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, 2009

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, 2009 together with the comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2009

		(Unaudited) Six months ended	
		30th September, 2009	30th September, 2008
	Notes	***HK\$'000***	*HK\$'000*
Turnover		**1,417,809**	1,266,660
Cost of goods sold		**(1,223,629)**	(1,031,217)
Gross profit		**194,180**	235,443
Other income		**20,345**	23,919
Distribution and selling expenses		**(53,724)**	(72,826)
Administrative expenses		**(106,776)**	(93,846)
Finance costs		**(7,701)**	(8,384)
Profit before taxation	*4*	**46,324**	84,306
Taxation	*5*	**(12,011)**	(15,263)
Profit for the period attributable to owners of the Company		**34,313**	69,043
Exchange differences arising from translation of foreign operations		**—**	6,486
Change in fair value of available-for-sale financial assets		**(1,155)**	1,571
Transfer to profit or loss for impairment loss of available-for-sale financial assets		**—**	194
		(1,155)	8,251
Total comprehensive income for the period attributable to owners of the Company		**33,158**	77,294
Earnings per share	*7*		
— Basic		**9.56 HK cents**	19.46 HK cents
— Diluted		**9.56 HK cents**	18.01 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2009

	Notes	(Unaudited) 30th September, 2009 HK$'000	(Audited) 31st March, 2009 HK$'000
Non-current assets			
Property, plant and equipment	*8*	**137,505**	134,620
Available-for-sale financial assets		**50,431**	51,586
Property rental deposits		**15,706**	16,796
		203,642	203,002
Current assets			
Inventories		**1,298,243**	1,212,427
Trade and other receivables	*9*	**178,177**	145,372
Taxation recoverable		**6,842**	9,608
Bank balances and cash		**165,939**	202,618
		1,649,201	1,570,025
Current liabilities			
Trade and other payables	*10*	**164,699**	122,903
Taxation payable		**8,584**	2,473
Current portion of secured long-term bank loans		**30,000**	30,000
Short-term bank loans		**262,045**	252,955
		465,328	408,331
Net current assets		**1,183,873**	1,161,694
Total assets less current liabilities		**1,387,515**	1,364,696
Non-current liabilities			
Secured long-term bank loans		**105,000**	120,000
Deferred taxation		**185**	185
		105,185	120,185
Net assets		**1,282,330**	1,244,511
Capital and reserves			
Share capital	*11*	**36,548**	32,325
Reserves		**1,245,782**	1,212,186
Total equity		**1,282,330**	1,244,511

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September, 2009

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 adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31st March, 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretation ("new or revised HKFRSs") issued by the HKICPA.

Except as described below, the adoption of these new HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Presentation of financial statements

In the current period, the Group has adopted Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007) "Presentation of financial statements" which has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. The adoption of HKAS 1 (Revised 2007), however, has no impact on the reported results or financial position of the Group.

The Group has not early applied the following new or revised standards, amendments or interpretation that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related party disclosures[3]
HKAS 27 (Revised in 2008)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemption for first-time adopter[5]
HKFRS 2 (Amendment)	Group cash-settled share based payments transactions[5]
HKFRS 3 (Revised in 2008)	Business combinations[1]
HKFRS 9	Financial instruments[6]
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners[1]

[1] Effective for annual periods beginning on or after 1st July, 2009.
[2] Amendments that are effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1st January, 2011.
[4] Effective for annual periods beginning on or after 1st February, 2010.
[5] Effective for annual periods beginning on or after 1st January, 2010.
[6] Effective for annual periods beginning on or after 1st January, 2013.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1st April, 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretation will have no material impact on the condensed consolidated financial statements of the Group.

3. Segment information

The Group's operation is sales of goods and its turnover represents consideration received and receivable from sales of watches.

The Group has adopted HKFRS 8 "Operating segments" with effect from 1st April, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker of the Group has been identified as the Managing Director.

The Group has two operating segments geographically, Hong Kong, and Macau and the People's Republic of China (the "PRC") which are managed separately by the Managing Director. The Group determines its operating segments based on the internal reports reviewed by the Managing Director that are used to make strategic decisions.

Segment results represent the profit generated from each operating segment without allocation of central administrative expenses and investment income. This is the measure reported to the Group's Managing Director for the purposes of resource allocation and assessment of segment performance.

An analysis of the Group's turnover and results by operating segments is as follows:

	Turnover Six months ended		Results Six months ended	
	30th September, 2009	30th September, 2008	**30th September, 2009**	30th September, 2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**930,576**	729,619	**40,652**	82,942
Macau and the PRC	**487,233**	537,041	**23,160**	23,524
	1,417,809	1,266,660	**63,812**	106,466
Unallocated other income			**1,038**	1,845
Unallocated corporate expenses			**(10,825)**	(15,621)
Finance costs			**(7,701)**	(8,384)
Profit before taxation			**46,324**	84,306
Taxation			**(12,011)**	(15,263)
Profit for the period			**34,313**	69,043

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

4. Profit before taxation

	Six months ended	
	30th September, 2009	30th September, 2008
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation for property, plant and equipment	**13,868**	16,463
Directors' remuneration *(note)*	**9,730**	14,161
Impairment loss on available-for-sale financial assets	**—**	194
and after crediting:		
Dividend income from available-for-sale financial assets	**1,000**	1,128
Interest income	**38**	717

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

5. Taxation

	Six months ended	
	30th September, 2009	30th September, 2008
	HK$'000	*HK$'000*
Hong Kong Profits Tax calculated at 16.5% (2008: 16.5%) on the estimated assessable profit for the period	**(6,915)**	(11,669)
Taxation in other jurisdictions	**(5,096)**	(3,594)
	(12,011)	(15,263)

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

6. Dividend

During the six months ended 30th September, 2009, a final dividend of 3.5 Hong Kong cents per share, totalling HK$11,629,000, in respect of the year ended 31st March, 2009 (2008: 7.5 Hong Kong cents per share, totalling HK$24,244,000) was approved at the annual general meeting held on 26th August, 2009.

On 16th December, 2009, 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, 2009 (2008: 1.5 Hong Kong cents per share), totalling HK$5,827,000 (2008: HK$4,849,000), to be paid in cash to those shareholders whose names appear on the Company's register of members on 8th January, 2010.

7. Earnings per share

	Six months ended	
	30th September, 2009	30th September, 2008
	HK$'000	*HK$'000*
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**34,313**	69,043

	Number of shares	
	30th September, 2009	30th September, 2008
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**359,054,710**	354,871,203
Effect of dilutive potential ordinary shares		
— share options	**—**	12,293,183
— warrants	**—**	16,137,417
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**359,054,710**	383,301,803

Diluted earnings per share for the six months ended 30th September, 2009 does not assume the exercise of share options and warrants because their respective exercise prices and subscription prices were higher than the average market price of shares of the Company.

The denominators for the purpose of calculating basic and diluted earnings per share for the six months ended 30th September, 2008 have been adjusted to reflect the bonus issue of shares in August 2009 on the basis of one new ordinary share for every ten ordinary shares held.

8. Property, plant and equipment

During the six months ended 30th September, 2009, the Group incurred HK$16,753,000 (2008: HK$18,375,000) to acquire plant and equipment for its operation.

The Group has pledged certain land and buildings with an aggregate carrying value of HK$41,696,000 (31.3.2009: HK$41,918,000) to a bank to secure the bank loan facilities granted to the Group.

9. Trade and other receivables

	30th September, 2009	31st March, 2009
	HK$'000	*HK$'000*
Trade receivables	**118,905**	93,530
Balance of consideration receivable from sale of available-for-sale financial assets	**500**	1,500
Property rental and utilities deposits	**21,821**	16,023
Advances to apparel suppliers	**3,216**	5,122
Advances to other suppliers	**5,806**	531
VAT recoverables	**25,581**	25,879
Other receivables	**2,348**	2,787
	178,177	145,372

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 end of the reporting period:

	30th September, 2009	31st March, 2009
	HK$'000	*HK$'000*
Age		
0 to 30 days	**110,459**	81,337
31 to 60 days	**4,885**	10,964
61 to 90 days	**1,743**	494
Over 90 days	**1,818**	735
	118,905	93,530

10. Trade and other payables

	30th September, 2009	31st March, 2009
	HK$'000	*HK$'000*
Trade payables	**130,782**	74,359
Payroll and welfare payables	**15,999**	27,257
Commission payables	**1,825**	6,046
Advances from customers	**5,170**	1,451
Renovation work payables	**1,926**	1,526
VAT payables	**1,958**	2,410
Interest payables	**—**	90
Property rental payables	**64**	1,495
Other payables	**6,975**	8,269
	164,699	122,903

The following is an aged analysis of trade payables at the end of the reporting period:

	30th September, 2009	31st March, 2009
	HK$'000	*HK$'000*
Age		
0 to 60 days	**129,357**	61,721
61 to 90 days	**—**	9,940
Over 90 days	**1,425**	2,698
	130,782	74,359

11. Share capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st April, 2008 and 31st March, 2009	500,000,000	50,000
Increase on 26th August, 2009 *(note c)*	500,000,000	50,000
At 30th September, 2009	1,000,000,000	100,000
Issued and fully paid:		
At 1st April, 2008	320,253,200	32,025
Issue of shares upon exercise of warrants *(note a)*	3,000,000	300
At 31st March, 2009	323,253,200	32,325
Issue of shares upon exercise of warrants *(note b)*	9,000,000	900
Bonus issue of shares *(note c)*	33,225,320	3,323
At 30th September, 2009	365,478,520	36,548

Notes:

(a) During the year ended 31st March, 2009, 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.

(b) During the six months ended 30th September, 2009, 9,000,000 warrants were exercised at a subscription price of HK$1.81 per share, resulting in the issue of 9,000,000 ordinary shares of HK$0.10 each in the Company.

(c) By an ordinary resolution passed at the annual general meeting of the Company held on 26th August, 2009, authorised share capital of the Company was increased from HK$50,000,000 to HK$100,000,000 by the creation of 500,000,000 ordinary shares of HK$0.10 each.

By another ordinary resolution passed at the same annual general meeting, the issued share capital was increased by way of a bonus issue by charging HK$3,323,000 to the retained profits account in payment in full at par of 33,225,320 ordinary shares of HK$0.10 each on the basis of one new share for every ten shares held on 26th August, 2009.

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

12. Share-based payment transaction

The Company has share options scheme for eligible directors of the Company, employees, consultants, customers, suppliers or advisors of the Company or a company in which the Company holds an interest or a subsidiary of such company.

Details of specific categories of options are as follows:

	Number of share options outstanding					
Date of grant	At 1st April, 2009	At 30th September, 2009 (original before bonus issue)*	Vesting period	Exercisable period	Original exercise price per share	Adjusted exercise price per share*
16th January, 2004	16,200,000	17,820,000 (16,200,000)	Nil	16th January, 2004 to 15th January, 2014	HK$1.702	HK$1.547
4th June, 2007	11,300,000	12,430,000 (11,300,000)	Nil	4th June, 2007 to 3rd June, 2017	HK$1.764	HK$1.604

* The number of outstanding share options and the exercise price have been adjusted upon the bonus issue on the basis of one new share for every ten shares held on 26th August, 2009.

No share option was exercised during the six months ended 30th September, 2009 (2008: nil).

13. 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. Following the bonus issue of the Company's shares on the basis of one new share for every ten shares held on 26th August 2009, the above subscription price per share was adjusted from HK$1.81 to HK$1.65.

During the period, 9,000,000 new shares (year ended 31st March, 2009: 3,000,000 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$61,050,000 (31.3.2009: HK$83,260,000) in subscription monies and the issue of 37,000,000 new shares (31.3.2009: 46,000,000 new shares).

14. 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:

	30th September, 2009	31st March, 2009
	HK$'000	*HK$'000*
Within one year	**1,560**	1,544
In the second to fifth year inclusive	**8,592**	7,816
After five years	**546**	1,638
	10,698	10,998

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, 2010 to 8th January, 2010 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend which will be payable on 28th January, 2010, 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 4th January, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results

The Group's unaudited consolidated turnover for the period under review was HK$1,418 million (2008: HK$1,267 million) and the profit for the period was HK$34 million (2008: HK$69 million). The basic earnings for the period was 9.56 Hong Kong cents (2008: 19.46 Hong Kong cents)

The turnover for the period increased by 12% while the Gross Profit recorded a decrease of 17.5%. Profit for the period decreased by 50% as compared to the previous period.

Business Review and Prospects

The financial turmoil in the economy during the first half of the period has negatively affected the luxury market sector. Moreover, fears of an outbreak of the H1N1 virus, or "swine flu", discouraged many mainland and overseas travelers from coming to Hong Kong. Both of these concerns impacted on the Group's results for the period.

Although results have decreased by 50% when compared to the same period last year, a 10% increase in results can also be seen when compared to those of the immediate preceding period. This seems to indicate that the negative effect of the economic turmoil and swine flu outbreak fear is slowly dissipating.

Even though the Hong Kong market has experienced a significant drop in profit for the period, our PRC market results have been maintained at the same level as that of the previous year. In the past few months, business has been picking up at a healthy pace for both HK and PRC, which is very encouraging.

During the period, the Group successfully opened a new Rolex and Tudor Shop-in-Shop in FuZhou. Additionally, two Piaget shops commenced business in SuZhou and WuXi. In Macau, a multi-brand store selling mid-range watches has also been opened in the Macau Tower shopping centre. The current results of these four shops have been very satisfactory. However, two shops located in Shanghai and ZhengZhou, respectively, have been closed down recently.

The management proposes to declare an interim dividend of 1.5 Hong Kong cents. If the business for the remaining period continues to improve at the current pace, the management will consider matching the Group's customary dividend payout ratio for the year.

The China market continues to be the focus of the Group's future development. The Group will continue to look for new locations throughout China for opening watch shops in order to further strengthen our existing network.

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, 2009, the Group's total equity reached HK$1,282 million, compared with HK$1,245 million as at 31st March, 2009. The Group had net current assets of HK$1,184 million, including bank and cash balances of HK$166 million as at 30th September, 2009 compared with balances of HK$1,162 million and HK$203 million respectively as at 31st March, 2009. At 30th September 2009, bank loans totalled HK$397 million (31st March, 2009: HK$403 million). At 30th September 2009, the gearing ratio (defined as total bank borrowing on total equity) was 0.31 (31st March, 2009: 0.32).

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, 2009, the Group employed a total work force of about 850 staff. The staff turnover rate is low. The Group's policy is to review its employee's pay levels and incentive bonus.

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

During the six months ended 30th September, 2009, 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 six months ended 30th September 2009, 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, 2009.

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, 2009.

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, 2009