ORIENTAL WATCH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Website: http://www.orientalwatch.com

(Stock Code: 398)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

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 30th September, 2008 together with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2008

		(Unaudited) Six months ended	
		30th September, 2008	30th September, 2007
	Notes	***HK$'000***	*HK$'000*
Turnover		**1,266,660**	1,290,877
Cost of goods sold		**(1,031,217)**	(1,115,515)
Gross profit		**235,443**	175,362
Other income		**23,919**	19,120
Distribution and selling expenses		**(72,826)**	(35,365)
Administrative expenses		**(93,846)**	(79,874)
Finance costs		**(8,384)**	(7,248)
Profit before taxation	*4*	**84,306**	71,995
Taxation	*5*	**(15,263)**	(15,053)
Profit for the period		**69,043**	56,942
Earnings per share	*7*		
— Basic		**21.45 HK cents**	20.04 HK cents
— Diluted		**19.67 HK cents**	17.84 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2008

	Notes	(Unaudited) 30th September, 2008 HK$'000	(Audited) 31st March, 2008 HK$'000
Non-current assets			
Property, plant and equipment	*8*	**138,987**	135,572
Available-for-sale financial assets		**57,624**	58,543
Property rental deposits		**25,832**	11,151
		222,443	205,266
Current assets			
Inventories		**1,283,580**	974,268
Trade and other receivables	*9*	**133,361**	160,064
Taxation recoverable		**5,614**	5,758
Bank balances and cash		**148,280**	228,975
		1,570,835	1,369,065
Current liabilities			
Trade and other payables	*10*	**194,991**	125,653
Taxation payable		**25,449**	18,528
Dividend payable		**24,244**	—
Short-term bank loans		**317,955**	263,333
Bank overdrafts		**9,668**	4,326
		572,307	411,840
Net current assets		**998,528**	957,225
Total assets less current liabilities		**1,220,971**	1,162,491
Non-current liabilities			
Deferred taxation		**124**	124
Net assets		**1,220,847**	1,162,367
Capital and reserves			
Share capital	*11*	**32,325**	32,025
Reserves		**1,188,522**	1,130,342
Total equity		**1,220,847**	1,162,367

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

1. Basis of preparation

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

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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2008.

In the current interim period, the Group has applied, for the first time, new interpretations and amendments (hereinafter collectively referred to as "new Interpretations and Amendments") issued by the HKICPA, which are effective for the Group's financial year beginning 1st April, 2008.

The adoption of these new Interpretations and Amendments had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new, amended or revised standards and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of financial statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [2]
HKFRS 2	Vesting conditions and cancellations [2]
HKFRS 3 (Revised)	Business combinations [3]
HKFRS 8	Operating segments [2]
HK(IFRIC) — INT 13	Customer loyalty programmes [4]
HK(IFRIC) — INT 15	Agreements for the construction of real estate [2]
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation [5]

1 Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009.

2 Effective for annual periods beginning on or after 1st January, 2009.

3 Effective for annual periods beginning on or after 1st July, 2009.

4 Effective for annual periods beginning on or after 1st July, 2008.

5 Effective for annual periods beginning on or after 1st October, 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual report period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other standards or interpretations will have no material impact on the results or financial position of the Group.

3. Segment information

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

The Group's operations are located in Hong Kong, Macau and Mainland China (the "PRC"), representing the basis on which the Group reports its primary segment information. In determining the Group's geographical segments, revenues and results are attributed to the segment based on the location of the customers. The following table provides an analysis of the Group's geographical segment information.

	Turnover		**Results**	
	Six months ended		**Six months ended**	
	30th September, 2008	30th September, 2007	**30th September, 2008**	30th September, 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**729,619**	838,278	**82,942**	63,197
Macau and the PRC	**537,041**	452,599	**23,524**	23,388
	1,266,660	1,290,877	**106,466**	86,585
Unallocated other income			**1,845**	3,965
Unallocated corporate expenses			**(15,621)**	(11,307)
Finance costs			**(8,384)**	(7,248)
Profit before taxation			**84,306**	71,995
Taxation			**(15,263)**	(15,053)
Profit for the period			**69,043**	56,942

4. Profit before taxation

	Six months ended 30th September, 2008 HK$'000	30th September, 2007 HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation for		
— investment properties	**—**	202
— property, plant and equipment	**16,463**	6,601
Directors' remuneration *(note)*	**14,161**	10,924
Impairment loss on available-for-sale financial assets	**195**	—
and after crediting:		
Gain on disposal of available-for-sale financial assets	**—**	1,374
Income from available-for-sale financial assets	**1,128**	30
Interest income from bank deposits	**717**	2,526

Note: Key management personnel of the Group mainly include directors of the Company.

5. Taxation

	Six months ended 30th September, 2008 HK$'000	30th September, 2007 HK$'000
Hong Kong Profits Tax calculated at 16.5% (2007: 17.5%) on the estimated assessable profit for the period	**(11,669)**	(9,951)
Taxation in other jurisdictions	**(3,594)**	(5,102)
	(15,263)	(15,053)

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

On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate Profits Tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. Such decrease is not expected to have any significant financial effect in the amounts accrued in the condensed consolidated balance sheet in respect of taxation payable and deferred taxation.

6. Dividend

During the six months ended 30th September, 2008, a final dividend of 7.5 Hong Kong cents per share, totalling HK$24,244,000, in respect of the year ended 31st March, 2008 (2007: 5.5 Hong Kong cents per share, totalling HK$17,559,000) was approved at the annual general meeting held on 25th September, 2008.

On 16th December, 2008, the directors resolved to declare an interim dividend of 1.5 Hong Kong cents per share in respect of the six months ended 30th September, 2008 (2007: 3.5 Hong Kong cents per share), totalling HK$4,849,000 (2007: HK$11,174,000), to be paid in cash to those shareholders whose names appear on the Company's register of members on 8th January, 2009.

7. Earnings per share

	Six months ended 30th September, 2008 HK$'000	Six months ended 30th September, 2007 HK$'000
Profit attributable to shareholders of the Company for the purpose of basic and diluted earnings per share	**69,043**	56,942
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**321,849,974**	284,148,804
Effect of dilutive potential ordinary shares		
— share options	**11,175,504**	6,987,483
— warrants	**18,033,315**	27,983,193
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**351,058,793**	319,119,480

8. Property, plant and equipment

During the six months ended 30th September, 2008, the Group incurred HK$18,375,000 (2007: HK$19,731,000) to acquire plant and equipment for its operation.

9. Trade and other receivables

	30th September, 2008 *HK$'000*	31st March, 2008 *HK$'000*
Trade receivables	**88,712**	114,203
Property rental and utilities deposits	**9,708**	8,189
Property rental prepayments	**364**	—
Advances to apparel suppliers	**563**	4,483
Advances to other suppliers	**1,047**	1,939
VAT recoverable	**29,341**	28,737
Other receivables	**3,626**	2,513
	133,361	160,064

The Group maintains a general credit policy of not more than 30 days for its customers. The following is an aged analysis of trade receivables at the balance sheet date:

	30th September, 2008	31st March, 2008
	HK$'000	*HK$'000*
Age		
0 to 30 days	**75,879**	102,146
31 to 60 days	**11,003**	4,850
61 to 90 days	**1,018**	2,217
Over 90 days	**812**	4,990
	88,712	114,203

10. Trade and other payables

	30th September, 2008	31st March, 2008
	HK$'000	*HK$'000*
Trade payables	**123,136**	80,413
Payroll and welfare payables	**36,383**	20,981
Commission payables	**966**	3,422
Advances from customers	**6,128**	2,180
Renovation work payables	**5,262**	930
VAT payables	**4,503**	4,710
Interest payables	**679**	2,405
Property rental payables	**5,801**	1,962
Other payables	**12,133**	8,650
	194,991	125,653

The following is an aged analysis of trade payables at the balance sheet date:

	30th September, 2008	31st March, 2008
	HK$'000	*HK$'000*
Age		
0 to 60 days	**116,940**	71,731
61 to 90 days	**4,483**	6,771
Over 90 days	**1,713**	1,911
	123,136	80,413

11. Share capital

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st April, 2007, 31st March, 2008 and 30th September, 2008	500,000,000	50,000
Issued and fully paid:		
At 1st April, 2007	275,253,200	27,525
Issue of shares upon placement of new shares	39,000,000	3,900
Issue of shares upon exercise of warrants	6,000,000	600
At 31st March, 2008	320,253,200	32,025
Issue of shares upon exercise of warrants	3,000,000	300
At 30th September, 2008	323,253,200	32,325

(i) As announced by the Company on 20th July, 2007, arrangements were made on 20th July, 2007 for a private placement to professional and institutional investors of 39,000,000 new ordinary shares of HK$0.1 each at a price of HK$3.80 per share by the placing agent. The price of HK$3.80 per share represents a discount of approximately 18.45% to the closing market price of the Company's shares of HK$4.66 per share as quoted on the Stock Exchange on 20th July, 2007, the last trading date prior to the placing. The new shares were issued on 30th August, 2007 under the special mandate granted to the board of directors on 27th August, 2007.

(ii) During the year ended 31st March, 2008, 6,000,000 warrants were exercised at a subscription price of HK$1.81 per share, resulting in the issue of 6,000,000 ordinary shares of HK$0.10 each in the Company.

(iii) During the six months ended 30th September, 2008, 3,000,000 warrants were exercised at a subscription price of HK$1.81 per share, resulting in the issue of 3,000,000 ordinary shares of HK$0.10 each in the Company.

All the shares issued during the year/period rank pari passu with the then existing shares in all respects.

12. Warrants

On 11th June, 2007, the Company entered into two warrants placing agreements with two independent subscribers in relation to private placing of an aggregate of 55,000,000 warrants to the subscribers, at an issue price of HK$0.02 per warrant, representing an aggregate subscription price of HK$1,100,000. The warrants entitle the subscribers to subscribe for new ordinary shares of the Company of HK$0.10 each at an initial subscription price of HK$1.81 per share (subject to anti-dilutive adjustment) for a period of 30 months commencing from the date of issue of warrants.

During the period, 3,000,000 new shares (year ended 31st March, 2008: 6,000,000 new shares) were issued on exercise of the warrants. Exercise in full of the remaining outstanding warrants would, under the present capital structure, result in receipt by the Company of HK$83,260,000 (31.3.2008: HK$88,690,000) in subscription monies and the issue of 46,000,000 new shares (31.3.2008: 49,000,000 new shares).

13. **Other commitments**

At the balance sheet date, 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:

	30th September, 2008	31st March, 2008
	HK$'000	*HK$'000*
Within one year	**987**	901
In the second to fifth year inclusive	**5,608**	5,187
After five years	**2,652**	3,588
	9,247	9,676

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.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 5th January, 2009 to 8th January, 2009 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed interim 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 4:00 p.m. on 2nd January, 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Group results

The Group's unaudited consolidated turnover for the period under review was HK$1,266,660,000 (2007: HK$1,290,877,000) and the profit for the period was HK$69,043,000 (2007: HK$56,942,000). The basic earnings for the period was 21.45 Hong Kong cents (2007: 20.04 Hong Kong cents).

The turnover has remained stable while the profit has increased by 21%. The Group's positive results for the past six months reflect the optimistic atmosphere of both Hong Kong and China market situations during the period.

Business review and prospects

The recent global "financial tsunami" struck suddenly and strongly affected global economies. The financial situation and the market atmosphere have dramatically changed in a very short period of time. Fortunately, the Group's focused markets, Hong Kong and China, are not the worst hit area of this turmoil. Although the PRC market will certainly slow down, it is not expected to go into recession. We do see a slow down in the sales of the third quarter but with the traditional high season for shopping during Christmas and Chinese New Year coming up, we believe the Group will still be able to meet the year's target.

During the period, the Group opened 3 new shops in China, located at Shanghai, Jiangyin, and Changsha. The results of these shops have been satisfactory. Without signs of a short-term recovery in the economy in the near future, the Group has decided to adjust its expansion rate in the coming years. Thus, the Group has postponed some of its upcoming projects to a later date. Although there will be some new shops opening up in PRC and Hong Kong in the coming period, they are all resulting from previous commitments. In order to better control expenses, the management will negotiate for more favorable terms with the landlords. We have been very conservative towards expansion in the past. During these tough times, we will be even more cautious towards opening new outlets.

The market has dramatically converted from a sellers market to a buyers market. Without the pressure to compete for better stock allocation, we can take this opportunity to streamline our inventory level. In addition, to improve the Company's cash flow situation, the management is also in the process of negotiating new terms with major bankers to convert the Group's short term loans into longer term loans.

The management is proposing to issue a dividend of 1.5 Hong Kong cents per share. The period's dividend payout ratio has been decreased due to the current uncertainties of the economy. During this period of turmoil, the management believes in retaining a higher cash position within the Company. We will observe the condition of the economy for the remainder of the period. If the situation improves, the management will consider matching the Group's customary dividend payout ratio for the year.

The management will further continue to standby its strict cost and stock controls to better equip the Group to respond quickly and aptly to the changing marketplace.

On behalf of the Group, I would like to thank our suppliers and shareholders for their continued support.

Liquidity and financial resources

At 30th September, 2008, the Group's total equity reached HK$1,221 million, compared with HK$1,162 million as at 31st March, 2008. The Group had net current assets of HK$999 million, including bank and cash balances of HK$148 million as at 30th September, 2008 compared with balances of HK$957 million and HK$229 million respectively as at 31st March, 2008. At 30th September 2008, bank loans and overdrafts totalled HK$328 million (31st March, 2008: HK$268 million). At 30th September 2008, the gearing ratio (defined as total bank borrowing on total equity) was 0.27 (31st March, 2008: 0.23).

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

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.

STAFF AND EMPLOYMENT

As at 30th September, 2008, the Group employed a total work force of about 800 staff. The staff turnover rate is low. The Group's policy is to review its employee's pay levels and incentive bonus scheme regularly to ensure that the remuneration package is competitive with relevant industries.

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

During the six months ended 30th September, 2008, 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 Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), throughout the six months ended 30th September 2008, except the deviation from the code provision A4.1 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 during the six months ended 30th September, 2008.

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 unaudited consolidated financial statements for the six months ended 30th September, 2008.

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.

MEMBERS OF THE BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. 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, 16th December, 2008