東方表行
Oriental Watch Company
Since 1961

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 2019

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, 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		(Unaudited) Six months ended	
		30 September 2019	30 September 2018
	NOTES	***HK$'000***	*HK$'000*
Revenue	*3*	**1,167,795**	1,181,133
Cost of goods sold		**(849,601)**	(892,897)
Gross profit		**318,194**	288,236
Other income, gains and losses		**7,510**	18,563
Distribution and selling expenses		**(122,001)**	(113,757)
Administrative expenses		**(122,223)**	(116,878)
Finance costs		**(7,869)**	(2,202)
Share of results of associates		**3,410**	915
Share of result of a joint venture		**292**	47
Profit before taxation	*4*	**77,313**	74,924
Income tax expense	*5*	**(16,883)**	(11,189)
Profit for the period		**60,430**	63,735

	NOTE	(Unaudited) Six months ended 30 September 2019 HK$'000	30 September 2018 HK$'000
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")		**(675)**	(629)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(40,837)**	(58,206)
Change in fair value of debt instruments at FVTOCI		**30**	—
Release on redemption of debt instruments at FVTOCI		**20**	—
Other comprehensive expense for the period		**(41,462)**	(58,835)
Total comprehensive income for the period		**18,968**	4,900
Profit (loss) for the period attributable to:			
Owners of the Company		**61,724**	64,005
Non-controlling interests		**(1,294)**	(270)
		60,430	63,735
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**20,264**	5,219
Non-controlling interests		**(1,296)**	(319)
		18,968	4,900
Earnings per share	*7*		
— Basic		**10.82 HK cents**	11.22 HK cents
— Diluted		**10.82 HK cents**	11.22 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2019

	NOTES	**(Unaudited) 30 September 2019 *HK$'000***	(Audited) 31 March 2019 *HK$'000*
Non-current assets			
Property, plant and equipment	*8*	**232,771**	215,444
Right-of-use assets	*8*	**373,539**	—
Deposits for acquisition of property, plant and equipment		**4,000**	10,636
Interests in associates		**38,759**	37,337
Interest in a joint venture	*9*	**24,747**	26,005
Equity instruments at FVTOCI		**3,232**	3,907
Debt instruments at FVTOCI		**2,100**	5,008
Deferred tax assets		**—**	24
Property rental deposits		**17,631**	31,463
		696,779	329,824
Current assets			
Inventories	*10*	**704,175**	823,654
Trade and other receivables	*11*	**149,223**	148,576
Financial assets at fair value through profit or loss ("FVTPL")		**4,821**	14,982
Debt instruments at FVTOCI		**6,062**	1,812
Taxation recoverable		**1,713**	4,470
Bank balances and cash		**1,117,693**	1,084,911
		1,983,687	2,078,405
Current liabilities			
Trade and other payables	*12*	**143,144**	119,026
Contract liabilities	*12*	**6,405**	7,476
Derivative financial instruments at FVTPL		**896**	—
Lease liabilities		**137,632**	—
Taxation payable		**15,274**	2,758
Bank loans	*13*	**27,284**	63,367
		330,635	192,627
Net current assets		**1,653,052**	1,885,778
Total assets less current liabilities		**2,349,831**	2,215,602

	NOTE	(Unaudited) 30 September 2019 HK$'000	(Audited) 31 March 2019 HK$'000
Non-current liabilities			
Lease liabilities		**237,578**	—
Deferred tax liabilities		**2,311**	2,001
		239,889	2,001
Net assets		**2,109,942**	2,213,601
Capital and reserves			
Share capital	*14*	**57,036**	57,036
Reserves		**2,053,334**	2,155,697
Equity attributable to owners of the Company		**2,110,370**	2,212,733
Non-controlling interests		**(428)**	868
Total equity		**2,109,942**	2,213,601

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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 changes in accounting policy resulting from application of new and 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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

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

Except as described below, the application of new and amendments to HKFRSs in the current 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.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of HK$3,033,000 that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 *Transition and summary of effects arising from initial application of HKFRS 16*

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties and land leases in the People's Republic of China (the "PRC") was determined on a portfolio basis; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrual lease payments by applying HKFRS 16.CB(b)(ii) transition.

The Group recognised lease liabilities of HK$386,075,000 and right-of-use assets of HK$389,242,000 at 1 April 2019.

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

	At 1 April 2019
	HK$'000
Operating lease commitments disclosed as at 31 March 2019	281,658
Less: Recognition exemption — short-term leases	3,033
	278,625
Lease liabilities discounted at relevant incremental borrowing rates	264,876
Add: Extension options reasonably certain to be exercised	121,199
Lease liabilities as at 1 April 2019	386,075
Analysed as	
Current	135,929
Non-current	250,146
	386,075

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

	Note	Right-of-use assets
		HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		386,075
Adjustments on rental deposits at 1 April 2019	*(a)*	3,167
		389,242
By class:		
Leasehold lands and buildings		389,242

Note:

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

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

	Note	Carrying amounts previously reported at 31 March 2019		Carrying amounts under HKFRS 16 at 1 April 2019
		HK$'000	*HK$'000*	*HK$'000*
Non-current Assets				
Right-of-use assets		—	389,242	389,242
Property rental deposits	*(a)*	31,463	(2,692)	28,771
Current Assets				
Trade and other receivables	*(a)*	171,848	(475)	171,373
Current Liabilities				
Lease liabilities		—	135,929	135,929
Non-current liabilities				
Lease liabilities		—	250,146	250,146

Note:

(a) For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

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.

The Group has two operating segments, which are analysed based on geographical markets of the goods sold, being (a) Hong Kong, and (b) Taiwan, Macau and the PRC, which is also the basis of organisation of the Group for managing the business operations. The Group determines its operating segments based on the internal reports reviewed by the chief operating decision marker, being the Managing Director of the Group, that are used to allocate resources and assess performance. 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 store. 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.

Sales-related warranties associated with sales of watches cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" consistent with its previous accounting treatment.

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

	Segment revenue-recognised at a point in time Six months ended 30 September		**Segment profit Six months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**621,484**	688,656	**71,442**	74,354
Taiwan, Macau and the PRC	**546,311**	492,477	**9,302**	15,481
	1,167,795	1,181,133	**80,744**	89,835
Unallocated other income			**6,999**	5,799
Unallocated corporate expenses			**(13,359)**	(19,470)
Finance costs			**(773)**	(2,202)
Share of results of associates			**3,410**	915
Share of result of a joint venture			**292**	47
Profit before taxation			**77,313**	74,924

Segment profit represents the profit before taxation earned by each segment without allocation of finance costs from bank loans, share of results of associates and a joint venture and unallocated other income and corporate expenses. Unallocated corporate expenses include auditor's remuneration, directors' remuneration, net exchange losses 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 2019	31 March 2019	**30 September 2019**	31 March 2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,056,947**	838,590	**401,405**	85,669
Taiwan, Macau and the PRC	**424,392**	454,310	**123,354**	40,833
Segment total	**1,481,339**	1,292,900	**524,759**	126,502
Unallocated	**1,199,127**	1,115,329	**45,765**	68,126
Consolidated total	**2,680,466**	2,408,229	**570,524**	194,628

4. PROFIT BEFORE TAXATION

	Six months ended	
	30 September 2019	30 September 2018
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**11,900**	11,502
Depreciation of right-of-use assets	**66,282**	—
Directors' remuneration	**11,231**	11,433
Loss on disposal of property, plant and equipment	**6,301**	2,384
Net exchange losses	**738**	6,647
Interest income	**(9,319)**	(5,799)
Loss from changes in fair value of financial assets at FVTPL	**1,648**	—
Gain from changes in fair value of derivative financial instruments at FVTPL	**(52)**	—
Net realised gain on financial assets at FVTPL	**(72)**	—
Net realised gain on derivative financial instruments at FVTPL	**(334)**	—
Allowance for slow-moving watches	**46,248**	10,005
Short-term lease payments	**4,029**	—
Minimum operating lease rentals in respect of rented premises	**—**	78,055

5. INCOME TAX EXPENSE

	Six months ended	
	30 September 2019	30 September 2018
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
— Current period	**11,656**	10,271
Taxation in other jurisdictions	**4,474**	709
	16,130	10,980
Deferred taxation	**753**	209
	16,883	11,189

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%, after setting off of tax losses brought forward, if any.

Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million for both periods.

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

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.

6. DIVIDEND

During the current interim period, a final dividend of 8.0 HK cents per share, totalling HK$45,629,000, in respect of the year ended 31 March 2019 (2018: 8.0 HK cents per share, totalling HK$45,649,000) and a special dividend of 13.5 HK cents per share, totalling HK$76,998,000, in respect of the year ended 31 March 2019 (2018: 15.0 HK cents per share, totalling HK$85,592,000) were approved at the annual general meeting held on 21 August 2019.

On 20 November 2019, the directors resolved to declare an interim dividend of 2.8 HK cents per share, totalling HK$15,970,000 in respect of the six months ended 30 September 2019 (2018: 2.8 HK cents per share, totalling HK$15,970,000) and a special dividend of 8.7 HK cents per share, totalling HK$49,621,000, in respect of the six months ended 30 September 2019 (2018: 8.7 HK cents per share, totalling HK$49,621,000), to be paid in cash to those shareholders whose names appear on the Company's register of members on 13 December 2019.

7. 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:

	Six months ended	
	30 September 2019	30 September 2018
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**61,724**	64,005

	Number of shares	
	30 September 2019	30 September 2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**570,358,224**	570,610,224

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

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

During the six months ended 30 September 2019, the Group incurred expenditure of HK$36,813,000 (six months ended 30 September 2018: HK$7,383,000) to acquire property, plant and equipment for its operation. During the period, the Group disposed of certain property, plant and equipment with carrying amount of HK$6,301,000 (six months ended 30 September 2018: HK$2,396,000) resulting a loss on disposal of HK$6,301,000 (six months ended 30 September 2018: HK$2,384,000).

The Group has pledged certain land and buildings with an aggregate carrying value of HK$85,557,000 (31 March 2019: HK$86,714,000) to a bank to secure the bank loan facilities granted to the Group.

During the period ended 30 September 2019, the Group entered into new lease agreements for the use of shops and office premises ranging from 1 to 8 years. The Group is required to make fixed payments. On lease commencement, the Group recognised HK$51,891,000 of right-of-use assets and HK$51,545,000 of lease liabilities.

9. INTEREST IN A JOINT VENTURE

	30 September 2019 *HK$'000*	31 March 2019 *HK$'000*
Cost of investment in an unlisted joint venture	**21,793**	21,793
Exchange adjustment	**(2,498)**	(948)
Share of post-acquisition profits	**5,452**	5,160
	24,747	26,005

10. INVENTORIES

	30 September 2019 *HK$'000*	31 March 2019 *HK$'000*
Watches	**685,098**	803,095
Accessories and parts	**19,077**	20,559
	704,175	823,654

11. TRADE AND OTHER RECEIVABLES

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
Trade receivables	**87,212**	89,885
Less: Allowance for impairment loss	**(4,304)**	(3,839)
	82,908	86,046
Property rental deposits	**28,526**	22,997
Value-added tax recoverable	**7,297**	2,452
Advances to other suppliers	**10,105**	16,797
Earnest money paid	**16,216**	16,467
Other receivables and prepayment	**4,171**	3,817
	149,223	148,576

The Group maintains a general credit policy of not more than 30 days for its wholesale customers. Sales made to retail customers are mainly made on a cash basis. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
Age		
0 to 30 days	**81,716**	75,335
31 to 60 days	**197**	9,843
61 to 90 days	**330**	868
Over 90 days	**665**	—
	82,908	86,046

12. TRADE AND OTHER PAYABLES

	30 September 2019 *HK$'000*	31 March 2019 *HK$'000*
Trade payables	**52,734**	50,907
Payroll and welfare payables	**24,081**	20,559
Commission payables	**32,104**	25,996
Renovation work payables	**3,363**	3,468
Valve-added tax and other taxes payables	**14,092**	5,970
Advertising fee payables	**1,580**	1,007
Property rental fee payables	**2,987**	1,408
Other payables	**7,125**	6,521
Accrued expenses	**5,078**	3,190
	143,144	119,026

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

	30 September 2019 *HK$'000*	31 March 2019 *HK$'000*
Age		
0 to 60 days	**51,640**	43,498
61 to 90 days	**296**	1,227
Over 90 days	**798**	6,182
	52,734	50,907

Contract liabilities

	30 September 2019 *HK$'000*	31 March 2019 *HK$'000*
Contract liabilities on sales of watches	**6,405**	7,476

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

13. BANK LOANS

During the six months ended 30 September 2019, the Group had no new bank loan raised (six months ended 30 September 2018: HK$41,200,000) and made the repayments of bank loan amounting to HK$36,083,000 (six months ended 30 September 2018: HK$41,233,000).

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019	1,000,000,000	100,000
Issued and fully paid:		
At 1 April 2018 and 30 September 2018	570,610,224	57,061
Share repurchased and cancelled	(252,000)	(25)
At 1 April 2019 and 30 September 2019	570,358,224	57,036

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

15. ACQUISITION OF A SUBSIDIARY UNDER ASSET ACQUISITION

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

Assets and liabilities recognised at the date of acquisition

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

16. SHARE-BASED PAYMENT TRANSACTION

The Company has share options schemes 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.

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 *(note a)*	6 April 2011 to 5 April 2021	HK$4.13	HK$3.44 *(note a)*
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 2019 and 30 September 2018:

Share options granted on 6 April 2011

Categories of participants	Number of share options outstanding at 1 April 2018	Forfeited during the period	Number of share options outstanding at 30 September 2018, 31 March 2019 and 30 September 2019
Directors of the Company	11,520,000	—	11,520,000
Other employees	14,400,000	—	14,400,000
Consultants *(note b)*	5,640,000	(3,000,000)	2,640,000
Total	31,560,000	(3,000,000)	28,560,000

Share options granted on 29 August 2011

Categories of participants	**Number of share options outstanding at 1 April 2018, 30 September 2018, 31 March 2019 and 30 September 2019**
Other employees	18,000,000
Consultants *(note b)*	5,000,000
	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 2019 and 30 September 2018. During the six months ended 30 September 2018, 3,000,000 options (six months ended 30 September 2019: nil) under the 2003 Share Option Scheme were forfeited.

(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 2019 and 30 September 2018 since its effective date on 3 November 2013 and there was no outstanding share option as at 30 September 2019.

During the six months ended 30 September 2019 and 30 September 2018, no share-based payment expense was recognised in relation to share options granted by the Company.

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			**Valuation**
		30 September 2019	31 March 2019	**Fair value hierarchy**	**technique(s) and key input(s)**
		HK$'000	*HK$'000*		
Financial assets					
(i)	Equity instruments at FVTOCI — equity securities listed in Hong Kong	**37**	41	Level 1	Quoted bid prices in an active market
(ii)	Equity instruments at FVTOCI — unlisted investments, managed fund portfolio	**3,195**	3,866	Level 2	Quoted market prices provided by brokers which are financial institutions *(note)*
(iii)	Debt instruments at FVTOCI — listed debt securities in overseas	**5,022**	3,683	Level 1	Quoted bid prices in an active market
(iv)	Debt instruments at FVTOCI — listed debt securities in Hong Kong	**1,570**	1,568	Level 1	Quoted bid prices in an active market
(v)	Debt instruments at FVTOCI — unlisted debt securities	**1,570**	1,569	Level 2	Quoted market prices provided by brokers which are financial institutions *(note)*
(vi)	Financial assets at FVTPL — listed investments, equity securities listed in Hong Kong and overseas	**4,479**	14,982	Level 1	Quoted bid prices in an active market

	Fair value as at 30 September 2019 HK$'000	31 March 2019 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial liabilities				
(i) Derivate financial instruments at FVTPL — Short position in equity securities listed in Hong Kong	**54**	—	Level 1	Quoted bid prices in an active market
(ii) Derivative financial instruments at FVTPL — Short position in equity securities listed in overseas	**500**	—	Level 1	Quoted bid prices in an active market

Note: 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.

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.

18. RELATED PARTY TRANSACTIONS

The compensation of key management personnel which represents the directors of the Company is disclosed in note 4.

19. CONTINGENT LIABILITIES

As at 30 September 2019, the Group issued financial guarantees to banks in respect of banking facilities granted to associates. The aggregate amount that may be required to be paid if the guarantees are called upon in entirety amounting to NT$150,000,000 (equivalent to HK$38,624,000; 31 March 2019: NT$150,000,000 and equivalent to HK$38,624,000), which was fully utilised by these associates at 30 September 2019. The fair value of the financial guarantee contracts at the grant date is not significant and in the opinion of the directors, the default risk of associates at 31 March 2019 and 30 September 2019 is considered as low.

20. CAPITAL COMMITMENTS

	30 September 2019 ***HK$'000***	31 March 2019 *HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**7,949**	8,780

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of 2.8 HK cents per share (2018: 2.8 HK cents) and a special dividend of 8.7 HK cents per share (2018: 8.7 HK cents) in respect of the six months ended 30 September 2019, totalling HK$65,591,000 (2018: HK$65,591,000), to be paid in cash to the shareholders whose names appear on the register of the members of the Company on 13 December 2019. Dividend warrants will be sent to those shareholders on or before 19 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 December 2019 to 13 December 2019 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim and special dividends mentioned above, all transfers, accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 10 December 2019.

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 2019 (the "Period").

During the Period, the Hong Kong retail market experienced adjustments as uncertainties have clouded the macro-economic environment. Tourist arrivals and retail sales have both seen corrections for a shorter period, impacting the retail and tourism industry as a whole. As such, the Group's turnover for the Period decreased by 1.1% to HK$1,167.8 million (2018: HK$1,181.1 million). However, gross profit remained strong and increased by 10.4% to HK$318.2 million (2018: HK$288.2 million) while gross profit margin increased to 27.3%, attributing to the Group's positioning at high-end luxurious market where our long-term clients maintain strong purchasing power, as well as its sincere effort in cost control on rent and inventory. As a result, the Group's net profit attributable to owners of the Company recorded a year on year ("yoy") decreased by 3.6% to HK$61.7 million (2018: HK$64.0 million) representing an acceptable results in this financial period even during challenging time.

The Hong Kong operation of the Group held up well during the Period against a backdrop of uncertain economic and social conditions. Over the years, the Group has established a strong high end customer base, which enabled the Group to achieve similar level of profitability.

Business Review and Prospects

As at 30 September 2019, the Group operates 61 retail and wholesale points (including associate retail stores) in the Greater China region. Breakdown by geographic region is as follows:

	As at 30 September 2019
Hong Kong	11
Macau	1
China	46
Taiwan	3
Total	61

China's gross domestic product ("GDP") has sustained a stable growth of around 6.1% yoy for the second and third quarters of 2019, which showed signs of gradual stabilization. The Chinese government has maintained keen eyes on promoting domestic consumption, the efforts have gradually begun to bear fruit. The Group's same-store-sales growth in China has achieved 11% during the Period. And sales in the Chinese market has remained an essential business for the Group over the years, the Group has established a solid foothold across tier-one Chinese cities such as Shanghai, Beijing and Guangdong province, as well as other cities such as Taiyuan, Nanjing, Changsha and Chengdu. As shown by statistics, China represents one of the major markets where strong and continuous growth has been recorded. In August and September 2019 alone, China registered CHF146.0 million (approximately HK$1.16 billion) and CHF162.0 million (approximately HK$1.29 billion) of export value, as stated by the Federation of the Swiss Watch Industry FH, representing a double-digit growth of 13.7% and 26.0%, respectively. The Group will continue to strengthen its foothold and seek greater presence going forward.

The Group executes stringent cost control over the years, our priority has been to control and maintain a reasonable rental cost since 2014. Due to the unrelenting efforts in negotiating better rental over the past year, we have managed to keep it at a relatively lower level and the benefits have continued to reflect over the Period. The Group's aggregate rental payments (excluding related property management fees) decreased by 2.6% to HK$76 million. In addition, regular internal assessments on the performance of all retail stores and closedown of high-rent yet non-performing stores are also the Group's strategy for better resource allocation. The Group will continue to closely monitor the store performance as well as the rental contracts from time to time in order to maximize the profitability by improving our efficiency and cost structure.

During the Period, the Group has employed policies on inventory management to ensure stable cash flow and healthy financial position. Policies included monitoring the inventory level and purchasing stocks only when existing inventory depletes to a pre-agreed level. With the hard work and determination from all staff, the Group's inventory level has successfully been maintained at a reasonable level. As at 30 September 2019, the Group's overall inventory level amounted to HK$704.2 million, decreasing by 14.5% from approximately HK$823.7 million as at 31 March 2019. In parallel, the Group has also continued to step up its efforts in adjusting and optimising its brand portfolio, in order to stabilise the Group's overall sales performance and keep abreast of market trend. Oriental Watch will continue to maintain a lower inventory level for a better cash position and a sustainable business development in the future.

Hong Kong is a leading tourist hub for visitors across the globe. The government policies are favourable to promoting tourism and attracting an influx of holidaymakers. In addition, with connectivity infrastructures already in place, such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macau Bridge, travel time between Hong Kong and many other Chinese cities are now shortened. It is in the belief of the Group that Hong Kong tourism should regain its footing in the near future, and the Group remains cautiously optimistic for the longer-term retail market, especially for the high-end sectors. Oriental Watch will continue to deploy appropriate strategies to elevate the productivity of existing stores, strengthen cost management and optimize its inventory profile, as well as enrich its product portfolio to capture opportunities within this particular consumer threshold.

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

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

During the six months ended 30 September 2019, 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 ("CG Code") in 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 2019, except the deviations as explained belows:

1. Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, the Independent Non-executive Directors were not appointed for a specific term but are subject to retirement by rotation in annual general meeting of the Company at least once every three years.

2. Code Provisions A5.1 to A5.4 provide for the establishment of a nomination committee. The Board has not established a nomination committee as it considers that all Directors should be involved in performing the duties set out in such Code Provisions.

3. Code provision E.1.5 relates to disclosure of dividend policy. The Company does not have a dividend policy and the Board will decide on the declaration/ recommendation of any future dividends after taking into consideration a number of factors, including the prevailing market conditions, the Group's operating results, business plans and prospects, financial position and working capital requirements, and other factors that the Board considers relevant.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 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 during the six months ended 30 September, 2019.

AUDIT COMMITTEE

The Audit Committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of unaudited consolidated financial statements for the six months ended 30 September 2019.

PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT

The 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 2019 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.

MEMBERS OF THE BOARD OF DIRECTORS

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

By order of the Board
Yeung Ming Biu
Chairman

Hong Kong, 20 November 2019