



*Oriental*

Oriental Watch Holdings Limited

(Incorporated in Bermuda with limited liability)

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interim  
report

## INTERIM RESULTS

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 30 September 2004 together with the comparative figures for the corresponding period in 2003 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2004

	Notes	(unaudited)	
		Six months ended	
		30 September	
		2004	2003
		HK\$'000	HK\$'000
Turnover		<b>753,298</b>	748,761
Costs of Sales		<b>(677,230)</b>	(678,932)
Gross Profit		<b>76,068</b>	69,829
Other operating income		<b>7,058</b>	5,285
Distribution costs		<b>(13,520)</b>	(15,431)
Administrative expenses		<b>(30,930)</b>	(24,068)
Profit from operations		<b>38,676</b>	35,615
Finance costs		<b>(946)</b>	(620)
Profit before taxation	4	<b>37,730</b>	34,995
Taxation	5	<b>(7,493)</b>	(5,895)
Net Profit attributable to shareholders		<b>30,237</b>	29,100
Dividend	6	<b>5,505</b>	5,505
Earnings per share — Basic	7	<b>10.99 cents</b>	10.57 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2004

		(unaudited) 30 September 2004 HK\$'000	(audited) 31 March 2004 HK\$'000
Non-current Assets			
Property, plant and equipment		81,952	80,496
Negative goodwill		(3,324)	(3,424)
Interest in an associate		—	4,000
Investment in securities		17,503	12,602
		<b>96,131</b>	93,674
Current Assets			
Inventories		520,318	428,595
Trade and other receivables	8	59,724	32,062
Taxation recoverable		999	6,712
Pledged bank deposits		3,150	3,150
Bank balances and cash		145,034	202,301
		<b>729,225</b>	672,820
Current Liabilities			
Trade and other payables	9	105,838	83,237
Obligations under a finance lease due within one year		7	46
Taxation payable		4,496	3,698
Secured short-term bank loans		33,962	21,698
Bank overdrafts		4,576	565
		<b>148,879</b>	109,244
Net current assets		<b>580,346</b>	563,576
Total assets less current liabilities		<b>676,477</b>	657,250
Non-current liabilities			
Deferred taxation		141	141
Net assets		<b>676,336</b>	657,109
Capital and Reserves			
Share capital		27,525	27,525
Reserves		648,811	629,584
Shareholders' funds		<b>676,336</b>	657,109

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

	Share capital	Share redemption premium	Capital reserve	Other properties revaluation reserve	Special reserve	Retained profits	Dividend reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003	27,525	52,045	425	807	5,180	508,143	9,634	603,759
Deferred taxation	—	—	—	(141)	—	—	—	(141)
Net profit attributable to shareholders	—	—	—	—	—	29,100	—	29,100
2003 final dividend paid	—	—	—	—	—	—	(9,634)	(9,634)
2004 interim dividend declared	—	—	—	—	—	(5,505)	5,505	—
<b>At 30 September 2003</b>	<b>27,525</b>	<b>52,045</b>	<b>425</b>	<b>666</b>	<b>5,180</b>	<b>531,738</b>	<b>5,505</b>	<b>623,084</b>
At 1 April 2004	27,525	52,045	425	666	5,180	560,258	11,010	657,109
Net profit attributable to shareholders	—	—	—	—	—	30,237	—	30,237
2004 final dividend paid	—	—	—	—	—	—	(11,010)	(11,010)
2005 interim dividend declared	—	—	—	—	—	(5,505)	5,505	—
<b>At 30 September 2004</b>	<b>27,525</b>	<b>52,045</b>	<b>425</b>	<b>666</b>	<b>5,180</b>	<b>584,990</b>	<b>5,505</b>	<b>676,336</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2004

	(Unaudited)	
	Six months ended	
	30 September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in) from operating activities	<b>(58,359)</b>	20,786
Net cash (used in) from investing activities	<b>(4,134)</b>	2,471
Net cash from (used in) financing activities		
Net bank loans raised (repaid)	<b>12,264</b>	(4,434)
Other financing cashflows	<b>(11,049)</b>	(9,673)
	<b>1,215</b>	(14,107)
(Decrease) increase in cash and cash equivalents	<b>(61,278)</b>	9,150
Cash and cash equivalents at 1 April	<b>201,736</b>	99,035
Cash and cash equivalents at 30 September	<b>140,458</b>	108,185

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2004

## 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 and the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

## 2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2004.

## 3. Segment Information

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

The following is an analysis of the Group's geographical segment information.

	Turnover		Profit from operations	
	Six months ended 30 September		Six months ended 30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	626,044	658,630	32,366	35,372
Mainland China	127,254	90,131	6,310	243
	<b>753,298</b>	748,761	<b>38,676</b>	35,615

**4. Profit Before Taxation**

	<b>Six months ended 30 September</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment		
— owned by the Group	<b>2,160</b>	1,808
— held under a finance lease	<b>11</b>	19
and after crediting:		
Amortisation of negative goodwill (included in other operating income)	<b>101</b>	101
Interest income	<b>371</b>	581

**5. Taxation**

	<b>Six months ended 30 September</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profit for the period	<b>(6,824)</b>	(5,947)
Mainland China income tax	<b>(669)</b>	(203)
	<b>(7,493)</b>	(6,150)
Deferred taxation	<b>—</b>	255
	<b>(7,493)</b>	(5,895)

The Mainland China income tax is calculated at the applicable rates pursuant to relevant laws and regulations in the Mainland China.

**6. Dividend**

During the six months ended 30 September 2004, a final dividend of 4.0 Hong Kong cents per share, totalling HK\$11,010,000, in respect of the year ended 31 March 2004 was approved at the annual general meeting held on 25 August 2004 and subsequently paid to the shareholders.

On 15 December 2004, the directors resolved to declare an interim dividend of 2.0 Hong Kong cents per share in respect of the six months ended 30 September 2004 (2003: 2.0 Hong Kong cents per share), totalling HK\$5,505,000 (2003: HK\$5,505,000) to be paid in cash to those shareholders, whose names appear on the Company's register of members on 11 January 2005.

## 7. Earnings per share

The calculation of the basic earnings per share is based on the net profit attributable to shareholders of HK\$30,237,000 (2003: HK\$29,100,000) and the number of 275,253,200 (2003: 275,253,200) shares in issue during the period.

No diluted earnings per share has been presented as the exercise price of the Company's share option was higher than the average market price of the Company's share during the period. There were no potential ordinary shares outstanding during the prior period.

## 8. Trade and Other Receivables

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

	<b>30 September 2004 HK\$'000</b>	31 March 2004 HK\$'000
Age		
0 to 30 days	<b>36,120</b>	15,959
31 to 60 days	<b>3,237</b>	110
61 to 90 days	<b>150</b>	1
Over 90 days	<b>768</b>	3,969
	<b>40,275</b>	20,039

## 9. Trade and Other Payables

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

	<b>30 September 2004 HK\$'000</b>	31 March 2004 HK\$'000
Age		
0 to 60 days	<b>86,002</b>	67,002
61 to 90 days	<b>6,857</b>	44
Over 90 days	<b>730</b>	4,547
	<b>93,589</b>	71,593



## BUSINESS REVIEW AND PROSPECTS

The Group's unaudited consolidated turnover for the period under review was HK\$753,298,000 (2003: HK\$748,761,000), representing a slight increase of approximately HK\$4.5 million against the corresponding period last year. Profit attributable to shareholders was HK\$30,237,000 (2003: HK\$29,100,000), representing an increase of 4% when compared with the previous period. Basic earnings per share increased by 4% to 10.99 cents (2003: 10.57 cents).

During the period, we have successfully opened two retail outlets bearing the name Oriental Watch Company in ZengZhou and NanChang in the PRC. Located in one of the most luxurious hotels in ZengZhou, our shop has been able to capture the high-end market customers of the city. In NanChang, our shop is located in the major shopping district of the city which boasts high pedestrian flow and exposure to potential consumers. Up to this date, the performances of these two shops have been quite satisfactory.

Our investments in the PRC are still at an initial stage, that is, intensive capital resources both human and monetary are being accessed. Also, the return on investment period is expected to be longer than that we normally encounter in the Hong Kong market. With the increase of administrative expenses, this may affect the company's performance in the short term period. However, we have strong confidence that in the medium term period, once our network of retail chains has been established and running efficiently, we will be able to capture the booming consumer market in the PRC.

In the third quarter of 2004, we opened a new flagship store in the City Plaza in Shanghai. The complex houses the most fore-front department store in Shanghai, the Jiu Guang Department Store. Its high profile image will draw a lot of potential customers to the premises. With our selections of watches and premium customer services, we will be able to capture our targeted group of customers. A new shop at Changsha has opened on 10 December 2004.

As with other retail businesses in Hong Kong, tourists from Mainland China make up a large portion of our daily business. The recent announcement of Beijing's decision to raise the ceiling on the amount of RMB that can be taken in and out of the country from RMB6,000 to RMB20,000 with effect from 1 January 2005 will certainly help to further improve the retail business. The business pattern of watches retailing normally tells us that the business in the second half of the year is stronger. With the above mentioned new policy and the continuous inflow of tourists from Mainland China, the Board of Directors is strongly confident of better results in the second half year. With consideration of the above issues, the Board of Directors suggests an interim dividend payout of 2 cents per share, the same amount as last year.

Management will continue to implement strict cost and inventory stock controls to better equip the Company as opportunities arise in the retail market.

On behalf of the Company, I would like to thank the support of our suppliers and shareholders. Wish you all a happy Christmas and Prosperous New year.

## LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2004, the Group's total shareholder's funds amounted to HK\$676 million, compared with HK\$657 million at 31 March 2004. The Group's bank and other borrowings were insignificant when compared to shareholders' funds.

The Group had net current assets of HK\$580 million, including bank and cash balances of HK\$148 million as at 30 September 2004 compared with respective balances of HK\$564 million and HK\$205 million respectively as at 31 March 2004.

The financial position of the Group is strong with adequate funds on hand and unused available banking facilities. The Board believes that the Group has sufficient internal finance resources to discharge its debts and to finance its operations and capital expenditure.

## STAFF AND EMPLOYMENT

As at 30 September 2004, the Group employed a total work force of about 320 staff. The staff turnover rate is very low. The Group's policy is to review its employee's pay levels and incentive bonus system regularly to ensure that the remuneration package is competitive with relevant industries.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 September 2004, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows:

Name of director	Number of ordinary shares held				Total number of shares	Percentage of issued share capital of the Company
	Personal interest	Family interest	Corporate interest	Other interest		
Yeung Ming Bui	10,787,260	6,000,000	96,800,000 <i>Note (a)</i>	—	113,587,260	40.7%
Yeung Him Kit, Dennis	—	—	—	5,614,400 <i>Note (b)</i>	5,614,400	2.0%
Chan Che Kwong, William	622,515	—	—	9,709,436 <i>Note (c)</i>	10,331,951	3.8%
Fung Kwong Yiu	1,803,152	—	—	1,161,600 <i>Note (d)</i>	2,964,572	1.1%
Yeung Man Yee, Shirley	—	167,547	—	3,194,400 <i>Note (e)</i>	3,361,947	1.2%
Sun Ping Hsu, Samson, Dr.	—	—	2,000,000 <i>Note (f)</i>	—	2,000,000	0.79%

*Notes:*

- (a) Mr. Yeung Ming Biu and his wife, Madam Au Po Kee, are the beneficial owners of 45% and 22.5% respectively of the issued share capital of Realtower Holdings Limited. Realtower Holdings Limited is the beneficial owner of 55% of the issued share capital of Furama Investments Limited, which is the beneficial owner of 80% of the issued share capital of Datsun Holdings Limited. Datsun Holdings Limited is the beneficial owner of 96,800,000 shares in the Company.
- (b) Mr. Yeung Him Kit, Dennis is the beneficial owner of 10% and 8% of the issued share capital of Realtower Holdings Limited and Real Champ Limited. Real Champ Limited is the beneficial owner of 20% of the issued share capital of Datsun Holdings Limited.
- (c) Mr. Chan Che Kwong, William is the beneficial owner of 10% of the issued share capital of Furama Investments Limited and 10% of the issued share capital of Y.H. Chan Limited which is the beneficial owner of 25% of the issued share capital of Furama Investments Limited. Y.H. Chan Limited also directly holds 294,365 shares in the Company.
- (d) Mr. Fung Kwong Yiu is the beneficial owner of 6% of the issued share capital of Real Champ Limited.
- (e) Madam Yeung Man Yee, Shirley is the beneficial owner of 7.5% of the issued share capital of Realtower Holdings Limited.
- (f) Dr. Sun Ping Hsu, Samson and his family members are beneficial owners of the entire issued share capital of Sun International Limited, which is the beneficial owner of 2,000,000 shares in the Company.

Save as disclosed above and other than certain nominee shares in subsidiaries held by a director in trust for the Company, none of the directors of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEME

A summary of the share options granted under the Company's share option scheme are as follows:

Name of director	Date of grant	Exercisable period	Number of share options and number of underlying shares	
			Exercise price per share HK\$	Granted at 1.4.2004 and 30.9.2004
Yeung Ming Bui	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000
Yeung Him Kit, Dennis	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000
Chan Che Kwong, William	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000
Fung Kwong Yiu	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000
Yeung Man Yee, Shirley	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000
Lam Hing Lun, Alain	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000
Choi Kwok Yum	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000
				18,900,000

There were no shares options granted, exercised, cancelled or lapsed during the six months ended 30 September 2004.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, according to the register maintained by the Company pursuant to Section 336 of the SFO, the following persons (not being a director of the Company) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company.

## Long position in shares of the Company

Name of shareholder	Number of shares held	Percentage of issued share capital of the Company
Datsun Holdings Limited	96,800,000	35.2%
Furama Investments Limited	96,800,000	35.2%
Realtower Holdings Limited	96,800,000	35.2%

Realtower Holdings Limited holds 55% of the issued share capital of Furama Investments Limited which holds 80% of the issued share capital of Datsun Holdings Limited. Accordingly, both Realtower Holdings Limited and Furama Investments Limited are deemed under the SFO to be interested in the 96,800,000 shares in the Company which are held by Datsun Holdings Limited.

Messrs. Yeung Ming Biu, Yeung Him Kit, Dennis, Chan Che Kwong, William and Fung Kwong Yiu, Madam Yeung Man Yee, Shirley and Madam Au Po Kee (wife of Mr. Yeung Ming Biu) are deemed by the SFO to be interested in the shares of the Company beneficially owned by Datsun Holdings Limited in the manner described under the above paragraph headed "Directors' interests and short positions in securities".

Save as disclosed above, at 30 September 2004, the Company had not been notified of any other interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Part XV of the SFO.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 January 2005 to 11 January 2005 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend which is payable on 18 January 2005 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 View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 5 January 2005.

## CODE OF BEST PRACTICE FOR DIRECTORS

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period in compliance 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.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 September 2004, 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.

## AUDIT COMMITTEE

The Audit Committee, which was established pursuant to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Stock Exchange") ("the Listing Rules"). Members of the Audit Committee include three Independent Non-Executive Directors of the Company. During the period, the Audit Committee has reviewed with management the accounting principles and practices adopted by the Group as well as financial reporting matters including the review of the unaudited interim financial statements.

By order of the Board  
**Yeung Ming Biu**  
*Chairman*

Hong Kong, 15 December 2004