Oriental Watch Company
Since 1961

ORIENTAL WATCH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 398)

Website: http://www.orientalwatch.com.hk

FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2013

FINANCIAL HIGHLIGHTS

- Turnover declined 5.2% to HK$3,733 million
- Profit attributable to owners of the Company decreased 0.9% to HK$162 million
- Profit for the year would be HK$86 million excluding the net gain of HK$76 million in relation to the disposal of property, plant and equipment this year, mainly comprised the gain on disposal on a shop premises
- Basic earnings per share was HK28.50 cents
- Final dividend of HK5.0 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 31st March, 2013 together with the comparative figures for the corresponding year in 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH, 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	3	**3,732,925**	3,935,963
Cost of goods sold		**(3,032,500)**	(3,108,451)
Gross profit		**700,425**	827,512
Other income and gains	4	**113,254**	37,059
Distribution and selling expenses		**(246,473)**	(269,641)
Administrative expenses		**(353,344)**	(366,841)
Finance costs	5	**(31,269)**	(18,247)
Share of results of associates		**677**	5,087
Share of results of jointly controlled entities		**2,693**	2,008
Profit before taxation	6	**185,963**	216,937
Income tax expense	7	**(23,366)**	(52,829)
Profit for the year attributable to owners of the Company		**162,597**	164,108
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		**8,321**	17,773
Change in fair value of available-for-sale financial assets		**4,747**	(1,101)
Reclassification adjustment relating to impairment loss on available-for-sale financial assets		**—**	249
Other comprehensive income for the year		**13,068**	16,921
Total comprehensive income for the year attributable to owners of the Company		**175,665**	181,029
Earnings per share			
Basic	9	**28.50 HK cents**	28.94 HK cents
Diluted	9	**28.50 HK cents**	28.76 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST MARCH, 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**292,244**	267,455
Deposits for acquisition of property, plant and equipment		**238**	6,679
Interests in associates		**37,965**	37,777
Interests in jointly controlled entities		**27,328**	24,311
Available-for-sale financial assets		**14,015**	9,268
Deferred tax assets		**1,387**	1,680
Property rental deposits		**30,509**	38,774
Amount due from a jointly controlled entity		**67,739**	—
		471,425	385,944
Current assets			
Inventories		**2,060,287**	2,003,455
Trade and other receivables	*10*	**167,923**	207,935
Taxation recoverable		**9,236**	—
Bank balances and cash		**373,221**	206,605
		2,610,667	2,417,995
Current liabilities			
Trade and other payables	*11*	**159,251**	173,252
Taxation payable		**6,964**	30,685
Bank loans		**393,451**	476,351
		559,666	680,288
Net current assets		**2,051,001**	1,737,707
Total assets less current liabilities		**2,522,426**	2,123,651
Non-current liabilities			
Bank loans		**292,500**	30,000
Deferred tax liabilities		**1,976**	1,423
		294,476	31,423
Net assets		**2,227,950**	2,092,228
Capital and reserves			
Share capital	*12*	**57,061**	57,061
Reserves		**2,170,889**	2,035,167
Total equity		**2,227,950**	2,092,228

Notes

1. GENERAL

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 are detailed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKFRS 7	Financial instruments: Disclosures — Transfers of financial assets

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

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 — 2011 cycle[1]
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC) — INT 20	Stripping costs in the production phase of a surface mine[1]

[1] Effective for annual periods beginning on or after 1st January, 2013.
[2] Effective for annual periods beginning on or after 1st January, 2014.
[3] Effective for annual periods beginning on or after 1st January, 2015.
[4] Effective for annual periods beginning on or after 1st July, 2012.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2015, with earlier application permitted.

Except for available-for-sale investments, the directors anticipate that the application of HKFRS 9 will not affect the classification and measurement of the Group's other financial assets and liabilities as at 31st March, 2013. Regarding the Group's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements. HK(SIC) — INT 12 “Consolidation — Special purpose entities” will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 “Interests in joint ventures”. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) — INT 13 “Jointly controlled entities — Non-monetary contributions by venturers” will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1st January, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that the application of these five standards will be adopted in the Group’s consolidated financial statements for the annual period beginning 1st April, 2013. The application of these five standards will not have material impacts on amounts reported in the consolidated financial statements but will result in more extensive disclosure in the consolidated financial statements.

HKFRS 13 “Fair value measurement”

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 “Financial instruments: Disclosures” will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st April, 2013. Other than the available-for-sale investments carried at fair value, the application of this new standard is not expected to affect the measurement and presentation of the Group's assets and liabilities reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1st July, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods. This standard will be adopted for the Group's consolidated financial statements for the annual period beginning 1st April, 2013.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operation is principally sales of watches. The Group's turnover 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) 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 maker, 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.

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

	Segment revenue		Segment profit	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**2,553,928**	2,594,648	**222,959**	185,133
Macau and the PRC	**1,178,997**	1,341,315	**24,800**	91,902
	3,732,925	3,935,963	**247,759**	277,035
Unallocated other income			**3,393**	5,268
Unallocated corporate expenses			**(37,290)**	(54,214)
Finance costs			**(31,269)**	(18,247)
Share of results of associates			**677**	5,087
Share of results of jointly controlled entities			**2,693**	2,008
Profit before taxation			**185,963**	216,937

The accounting policies used to determine segment revenue and results are the same as the accounting policies adopted in the Group's consolidated financial statements. Segment profit represents the profit earned by each segment without allocation of finance costs, share of results of associates and jointly controlled entities and unallocated other income and expenses. Unallocated expenses include auditor's remuneration, directors' emoluments and operating expenses of inactive companies. This is the measure reported to the Managing Director 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 31st March, 2013.

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,478,959**	1,483,601	**111,129**	125,028
Macau and the PRC	**1,071,173**	1,038,842	**47,425**	47,632
Segment total	**2,550,132**	2,522,443	**158,554**	172,660
Unallocated	**531,960**	281,496	**695,588**	539,051
Group's total	**3,082,092**	2,803,939	**854,142**	711,711

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 interests in associates and jointly controlled entities, available-for-sale financial assets, deferred tax assets, amount due from a jointly controlled entity, taxation recoverable as well as assets of the headquarters and bank balances and cash; and

— all liabilities are allocated to operating segments other than taxation payable, deferred tax liabilities and bank loans as well as other payables of the headquarters. Bank loans are classified as unallocated corporate liabilities because they are managed centrally by the treasury function of the Group.

Other segment information

Amounts included in the measure of segment results or segment assets:

	Additions of property, plant and equipment		**Depreciation**		**(Gain) loss on disposal of property, plant and equipment**		**Impairment loss on available-for-sale financial assets**		**(Decrease) increase in non-current property rental deposits**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**36,518**	112,838	**14,209**	10,176	**(76,917)**	—	**—**	—	**(3,263)**	15,724
Macau and the PRC	**37,831**	32,859	**24,975**	25,043	**610**	5	**—**	—	**(5,002)**	9,073
Segment total	**74,349**	145,697	**39,184**	35,219	**(76,307)**	5	**—**	—	**(8,265)**	24,797
Unallocated	**—**	—	**268**	60	**—**	—	**—**	249	**—**	—
Group's total	**74,349**	145,697	**39,452**	35,279	**(76,307)**	5	**—**	249	**(8,265)**	24,797

Information about the Group's non-current assets (excluding available-for-sale financial assets, deferred tax assets, property rental deposits, amount due from a jointly controlled entity and interests in associates and jointly controlled entities) by geographical location of the assets is detailed below:

	Carrying amount of non-current assets	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**220,379**	214,394
Macau and the PRC	**72,103**	59,740
	292,482	274,134

4. OTHER INCOME AND GAINS

	2013 *HK$'000*	2012 *HK$'000*
Exchange gain	**1,767**	2,510
Gain on disposal of property, plant and equipment	**76,307**	—
Interest income	**1,626**	2,758
Repairing service income	**5,285**	5,961
Show window rental income	**24,229**	23,175
Others	**4,040**	2,655
	113,254	37,059

5. FINANCE COSTS

	2013 *HK$'000*	2012 *HK$'000*
Interest on bank borrowings:		
Wholly repayable within five years	**30,578**	17,807
Not wholly repayable within five years	**691**	440
	31,269	18,247

6. PROFIT BEFORE TAXATION

	2013 *HK$'000*	2012 *HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**34,185**	50,681
Equity-settled share-based payment expense for other staff	—	54,776
Other staff's retirement benefits scheme contributions	**7,253**	4,940
Other staff costs	**134,105**	123,960
	175,543	234,357
Auditor's remuneration	**2,780**	2,653
Depreciation of property, plant and equipment	**39,452**	35,279
Equity-settled share-based payment expense for consultants (included in administrative expenses)	—	21,974
Impairment loss recognised on available-for-sale financial assets (included in administrative expenses)	—	249
Loss on disposal of available-for-sale financial assets (included in administrative expenses)	—	479
Loss on disposal of property, plant and equipment	—	5
Operating lease rentals in respect of rented premises	**190,194**	139,818

7. INCOME TAX EXPENSE

	2013 *HK$'000*	2012 *HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax	**18,098**	38,569
Overprovision in prior years	**(2,725)**	(2,677)
	15,373	35,892
Taxation in other jurisdictions	**6,923**	19,235
Under(over)provision in prior years	**207**	(2,041)
	7,130	17,194
Deferred taxation	**863**	(257)
	23,366	52,829

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

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% from 1st January, 2008 onwards. Certain subsidiaries that enjoyed a preferential tax rate prior to 1st January, 2008 will be gradually transitioned to the new tax rate over five years from 1st January, 2008. Therefore, the Enterprise Income Tax rate of these PRC subsidiaries was increased from 24% in the calendar year of 2011 to 25% in the calendar year of 2012.

8. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Interim dividend for financial year ended 31st March, 2013 of 2.0 HK cents (financial year ended 31st March, 2012: 3.0 HK cents) per share on 570,610,224 (2012: 570,610,224) shares	**11,412**	17,118
Special dividend for financial year ended 31st March, 2012 of 3.0 HK cents (2013: nil) per share on 570,610,224 shares	**—**	17,118
Final dividend for financial year ended 31st March, 2012 of 5.0 HK cents (financial year ended 31st March, 2011: 8.0 HK cents) per share on 570,610,224 (2011: 469,508,520) shares	**28,531**	37,561
	39,943	71,797
Dividend proposed after year end:		
Proposed final dividend for financial year ended 31st March, 2013 of 5.0 HK cents (financial year ended 31st March, 2012: 5.0 HK cents) per share on 570,610,224 (2012: 570,610,224) shares	**28,531**	28,531

A final dividend of 5.0 HK cents (2012: 5.0 HK cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. 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:

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**162,597**	164,108

	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**570,610**	567,010
Effect of dilutive potential ordinary shares — share options	**—**	3,617
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**570,610**	570,627

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

10. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**111,656**	143,754
Property rental and utilities deposits	**36,625**	11,813
Refundable deposits	**—**	9,561
Advances to apparel suppliers	**1,413**	1,811
Advances to other suppliers	**3,736**	237
VAT recoverable	**10,065**	18,176
Property rental prepaid	**—**	7,569
Other receivables	**4,428**	15,014
	167,923	207,935

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

	2013	2012
	HK$'000	*HK$'000*
Age		
0 to 30 days	**104,287**	125,044
31 to 60 days	**5,169**	12,953
61 to 90 days	**511**	4,809
Over 90 days	**1,689**	948
	111,656	143,754

More than 93% (2012: 86%) of the trade receivables that are neither past due nor impaired are recovered within one month after the end of the reporting period. No provision has been made for trade receivables as at 31st March, 2013 (2012: nil).

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$7,369,000 (2012: HK$18,710,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 46 days (2012: 41 days).

Ageing of trade receivables which are past due but not impaired

	2013	2012
	HK$'000	*HK$'000*
31 to 60 days	**5,169**	12,953
61 to 90 days	**511**	4,809
Over 90 days	**1,689**	948
	7,369	18,710

The Group will provide fully for any receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

11. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**81,453**	110,531
Payroll and welfare payables	**22,274**	21,892
Commission payables	**11,979**	12,096
Advances from customers	**13,630**	2,802
Renovation work payables	**7,793**	2,968
VAT and other taxes payables	**1,463**	1,389
Advertising fee payables	**1,296**	4,937
Interest payables	**2,867**	1,778
Property rental fee payables	**7,779**	7,172
Other payables	**8,717**	7,687
	159,251	173,252

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

	2013	2012
	HK$'000	*HK$'000*
Age		
0 to 60 days	**75,965**	105,198
61 to 90 days	**179**	4,209
Over 90 days	**5,309**	1,124
	81,453	110,531

12. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st April, 2011, 31st March, 2012 and 31st March, 2013	1,000,000,000	100,000
Issued and fully paid:		
At 1st April, 2011	469,508,520	46,951
Bonus issue of shares *(note (a))*	93,901,704	9,390
Issue of shares upon exercise of share options *(note (b))*	7,200,000	720
At 31st March, 2012 and 31st March, 2013	570,610,224	57,061

Notes:

(a) By an ordinary resolution passed at the annual general meeting of the Company held on 28th July, 2011, the issued share capital was increased by way of a bonus issue by charging HK$9,390,000 to the retained profits account in payment in full at par of 93,901,704 ordinary shares of HK$0.10 each on the basis of one new ordinary share for every five ordinary shares held on 28th July, 2011.

(b) During the year ended 31st March, 2012, consultants of the Company exercised share options amounting to 7,200,000 shares, at an adjusted exercise price of HK$3.44 per share.

The new bonus shares issued on 28th July, 2011 were not entitled to the final dividend for the year ended 31st March, 2011. All other shares issued during the year ended 31st March, 2012 rank pari passu with the then existing shares in all respects.

13. SHARE-BASED PAYMENT TRANSACTION

Pursuant to an ordinary resolution passed at the Company's special general meeting held on 3rd November, 2003, the Company adopted a Share Option Scheme.

Under the 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 "Eligible Persons"), the trustee of the Eligible Persons or a company beneficially owned by the Eligible Persons. The purpose of the 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 Share Option Scheme as at the end of reporting period is 23,950,852 shares. 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 Rules Governing the Listing of Securities on the Stock Exchange. The exercisable period is determined by the directors of the Company, which shall not be more than 10 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 Share Option Scheme will remain in force until 2nd November, 2013.

On 6th April, 2011, 32,300,000 share options were granted and on 29th August, 2011, 23,000,000 share options were granted. The options may be exercised by the grantees at any time during the option period up to the termination of employment. 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**
6th April, 2011	32,300,000 *(note (a))*	6th April, 2011 to 5th April, 2021	HK$4.13	HK$3.44 *(note (a))*
29th August, 2011	23,000,000	29th August, 2011 to 28th August, 2021	HK$4.80	N/A

The following tables disclose movements of the Company's share options held by directors, employees and consultants during the years ended 31st March, 2012 and 31st March, 2013.

Share options granted on 6th April, 2011

	Number of shares under option				
Categories of participants	**Outstanding at 1st April, 2011**	**Granted during the year**	**Adjustment on bonus issue of shares** *(note (a))*	**Exercised during the year**	**Outstanding at 31st March, 2012 and 31st March, 2013**
Directors of the Company	—	12,100,000	2,420,000	—	14,520,000
Other employees	—	12,000,000	2,400,000	—	14,400,000
Consultants *(note (b))*	—	8,200,000	1,640,000	(7,200,000)	2,640,000
Total	—	32,300,000	6,460,000	(7,200,000)	31,560,000

Share options granted on 29th August, 2011

Categories of participants	Number of shares under option Outstanding at 1st April, 2011	Granted during the year	Outstanding at 31st March, 2012 and 31st March, 2013
Other employees	—	18,000,000	18,000,000
Consultants *(note (b))*	—	5,000,000	5,000,000
	—	23,000,000	23,000,000

Notes:

(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.

(b) The share options were granted to consultants for services rendered in exploring investment opportunities for the Group.

During the year ended 31st March, 2012, 7,200,000 share options granted under the Share Option Scheme were exercised on 5th August, 2011, 21st September, 2011 and 7th December, 2011. The share prices at the respective dates of exercise were HK$5.58, HK$4.34 and HK$4.15. The weighted average share price at the dates of exercise was HK$4.69.

No share option was granted, exercised or forfeited during the year ended 31st March, 2013.

The fair values of share options granted during the year ended 31st March, 2012 were calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

Share options granted on 6th April, 2011	
Share price at grant date	HK$4.13
Exercise price	HK$4.13
Expected volatility	53.41%
Expected life	3 years
Risk-free rate	1.42%
Expected dividend yield	1.69%

Share options granted on 29th August, 2011	
Share price at grant date	HK$4.80
Exercise price	HK$4.80
Expected volatility	45.20%
Expected life	10 years
Risk-free rate	2.25%
Expected dividend yield	1.91%

Expected volatilities were determined by using the historical volatility of the Company's share price over the previous years.

The variable and assumptions used in computing the fair values of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised a share-based payment expense of HK$93,553,000 for the year ended 31st March, 2012 (2013: nil) in relation to share options granted by the Company.

14. CONTINGENT LIABILITIES

As at 31st March, 2013, the Group issued financial guarantees to banks in respect of banking facilities granted to associates. The aggregate amount that could be required to be paid if the guarantees were called upon in entirety amounted to NT$250,000,000 (equivalent to HK$64,950,000; 2012: NT$380,000,000 and equivalent to HK$100,000,000), NT$200,000,000 (equivalent to HK$51,960,000; 2012: NT$100,000,000 and equivalent to HK$26,300,000) of which has been utilised by these associates. The fair value of the financial guarantee contracts at the grant date and at 31st March, 2012 and 2013 is not significant. In the opinion of directors, the default risk of associates is considered as low.

15. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**219,062**	155,718
In the second to fifth years inclusive	**167,581**	122,347
	386,643	278,065

Operating lease payments represent rentals payable by the Group for certain its shops and office premises. Leases are negotiated for an average term of 1 to 4 years (2012: 1 to 4 years). Some group entities are required to pay lease charges based on a fixed percentage of net sales.

16. CAPITAL COMMITMENTS

	2013	2012
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**268**	2,860

17. OTHER COMMITMENTS

At the end of the reporting period, the Group was committed to pay royalties for the usage of a fashion brand for manufacture and trading of apparels with a minimum guarantee royalties payment as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**1,800**	2,272
In the second to fifth years inclusive	**—**	8,057
	1,800	10,329

The Group was also subject to pay royalties at 6% on total net wholesales made per annum on top of the above minimum guarantee royalties.

During the year ended 31st March, 2013, the Group early terminated the licence agreement with effect from 31st December, 2012. The Group is permitted to sell the apparels for a period up to 30th June, 2013. The amount of commitments at 31st March, 2013 represents further payment to be paid to the licensor under the termination agreement.

FINAL DIVIDEND

The directors proposed to pay a final dividend of 5.0 Hong Kong cents per share for the year ended 31st March, 2013 (2012: 5.0 Hong Kong cents) to the shareholders whose names appear on the register of members of the Company on 21st August, 2013. Subject to approval at the forthcoming annual general meeting, dividend warrants will be sent to shareholders on or before 5th September, 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19th August, 2013 to 21st August, 2013 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 16th August, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results

On behalf of the Board of Directors (the "Board") of Oriental Watch Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), I hereby present the audited consolidated results of the Group for the year ended 31st March 2013 (the "Year").

Turnover for the year ended 31st March 2013 declined 5.2% to HK$3,733 million (2012: HK$3,936 million). This led to a gross profit decline of 15.4% to HK$700 million (2012: HK$828 million) thus gross profit margin to drop to 18.8% from 21.0% last year. Net profit attributable to owners of the Company was HK$162 million, representing a decrease of 0.9% from the previous corresponding year (2012: HK$164 million). Excluding the one-off share option expense of HK$94 million recognized last year and the net gain of HK$76 million in relation to the disposal of property, plant and equipment this year, mainly comprised the gain on disposal on a shop premises, the adjusted net profit decrease for our core business would have been 66.5%. This significant decline in net profit performance was mainly attributable to: (1) the absence of price hikes implemented by watch suppliers during the year, (2) the slowdown in China's sales performance amidst a cooling domestic economy, (3) these together led to a substantial drop in gross profit margin as compared to the previous year, (4) heightened rental expenses in both Hong Kong and China and (5) significant increase in stock provision during the year which grew 31.7% to HK$126 million as compared to last year (2012: HK$96 million).

The Board has resolved to recommend a final dividend of 5.0 HK cents per share (2012: 5.0 HK cents). The final dividend together with the interim dividend of 2.0 HK cents per share, represented a dividend payout of approximately 25% for the year ended 31st March 2013 (2012: 38%).

Business Review

As at 31st March 2013, the Group operates 107 stores (including stores of associates and jointly controlled entities) in the Greater China region. Breakdown by geographic region is as follows:

	As at March 2013
Hong Kong	14
Macau	2
China	89
Taiwan	2
Total	107

In 2011, the strong demand in China drove the luxury watch industry into a banner year. However, a volatile global economic backdrop and the Chinese government's crackdown on ostentation and luxury gifting amongst government officials has cooled consumption considerably during the Year as Mainland consumers curb their spending on extravagant items. This was evident in the latest export statistics, with the Federation of the Swiss Watch Industry reporting that China's Swiss watch sales from January to April 2013 has dropped 25% year-on-year. Yet, in contrast to such unfavourable sentiment in China, the Group's retail sales in Hong Kong and Macau has picked up from the second half of the fiscal year onwards, with the regions' same-store sales ("SSS") registering consecutive positive growth since February 2013. The Group anticipates this improvement to continue, as our stores have already witnessed a gradual increase in Mainland tourist foot traffic and a pick-up in sales for high-ticket watch items.

High rental costs continued to be a major cost concern for retailers in Hong Kong, Macau and China, respectively. Compared to the previous corresponding year, the Group's rental expense increased by approximately 35.7% and this was mainly caused by the lease renewal of 3 existing stores in Hong Kong and the opening of a new Rolex boutique in Hysan Place, Causeway Bay. The latter commenced operation in August 2012. Yet, the rise in rental as a percentage of turnover increased by 1.50 percentage points to 5.1%. The Group wishes to put this heightened cost impact in perspective, that this spike is almost entirely related to these one-off events and that our rental expense is better controlled than our peers. A good portion of Oriental Watch's retail stores in Hong Kong are self-owned properties, hence the Group is relatively defensive to such external cost pressures. The Group will maintain prudent policies on its operating expenses and is determined to lower this ratio in the coming years.

As at 31st March 2013, the Group's inventory level grew 2.9% to HK$2,060 million (2012: HK$2,003 million) and was mainly attributable to the stocking up of inventory for our two new stores in Hysan Place, Causeway Bay and in New Mandarin Plaza, Tsim Sha Tsui East, respectively. The Group understands the importance of a healthy working capital hence we have already tightened inventory management during the Year, with clear directives to front line staff to slow the replenishment rate of high-ticket items. Moreover, the Group's balance sheet was also strengthened by the disposal of property, plant and equipment, mainly comprised the gain on disposal on a shop premises in Central for a net gain of HK$76 million during the Year. To unlock value in our assets, the Group may consider divesting 4 other potential shop premises at opportune times to achieve greater shareholder returns in the long run.

Prospects

Despite the global economic uncertainty, the Group remains cautiously optimistic on the business outlook in the luxury market and believes the inspiration for high-end goods is still strong and growing amongst Mainland consumers. This is fuelled by the rising wealth of China's aspirational middle class, business elites, and sophisticated individuals who have a growing taste for niche brands and exclusive products. In most cases they come for world renowned brands, of which the Group distributes many. The agreement to lower the import tariff for Swiss goods on the back of the recent Swiss-China free trade is certain to stimulate demand for luxury watches in China over the medium-to-long term.

Further to the addition of two new stores during the Year, the Group will continue to adopt a prudent store expansion strategy in the new fiscal year, focusing on fine-tuning its existing retail store network (especially in China) to optimize operating performance. And when the opportunity presents, the management may further expand in Hong Kong on more reasonable rental costs. Tightened inventory and costs controls will also be enforced to maintain a healthy cash position. In the long term, the Group is confident that Hong Kong will continue to be a major shopping destination for Mainland Chinese tourists with its superior service standards, lower tax rates and comprehensive product range.

"Oriental Watch" is a prestigious brand established over a long establishment history and well known amongst Chinese consumers. With this being the biggest asset for the Group, we will continue to strive to capitalize on all viable business opportunities and aim to achieve satisfactory returns for our shareholders.

On behalf of the Group, we thank our customers, suppliers, staff and shareholders for their loyalty and continued support.

FINANCIAL REVIEW

Liquidity and financial resources

At 31st March 2013, the Group's total equity reached HK$2,228 million, compared with HK$2,092 million as at 31st March, 2012. The Group had net current assets of HK$2,051 million, including bank and cash balances of HK$373 million as at 31st March, 2013 compared with balances of HK$1,738 million and HK$207 million respectively as at 31st March, 2012. At 31st March, 2013, bank loans and overdrafts totalled HK$686 million (31st March, 2012: HK$506 million). At 31st March, 2013, the gearing ratio (defined as total bank borrowing on total equity) was 0.30 (31st March, 2012: 0.24).

Management considers that financial position of the Group is healthy with adequate funds and unused banking facilities. The Group's sales and purchase transactions are primarily denominated in Hong Kong dollars and Renminbi. The Group did not face significant risk from exposure to foreign exchange fluctuations.

Foreign exchange exposure

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

HUMAN RESOURCES

As at 31st March, 2013, our Group had approximately 890 employees all over HK, Macau, China and Taiwan, in which approximately 65% of whom were in Mainland. The total manpower is around the same as last year.

The Group's compensation package, which includes basic salary, commission, annual bonus, medical insurance, and other common benefits, is structured by reference to the marketplace and individual merits, and is reviewed on an annual basis based on the Group policy's performance system and objective specification performance appraisal.

We deeply believe every customer does have expectations on the service they obtained. Thus, we must always strive to provide service beyond their expectations in order to maintain the most excellent quality and comprehensive of service. As such, more resources have been allocated to the Staff Training and Development aspect. Since January 2009, we commissioned an independent consulting firm to conduct a continuous "Mystery Shoppers Programme (MSP)". This programme will help the management to gauge and monitor the overall service performance of our sales team. By analyzing the results of MSP, we are able to identify the areas for improvements in a more specific way such that our future training programme could be tailor-made to specific shop/ individual level. All the effort is to align with the company's philosophy of providing "Service Excellence" to customers, with the aim of impelling the Group's business and making great strides forward unceasingly.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31st March, 2013.

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

During the year ended 31st March, 2013, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities on The Stock Exchange of Hong Kong Limited.

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 Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), throughout the year ended 31st March, 2013, except the deviation from the code provision A.4.1 of the CG Code.

Under the 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 in accordance with the Bye-laws of the Company. The management of the Company considered that there is no imminent need to revise the letter of appointment of Independent Non-executive Directors by adding a specific term in the letter of appointment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of 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 have complied with the required standard set out in the Model Code throughout the year ended 31st March, 2013.

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, 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 31st March, 2013.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st March, 2013 as set out in the preliminary announcement 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 ("the Remuneration Committee") 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 13th August, 2013. The Notice of Annual General Meeting will be published and dispatched to the shareholders in due course.

PUBLICATION OF FINAL RESULTS AND DISPATCH OF ANNUAL REPORT

The final results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at (www.hkex.com.hk) and the Company at (www.orientalwatch.com.hk). The 2013 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.

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, Mr. Fung Kwong Yiu, 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, 19th June, 2013