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, 2011

FINANCIAL HIGHLIGHTS

- Profit for the period would have been HK$157 million excluding the impact of share options issued during the period
- Turnover grew 17% to HK$1,967 million
- Profit attributable to owners of the Company decreased 10% to HK$63 million
- Basic earnings per share was 11.17 HK cents
- Interim dividend of 3.0 HK cents per share
- Special dividend of 3.0 HK cents per share

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, 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2011

		(Unaudited)	
		Six months ended	
	Notes	**30th September, 2011** *HK$'000*	30th September, 2010 *HK$'000*
Turnover		**1,967,176**	1,678,823
Cost of goods sold		**(1,539,576)**	(1,419,147)
Gross profit		**427,600**	259,676
Other income		**22,091**	24,156
Distribution and selling expenses		**(140,258)**	(69,089)
Administrative expenses		**(207,711)**	(118,688)
Finance costs		**(7,231)**	(5,733)
Share of results of associates		**2,480**	—
Share of results of a jointly controlled entity		**599**	—
Profit before taxation	*4*	**97,570**	90,322
Income tax expense	*5*	**(34,522)**	(19,868)
Profit for the period attributable to owners of the Company		**63,048**	70,454
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		**10,777**	8,437
Change in fair value of available-for-sale financial assets		**(1,430)**	726
Other comprehensive income for the period		**9,347**	9,163
Total comprehensive income for the period attributable to owners of the Company		**72,395**	79,617
Earnings per share	*7*		
— Basic		**11.17 HK cents**	15.07 HK cents
— Diluted		**10.99 HK cents**	14.72 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH SEPTEMBER, 2011

	Notes	**(Unaudited) 30th September, 2011** ***HK$'000***	(Audited) 31st March, 2011 *HK$'000*
Non-current assets			
Property, plant and equipment	*8*	**272,076**	155,531
Deposits for acquisition of property, plant and equipment		**—**	10,575
Interests in associates		**34,274**	32,990
Interest in a jointly controlled entity	*9*	**22,589**	—
Available-for-sale financial assets		**17,118**	18,548
Property rental deposits		**14,120**	13,977
		360,177	231,621
Current assets			
Inventories		**1,667,237**	1,377,076
Trade and other receivables	*10*	**186,393**	161,423
Taxation recoverable		**49**	30
Bank balances and cash		**376,398**	600,824
		2,230,077	2,139,353
Current liabilities			
Trade and other payables	*11*	**257,829**	170,222
Taxation payable		**51,925**	34,702
Current portion of secured long-term bank loans		**30,000**	30,000
Short-term bank loans		**197,990**	211,375
		537,744	446,299
Net current assets		**1,692,333**	1,693,054
Total assets less current liabilities		**2,052,510**	1,924,675
Non-current liabilities			
Secured long-term bank loans		**45,000**	60,000
Net assets		**2,007,510**	1,864,675
Capital and reserves			
Share capital	*12*	**56,761**	46,951
Reserves		**1,950,749**	1,817,724
Total equity		**2,007,510**	1,864,675

Notes:

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 ("HKAS") "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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2011 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st March, 2011, except for the following accounting policies which are adopted by the Group during the current interim period as they have become applicable to the Group.

During the current interim period, the Group acquired 40% equity interests in 寧波匯美鐘錶有限公司 (the "Acquired Company") located in the People's Republic of China (the "PRC"). Upon completion of the acquisition, the Acquired Company is classified as a jointly controlled entity of the Group.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the condensed consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 "Financial instruments: Recognition and measurement" ("HKAS 39") are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" ("HKAS 36") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

Where a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's condensed consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

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.

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new and revised standards or amendments that have been issued after the date the consolidated financial statements for the year ended 31st March, 2011 were authorised for issuance but are not yet effective:

HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (as revised in 2011)	Presentation of financial statements — Presentation of items of other comprehensive income[1]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]

1 Effective for annual periods beginning on or after 1st July, 2012.

2 Effective for annual periods beginning on or after 1st January, 2013.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires extensive use of judgement. The directors of the Company are in the process of assessing the potential impact of the adoption of this standard.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The Group's jointly controlled entity is currently accounted for using the equity method of accounting. The application of HKFRS 11 will have no impact on the accounting treatment for the Group's joint arrangements.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's operation is principally sales of watches. The Group's turnover represents consideration received or receivable from sales of watches.

The Group has two operating segments, which are analysed based on geographical markets of the goods sold, being (a) Hong Kong, and (b) Macau and the PRC, which is also the basis of organisation of the Group for managing the business operations. The Group determines its operating segments based on the internal reports reviewed by the Managing Director of the Group that are used to allocate resources and assess performance.

The following is an analysis of the Group's segment revenue and results by operating segments.

	Turnover		Results	
	Six months ended		Six months ended	
	30th September, 2011	30th September, 2010	**30th September, 2011**	30th September, 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,296,284**	1,135,781	**78,416**	80,461
Macau and the PRC	**670,892**	543,042	**55,448**	31,426
	1,967,176	1,678,823	**133,864**	111,887
Unallocated other income			**1,908**	203
Unallocated corporate expenses			**(34,050)**	(16,035)
Finance costs			**(7,231)**	(5,733)
Share of results of associates			**2,480**	—
Share of results of a jointly controlled entity			**599**	—
Profit before taxation			**97,570**	90,322

Segment profit represents the profit earned by each segment without allocation of directors' salaries, finance costs, share of results of associates, share of results of a jointly controlled entity and unallocated other income and expenses. This is the measure reported to the Managing Director of the Group for the purposes of resources allocation and performance assessment.

All segment revenue is generated from external customers for both periods.

The following is an analysis of the Group's assets by operating segments:

	30th September, 2011	31st March, 2010
	HK$'000	*HK$'000*
Hong Kong	**1,373,537**	1,056,922
Macau and the PRC	**765,771**	660,839
Segment total	**2,139,308**	1,717,761
Unallocated	**450,946**	653,213
Total assets	**2,590,254**	2,370,974

4. PROFIT BEFORE TAXATION

	Six months ended 30th September, 2011 HK$'000	Six months ended 30th September, 2010 HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**14,716**	11,979
Directors' remuneration *(note)*	**32,553**	14,907
Equity-settled share-based payment expense		
— other employees	**54,776**	—
— consultants	**21,974**	—
Loss on disposal of property, plant and equipment	**—**	1,080
and after crediting:		
Interest income	**1,908**	203

Note: Key management personnel of the Group comprises directors of the Company. The amount above includes equity-settled share-based payment expense of HK$16,803,000 (2010: nil).

5. INCOME TAX EXPENSE

	Six months ended 30th September, 2011 HK$'000	Six months ended 30th September, 2010 HK$'000
The charge comprises:		
Hong Kong Profits Tax	**23,777**	11,415
Taxation in other jurisdictions	**10,745**	8,453
	34,522	19,868

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

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, 2011, a final dividend of 8.0 HK cents per share, totalling HK$37,561,000, in respect of the year ended 31st March, 2011 (2010: 4.0 HK cents per share, totalling HK$15,579,000) was approved at the annual general meeting held on 24th August, 2011.

On 17th November, 2011, the directors resolved to declare an interim dividend of 3.0 HK cents per share (2010: 3.0 HK cents per share) and a special dividend of 3.0 HK cents per share (2010: nil) in respect of the six months ended 30th September, 2011, totalling HK$34,056,000 (2010: HK$11,932,000), to be paid in cash to those shareholders whose names appear on the Company's register of members on 14th December, 2011.

7. EARNINGS PER SHARE

	Six months ended	
	30th September, 2011	30th September, 2010
	HK$'000	*HK$'000*
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**63,048**	70,454

	Number of shares	
	Six months ended	
	30th September, 2011	30th September, 2010 (restated)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**564,585,833**	467,374,224
Effect of dilutive potential ordinary shares — share options	**9,331,047**	11,337,846
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**573,916,880**	478,712,070

The denominators for the purpose of calculating basic and diluted earnings per share for the six months ended 30th September, 2010 have been adjusted to reflect the bonus issue of shares in July 2011 on the basis of one new ordinary share for every five ordinary shares held.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th September, 2011, the Group incurred expenditure of HK$130,128,000 (2010: HK$9,226,000) to acquire property, plant and equipment for its operation.

The Group has pledged certain land and buildings with an aggregate carrying value of HK$143,849,000 (31st March, 2011: HK$41,032,000) to a bank to secure the bank loan facilities granted to the Group.

9. INTEREST IN A JOINTLY CONTROLLED ENTITY

During the six months ended 30th September, 2011, the Group entered into an agreement with two independent third parties for the acquisition of 40% equity interests in the Acquired Company at a consideration of RMB7,050,000 (equivalent to approximately HK$8,500,000). The Acquired Company is established in the PRC which is principally engaged in watch trading and has four retail outlets in the PRC. Upon completion of the acquisition, the Group further injected RMB11,000,000 (equivalent to approximately HK$13,294,000) to the Acquired Company, in the form of cash, representing the Group's 40% share of the additional paid-in capital of the Acquired Company.

10. TRADE AND OTHER RECEIVABLES

	30th September, 2011	31st March, 2011
	HK$'000	*HK$'000*
Trade receivables	**139,058**	127,581
Property rental and utilities deposits	**34,791**	26,387
Advances to apparel suppliers	**2,055**	2,098
Advances to other suppliers	**1,441**	688
VAT recoverable	**1,073**	1,110
Other receivables	**7,975**	3,559
	186,393	161,423

The Group maintains a general credit policy of not more than 30 days for its wholesale customers. Sales made to retail customers are made on a cash basis. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	30th September, 2011	31st March, 2011
	HK$'000	*HK$'000*
Age		
0 to 30 days	**132,186**	120,152
31 to 60 days	**5,139**	6,745
61 to 90 days	**119**	115
Over 90 days	**1,614**	569
	139,058	127,581

11. TRADE AND OTHER PAYABLES

	30th September, 2011 *HK$'000*	31st March, 2011 *HK$'000*
Trade payables	**194,360**	99,633
Payroll and welfare payables	**20,725**	27,236
Commission payables	**4,952**	9,090
Advances from customers	**4,305**	6,943
Renovation work payables	**5,392**	2,907
VAT payables	**11,400**	4,038
Interest payables	**373**	905
Property rental payables	**7,437**	10,177
Other payables	**8,885**	9,293
	257,829	170,222

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30th September, 2011 *HK$'000*	31st March, 2011 *HK$'000*
Age		
0 to 60 days	**189,652**	98,539
61 to 90 days	**3,544**	—
Over 90 days	**1,164**	1,094
	194,360	99,633

12. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st April, 2010, 31st March, 2011 and 30th September, 2011	1,000,000,000	100,000

	Number of shares	Amount
		HK$'000
Issued and fully paid:		
At 1st April, 2010	389,478,520	38,948
Issue of shares upon exercise of share options *(note a)*	30,250,000	3,025
Issue of shares upon placement of new shares *(note b)*	50,000,000	5,000
Repurchase of shares *(note c)*	(220,000)	(22)
At 31st March, 2011	469,508,520	46,951
Bonus issue of shares *(note d)*	93,901,704	9,390
Issue of shares upon exercise of share options *(note e)*	4,200,000	420
At 30th September, 2011	567,610,224	56,761

(a) During the year ended 31st March, 2011, directors and employees of the Company exercised share options amounting to 17,820,000 shares and 12,430,000 shares, at an adjusted exercise price of HK$1.547 per share and HK$1.604 per share, respectively.

(b) On 22nd November, 2010, the Company issued 50,000,000 new ordinary shares of HK$0.10 each for cash under the placing of issued shares and top-up subscription of new shares at a price of HK$4.38 per share, which represents a discount of approximately 12% to the closing market price of the Company's shares of HK$4.98 per share as quoted on the Stock Exchange on 22nd November, 2010, the last trading date prior to the entering into of the subscription agreement. The new shares were issued on 3rd December, 2010 under the general mandate granted to the board of directors on 24th August, 2010.

(c) During the year ended 31st March, 2011, 100,000 shares and 120,000 shares were repurchased by the Company on 11th January, 2011 and 24th February, 2011, respectively, at share prices ranging from HK$3.63 per share to HK$4.12 per share.

(d) By an ordinary resolution passed at the annual general meeting of the Company held on 28th July, 2011, the issued share capital was increased by way of a bonus issue by charging HK$9,390,000 to the retained profits account in payment in full at par of 93,901,704 ordinary shares of HK$0.10 each on the basis of one new ordinary share for every five ordinary shares held on 28th July, 2011.

(e) During the six months ended 30th September, 2011, consultants of the Company exercised share options amounting to 4,200,000 shares, at an adjusted exercise price of HK$3.44 per share.

13. SHARE-BASED PAYMENT TRANSACTION

The Company has share options scheme for eligible directors, 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.

On 6th April, 2011, 32,300,000 share options were granted and on 29th August, 2011, 23,000,000 share options were granted. The options may be exercised by the grantees at any time during the option period up to the termination of employment. All share options vested immediately at the date of grant. The estimated fair values of the options granted on these dates are HK$44,855,000 and HK$48,698,000, respectively. The closing prices immediately before the date of grant were HK$3.95 and HK$4.38, respectively.

Details of specific categories of options are as follows:

Date of grant	**Number of share options granted**	**Exercisable period**	**Original exercise price per share**	**Adjusted exercise price per share**
6th April, 2011	32,300,000 *(Note (a))*	6th April, 2011 to 5th April, 2021	HK$4.13	HK$3.44 *(Note (a))*
29th August, 2011	23,000,000	29th August, 2011 to 28th August, 2021	HK$4.80	N/A

The following tables disclosed movements of the Company's share options held by directors, employees and consultants during the six months ended 30th September, 2011:

Share options granted on 6th April, 2011

	Number of shares under option				
Categories of participants	**Outstanding at 1st April, 2011**	**Granted during the period**	**Adjustment on bonus issue of shares** *(Note (a))*	**Exercised during the period**	**Outstanding at 30th September, 2011**
Directors of the Company	—	12,100,000	2,420,000	—	14,520,000
Other employees	—	12,000,000	2,400,000	—	14,400,000
Consultants *(Note (b))*	—	8,200,000	1,640,000	(4,200,000)	5,640,000
Total	—	32,300,000	6,460,000	(4,200,000)	34,560,000

Share options granted on 29th August, 2011

Categories of participants	Number of shares under option		
	Outstanding at 1st April, 2011	Granted during the period	Outstanding at 30th September, 2011
Other employees	—	18,000,000	18,000,000
Consultants *(Note (b))*	—	5,000,000	5,000,000
	—	23,000,000	23,000,000

Note (a): The number of shares under the outstanding options and the exercise price have been adjusted upon the bonus issue of shares on the basis of one new ordinary share for every five ordinary shares held on 28th July, 2011.

Note (b): The share options were granted to consultants for services rendered in exploring investment opportunities for the Group.

The Company's share options held by directors and other employees during the six months ended 30th September, 2010 are as follows:

Date of grant	Number of share options outstanding at 1st April, 2010 and 30th September, 2010	Exercisable period	Exercise price per share
16th January, 2004	17,820,000	16th January, 2004 to 15th January, 2014	HK$1.547
4th June, 2007	12,430,000	4th June, 2007 to 3rd June, 2017	HK$1.604

Note (c): The options outstanding at 30th September, 2010 were all exercised during the six months from 1st October, 2010 to 31st March, 2011. As such, the bonus issue of shares in July 2011, as set out in (a) above did not affect the number of shares under the outstanding options at 30th September, 2010 or their exercise prices.

During the six months ended 30th September, 2011, 4,200,000 shares were exercised (2010: nil). The market prices of the shares on the dates of which options were exercised for the period from 5th August, 2011 to 21th September, 2011 ranged from HK$4.34 to HK$6.17 per share.

The weighted average closing price immediately before the exercise date was HK$5.17.

The fair values of share options granted during the six months ended 30th September, 2011 were calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

Share options granted on 6th April, 2011	
Share price at grant date	HK$4.13
Exercise price	HK$4.13
Expected volatility	53.41%
Expected life	3 years
Risk-free rate	1.42%
Expected dividend yield	1.69%

Share options granted on 29th August, 2011	
Share price at grant date	HK$4.80
Exercise price	HK$4.80
Expected volatility	45.20%
Expected life	10 years
Risk-free rate	2.25%
Expected dividend yield	1.91%

Expected volatilities were determined by using the historical volatility of the Company's share price over the previous years.

The variable and assumptions used in computing the fair values of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised a share-based payment expense of HK$93,553,000 for the six months ended 30th September, 2011 (2010: nil) in relation to share options granted by the Company.

14. CAPITAL COMMITMENTS

	30th September, 2011	31st March, 2011
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	—	90,786

15. OTHER COMMITMENTS

At the end of the reporting period, the Group 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, 2011	31st March, 2011
	HK$'000	*HK$'000*
Within one year	**2,085**	1,888
In the second to fifth year inclusive	**5,299**	6,383
	7,384	8,271

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.

INTERIM DIVIDEND

The directors have proposed to pay an interim dividend of 3.0 HK cents per share (2010: 3.0 HK cents per share) and a special dividend of 3.0 HK cents per share (2010: nil) in respect of the six months ended 30th September, 2011, totalling HK$34,056,000 (2010: HK$11,932,000), to be paid in cash to the shareholders whose names appear on the register of the members of the Company on 14th December, 2011. Dividend warrants will be sent to shareholders on or before 21st December, 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 9th December, 2011 to 14th December, 2011 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed interim and special dividend which will be payable on 21st December, 2011, 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 8th December, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Group results

The Group's unaudited consolidated turnover for the six months ended 30 September 2011 was HK$1,967 million (2010: HK$1,679 million) whilst net profit for the period was HK$63 million (2010: HK$70 million). Excluding the impact of fair value recognised in profit or loss in relation to share options granted during the period amounting to HK$94 million, the adjusted net profit would have been HK$157 million. These figures reflected a turnover and net profit (adjusted) increase of 17% and 122% respectively, over the same period last year.

As of 30th September, 2011, the Group operates a total of 106 stores, Breakdown by geographic region is as follows:

	2011
Hong Kong	**12**
Macau	**2**
China	**90**
Taiwan	**2**
Total	**106**

Business Review and Prospects

The Group continues to record encouraging results during the period under review. Our key geographic markets, namely Hong Kong, Macau and China, achieved same-store sales growth of approximately 29%, from the previous corresponding period. The increase was mainly driven by the secular uptrend in luxury good sales from Mainland Chinese tourists. As one of the leading high-end watch retailers in Hong Kong and Macau, with a growing presence in China, the Group is well positioned to capture higher growth from this luxury seeking consumer group.

During the period under review, the Group focused on expanding its China network. To expedite coverage, the Group also completely acquired 40% interest in a PRC-based watch company on 19th July, 2011. The target company will introduce four additional points of sales for the Group to further explore opportunities in the China watch trading business. Moreover, the Group's iconic Rolex flagship store in the prestigious Shanghai Bund District commenced operation in September 2011, highlighting our long-established relationship with the brand owner and solidifying our capability as a successful operator of high-end brands.

Escalating rental prices continue to plague the Hong Kong and Macau retail markets. However, the Group remained resilient against rental pressures as good portion of its retail stores in Hong Kong are self-owned properties, thus effectively averaging down the costs. As such, rental as a percentage of turnover remained relatively stable and in line with turnover growth during the period under review. The Group aims to maintain, this ratio in the coming years.

This year, 2011, represented a memorable year and marked the Group's 50th anniversary. Looking ahead, the Group remains confident in the business outlook of the luxury goods market as Hong Kong and Macau continues to be significant shopping emporiums for Mainland Chinese tourists. Moreover, the Swiss Watch Federation reported that China has overtaken France to become the 4th largest importer of Swiss timepieces, signifying unlimited growth opportunities. Backed by our strong cash flow, the Group will actively seek quality locations in China to quicken our expansion regionally so as enhance the Group's market penetration rate. We will also initiate a series of marketing campaigns to gain traction on tourist groups and local customers and to ultimately promote the prestigious image of the "Oriental Watch Company".

On behalf of the Group, we thank our customers, suppliers, staff and shareholders for their loyalty and continual support.

Liquidity and financial resources

As at 30th September, 2011, the Group's total equity reached HK$2,008 million, compared with HK$1,865 million as at 31st March, 2011. The Group had net current assets of HK$1,692 million, including bank and cash balances of HK$376 million as at 30th September, 2011 compared with balances of HK$1,693 million and HK$601 million respectively as at 31st March, 2011. At 30th September 2011, bank loans and overdrafts totalled HK$273 million (31st March, 2011: HK$301 million). At 30th September 2011, the gearing ratio (defined as total bank borrowing on total equity) was 0.14 (31st March, 2011: 0.16).

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, 2011, the Group employed a total work force of about 900 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, 2011, 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 2011, except the deviation from the code provision A.4.1 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, 2011.

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, 2011.

PUBLICATION OF INTERIM RESULTS AND DISPATCH OF INTERIM REPORT

The interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at (www.hkex.com.hk) and the Company at (www.orientalwatch.com). The 2011 interim report containing all information required by the Listing Rules will be dispatched to the Company's shareholders and available on the above websites in due course.

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, 17th November, 2011