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ORIENTAL WATCH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 398)

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

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

- Turnover increased 1.8% to HK\$3,705 million
- Profit attributable to owners of the Company was HK\$295 million
- Earnings per share was 60.62 HK cents
- Final dividend of 7.5 HK cents per share
- Special dividend of 22.0 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 2023 together with the comparative figures for the corresponding year in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	<i>NOTES</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	3,704,677	3,639,774
Cost of goods sold		(2,515,967)	(2,459,489)
Gross profit		1,188,710	1,180,285
Other income	4	30,538	42,750
Other gains and losses	5	4,367	17,482
Impairment losses (recognised) reversed under expected credit loss model, net	6	(1,834)	18,161
Distribution and selling expenses			
— Expenses related to leases		(203,629)	(166,057)
— Other distribution and selling expenses		(323,461)	(338,661)
Administrative expenses		(252,912)	(243,704)
Finance costs	7	(14,612)	(12,033)
Share of results of associates		13,116	14,789
Share of result of a joint venture		(225)	425
Profit before taxation	8	440,058	513,437
Income tax expense	9	(144,534)	(150,461)
Profit for the year		295,524	362,976
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”)		(77)	1,128
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(85,700)	39,417
Change in fair value of debt instruments at FVTOCI		(44)	(172)
Release on redemption of debt instruments at FVTOCI		(16)	(10)
Other comprehensive (expense) income for the year		(85,837)	40,363
Total comprehensive income for the year		209,687	403,339

	<i>NOTE</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		295,432	362,574
Non-controlling interests		92	402
		<u>295,524</u>	<u>362,976</u>
Total comprehensive income attributable to:			
Owners of the Company		209,661	402,916
Non-controlling interests		26	423
		<u>209,687</u>	<u>403,339</u>
Earnings per share			
Basic and diluted	<i>11</i>	<u>60.62 HK cents</u>	<u>74.40 HK cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2023

		2023	2022
	NOTES	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		246,635	244,148
Right-of-use assets	12	314,213	415,289
Investment properties		8,261	—
Deposits for acquisition of property, plant and equipment		2,400	4,477
Interests in associates	13	81,552	83,135
Interest in a joint venture		24,430	26,688
Equity instruments at FVTOCI	14	13,359	13,436
Financial assets at fair value through profit or loss (“FVTPL”)	18	15,007	15,616
Loan receivables	16	20,038	—
Deferred tax assets		4,503	4,248
Property rental deposits		32,169	36,835
		<u>762,567</u>	<u>843,872</u>
Current assets			
Inventories	15	422,202	483,625
Loan receivables	16	41,364	46,319
Trade and other receivables	17	295,359	205,097
Debt instruments at FVTOCI		—	7,158
Financial assets at FVTPL	18	14,664	5,374
Taxation recoverable		4,319	5,388
Cash and cash equivalents		1,078,783	1,282,442
		<u>1,856,691</u>	<u>2,035,403</u>
Current liabilities			
Trade and other payables	19	277,713	270,825
Contract liabilities	19	20,677	26,817
Lease liabilities	20	121,724	114,744
Taxation payable		46,654	44,975
Bank loan		—	28,708
		<u>466,768</u>	<u>486,069</u>
Net current assets		<u>1,389,923</u>	<u>1,549,334</u>
Total assets less current liabilities		<u>2,152,490</u>	<u>2,393,206</u>

		2023	2022
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		26,162	30,373
Lease liabilities	20	230,397	326,666
		<u>256,559</u>	<u>357,039</u>
Net assets		<u>1,895,931</u>	<u>2,036,167</u>
Capital and reserves			
Share capital	21	48,736	48,736
Reserves		1,846,009	1,986,271
		<u>1,894,745</u>	<u>2,035,007</u>
Equity attributable to owners of the Company		1,894,745	2,035,007
Non-controlling interests		1,186	1,160
		<u>1,895,931</u>	<u>2,036,167</u>

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”) AND AGENDA DECISION OF THE IFRS INTERPRETATIONS COMMITTEE (THE “COMMITTEE”)

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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021
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

In addition, the Group applied the agenda decision of the Committee of the International Accounting Standards Board, including HKAS 2 “Inventories - Cost necessary to sell inventories”.

Except as described below, 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.

Application of the agenda decision of the Committee - 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.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s 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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

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.

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 three operating segments, being (a) Hong Kong, (b) the PRC and (c) Macau (2022: four operating segments, being (a) Hong Kong, (b) the PRC, (c) Macau and (d) Taiwan. During the year ended 31 March 2022, 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 results for the year ended 31 March 2022 were not significant to the Group. Accordingly, such operating segment was not presented as discontinued operation.) No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

For sales of watches, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail shop, 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			
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,008,210	1,062,847	80,030	115,280
The PRC	2,559,988	2,415,056	475,505	475,135
Macau	136,479	161,871	24,673	35,876
Taiwan	—	—	—	(423)
	<u>3,704,677</u>	<u>3,639,774</u>	580,208	625,868
Unallocated other income			14,060	18,443
Unallocated corporate expenses			(169,378)	(184,069)
Unallocated other gains and losses			2,379	22,476
Unallocated impairment losses reversed under expected credit loss (“ECL”) model			—	16,132
Interest on bank loan			(102)	(627)
Share of results of associates			13,116	14,789
Share of result of a joint venture			(225)	425
Profit before taxation			<u>440,058</u>	<u>513,437</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, unallocated impairment losses reversed under ECL model 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 2023.

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	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	661,075	822,608	354,847	426,618
The PRC	565,555	466,353	129,931	107,641
Macau	86,072	100,282	64,896	80,345
Taiwan	—	1	—	50
	<hr/>	<hr/>	<hr/>	<hr/>
Segment total	1,312,702	1,389,244	549,674	614,654
Unallocated	1,306,556	1,490,031	173,653	228,454
	<hr/>	<hr/>	<hr/>	<hr/>
Group's total	<u>2,619,258</u>	<u>2,879,275</u>	<u>723,327</u>	<u>843,108</u>

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

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

- all assets are allocated to operating segments other than investment properties, interests in associates, interest in a joint venture, equity instruments at FVTOCI, financial assets at FVTPL, debt instruments at FVTOCI, loan receivables, deferred tax assets, taxation recoverable, cash and cash equivalents, and other unallocated corporate assets; and
- all liabilities are allocated to operating segments other than taxation payable, deferred tax liabilities, bank loan and other unallocated corporate liabilities. Bank loan was classified as unallocated corporate liabilities because it was 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		Gain (loss) on disposal of property, plant and equipment		Impairment losses (recognised) reversed under ECL model		Reversal of (allowance) for inventories	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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	26,449	66,279	14,235	96,749	(33,751)	(28,194)	(99,495)	(94,036)	(755)	(4,046)	—	—	17,635	(4,500)
The PRC	22,591	11,270	—	24,712	(9,760)	(9,705)	(14,890)	(17,369)	2,371	—	(1,834)	2,029	1,029	4,587
Macau	—	83	25,708	89,787	(100)	(346)	(22,277)	(15,761)	—	(2)	—	—	5,730	64
Segment total	49,040	77,632	39,943	211,248	(43,611)	(38,245)	(136,662)	(127,166)	1,616	(4,048)	(1,834)	2,029	24,394	151
Unallocated	—	—	—	—	—	—	—	—	—	—	—	16,132	—	—
Group's total	49,040	77,632	39,943	211,248	(43,611)	(38,245)	(136,662)	(127,166)	1,616	(4,048)	(1,834)	18,161	24,394	151

Note: The amounts of interests 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, loan 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	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong	455,369	557,795
The PRC	76,103	63,945
Macau	63,945	79,009
Other	8,261	—
	603,678	700,749

4. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income from bank	12,452	13,239
Interest income from loan receivable at amortised cost	1,608	4,362
Interest income from rental deposits	888	1,128
Government subsidies (<i>note</i>)	9,644	17,696
Others	5,946	6,325
	<u>30,538</u>	<u>42,750</u>

Note:

During the year ended 31 March 2023, 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\$4,440,000 (2022: nil). The remaining government subsidies in both years mainly comprised of unconditional subsidies received for subsidising the Group's business in the PRC.

5. OTHER GAINS AND LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) gain from changes in fair value of financial assets at FVTPL	(1,710)	1,223
Gain from changes in fair value of loans receivables at FVTPL	3,384	2,368
Gain arising from termination of leases	—	52
Gain (loss) on disposal/written off of property, plant and equipment	1,616	(4,048)
Gain on redemption of debt instruments at FVTOCI	16	10
Net gain on derivative financial instruments at FVTPL	—	13,318
Change in fair value of investment properties	65	—
Net exchange gains	996	4,559
	<u>4,367</u>	<u>17,482</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Impairment losses (recognised) reversed under ECL model on:		
— trade receivables	(1,834)	2,029
— other receivables	—	16,132
	<u>(1,834)</u>	<u>18,161</u>

7. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank loan	102	627
Interest on lease liabilities	14,510	11,406
	<u>14,612</u>	<u>12,033</u>

8. PROFIT BEFORE TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Directors' remuneration	121,548	130,365
Other staff costs	163,180	142,901
Other staff's retirement benefits scheme contributions	4,255	3,990
	<u>288,983</u>	<u>277,256</u>
Auditor's remuneration	3,500	3,330
Cost of inventories recognised as expense (including reversal of allowance for slow-moving watches of HK\$24,394,000 (2022: HK\$151,000))	2,515,967	2,459,489
Depreciation of property, plant and equipment	43,611	38,245
Depreciation of right-of-use assets	136,662	127,166
	<u>2,830,723</u>	<u>2,706,486</u>

9. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
Hong Kong	512	8,755
PRC Enterprise Income Tax	120,626	118,364
Other jurisdictions	2,347	4,782
Withholding tax on dividend income from associates	2,554	1,437
Withholding tax on dividend income from subsidiaries	20,779	6,893
	<u>146,818</u>	<u>140,231</u>
Under(over) provision in prior years:		
Hong Kong	2,857	(1,144)
Other jurisdictions	(615)	(1)
	<u>2,242</u>	<u>(1,145)</u>
Deferred taxation (credit) charge	<u>(4,526)</u>	<u>11,375</u>
	<u><u>144,534</u></u>	<u><u>150,461</u></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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Interim dividend for financial year ended 31 March 2023 of 7.8 HK cents (2022: 8.6 HK cents) per share on 487,358,224 (2022: 487,358,224) shares	38,014	41,913
Interim special dividend for financial year ended 31 March 2023 of 23.5 HK cents (2022: 25.8 HK cents) per share on 487,358,224 (2022: 487,358,224) shares	114,529	125,738
Final dividend for financial year ended 31 March 2022 of 10.0 HK cents (2021: 12.0 HK cents) per share on 487,358,224 (2021: 487,358,224) shares	48,736	58,483
Special dividend for financial year ended 31 March 2022 of 30.5 HK cents (2021: 27.0 HK cents) per share on 487,358,224 (2021: 487,358,224) shares	<u>148,644</u>	<u>131,587</u>
	<u>349,923</u>	<u>357,721</u>
Dividends proposed after year end (note):		
Proposed final dividend for financial year ended 31 March 2023 of 7.5 HK cents (2022: 10.0 HK cents) per share on 487,358,224 (2022: 487,358,224) shares	36,552	48,736
Proposed special dividend for financial year ended 31 March 2023 of 22.0 HK cents (2022: 30.5 HK cents) per share on 487,358,224 (2022: 487,358,224) shares	<u>107,219</u>	<u>148,644</u>
	<u>143,771</u>	<u>197,380</u>

Note: Subsequent to the end of the reporting period, a final dividend and a special dividend for the year ended 31 March 2023 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:

	2023 <i>HK\$'000</i>	2022 <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)	295,432	362,574
	2023 <i>'000</i>	2022 <i>'000</i>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	487,358	487,358

The diluted earnings per share for the year ended 31 March 2022 had not included the effect from the Company's share options because the exercise prices of the share options were higher than the average market price of the shares of the Company.

12. RIGHT-OF-USE ASSETS

	Leased properties <i>HK\$'000</i>
As at 31 March 2023	
Carrying amount	314,213
As at 31 March 2022	
Carrying amount	415,289

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Expenses related to leases		
Expenses relating to short-term leases	21,354	16,616
Variable lease payments not included in the measurement of lease liabilities	56,420	30,380
Depreciation for the year	<u>136,662</u>	<u>127,166</u>
	<u>214,436</u>	<u>174,162</u>
Analysed as:		
Distribution and selling expenses	203,629	166,057
Administrative expenses	<u>10,807</u>	<u>8,105</u>
	<u>214,436</u>	<u>174,162</u>
Additions to right-of-use assets	<u>39,943</u>	<u>211,248</u>
Total cash outflow for leases	<u>216,579</u>	<u>171,417</u>

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 (2022: 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of investments in unlisted associates	59,192	59,192
Exchange adjustments	904	3,440
Share of post-acquisition profits, net of dividends received	<u>21,456</u>	<u>20,503</u>
	<u>81,552</u>	<u>83,135</u>

Included in the interests of investments are goodwill of HK\$25,842,000 (2022: HK\$26,817,000) arising on acquisition of associates.

14. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments	13,359	13,436

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. INVENTORIES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Watches	411,148	465,647
Accessories and parts	11,054	17,978
	422,202	483,625

16. LOAN RECEIVABLES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loan receivables at amortised cost	—	46,319
Loan receivables at FVTPL	61,402	—
	61,402	46,319

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable after one year	20,038	—
Repayable within one year	41,364	46,319
	61,402	46,319

17. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	267,161	182,436
<i>Less: Allowance for credit losses</i>	<u>(4,653)</u>	<u>(2,821)</u>
	262,508	179,615
Property rental and other deposits	21,198	14,401
Receivable from sale of loan receivable	—	4,975
Advances to suppliers	6,772	1,886
Other receivables	<u>4,881</u>	<u>4,220</u>
	<u>295,359</u>	<u>205,097</u>

As at 1 April 2021, trade receivables from contract with customers, net of allowance for credit losses, amounted to HK\$260,527,000.

The Group maintains a general credit policy of not more than 30 days for its retail 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:

<u>Age</u>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	217,860	165,998
31 to 60 days	20,246	9,047
61 to 90 days	17,708	3
Over 90 days	<u>6,694</u>	<u>4,567</u>
	<u>262,508</u>	<u>179,615</u>

As at 31 March 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$44,648,000 (2022: HK\$13,617,000) which are past due as at the reporting date. Out of the past due balances, HK\$6,694,000 (2022: HK\$4,567,000) 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.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Listed investments		
Equity securities listed in Hong Kong	13,436	3,873
Equity securities listed in overseas	<u>1,228</u>	<u>1,501</u>
	14,664	5,374
Unlisted investments	<u>15,007</u>	<u>15,616</u>
	<u>29,671</u>	<u>20,990</u>
Analysed as:		
Current portion	14,664	5,374
Non-current portion	<u>15,007</u>	<u>15,616</u>
	<u>29,671</u>	<u>20,990</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
US\$	<u>16,235</u>	<u>17,117</u>

19. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Trade and other payables

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	38,184	35,278
Payroll and welfare payables	120,174	123,236
Commission payables	42,330	32,672
Renovation work payables	5,610	2,525
PRC VAT and other taxes payables	43,886	26,806
Property rental fee payables	13,130	9,652
Dividend payable	—	13,214
Other	14,399	27,442
	<u>277,713</u>	<u>270,825</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<u>Age</u>		
0 to 60 days	35,557	34,587
61 to 90 days	—	48
Over 90 days	2,627	643
	<u>38,184</u>	<u>35,278</u>

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

Contract liabilities

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract liabilities on sales of watches	<u>20,677</u>	<u>26,817</u>

As at 1 April 2021, contract liabilities amounted to HK\$4,502,000.

During the year ended 31 March 2023, revenue recognised in current year of HK\$26,817,000 (2022: HK\$4,502,000) 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 decreased during the year ended 31 March 2023 due to less deposits are received for the obligation to deliver watches to customers (2022: The contract liabilities increased during the year ended 2022 increase due to more deposits were received for the obligation to deliver watches to customers).

20. LEASE LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Lease liabilities payable:		
Within one year	121,724	114,744
Within a period of more than one year but not more than two years	113,966	108,806
Within a period of more than two years but not more than five years	116,431	213,459
Within a period of more than five years	—	4,401
	<u>352,121</u>	<u>441,410</u>
<i>Less: Amount due for settlement with 12 months shown under current liabilities</i>	<u>(121,724)</u>	<u>(114,744)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u><u>230,397</u></u>	<u><u>326,666</u></u>

21. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2021, 31 March 2022 and 31 March 2023	<u><u>1,000,000,000</u></u>	<u><u>100,000</u></u>
Issued and fully paid:		
At 1 April 2021, 31 March 2022 and 31 March 2023	<u><u>487,358,224</u></u>	<u><u>48,736</u></u>

22. 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 <i>(note iii)</i>	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 2022 and 2023:

Share options granted on 6 April 2011

Categories of participants	Number of shares under option outstanding at 1 April 2021	Lapsed during the year ended 31 March 2022	Number of shares under option outstanding at 31 March 2022 and 31 March 2023
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 2021	Lapsed during the year ended 31 March 2022	Number of shares under option outstanding at 31 March 2022 and 31 March 2023
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.
- (iii) In relation to the share options granted on 6 April 2011, 3,740,000 share options were lapsed before 1 April 2021.

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.

(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 2023 and 31 March 2022.

(c) **2022 Share Award Scheme**

On 27 June 2022 (the “Adoption Date”), the Company 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 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 since the Adoption Date.

During the year ended 31 March 2023 and 2022, no share-based payment expense was recognised in relation to share option schemes and share award scheme as mentioned above.

23. CAPITAL COMMITMENTS

	2023	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 consolidated financial statements	<u>2,215</u>	<u>10,280</u>

DIVIDENDS

The directors proposed to pay a final dividend of 7.5 Hong Kong cents per share for the year ended 31 March 2023 (2022: 10.0 Hong Kong cents) and a special dividend of 22.0 Hong Kong cents per share (2022: 30.5 Hong Kong cents) to the shareholders whose names appear on the register of members of the Company on 10 October 2023. Subject to approval at the forthcoming annual general meeting, dividend warrants will be sent to shareholders on or before 26 October 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 October 2023 to 10 October 2023 (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 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 3 October 2023.

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 you the audited consolidated results of the Group for the year ended 31 March 2023 (the "Year").

Despite its existence of more than three years, the COVID-19 pandemic continued to bring lingering impact to the market. In the first half of the fiscal year, Mainland China saw a notable surge in cases, which was subsequently followed by sustained strict lockdown measures. That has led to drastic changes to people's everyday lives, with offline sales and traffic almost impossible. The uncertainties surrounding the global economy, such as growing geopolitical tension, sharp inflation, and surging interest rates, have also brought serious questions to people's purchasing power, which was subsequently translated into pessimism among consumers. The same case could also be applied to Hong Kong, where outdoor activities were less preferred, and sales of high-ticket items suffered as a result of consumer conservatism.

However, as the second half of the financial year unfolded, the world seemed to see light at the end of the tunnel. Mainland China saw a change in its COVID strategy from prevention to adaptation, by relaxing its lockdown measures and announcing its border reopening in January 2023; whereas in Hong Kong, there was also the announcement of easing border control, the introduction of consumption voucher, and the “Hello Hong Kong” campaign that aims to attract tourists and local consumption.

Throughout the journey, the Group strived to maintain stable business operations, and remained focused on efficiency enhancement and cost control. Leveraging its strong brand equity and well-managed distribution network, the Group was able to safely navigate the operating environment, delivering a revenue of HK\$3,705 million (2022: HK\$3,640 million), which represents a year-on-year (“yoy”) increase of 1.8% to. Gross profit slightly increased by 0.8% to HK\$1,189 million (2022: HK\$1,180 million), with gross profit margin remained stable at 32.1% (2022: 32.4%). Compounded by the absence of one-off net gain recognised last year and depreciation of renminbi during the Year, profit attributable to owners of the Company decreased by 18.7% yoy to HK\$295 million (2022: HK\$363 million). If excluding one-off gain of HK\$16 million in relation to the reversal of impairment losses on other receivables, HK\$13 million in relation to the net gain on derivative financial instruments at fair value through profit or loss for the year ended 31 March 2022 and HK\$22 million in relation to the depreciation of RMB calculated on a constant exchange rate basis, the Group’s profit attributable to owner of the Company recorded a decrease of 5.1% yoy.

To show our appreciation for shareholders’ continuous support, the Board has resolved to recommend a final dividend of 7.5 HK cents per share (2022: 10.0 HK cents) and a special dividend of 22.0 HK cents per share (2022: 30.5 HK cents) for the year ended 31 March 2023.

Business Review

As at 31 March 2023, the Group operates 43 retail points (including associate retail stores) in the Greater China region, with 1 online store in Mainland China and Hong Kong, respectively. Breakdown of retail points by geographic region is as follows:

	As at 31 March 2023
Hong Kong	12
Macau	1
Mainland China	28
Taiwan	<u>2</u>
Total	<u><u>43</u></u>

In terms of Mainland China's economic performance, according to the National Bureau of Statistics, the PRC's gross domestic product (GDP) only recorded a 3.0% yoy growth rate in 2022, which was slower than the 5.5% target set out at the beginning of 2022. The drop in GDP is also applicable to consumption across categories, with retail sales of gold, silver and jewelry during the same period also reporting a decrease of 1.1% yoy. According to the Federation of the Swiss Watch Industry FH, the amount of Swiss watch exports to the PRC also recorded a decrease of 13.6% yoy in 2022, decreasing to CHF 2,563.8 million in value. The downtrend did not stop until January to March 2023, which reported a growth of 1.4% yoy, highlighting the weak market sentiment and slow recovery in the luxury watch market. Despite the challenges, the Group made full use of its strong brand equity, attractive brand portfolio, and extensive distribution network in Mainland China, delivering an increase in revenue of 6.0% yoy to HK\$2,560 million (2022: HK\$2,415 million).

In Hong Kong, the COVID-19 pandemic situation was slightly less severe, and the government lifted several COVID measures since the first quarter of 2022. However, the travel restrictions were still in place until late December 2022, leading to a low number of visitors to Hong Kong, who were once major contributors to the local retail industry. Compounded by the economic uncertainty and weak local consumption, total sales value of the Hong Kong retail industry reported a decrease of 0.9% yoy with a decrease of 3.4% yoy in volume in 2022. GDP also decreased by 3.5% yoy in real terms from 2021, further indicating the weak market sentiment. In line with the overall market condition, revenue from the Group's Hong Kong operation reported a modest decrease of 5.2% yoy to HK\$1,008 million (2022: HK\$1,063 million).

To ensure an efficient operation, the Group has been maintaining stringent cost control, particularly on rental costs. To do so, the Group conducts regular internal assessments on the performances of all retail stores, and will close down high-rent yet non-performing stores. Given the unstable operating environment, the Group was also able to negotiate a lower rental rate for some of its stores. However, as the Group continued to grow its business in Mainland China, there was an increase in the variable lease payments due to the improving business performance. As a result, the Group's aggregated expenses related to leases increased by 23.0% yoy to HK\$214 million, accounting for 26.9% of the overall operating expenses (2022: 22.9%). The Group will continue to closely monitor store performance and rental contracts regularly in order to maximize profitability.

During the Year, the Group also employed strict inventory policies to ensure fast cash turnaround and a healthy financial position. Specifically, the Group closely monitors the inventory level of high-ticket products and only replenishes when they reach safety stock levels. Supported by the dedicated efforts from its staff, the Group's overall inventory level decreased from HK\$484 million as at 31 March 2022, to HK\$422 million as at 31 March 2023, indicating a drop of 12.8% yoy.

Prospects

As the world now steps into the post-pandemic era, consumer markets in Mainland China and Hong Kong have gradually entered the path of recovery. However, markets have expressed concerns regarding the slower growth rate and the rising momentum may not last, which poses additional challenges on the retail market. In April 2023, total retail sales of consumer goods in the PRC saw an increase of 18.4% yoy, yet it was still lower than the market expectations of 21.9% yoy. At the same time, the country posted a lower-than-expected purchasing managers' index (PMI), falling below the 50-point mark. That also highlights the prevailing weak consumer market, which was subsequently translated into fewer orders and less production activities. As for the Hong Kong market, despite there having been growing retail sales since the reopening of the border, it may also come at the expense of increasing competition, that may eventually limit growth and pressure margins.

In the face of the unpredictable market, the Group will continue to maintain its prudent business approach, while keeping a keen eye on the latest market developments. The Group will look to capture opportunities from economic recovery, by expanding its Hong Kong and Mainland China network through boutique stores with brands, which would provide the Group with growth impetus at limited capital commitment. As one of the largest watch retailers renowned for its reputation and service quality, the Group will also seek collaborations with more branded partners to further optimize its product mix, catering to the changing market needs. The Group will also continue to improve its marketing initiatives, cost control effort, and inventory management strategies, so as to drive better financial performance and create higher value for its stakeholders.

FINANCIAL REVIEW

Liquidity and financial resources

At 31 March 2023, the Group's total equity reached HK\$1,896 million, compared with HK\$2,036 million as at 31 March 2022. The Group had net current assets of HK\$1,390 million, including bank and cash balances of HK\$1,079 million as at 31 March 2023, as compared with balances of HK\$1,549 million and HK\$1,282 million respectively as at 31 March 2022. At 31 March 2023, 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 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 2023, our Group employed approximately 580 employees in Hong Kong, Macau, Mainland China and Taiwan, of which approximately 62% 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 (i) a share option scheme relating to the grant of options to subscribe for shares of the Company; and (ii) a share award scheme relating to award of shares of the Company purchased by the trustee or the administration committee of such scheme out of fund paid by the Company to eligible persons including directors and employees of the Group. These schemes enable 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 2023.

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 2023, 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. For Code provision F.1.1 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 2023.

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 2023.

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 2023 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 23 August 2023. Notice of the 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 2023 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, 20 June 2023