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ORIENTAL WATCH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 398)

Directors:

Yeung Ming Biu (*Chairman*)
Yeung Him Kit, Dennis (*Managing Director*)
Chan Che Kwong, William
Fung Kwong Yiu
Yeung Man Yee, Shirley
Lam Hing Lun, Alain
Choi Kwok Yum
Sun Ping Hsu, Samson, Dr.*
Li Sau Hung, Eddy, Dr.*
So Kai Lau, Peter*

Principal office:

Room 312-8
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

* *Independent non-executive directors*

28th July, 2006

To the shareholders

Dear Sir or Madam,

**PROPOSALS RELATING TO
GENERAL MANDATES TO ISSUE SHARES
AND REPURCHASE SHARES
AND AMENDMENT OF BYE-LAWS
NOTICE OF ANNUAL GENERAL MEETING AND
RE-ELECTION OF DIRECTORS**

INTRODUCTION

At the annual general meeting of Oriental Watch Holdings Limited (the “Company”) for the year ended 31st March, 2006, resolutions will be proposed to grant to the directors of the Company general mandates to issue shares and repurchase shares of the Company and to amend the Bye-laws of the Company.

The purpose of this circular is to give you further details of the abovementioned proposals and notice of the annual general meeting of the Company for the year ended 31st March, 2006 (the “AGM”). In compliance with the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), this circular also contains the explanatory statement and gives all the information reasonably necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the purchase by the Company of its own shares, together with particulars of the directors proposed to be re-elected at the AGM.

GENERAL MANDATE TO ISSUE SHARES

At the AGM, an ordinary resolution will be proposed to grant a general mandate to the directors of the Company to allot, issue and dispose of shares of the Company not exceeding 20 per cent. of the issued share capital of the Company to provide flexibility to the Company to raise fund by issue of shares efficiently. On 24th July, 2006 (the “Latest Practicable Date”), being the latest practicable date prior to printing of this circular, there were in issue an aggregate of 275,253,200 shares of HK\$0.10 each of the Company (“Shares”). On the assumption that no Share will be issued prior to the AGM, exercise in full of the mandate could result in up to 55,050,640 Shares being issued by the Company.

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, an ordinary resolution will also be proposed that the directors be given a general mandate to exercise all powers of the Company to repurchase issued and fully paid shares of the Company. Under such mandate, the number of shares that the Company may repurchase shall not exceed 10 per cent. of the share capital of the Company in issue on the date of the resolution. The Company’s authority is restricted to purchases made on the Stock Exchange in accordance with the Listing Rules of the Stock Exchange. Based on 275,253,200 Shares in issue as at the Latest Practicable Date and on the assumption that no Share will be issued prior to the AGM, exercise in full of the mandate could result in up to 27,525,320 Shares being repurchased by the Company. The mandate allows the Company to make or agree to make purchases only during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

The directors have no present intention to repurchase any Shares but consider that the mandate will provide the Company with the flexibility to make such repurchase when appropriate and beneficial to the Company. Such repurchases may enhance the net value of the Company and/or earnings per Share. With reference to the financial position of the Company as at 31st March, 2006 (being the date of its latest audited accounts), the directors consider that there would be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed purchases were to be carried out in full during the proposed purchase period. No purchase would be made in circumstances that would have a material adverse impact on the working capital or gearing ratio of the Company.

The Company is empowered by its Memorandum of Association and Bye-laws to purchase its Shares. Bermuda law provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or funds of the Company that would otherwise be available for dividend or distribution or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on repurchase may only be paid out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the share premium or contributed surplus accounts of the Company. Under Bermuda law, the shares so repurchased will be treated as cancelled but the aggregate amount of authorised share capital will not be reduced.

The directors intend to apply the capital paid up on the relevant Shares or the profit that would otherwise be available for distribution by way of dividend for any purchase of its Shares.

Directors, their associates and connected persons

None of the directors nor, to the best of the knowledge and belief of the directors having made all reasonable enquiries, any of the associates of any of the directors has any present intention, in the event that the proposal is approved by shareholders, to sell Shares to the Company.

No connected person of the Company (as defined in the Listing Rules of the Stock Exchange) has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make purchases of Shares.

Undertaking of the directors

The directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the proposed resolution in accordance with the Listing Rules of the Stock Exchange and all applicable laws of Bermuda, and in accordance with the regulations set out in the Memorandum of Association and Bye-laws of the Company.

Effect of Takeovers Code

A repurchase of Shares by the Company may result in an increase in the proportionate interest of a substantial shareholder of the Company in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “Code”).

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, I, Yeung Ming Biu, the Chairman of the Company, together with my associates, held approximately 41.3 per cent. of the issued share capital of the Company, were the only substantial shareholders holding more than 10 per cent. of the issued share capital of the Company. In the event that the directors should exercise in full the power to repurchase

Shares which is proposed to be granted pursuant to the resolution, the shareholding of me and my associates in the Company would be increased to approximately 45.9 per cent. of the issued share capital of the Company and such increase would give rise to an obligation on me and my associates to make a mandatory offer under Rule 26 of the Code.

Stock Exchange Rules for repurchases of shares

The Listing Rules of the Stock Exchange permit companies whose primary listings are on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders' approval

The Listing Rules provide that all shares repurchases on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, which may be by way of general mandate, or by special resolution in relation to specific transactions.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose under the law of Bermuda and the Company's Memorandum of Association and Bye-laws.

General

During each of the six months preceding the date of this circular, no Share had been repurchased by the Company.

During each of the previous 12 months, the highest and lowest traded prices for Shares on the Stock Exchange were as follows:

Month	Per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2005		
July	1.60	1.54
August	1.57	1.49
September	1.56	1.51
October	1.56	1.42
November	1.54	1.45
December	1.55	1.42
2006		
January	1.72	1.52
February	1.70	1.58
March	1.71	1.60
April	1.84	1.61
May	1.73	1.64
June	1.75	1.55
July up to the Latest Practicable Date	1.70	1.50

AMENDMENT OF BYE-LAWS

It is proposed to amend the Company's Bye-laws to the effect that a director may be removed by ordinary resolution, instead of special resolution, of members in general meeting as provided by the recent amendment to Appendix 3 of the Listing Rules.

ANNUAL GENERAL MEETING

You will find on pages 9 to 12 of this circular a notice of the AGM to be held at 3:30 p.m. on 29th August, 2006 at Charter Room, Basement 1, The Ritz Carlton, 3 Connaught Road Central, Hong Kong.

Resolution no. 5A will be proposed as an ordinary resolution to give a general mandate to the directors to allot, issue and deal with shares of the Company with an aggregate nominal value not exceeding 20 per cent. of the share capital of the Company in issue as at the date of the resolution.

Resolution no. 5B will be proposed as an ordinary resolution to give a general mandate to the directors to make on-market purchases of shares of the Company of up to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the resolution.

Resolution no. 5C will be proposed as an ordinary resolution to extend resolution no. 5A to include the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors pursuant to resolution no. 5B.

Resolution no. 5D will be proposed as a special resolution to approve the proposed amendment to the Bye-laws of the Company.

There is enclosed a form of proxy for use at the AGM. You are requested to complete the form of proxy and return it to the principal office of the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the meeting, whether or not you intend to be present at the meeting. The completion and return of the form of proxy will not prevent you from attending and voting in person should you so wish.

RIGHT OF SHAREHOLDERS TO DEMAND POLL

According to the Bye-laws of the Company, before or on the declaration of the result of voting by the show of hands on a resolution put to the vote at a general meeting or on the withdrawal of any other demand for a poll at a general meeting, a poll may be demanded by:

- (a) at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy entitled to vote at the meeting; or
- (b) any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than 10% of the total voting rights of all the members having the right to vote at the meeting; or
- (c) any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

RE-ELECTION OF DIRECTORS

Resolutions will be proposed at the AGM for re-election of Messrs. Yeung Ming Biu, Yeung Him Kit, Dennis, Chan Che Kwong, William and Yeung Man Yee, Shirley as directors according to the Company's Bye-laws. Their particulars are as follows:

Mr. Yeung Ming Biu, aged 70, a co-founder of the Company and its subsidiaries (the "Group"), is the Chairman and an executive director of the Company. He has over 54 years' experience in the watch business and is a Permanent Honorary Director of The Federation of Hong Kong Watch Trades and Industries Limited.

Mr. Yeung Him Kit, Dennis, aged 37, joined the Group in 1993 and has been the Managing Director of the Company since March 2003. He holds a bachelor degree in commerce from the University of Toronto, Canada. Mr. Yeung is a son of Mr. Yeung Ming Biu.

Mr. Chan Che Kwong, William, aged 58, joined the Group in 1993 and has been the Senior Director of the Company since April 2003. He has over 26 years' experience in the watch business and is a Permanent Honorary Director and present Chairman of The Federation of Hong Kong Watch Trades and Industries Limited.

Madam Yeung Man Yee, Shirley, aged 44, is an executive director of the Company who joined the Group in 1991. She received a higher diploma in business studies and diploma in watch and jewellery management from North Herts College in the United Kingdom and CFH Institute in Switzerland respectively. Madam Yeung is a daughter of Mr. Yeung Ming Biu.

Mr. Yeung Ming Biu, Mr. Yeung Him Kit, Dennis, Mr. Chan Che Kwong, William and Madam Yeung Man Yee receive basic monthly salary of HK\$219,000, HK\$115,000, HK\$100,000, HK\$36,000 respectively, and each of them is entitled to a discretionary year end bonus. Such directors' emoluments are determined with reference to the results of the Group and their respective performance.

Mr. Yeung Ming Biu and his wife are the beneficial owners of 45 per cent. and 22.5 per cent. respectively of the issued share capital of Realtower Holdings Limited ("Realtower"). Realtower is the beneficial owner of 55 per cent. of the issued share capital of Furama Investments Limited ("Furama"), which is the beneficial owner of 80 per cent. of the issued share capital of Datsun Holdings Limited ("Datsun"). As at the Latest Practicable Date, Datsun beneficially owned 96,800,000 Shares. Mr. Yeung is deemed to be interested in such shares held by Datsun under the Securities and Futures Ordinance (the "SFO"). As at the Latest Practicable Date, he also had personal interest in 10,787,260 Shares and family interest in 6,000,000 Shares.

Mr. Yeung Him Kit, Dennis is the beneficial owner of 10 per cent. and 8 per cent. of the issued share capitals of Realtower and Real Champ Limited ("Real Champ") respectively. Real Champ is the beneficial owner of 20 per cent. of the issued share capital of Datsun.

Mr. Chan Che Kwong, William is the beneficial owner of 10 per cent. of the issued share capital of each of Furama and Y.H. Chan Limited, which is the beneficial owner of 25 per cent. of the issued share capital of Furama. As at the Latest Practicable Date, Y.H. Chan Limited directly held 294,365 Shares, and Mr. Chan personally held 622,515 Shares.

Madam Yeung Man Yee, Shirley is the beneficial owner of 7.5 per cent. of the issued share capital of Realtower.

Each of the above directors also hold an option to subscribe for 2,700,000 Shares during the period from 16th January, 2004 to 15th January, 2014 at the price of HK\$1.702 per Share.

Save as aforesaid, none of the above directors had any interest under the SFO as at the Latest Practicable Date and none of them had any directorship in any listed public company in the last three years.

The abovenamed directors do not have any service contract with the Company. They are not appointed for a specific term but are subject to retirement by rotation in annual general meetings of the Company in accordance with the Bye-laws of the Company.

The abovenamed directors confirm that save as disclosed above, there is no information which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matters that need to be brought to the attention of shareholders of the Company.

RECOMMENDATION

The directors consider that the proposed granting of the mandates to issue and repurchase shares of the Company and amendment of the Bye-laws are in the interest of the Company and so recommend you to vote in favour of all the relevant resolutions at the AGM. The directors will vote all their shareholdings in favour of such resolutions.

Yours faithfully,
By order of the Board
Yeung Ming Biu
Chairman

NOTICE OF ANNUAL GENERAL MEETING



ORIENTAL WATCH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 398)

NOTICE IS HEREBY GIVEN that the annual general meeting of the abovenamed company (the “Company”) will be held at Charter Room, Basement 1, The Ritz Carlton, 3 Connaught Road Central, Hong Kong on 29th August, 2006 at 3:30 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2006.
2. To declare a final dividend of 4.0 Hong Kong cents per share for the year ended 31st March, 2006.
3. To elect directors and to authorise the board of directors to fix their remuneration.
4. To appoint auditors and to authorise the board of directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass the following resolutions, of which resolution nos. 5A, 5B and 5C will be proposed as ordinary resolutions and resolution no. 5D will be proposed as a special resolution:

ORDINARY RESOLUTIONS

A. “**THAT:**

- (a) subject to paragraph (c), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

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- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue or scrip dividend scheme or similar arrangement of the Company or the exercise of the subscription rights under the share option scheme of the Company shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

B. “THAT:

- (a) the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

(b) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval be limited accordingly; and

(c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

C. “**THAT** conditional upon resolution no. 5B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution no. 5B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 5A above.”

SPECIAL RESOLUTION

D. “**THAT** the word “special” in the existing Bye-law 86(4) of the Bye-laws of the Company be and is hereby deleted and be replaced by the word “ordinary”.”

By Order of the Board
Lam Hing Lun, Alain
Company Secretary

Hong Kong, 28th July, 2006

NOTICE OF ANNUAL GENERAL MEETING

Principal office:

Room 312-8

China Insurance Group Building

141 Des Voeux Road Central

Hong Kong

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's principal office in Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
- (2) The register of members of the Company will be closed from 24th August, 2006 to 29th August, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend to be approved at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 23rd August, 2006.