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ORIENTAL WATCH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(the “Company”)

(Stock Code: 398)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

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 2024 together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

		(Unaudited)	
		Six months ended	
	<i>NOTES</i>	30 September 2024	30 September 2023
		HK\$'000	HK\$'000
Revenue	3	1,800,461	1,848,126
Cost of goods sold		(1,240,038)	(1,275,941)
Gross profit		560,423	572,185
Other income	4A	18,792	19,652
Other gains and losses	4B	(6,563)	(184)
Distribution and selling expenses			
— Expenses related to leases		(97,700)	(91,316)
— Other distribution and selling expenses		(177,888)	(175,693)
Administrative expenses		(116,328)	(116,425)
Finance costs		(5,078)	(7,239)
Share of results of associates		10,643	13,904
Share of result of a joint venture		(285)	(208)

		(Unaudited)	
		Six months ended	
	<i>NOTES</i>	30 September 2024 HK\$'000	30 September 2023 HK\$'000
Profit before taxation	5	186,016	214,676
Income tax expense	6	<u>(66,632)</u>	<u>(75,972)</u>
Profit for the period		<u>119,384</u>	<u>138,704</u>
Other comprehensive income (expense)			
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of equity instruments at fair value through other comprehensive income (“FVTOCI”)		1,822	(740)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>27,101</u>	<u>(67,461)</u>
Other comprehensive income (expense) for the period		<u>28,923</u>	<u>(68,201)</u>
Total comprehensive income for the period		<u>148,307</u>	<u>70,503</u>
Profit (loss) for the period attributable to:			
Owners of the Company		119,398	138,041
Non-controlling interests		<u>(14)</u>	<u>663</u>
		<u>119,384</u>	<u>138,704</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		148,339	69,900
Non-controlling interests		<u>(32)</u>	<u>603</u>
		<u>148,307</u>	<u>70,503</u>
Earnings per share	8		
— Basic and diluted		<u>24.50 HK cents</u>	<u>28.32 HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2024

	<i>NOTES</i>	(Unaudited) 30 September 2024 <i>HK\$'000</i>	(Audited) 31 March 2024 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	9	233,391	248,761
Right-of-use assets	9	169,651	238,132
Investment properties		36,961	35,155
Deposits for acquisition of property, plant and equipment		360	360
Interests in associates		64,831	64,873
Interest in a joint venture		22,181	21,831
Equity instruments at FVTOCI		29,657	27,835
Financial assets at fair value through profit or loss (“FVTPL”)		19,498	18,695
Loan receivables	11	–	54,260
Deferred tax assets		8,134	6,864
Property rental deposits		16,234	34,023
		<u>600,898</u>	<u>750,789</u>
Current assets			
Inventories	10	506,592	442,997
Loan receivables	11	83,075	21,988
Trade and other receivables	12	265,532	254,065
Financial assets at FVTPL		10,851	12,226
Taxation recoverable		8,727	6,776
Cash and cash equivalents		1,089,388	898,634
		<u>1,964,165</u>	<u>1,636,686</u>
Current liabilities			
Trade and other payables	13	359,558	253,132
Contract liabilities	13	4,333	6,868
Dividend payable		112,093	–
Lease liabilities		112,451	132,560
Taxation payable		35,412	36,390
		<u>623,847</u>	<u>428,950</u>
Net current assets		<u>1,340,318</u>	<u>1,207,736</u>
Total assets less current liabilities		<u>1,941,216</u>	<u>1,958,525</u>

	(Unaudited)	(Audited)
	30 September	31 March
	2024	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	26,420	28,693
Lease liabilities	82,615	133,865
	<u>109,035</u>	<u>162,558</u>
Net assets	<u>1,832,181</u>	<u>1,795,967</u>
Capital and reserves		
Share capital	48,736	48,736
Reserves	1,781,680	1,745,434
Equity attributable to owners of the Company	1,830,416	1,794,170
Non-controlling interests	1,765	1,797
Total equity	<u>1,832,181</u>	<u>1,795,967</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policy resulting from application of 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 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2024.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 April 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

3. REVENUE AND SEGMENT INFORMATION

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

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is analysed based on the geographical markets of the goods sold, which is also the basis of organisation of the Group for managing the business operations.

Specifically, the Group had three operating segments, being (a) Hong Kong, (b) People's Republic of China (the "PRC") and (c) Macau. 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 "Revenue from contracts with customer", 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	
	recognised at a point in time		Six months ended	
	Six months ended		30 September	
	2024	2023	2024	2023
(unaudited)	(unaudited)	(unaudited)	(unaudited)	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Hong Kong	423,882	482,655	6,847	13,607
The PRC	1,322,763	1,302,486	212,328	220,096
Macau	53,816	62,985	2,470	7,728
	<u>1,800,461</u>	<u>1,848,126</u>	<u>221,645</u>	<u>241,431</u>
Unallocated other income			12,300	15,985
Unallocated other gains and losses			3,847	(763)
Unallocated corporate expenses			(62,134)	(55,673)
Share of results of associates			10,643	13,904
Share of result of a joint venture			(285)	(208)
Profit before taxation			<u>186,016</u>	<u>214,676</u>

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

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

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

	Segment assets		Segment liabilities	
	30 September 2024 (unaudited) <i>HK\$'000</i>	31 March 2024 (audited) <i>HK\$'000</i>	30 September 2024 (unaudited) <i>HK\$'000</i>	31 March 2024 (audited) <i>HK\$'000</i>
Hong Kong	513,700	552,601	210,581	242,313
The PRC	633,506	592,454	208,476	155,920
Macau	44,503	72,698	13,549	48,339
Segment total	<u>1,191,709</u>	<u>1,217,753</u>	<u>432,606</u>	<u>446,572</u>
Unallocated	<u>1,373,354</u>	<u>1,169,722</u>	<u>300,276</u>	<u>144,936</u>
Consolidated total	<u><u>2,565,063</u></u>	<u><u>2,387,475</u></u>	<u><u>732,882</u></u>	<u><u>591,508</u></u>

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

4A. OTHER INCOME

	Six months ended	
	30 September 2024 (unaudited) <i>HK\$'000</i>	30 September 2023 (unaudited) <i>HK\$'000</i>
Other income comprises:		
Interest income from bank	6,449	9,841
Interest income from rental deposits	1,031	456
Interest income from loan receivable at amortised cost	<u>5,851</u>	<u>2,467</u>

4B. OTHER GAINS AND LOSSES

	Six months ended	
	30 September 2024 (unaudited) <i>HK\$'000</i>	30 September 2023 (unaudited) <i>HK\$'000</i>
Other gains and losses comprises:		
Change in fair value of loan receivables at FVTPL	976	—
Change in fair value of financial assets at FVTPL	1,074	1,509
Change in fair value of investment properties	(236)	—
Impairment loss reversed (recognised) under expected credit loss model, net	1,515	(1,779)
Loss on disposal/written-off of property, plant and equipment	(277)	(412)
Net exchange gain	159	199
	<u>159</u>	<u>199</u>

5. PROFIT BEFORE TAXATION

	Six months ended	
	30 September 2024 (unaudited) <i>HK\$'000</i>	30 September 2023 (unaudited) <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	28,684	23,904
Depreciation of right-of-use assets	50,251	57,532
Allowance for slow-moving watches	5,248	3,482
Short-term lease payments	6,844	2,404
	<u>6,844</u>	<u>2,404</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30 September 2024 (unaudited) <i>HK\$'000</i>	30 September 2023 (unaudited) <i>HK\$'000</i>
Current tax:		
Hong Kong	133	2,449
PRC Enterprise Income Tax	56,896	61,999
Other jurisdictions	874	2,358
Withholding tax on dividend income from associates	2,068	2,337
Withholding tax on dividend income from subsidiaries	10,136	9,430
	<u>70,107</u>	<u>78,573</u>
Deferred taxation credit	<u>(3,475)</u>	<u>(2,601)</u>
	<u><u>66,632</u></u>	<u><u>75,972</u></u>

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

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

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

7. DIVIDEND

During the six months ended 30 September 2024, a final dividend of 5.8 HK cents per share, totalling HK\$28,267,000, in respect of the year ended 31 March 2024 (2023: 7.5 HK cents per share, totalling HK\$36,552,000) and a special dividend of 17.2 HK cents per share, totalling HK\$83,826,000, in respect of the year ended 31 March 2024 (2023: 22.0 HK cents per share, totalling HK\$107,219,000) were declared and approved by the shareholders of the Company at the annual general meeting held on 28 August 2024 and the dividends were subsequently paid to the shareholders of the Company on 30 October 2024.

On 14 November 2024, the directors resolved to declare an interim dividend of 6.1 HK cents per share, totalling HK\$29,729,000 in respect of the six months ended 30 September 2024 (2023: 7.0 HK cents per share, totalling HK\$34,115,000) and a special dividend of 18.5 HK cents per share, totalling HK\$90,161,000, in respect of the six months ended 30 September 2024 (2023: 21.5 HK cents per share, totalling HK\$104,782,000), to be paid in cash to those shareholders whose names appear on the Company's register of members on 8 January 2025.

8. 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 2024 (unaudited) HK\$'000	30 September 2023 (unaudited) HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>119,398</u>	<u>138,041</u>
	Six months ended	
	30 September 2024 (unaudited)	30 September 2023 (unaudited)
Number of shares		
Number of ordinary shares	<u>487,358,224</u>	<u>487,358,224</u>

For the six-month ended 30 September 2024 and 2023, no diluted earnings per share has been prepared as there was no potential ordinary shares outstanding during both periods respectively.

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

During the six months ended 30 September 2024, the Group incurred expenditure of HK\$12,715,000 (six months ended 30 September 2023: HK\$21,651,000) to acquire property, plant and equipment for its operation. During the six months ended 30 September 2024, the Group has disposed/written-off of certain property, plant and equipment with carrying amount of HK\$375,000 (six months ended 30 September 2023: HK\$412,000) resulting in a loss on disposal/written-off of HK\$277,000 (six months ended 30 September 2023: HK\$412,000).

During the six months ended 30 September 2024, the Group entered into several new lease agreement or lease renewal agreements for the use of shops and office premises ranging from 2 to 3 years (six months ended 30 September 2023: nil). The Group is required to make fixed payments. The Group recognised additions to right-of-use assets of HK\$20,235,000 (six months ended 30 September 2023: nil) and lease liabilities of HK\$19,456,000 (six months ended 30 September 2023: nil) upon commencement of leases, which constitutes non-cash transactions. In addition, lease terms of certain leases were extended through modification and the Group recognised additions to right-of-use assets of HK\$20,481,000 (six months ended 30 September 2023: nil) and related lease liabilities of HK\$17,414,000 (six months ended 30 September 2023: nil) at the effective date of modification. Furthermore, during the six months ended 30 September 2024, before the commencement of the extension period of a lease, the Group had entered into a renewal agreement with the term of years shorter than the term of years per extension option and accordingly, the Group recognised reduction to right-of-use assets of HK\$46,257,000 (six months ended 30 September 2023: HK\$43,266,000) and lease liabilities of HK\$48,168,000 (six months ended 30 September 2023: HK\$44,133,000) at the effective date of modification.

10. INVENTORIES

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Watches	502,055	438,663
Accessories and parts	4,537	4,334
	506,592	442,997

11. LOAN RECEIVABLES

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Loan receivable at amortised cost	60,110	54,260
Loan receivables at FVTPL	22,965	21,988
	83,075	76,248

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

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Repayable after one year	—	54,260
Repayable within one year	83,075	21,988
	83,075	76,248

12. TRADE AND OTHER RECEIVABLES

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Trade receivables	221,469	227,114
Less: Allowance for credit losses	(6,550)	(7,872)
	214,919	219,242
Property rental and other deposits	44,810	21,869
Advances to suppliers	2,036	5,433
Others	3,767	7,521
	265,532	254,065

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

	30 September	31 March
	2024	2024
	(unaudited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Age		
0 to 30 days	141,113	136,433
31 to 60 days	23,350	14,920
61 to 90 days	12,835	19,012
Over 90 days	37,621	48,877
	214,919	219,242

13. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Trade and other payables

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Trade payables	90,323	34,927
Payroll and welfare payables	178,259	110,957
Commission payables	32,535	53,639
Renovation work payables	4,859	6,237
PRC value added tax (“VAT”) and other taxes payables	20,564	24,142
Property rental fee payables	16,449	11,339
Others	16,569	11,891
	<u>359,558</u>	<u>253,132</u>

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

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Age		
0 to 60 days	88,975	32,626
61 to 90 days	32	39
Over 90 days	1,316	2,262
	<u>90,323</u>	<u>34,927</u>

Contract liabilities

	30 September 2024 (unaudited) HK\$'000	31 March 2024 (audited) HK\$'000
Contract liabilities on sales of watches	4,333	6,868

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

14. SHARE-BASED PAYMENT TRANSACTION

The Company has share award scheme for eligible directors and employees of the Company or its subsidiaries.

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

Under the 2022 Share Award Scheme, any employee, executive, officer, or director of the Company or of any subsidiary is 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 to 30 September 2024 and 30 September 2023, respectively.

The total number of awards available for grant under the 2022 Share Award Scheme was 48,735,822 shares both as at 1 April 2024 and 30 September 2024. Under such scheme, there is no provision on (a) the vesting period of awards to be granted; and (b) the amount payable on application or acceptance of the award and the period within which payments or calls must or may be made or loans for such purposes must be repaid. All these are subject to the discretion of the board of directors of the Company on the granting of an award under such scheme.

During the six months ended 30 September 2024 and 30 September 2023, no share-based payment expense was recognised in relation to the 2022 Share Award Scheme.

DIVIDENDS

The directors have resolved to pay an interim dividend of 6.1 HK cents per share (2023: 7.0 HK cents) and a special dividend of 18.5 HK cents per share (2023: 21.5 HK cents) in respect of the six months ended 30 September 2024, totalling HK\$119,890,000 (2023: HK\$138,897,000), to shareholders whose names appear on the register of the members of the Company on 8 January 2025. Dividend warrants will be sent to shareholders on or before 23 January 2025.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 January 2025 to 8 January 2025 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special dividend above mentioned, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Tricor Secretaries Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 6 January 2025.

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 am pleased to present you the unaudited consolidated results of the Group for the six months ended 30 September 2024 (the "Period").

The weakened investment market, whether in equities or real estate, has adversely affected consumer sentiment. Compounded by growing employment concerns and the lack of growth in real purchasing power, consumers were generally scaling back their demand for luxury goods. Consequently, the Group's operations were negatively impacted during the Period, with revenue reporting a 2.6% year-on-year ("yoy") decrease to HK\$1,800 million (2023: HK\$1,848 million). In line with the decrease in revenue, gross profit decreased by 2.1% yoy to HK\$560 million (2023: HK\$572 million), with gross profit margin remained stable, at 31.1% (2023: 31.0%). As the Group continued to refine its store presence for better brand visibility, there was also an increase in rental expenses and renovation costs, operating profit decreased by 13.5% yoy to HK\$186 million (2023: HK\$215 million). Profit attributable to owners of the Company decreased by 13.8% yoy to HK\$119 million (2023: HK\$138 million).

Business Review

As at 30 September 2024, the Group operated 44 retail points (including associate retail stores) in the Greater China region, along with 1 online store in each of Mainland China and Hong Kong respectively. Breakdown of retail points by geographic region is as follows:

	As at 30 September 2024
Hong Kong	12
Macau	2
Mainland China	28
Taiwan	2
	<hr/>
Total	44
	<hr/> <hr/>

The Mainland China market remained difficult due to various challenges. The Gross Domestic Product (GDP) has shown a declining growth, starting at 5.3% in the first quarter and further decreasing to 4.6% in the third quarter. Nonetheless, by strengthening its collaborations with various brands and establishing respective boutique stores, the Group was able to deliver resilient performance during the Period. Revenue from the Group's Mainland China operation experienced a modest increase of 1.6% yoy to HK\$1,323 million (2023: HK\$1,302 million).

In Hong Kong, the retail sector continued to adapt to the weakened traffic and demand, a challenge exacerbated by the sustained strength of the US dollar and Hong Kong dollar against regional currencies like the Japanese yen. This currency dynamic has led to an uptick in outbound travel and a shift in consumer habits, with more individuals choosing to visit and purchase goods outside Hong Kong. As a result, Hong Kong's retail sales experienced a decline of 7.6% yoy from January to September, and the retail sales of jewellery, watches and clocks, and valuable gifts dropped 16.0% yoy during the same period, according to the Census and Statistics Department of Hong Kong. Given the diminishing luxury market, the Group's Hong Kong operations recorded a 12.2% yoy decrease in revenue to HK\$424 million (2023: HK\$483 million).

Regarding operating costs, with rental costs representing a majority of its expenses, the Group has been closely monitoring store performance and strategically closing down high-rent yet non-performing stores. At the same time, the Group will continue exploring opportunities to expand brand awareness through new stores in premium location. With the establishment of three new boutique stores during the Period, the Group's aggregated expenses related to lease increased by 6.2% yoy to HK\$103 million, accounting for 25.9% of the overall operating expenses (2023: 24.8%). The Group will continue to explore strategies to enhance cost efficiency and competitiveness, while remaining flexible in its lease negotiations to adapt to latest market conditions.

The Group has also adopted a cautious approach to monitoring stock levels of high-ticket products, opting to purchase stocks only when existing inventories fall to a predetermined threshold. However, following the establishment of new boutique shops and brand counters, and in anticipation of a progressively improving outlook for the second half of the year, the Group strategically increased its inventory level to HK\$507 million as at 30 September 2024, representing an increase of 14.4% from HK\$443 million as at 31 March 2024. Despite the increment, the Group's overall inventory remains at a healthy level, offering a fine balance between liquidity management and fulfilling market demand.

Prospects

Amidst the growing economic challenges, both the State Council of the People's Republic of China and the Hong Kong government have introduced a range of stimulus measures to boost the local tourism industry and consumption. The U.S. Federal Reserve's interest rate cut in September signals the start of a monetary easing cycle. It is expected to boost market liquidity and hence consumption appetite. From such favourable trends, the Group anticipates that watch sales will gradually return to a satisfactory level. To capture the potential opportunities, the Group will continue to enhance its service quality and boost brand recognition to solidify its market presence. Internally, the Group will also uphold its financial prudence and operational excellence, so that it can further improve its service quality, and generate substantial returns for stakeholders in the future.

Liquidity and financial resources

At 30 September 2024, the Group's total equity reached HK\$1,832 million, compared with HK\$1,796 million as at 31 March 2024. The Group had net current assets of HK\$1,340 million, including cash and cash equivalents of HK\$1,089 million as at 30 September 2024 compared with balances of HK\$1,208 million and HK\$899 million respectively as at 31 March 2024. The Group had no bank loan as at 30 September 2024 and 31 March 2024 and the gearing ratio (defined as total bank borrowing on total equity) was nil.

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

Foreign exchange exposure

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

STAFF AND EMPLOYMENT

As at 30 September 2024, our Group employed 609 employees in Hong Kong, Macau, the Mainland China and Taiwan, of which approximately 63% were located on the Mainland China.

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

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

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

The Company has adopted a share 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 with a view 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 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 September 2024.

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

During the six months ended 30 September 2024, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good governance practices and procedures. The Company has met the code provisions set out in the Corporate Governance Code (the "CG Code") in Part 2 of Appendix C1 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 2024 except the following deviations:

1. Under code provision C.2.1, the roles of the chairman and chief executive should be separated and should not be performed by the same individual. However, such roles have been taken up by Mr. Yeung Him Kit, Dennis since 10 February 2021 after Dr. Yeung Ming Bui, the Company's former chairman, passed away as the Board considers that he is the most suitable person with the necessary experience to provide leadership to the Board as well as to manage the day-to-day operations of the Group.
2. Code provision F.1.1 relates to disclosure of dividend policy. The Company does not have a dividend policy and the Board will decide on the declaration/recommendation of any future dividends after taking into consideration a number of factors, including the prevailing market conditions, the Group's operating results, business plans and prospects, financial position and working capital requirements, and other factors that the Board considers relevant.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Enquiry has been made with all directors of the Company and all directors have confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 2024.

AUDIT COMMITTEE

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

The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of unaudited consolidated financial statements for the six months ended 30 September 2024.

PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at (www.hkex.com.hk) and the Company at (www.orientalwatch.com). The 2024 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 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 Mr. Choi Man Chau, Michael, Mr. Sun Dai Hoe, Harold and Mr. Sin Nga Yan, Benedict as independent non-executive directors.

By order of the Board
Yeung Him Kit, Dennis
Chairman

Hong Kong, 14 November 2024