ORIENTAL WATCH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Website: http://www.orientalwatch.com.hk
(Stock Code: 398)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2005

The Board of Directors of Oriental Watch Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005 together with the comparative figures for the previous year in 2004 as follows:

CONSOLIDATED INCOME STATEMENT

	Year ended 31 March	
	2005	2004
	HK$'000	*HK$'000*
Turnover *(note 2)*	**2,041,810**	1,876,233
Cost of goods sold	**(1,845,341)**	(1,712,159)
Gross profit	**196,469**	164,074
Other operating income	**10,397**	7,768
Distribution costs	**(34,331)**	(25,716)
Administrative expenses	**(81,592)**	(66,744)
Gain on disposal of investment properties	**—**	2,000
Profit from operations	**90,943**	81,382
Finance costs	**(2,435)**	(1,175)
Profit before taxation	**88,508**	80,207
Taxation *(note 3)*	**(14,514)**	(11,577)
Net profit attributable to shareholders	**73,994**	68,630
Dividends *(note 4)*	**17,891**	16,515
Earnings per share *(note 5)*		
— Basic	**26.88 cents**	24.93 cents
— Diluted	**N/A**	24.91 cents

CONSOLIDATED BALANCE SHEET

	At 31 March	
	2005	2004
	HK$'000	*HK$'000*
Non-current assets		
Investment properties	**25,257**	—
Property, plant and equipment	**83,902**	80,496
Negative goodwill	**(3,222)**	(3,424)
Interest in an associate	**—**	4,000
Investments in securities	**29,194**	12,602
	135,131	93,674
Current assets		
Inventories	**542,929**	428,595
Trade and other receivables	**67,087**	32,062
Taxation recoverable	**4,265**	6,712
Pledged bank deposits	**3,150**	3,150
Bank balances and cash	**147,027**	202,301
	764,458	672,820
Current liabilities		
Trade and other payables	**93,527**	83,237
Obligations under a finance lease	**—**	46
Taxation payable	**5,560**	3,698
Current portion of secured long-term bank loans	**980**	—
Short-term bank loans	**68,868**	21,698
Bank overdrafts	**2,532**	565
	171,467	109,244
Net current assets	**592,991**	563,576
Total assets less current liabilities	**728,122**	657,250
Non-current liabilities		
Secured long-term bank loans	**13,393**	—
Deferred taxation	**141**	141
	13,534	141
Net assets	**714,588**	657,109
Capital and reserves		
Share capital	**27,525**	27,525
Reserves	**687,063**	629,584
Shareholders' funds	**714,588**	657,109

Notes:

1. **Basis of preparation**

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment securities. The principal accounting policies adopted are in accordance with accounting principles generally accepted in Hong Kong.

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new and revised Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRS") (hereinafter collectively referred to as "new HKFRS") which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 "Business combinations". The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005 except for the adoption of HKAS 40 "Investment property".

HKFRS 3 is applicable to business combination for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31 March 2005.

HKAS 40 introduces both cost model and fair value model for the measurement of investment property. Under the cost model, HKAS 40 requires the investment property to be stated at cost less depreciation and any identified impairment loss at the balance sheet date. The Group has elected to apply cost model in measuring its investment property and provide depreciation charges on its investment property to the income statement over its estimated useful lives. As a result of the adoption of HKAS 40, the Group reclassified the amount remaining in properties revaluation reserve as at 1 April 2004 of HK$666,000 to the Group's retained profits. Moreover, the Group's profit attributable to the shareholders for the year ended 31 March 2005 included an amount of HK$200,000, representing the depreciation charges provided in respect of the investment property in the current year. There were no effect of the Group's results for the prior accounting periods with respect to the early adoption of HKAS 40.

For those new HKFRSs that the Group has not early adopted in the financial statements for the year ended 31 March 2005, the Group has commenced considering the potential impact of those new HKFRSs but is not yet in a position to determine whether those HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. Those HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

2. Business and geographical segment

Business segments

The Group's operation is regarded as a single segment, being an enterprise engaged in watch trading.

Geographical segments

The Group's operations are located in Hong Kong and Mainland China (the "PRC"), representing the basis on which the Group reports its primary segment information. The following table provides an analysis of the Group's geographical segment information.

	Turnover		Results	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,857,567**	1,851,239	**78,738**	72,587
PRC	**305,360**	206,256	**12,302**	6,695
Inter-segment sales elimination	**(121,117)**	(181,262)	**—**	—
	2,041,810	1,876,233	**91,040**	79,282
Unallocated other operating income			**202**	2,202
Unallocated corporate expenses			**(299)**	(102)
Profit from operations			**90,943**	81,382
Finance costs			**(2,435)**	(1,175)
Profit before taxation			**88,508**	80,207
Taxation			**(14,514)**	(11,577)
Net profit attributable to shareholders			**73,994**	68,630

Inter-segment sales are charged at the prevailing market rate.

3. Taxation

	2005	2004
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profit for the year	**(12,798)**	(10,843)
Over/(under) provision in prior years	**142**	(75)
	(12,656)	(10,918)
PRC income tax	**(1,858)**	(949)
Deferred taxation	**—**	290
	(14,514)	(11,577)

The PRC income tax is calculated at the rates prevailing pursuant to the relevant laws and regulations.

4. **Dividends**

	2005	2004
	HK$'000	*HK$'000*
Interim dividend of 2.0 Hong Kong cents (2004: 2.0 Hong Kong cents) per share	**5,505**	5,505
Proposed final dividend of 4.5 Hong Kong cents (2004: 4.0 Hong Kong cents) per share	**12,386**	11,010
	17,891	16,515

The final dividend proposed for the year ended 31 March 2005 is calculated on the basis of 275,253,200 shares in issue at the date of this report.

5. **Earnings per share**

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2005	2004
	HK$'000	*HK$'000*
Earnings:		
Net profit attributable to shareholders and earnings for the purposes of basic and diluted earnings per share	**73,994**	68,630

	Number of shares	
	2005	2004
Number of shares for the purposes of basic earnings per share	**275,253,200**	275,253,200
Potential dilutive shares issuable under the Company's share option scheme		205,570
Weighted average number of shares for the purposes of diluted earnings per share		275,458,770

No diluted earnings per share has been presented in the 2005 because the exercise price of the Company's options was higher than the average market price of the Company's shares during the year.

FINAL DIVIDEND

The Directors are pleased to propose a final dividend of Hong Kong 4.5 cents per share (2004: 4.0 Hong Kong cents per share) for the year ended 31 March 2005 to members, whose names appear on the Register of Members on 31 August 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 August 2005 to 31 August 2005 (both days inclusive) during which period no transfer of shares will be registered. 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, Secretaries Limited at Ground Floor, BEA Harbour Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 25 August 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 March 2005, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on The Stock Exchange of Hong Kong Limited.

STAFF AND EMPLOYMENT

As at 31 March 2005 the Group has a work force of about 360. The Group employs and remunerates its staff based on their performance and experience. In addition to the basic salary payment, employees are covered by the Group's medical scheme, discretionary bonus and mandatory provident fund scheme.

BUSINESS REVIEW AND PROSPECT

For the year ended 31 March 2005, the Group recorded a consolidated turnover of HK$2,042 million (2004: HK$1,876 million), representing an increase of approximately 8.8%, and the profit attributable to shareholders of HK$74.0 million increased by 7.9% (2004: HK$68.6 million) compared to the same period of last year. Basic earnings per share for the year was 26.9 Hong Kong cents (2004: 24.9 Hong Kong cents), representing an increase of 8.0% over last year.

The economic conditions of Hong Kong improved the past year, thus providing a better environment for business development. The Group recorded healthy growth during the period in both turnover and gross profit. However, a portion of the Group's income was affected by the increase in local rental rates of our retail shops. There has been an upward movement on the price of the local real estate rental rates, and this will in the near future create a pressure on our performance. The other portion of the increase in administration expenses is due to our investment in the development of our retail network in the PRC.

Since the commencement of our retail network in the PRC last year, we have now established ten outlets under the management of the Group. They are spread among the major cities of Beijing, Shanghai, GuangZhou, Nanjing, NanChong, ShengYang, CheungSha and ZhengZhou. In the second half of this year, more outlets will be opened in Beijing, NanJing, GuiYang and GuangZhou. Other than multi-brand shops bearing the name of Oriental Watch Company, the Group will also begin engaging in the management of boutique-style shops retailing a single brand name. Furthermore, through CEPA, the Group has acquired a permit for establishing a wholly-owned regional head office in the LuWan district of Shanghai. With this significant step accomplished, our control over the Group's various business concerns in the PRC will be much improved.

Our intensive investment in the PRC will continue to affect our short term performance, thus leading to further expansion of our retail business in the PRC. However, in the long term, we have strong confidence that our investment will certainly pay-off. As China continues to have one of the highest economic growth rate in the world, the people's spending power is continually increasing. As the PRC Government is also actively encouraging internal consumption, the prospects for our expanding retail network are very positive.

Due to our increasing investment in the PRC, we continue to closely monitor the movement of its currency. We are confident that our resources will allow us to take advantage of the current relative undervaluation of the RMB and to minimize the effect of its potential upward re-evaluation. With many of our investments already underway, we are in a position to acquire the benefits of such a re-evaluation through our current RMB accounts both in the PRC and in Hong Kong.

At present, the Hong Kong market remains the main source of retail income for the Group. As most PRC tourists continue to target Hong Kong as a main travel destination, the Group's coming marketing strategy will include the consideration of re-locating some of our retail shops to those areas most highly visited by Mainland Chinese tourists.

In terms of management, the Group will continue to apply its strict cost and stock controls. On behalf of the Board, I would like to take this opportunity to express gratitude to our shareholders, customers, suppliers and colleagues for their support and contributions to the Group in the past fiscal year. I look forward to continuing and improving their valuable relationships with the Group for many more periods ahead.

LIQUIDITY AND CAPITAL RESOURCES

The Group still maintains its policy of conservative capital management with its gearing ratio at prudent level. The financial foundation of the Group is strong with ample cash flow. Based on the solid cash position and banking facilities, the Group has healthy working capital and liquidity to meet its operating and expansion needs. At the end of the financial year under review, the Group's net assets amounted to HK$715 million (2004: HK$657 million) with a net asset value per share HK$2.60 (2004: HK$2.39). The Group's net current assets increased by approximately 5.1% to HK$593 million (2004: HK$564 million). Shareholders' funds at 31 March 2005 reached HK$715 million, up by 8.8% (2004: HK$657 million). The Group had cash on hand of HK$150.2 million (2004: HK$205.5 million) as at 31 March 2005 whilst bank loans and overdrafts totalled HK$85.8 million (2004: HK$22.3 million). The ratio of the Group's net bank borrowings was insignificant when compared to shareholders' funds.

AUDIT COMMITTEE

The final results of the Group for the year ended 31 March 2005 have been reviewed by the audit committe. The audit committe comprises all independent non-executive directors of the Company. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters including the review of interim and annual financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the financial information and other related information of the Group for the year ended 31 March 2005 required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board
Yeung Ming Biu
Chairman

Hong Kong, 20 July 2005

Please also refer to the published version of this announcement in The Standard.