
Share of result of a joint venture			(274)	345
Profit before taxation			<u>212,587</u>	<u>247,763</u>

Segment profit represents the profit before taxation earned by each segment without allocation of interest on bank loan, 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' remuneration, 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.

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

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

	Segment assets		Segment liabilities	
	30 September	31 March	30 September	31 March
	2022	2022	2022	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	770,421	822,608	395,153	426,618
The PRC	499,262	466,353	145,316	107,641
Macau	90,730	100,282	71,942	80,345
Taiwan	—	1	—	50
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Segment total	1,360,413	1,389,244	612,411	614,654
Unallocated	1,551,510	1,490,031	418,316	228,454
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Consolidated total	<u>2,911,923</u>	<u>2,879,275</u>	<u>1,030,727</u>	<u>843,108</u>

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

4A. OTHER INCOME

	Six months ended	
	30 September	30 September
	2022	2021
	HK\$'000	HK\$'000
Interest income from bank	4,739	3,620
Interest income from rental deposits	438	365
Government subsidies (<i>note</i>)	1,617	—
Interest income from loan receivable at amortised cost	1,610	2,133
Others	5,210	3,956
	<hr/>	<hr/>
	<u>13,614</u>	<u>10,074</u>

Note: During the six months ended 30 September 2022, the Group recognised government subsidies of HK\$1,594,000 which was related to Employment Support Scheme provided by Hong Kong government in respect of COVID-19-related subsidies and no such income was recognised during the six months ended 30 September 2021.

4B. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	30 September
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in fair value of loans receivables at FVTPL	917	1,359
Impairment loss (recognised) reversed under expected credit loss model, net	(155)	846
Loss on written-off of property, plant and equipment	(315)	(695)
Net loss arising on financial assets at FVTPL	(2,673)	(450)
Net loss on derivative financial instruments at FVTPL	—	(4,292)
Loss on redemption of debt instruments at FVTOCI	(18)	(17)
Net exchange gain (loss)	534	(934)
	<u>(1,710)</u>	<u>(4,183)</u>

5. PROFIT BEFORE TAXATION

	Six months ended	
	30 September	30 September
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	20,887	13,745
Depreciation of right-of-use assets	64,622	61,267
(Reversal of) allowance for slow-moving watches	(22,032)	410
Short-term lease payments	920	166
	<u>20,887</u>	<u>13,745</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30 September	30 September
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong	1,643	4,908
PRC Enterprise Income Tax	48,788	61,585
Other jurisdictions	2,126	1,784
Withholding tax on dividend income from associates	2,555	513
Withholding tax on dividend income from subsidiaries	11,521	6,893
	<hr/>	<hr/>
	66,633	75,683
Deferred taxation charge	(5,307)	4,963
	<hr/>	<hr/>
	61,326	80,646
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Hong Kong Profits Tax for both periods is calculated at 16.5% of the estimated assessable profits for the period, 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 periods, 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.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 September 2022, the Group incurred expenditure of HK\$32,445,000 (six months ended 30 September 2021: HK\$38,275,000) to acquire property, plant and equipment for its operation. During the six months ended 30 September 2022, the Group had written-off of certain property, plant and equipment with carrying amount of HK\$315,000 (six months ended 30 September 2021: HK\$695,000) resulting in a loss on written-off of HK\$315,000 (six months ended 30 September 2021: HK\$695,000).

During the six months ended 30 September 2022, the Group entered into several new lease agreements and lease renewal agreements for the use of shops and office premises with lease terms ranging from 1 to 3 years (six months ended 30 September 2021: 1 to 3 years). The Group is required to make fixed payments. The Group recognised additions to right-of-use assets of HK\$15,178,000 (six months ended 30 September 2021: HK\$35,154,000) and lease liabilities of HK\$14,975,000 (six months ended 30 September 2021: HK\$35,154,000) upon commencement of leases, which constitutes non-cash transactions. In addition, lease terms of certain leases were extended through modification and the Group recognised additions to right-of-use assets of HK\$27,541,000 (six months ended 30 September 2021: addition of HK\$51,883,000) and lease liabilities of HK\$27,541,000 (six months ended 30 September 2021: addition of HK\$51,883,000) at the effective date of modification.

During the six months ended 30 September 2022, a lessor of a retail shop provided rent concession to the Group through rent reduction of 50% over two months (six months ended 30 September 2021: nil). The Group opts not to apply the practical expedient on application of Amendment to HKFRS 16 “COVID19-related rent concession”. Changes in lease payments were assessed under the general requirement of HKFRS 16 and accounted for as lease modifications. The relevant rent concessions resulted in the reduction of the Group’s carrying amount of right-of-use assets and related lease liabilities of HK\$341,000 with the combined effect of revised lease payments from the rent concessions and the reduction in the revised incremental borrowing rates determined upon the date of modification (six months ended 30 September 2021: nil).

10. INVENTORIES

	30 September 2022 HK\$'000	31 March 2022 HK\$'000
Watches	453,607	465,647
Accessories and parts	14,014	17,978
	<u>467,621</u>	<u>483,625</u>

11. LOANS RECEIVABLES

	30 September 2022 <i>HK\$'000</i>	31 March 2022 <i>HK\$'000</i>
Loan receivable at amortised cost	—	46,319
Loan receivable at FVTPL	39,814	—
	<hr/>	<hr/>
	39,814	46,319
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE AND OTHER RECEIVABLES

	30 September 2022 <i>HK\$'000</i>	31 March 2022 <i>HK\$'000</i>
Trade receivables	192,475	182,436
Less: Allowance for credit losses	(2,976)	(2,821)
	<hr/>	<hr/>
	189,499	179,615
Property rental and other deposits	23,935	14,401
Receivable from sale of loan receivable	—	4,975
Advances to suppliers	1,324	1,886
Others	7,310	4,220
	<hr/>	<hr/>
	222,068	205,097
	<hr/> <hr/>	<hr/> <hr/>

The Group maintains a general credit policy of not more than 30 days for its retail sales in department store. 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 presented based on the invoice date at the end of the reporting period:

	30 September 2022 <i>HK\$'000</i>	31 March 2022 <i>HK\$'000</i>
Age		
0 to 30 days	160,488	165,998
31 to 60 days	16,880	9,047
61 to 90 days	7,501	3
Over 90 days	4,630	4,567
	<hr/>	<hr/>
	189,499	179,615
	<hr/> <hr/>	<hr/> <hr/>

13. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	30 September 2022 <i>HK\$'000</i>	31 March 2022 <i>HK\$'000</i>
Trade payables	69,137	35,278
Payroll and welfare payables	166,734	123,236
Commission payables	22,373	32,672
Renovation work payables	1,896	2,525
PRC value added tax (“VAT”) and other taxes payables	25,475	26,806
Property rental fee payables	13,518	9,652
Others	18,815	27,442
	<u>317,948</u>	<u>257,611</u>

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

	30 September 2022 <i>HK\$'000</i>	31 March 2022 <i>HK\$'000</i>
Age		
0 to 60 days	66,386	34,587
61 to 90 days	52	48
Over 90 days	2,699	643
	<u>69,137</u>	<u>35,278</u>

Contract liabilities

	30 September 2022 <i>HK\$'000</i>	31 March 2022 <i>HK\$'000</i>
Contract liabilities on sales of watches	<u>29,230</u>	<u>26,817</u>

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

14. BANK LOAN

During the six months ended 30 September 2021, the Group obtained a bank loan amount of approximately HK\$28,708,000 (or equivalent to AUD5,000,000) (six months ended 30 September 2022: nil). The loan carried interest at LIBOR + 2% and was repayable on demand.

During the six months ended 30 September 2022, the Group made the repayments of bank loan amounting to HK\$28,708,000 (six months ended 30 September 2021: HK\$1,667,000).

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2021, 30 September 2021, 1 April 2022 and 30 September 2022	1,000,000,000	100,000
Issued and fully paid:		
At 1 April 2021, 30 September 2021, 1 April 2022 and 30 September 2022	487,358,224	48,736

16. SHARE-BASED PAYMENT TRANSACTION

The Company has share option schemes and share award scheme for eligible directors, employees, consultants, customers, suppliers or advisors of the Company or a company in which the Company holds an interest or a subsidiary of such company.

(i) 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.

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 were 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 <i>(note a)</i>	6 April 2011 to 5 April 2021	HK\$4.13	HK\$3.44 <i>(note a)</i>
29 August 2011	23,000,000	29 August 2011 to 28 August 2021	HK\$4.80	N/A

Note a: 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.

The following tables disclose movements of the Company's share options held by directors, employees and consultants during the six months ended 30 September 2021:

Share options granted on 6 April 2011

Categories of participants	Number of share options outstanding at 1 April 2021	Expired during the six months ended 30 September 2021	Number of share options outstanding at 30 September 2021
Directors of the Company	11,520,000	(11,520,000)	—
Other employees	14,400,000	(14,400,000)	—
Consultants <i>(note b)</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 share options outstanding at 1 April 2021	Expired during the six months ended 30 September 2021	Number of share options outstanding at 30 September 2021
Other employees	18,000,000	(18,000,000)	—
Consultants (<i>note b</i>)	5,000,000	(5,000,000)	—
Total	23,000,000	(23,000,000)	—

Note b: 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.

No option was exercised under the 2003 Share Option Scheme during the six months ended 30 September 2021. During the six months ended 30 September 2021, all the share options outstanding under the 2003 Share Option Scheme were expired.

(ii) 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.

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 during each of the six months ended 30 September 2022 and 30 September 2021 since its effective date on 3 November 2013 and there was no outstanding share option as at 30 September 2022.

(iii) 2022 Share Award Scheme

On 27 June 2022 (the “Adoption Date”), the Company has adopted the employees’ share award scheme (the “2022 Share Award Scheme”). Pursuant to the 2022 Share Award Scheme, it shall be valid and effective for a term of 10 years commencing from the Adoption Date.

Under the 2022 Share Award Scheme, any employee, executive, officer, or directors of the Company or of any subsidiary are eligible for participation in the scheme. The purposes and objectives of the 2022 Share Award Scheme are to recognise and motivate the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group and to help the Group in attracting and recruiting suitable personnel as additional employees to further the operation and development of the Group, and to provide the eligible persons with a direct economic interest in attaining the long-term business objectives of the Group. The board of directors shall not make any further award which will result in: (i) the number of Shares awarded by the board under the scheme exceeding 10% of the issued share capital of the Company as at the Adoption Date; or (ii) the number of the Shares held by public shareholders falls below the minimum percentage as prescribed under the Listing Rules. The maximum number of shares which may be awarded to each selected person under the scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date.

For the further details of the principal terms of the 2022 Share Award Scheme, please refer to the Company’s announcement on 27 June 2022.

No share award was granted under the 2022 Share Award Scheme during the six months ended 30 September 2022 since the Adoption Date.

During the six months ended 30 September 2022 and 30 September 2021, no share-based payment expense was recognised in relation to share option schemes and share award scheme as mentioned above.

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Fair value as at			
		30	31		
		September	March	Fair value	Valuation technique(s)
		2022	2022	hierarchy	and key input(s)
		HK\$'000	HK\$'000		
Financial assets					
(i)	Equity instruments at FVTOCI — unlisted investments	12,769	13,436	Level 3	Market approach (<i>note 1</i>)
(ii)	Debt instruments at FVTOCI — listed debt securities in overseas	4,009	7,158	Level 1	Quoted bid prices in an active market
(iii)	Financial assets at FVTPL — listed investments, equity securities listed in Hong Kong and overseas	7,965	5,374	Level 1	Quoted bid prices in an active market
(iv)	Financial assets at FVTPL — unlisted investments	13,502	15,616	Level 2	Quoted market prices provided by brokers which are financial institutions (<i>note 2</i>)
(v)	Loan receivable at FVTPL	39,814	—	Level 2	Discounted cash flow. Future cash flow is estimated based on the contracted interest rates discounted at a rate that reflects the credit risk of counterparty

Notes:

- (1) The fair value of the investments are determined under market approach and in the opinion of the management, no sensitivity analysis is prepared as the effect is considered insignificant.
- (2) Quoted market prices provided by brokers which are financial institutions represent the fair values of the respective funds, based on the observable quoted prices of the underlying investments in active market.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

Reconciliation of Level 3 fair value measurements

The financial assets subsequently measured at fair value on Level 3 fair value measurement represent equity instruments at FVTOCI. During the six months ended 30 September 2022, fair value loss of HK\$667,000 relating to these equity instruments has been recognised in other comprehensive income (six months ended 30 September 2021: fair value gain of HK\$1,611,000). As at 30 September 2022, the fair value of the equity instruments at FVTOCI is HK\$12,769,000 (31 March 2022: HK\$13,436,000).

18. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The key management personnel are the directors of the Company. The remuneration of directors during the period was as follows:

	Six months ended	
	30 September 2022 <i>HK\$'000</i>	30 September 2021 <i>HK\$'000</i>
Short-term benefits	44,300	44,200
Post-employment benefits	490	530
	<hr/>	<hr/>
	44,790	44,730
	<hr/> <hr/>	<hr/> <hr/>

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

Financial guarantees given to banks in respect of banking facilities granted to associates

The Group and the other shareholders of the associates of the Company issued financial guarantees jointly and severally to certain banks in respect of banking facilities granted to associates. As at 30 September 2022, the aggregate amount that might be required to be paid is amounting to NT\$150,000,000 (equivalent to HK\$37,125,000) (31 March 2022: NT\$150,000,000 (equivalent to HK\$41,625,000)), if the guarantees would be called upon in entirety of which full amounts has been fully utilised by these associates. The Group considers the fair value of the financial guarantee contracts at the grant date is nil at initial recognition and the loss allowance at 30 September 2022 and 31 March 2022 are insignificant.

19. CAPITAL COMMITMENTS

	30 September	31 March
	2022	2022
	<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 condensed consolidated financial statements	4,740	10,280

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of 7.8 HK cents per share (2021: 8.6 HK cents) and a special dividend of 23.5 HK cents per share (2021: 25.8 HK cents) in respect of the six months ended 30 September 2022, totalling HK\$152,543,000 (2021: HK\$167,651,000), to shareholders whose names appear on the register of the members of the Company on 4 January 2023. Dividend warrants will be sent to shareholders on or before 18 January 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 January 2023 to 4 January 2023 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special dividend above mentioned, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Tricor Secretaries Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 30 December 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 unaudited consolidated results of the Group for the six months ended 30 September 2022 (the "Period").

The COVID-19 pandemic and the supply chain disruption have posed challenges to the macroeconomy. The government of the People's Republic of China (the "PRC") has introduced stringent policies in face of the resurgence of COVID-19 pandemic since March this year, which placed cities in Mainland China into lockdown, and hence some of the Group stores had to close down temporarily. During the Period, the Group's revenue decreased by 10.0% year-on-year ("yoy") to HK\$1,674 million (2021: HK\$1,859 million), which was mainly attributable to the decrease in revenue in the Mainland China market as a result of business interruptions due to such lockdown policy and restrictions. In line with the decrease in revenue, gross profit decreased by 6.9% to HK\$537 million (2021: HK\$577 million), with gross profit margin increased by 1.1 percentage points to 32.1% (2021: 31.0%), and profit attributable to owners of the Company decreased by 9.6% to HK\$151 million (2021: HK\$167 million).

Business Review

As at 30 September 2022, the Group operates 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 30 September 2022
Hong Kong	12
Macau	1
Mainland China	29
Taiwan	2
	<hr/>
Total	44
	<hr/> <hr/>

According to the National Bureau of Statistics, the PRC's gross domestic product (GDP) has recorded a 0.4% yoy growth and 3.9% yoy growth in the second and third quarter respectively, which grew at a softer pace compared with the same period of last year (2Q2021: 7.9% yoy growth, 3Q2021: 4.9% yoy growth). The slowdown of economic growth was attributable to the widespread lockdown as well as the weakening market sentiment. Sales of gold, silver and jewelry also recorded a decrease of 0.8% yoy from April to September 2022. According to the Federation of the Swiss Watch Industry FH, the Swiss watch exports to the PRC during the Period decreased 13.7% yoy to CHF1,267.3 million, showcasing the country's conservative sentiment on purchasing luxury watches. Due to the economic condition as well as the temporary business suspension mentioned above, revenue from the Group's Mainland China operation decreased by 15.4% to HK\$1,101 million (2021: HK\$1,302 million).

In Hong Kong, the COVID-19 pandemic situation has been under control since the first quarter of 2022. Yet, clouded by market uncertainty, the market sentiment remained cautious with the value of total retail sales decreased by 1.3% yoy during the first nine months of the year. However, sales of jewelry, watches and clocks, and valuable gifts recorded a slight increase of 0.2% during the same period. Despite the uncertain retail market sentiment, the Group's Hong Kong operation still outperformed the market with revenue increased by 6.1% to HK\$504 million for the Period (2021: HK\$475 million).

To further enhance operating efficiency, the Group has implemented strict cost control, especially on rent. The Group would conduct regular internal assessment on the performances of all retail stores and close down high-rent yet non-performing stores. During the Period, the Group's aggregated expenses related to leases increased slightly by 5.3% to HK\$80 million, accounting for 23.1% of the overall operating expenses (2021: 22.2%). The increase was mainly due to the lease renewal of retail stores which commands a relatively higher rental rate. The Group will continue to closely monitor store performance and review rental contracts from time to time to improve profitability.

The Group has also employed strict inventory control measures to ensure stable cash flow and healthy financial position. The measures included closely monitoring the inventory level of high-ticket products and purchasing stocks only when existing inventory depletes to a pre-determined level. With the dedicated efforts from all staff, the Group's overall inventory level successfully decreased to HK\$468 million as at 30 September 2022, a drop of 3.3% from HK\$484 million as at 31 March 2022. Moreover, the Group will continue to optimize its brand portfolio in order to maintain stable sales performance and keep abreast of market trend.

Prospects

Looking ahead, with the unprecedented challenges in the supply chain, fluctuating COVID-19 pandemic and uncertainty from the increase in interest rate, we believe consumers will become more conservative on their spending, especially on purchasing of high-end luxury goods. Hence, the Group expects that business will be under some pressure over the upcoming periods. The Group, being one of the largest watch retailers in the region, will continue to adopt a prudent business strategy by closely monitoring the market situation, maintaining constant communication with all stakeholders while exploring potential business opportunities. The Group will also keep reviewing its strategies on cost control, marketing and inventory management to strengthen its business performance.

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

Liquidity and financial resources

At 30 September 2022, the Group's total equity reached HK\$1,881 million, compared with HK\$2,036 million as at 31 March 2022. The Group had net current assets of HK\$1,384 million, including bank and cash balances of HK\$1,360 million as at 30 September 2022 compared with balances of HK\$1,549 million and HK\$1,282 million respectively as at 31 March 2022. At 30 September 2022, the Group had no bank loan (31 March 2022: HK\$29 million) and the gearing ratio (defined as total bank borrowing on total equity) was nil (31 March 2022: 0.014).

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

Foreign exchange exposure

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

STAFF AND EMPLOYMENT

As at 30 September 2022, our Group employed approximately 591 employees in Hong Kong, Macau, the Mainland China and Taiwan, of which approximately 63% were located on the 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 unaudited consolidated financial statements of the Group for the six months ended 30 September 2022.

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

During the six months ended 30 September 2022, neither the Company nor any of its subsidiaries had purchased, redeemed or sold 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 set out in the Corporate Governance Code (the "CG Code") in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2022 except the following deviations:

1. Under Code Provision C.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. Code provision F.1.1 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 of the Company and all directors have confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 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 compliance with the CG Code.

The Audit Committee, together with the management of the Company, has 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 six months ended 30 September 2022.

PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT

This interim 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 interim report containing all information required by the Listing Rules will be despatched 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, 16 November 2022