

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ORIENTAL WATCH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(the “Company”)

(Stock Code: 398)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2015

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, 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

		(Unaudited)	
		Six months ended	
	<i>Notes</i>	30 September 2015	30 September 2014
		HK\$'000	HK\$'000
Turnover		1,570,000	1,531,637
Cost of goods sold		(1,329,028)	(1,276,403)
Gross profit		240,972	255,234
Other income, gains and losses		19,431	27,423
Distribution and selling expenses		(97,352)	(102,818)
Administrative expenses		(154,798)	(162,438)
Finance costs		(5,093)	(9,923)
Share of results of associates		342	349
Share of results of joint ventures		1,123	6,061
Profit before taxation	4	4,625	13,888
Income tax expense	5	(2,109)	(2,932)
Profit for the period		2,516	10,956

		(Unaudited)	
		Six months ended	
	<i>Notes</i>	30 September 2015 HK\$'000	30 September 2014 HK\$'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(16,853)	3,349
Change in fair value of available-for-sale financial assets		(133)	(4,118)
Other comprehensive expense for the period		(16,986)	(769)
Total comprehensive (expense) income for the period		(14,470)	10,187
Profit (loss) for the period attributable to:			
Owners of the Company		2,647	11,059
Non-controlling interests		(131)	(103)
		2,516	10,956
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(14,272)	10,286
Non-controlling interests		(198)	(99)
		(14,470)	10,187
Earnings per share	7		
— Basic		0.46 HK cent	1.94 HK cents
— Diluted	7	0.46 HK cent	1.94 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

	Notes	(Unaudited) 30 September 2015 HK\$'000	(Audited) 31 March 2015 HK\$'000
Non-current assets			
Property, plant and equipment	8	238,680	247,067
Deposits for acquisition of property, plant and equipment		3,237	3,333
Interests in associates		34,065	35,696
Interests in joint ventures	9	120,447	119,936
Available-for-sale financial assets		5,519	5,652
Deferred tax assets		142	306
Property rental deposits		37,392	18,445
		<u>439,482</u>	<u>430,435</u>
Current assets			
Inventories		1,679,886	1,783,767
Trade and other receivables	10	140,702	141,947
Taxation recoverable		5,904	5,887
Bank balances and cash		335,778	344,037
		<u>2,162,270</u>	<u>2,275,638</u>
Current liabilities			
Trade and other payables	11	133,667	152,703
Taxation payable		1,703	2,310
Bank loans	12	177,283	228,377
		<u>312,653</u>	<u>383,390</u>
Net current assets		<u>1,849,617</u>	<u>1,892,248</u>
Total assets less current liabilities		<u>2,289,099</u>	<u>2,322,683</u>
Non-current liabilities			
Bank loans	12	91,331	109,137
Deferred tax liabilities		1,873	1,755
		<u>93,204</u>	<u>110,892</u>
Net assets		<u><u>2,195,895</u></u>	<u><u>2,211,791</u></u>
Capital and reserves			
Share capital	13	57,061	57,061
Reserves		2,137,693	2,153,391
Equity attributable to owners of the Company		<u>2,194,754</u>	<u>2,210,452</u>
Non-controlling interests		1,141	1,339
Total equity		<u><u>2,195,895</u></u>	<u><u>2,211,791</u></u>

1. BASIS OF PREPARATION

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

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied, for the first time, the following new amendments and interpretation to HKAS(s) and Hong Kong Financial Reporting Standards (“HKFRS(s)”) issued by the HKICPA:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 — 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 — 2013 cycle

The application of the new amendments to HKAS(s) and HKFRS(s) in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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) Taiwan, Macau and the People’s Republic of China (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. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

	Turnover		Results	
	Six months ended		Six months ended	
	30 September	30 September	30 September	30 September
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,160,853	1,068,521	30,428	16,474
Taiwan, Macau and the PRC	409,147	463,116	(14,768)	(4,688)
	<u>1,570,000</u>	<u>1,531,637</u>	<u>15,660</u>	<u>11,786</u>
Unallocated other income			551	14,118
Unallocated corporate expenses			(7,958)	(8,503)
Finance costs			(5,093)	(9,923)
Share of results of associates			342	349
Share of results of joint ventures			1,123	6,061
Profit before taxation			<u>4,625</u>	<u>13,888</u>

Segment profit represents the profit earned by each segment without allocation of finance costs, share of results of associates and joint ventures and unallocated other income and expenses. Unallocated other income include gain on disposal of property, plant and equipment and interest income. Unallocated expenses include auditor's remuneration, directors' emoluments, loss on disposal of property, plant and equipment and operating expenses of inactive companies. This is the measure reported to the Managing Director of the Company 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:

	30 September	31 March
	2015	2015
	HK\$'000	HK\$'000
Hong Kong	1,287,369	1,331,557
Taiwan, Macau and the PRC	810,609	862,317
Segment total	2,097,978	2,193,874
Unallocated	503,774	512,199
Total assets	<u>2,601,752</u>	<u>2,706,073</u>

4. PROFIT BEFORE TAXATION

Six months ended	
30 September	30 September
2015	2014
HK\$'000	HK\$'000

Profit before taxation has been arrived at after charging:

Depreciation of property, plant and equipment	17,021	20,599
Directors' remuneration	6,487	7,023
Net exchange loss	2,186	—
Loss on disposal of property, plant and equipment	48	—

and after crediting:

Interest income	551	1,245
Gain on disposal of property, plant and equipment	—	12,873
Net exchange gain	—	105
	<u> </u>	<u> </u>

5. INCOME TAX EXPENSE

Six months ended	
30 September	30 September
2015	2014
HK\$'000	HK\$'000

The charge comprises:

Hong Kong Profits Tax	1,491	1,613
Taxation in other jurisdictions	340	977
	<u> </u>	<u> </u>
	1,831	2,590
Deferred taxation	278	342
	<u> </u>	<u> </u>
	2,109	2,932
	<u> </u>	<u> </u>

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.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

6. DIVIDEND

During the current interim period, a final dividend of 0.25 HK cent per share, totalling HK\$1,426,000, in respect of the year ended 31 March 2015 (2014: 0.25 HK cent per share, totalling HK\$1,426,000) was approved at the annual general meeting held on 13 August 2015.

On 18 November 2015, the directors resolved to declare an interim dividend of 0.1 HK cent per share in respect of the six months ended 30 September 2015, totaling HK\$570,000, to be paid in cash to those shareholders whose names appear on the Company's register of members on 11 December 2015. No interim dividend was paid, declared or proposed during the interim six months ended 30 September 2014.

On 19 November 2014, the directors resolved to declare a special dividend of 0.5 HK cent per share for the six months ended 30 September 2014 (2015: nil), totalling HK\$2,853,000 (2015: nil). The special dividend was paid in cash to those shareholders whose names appear on the Company's register of members on 12 December 2014.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30 September 2015 HK\$'000	30 September 2014 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>2,647</u>	<u>11,059</u>
	Number of shares	
	Six months ended	
	30 September 2015	30 September 2014
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>570,610,224</u>	<u>570,610,224</u>

The diluted earnings per share for both periods has not included the effect from the Company's share options because the exercise prices of the share options are higher than the average market price of the shares of the Company.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group incurred expenditure of HK\$9,706,000 (six months ended 30 September 2014: HK\$6,303,000) to acquire property, plant and equipment for its operation.

The Group has pledged certain land and buildings with an aggregate carrying value of approximately HK\$94,811,000 (31 March 2015: HK\$95,968,000) to a bank to secure the bank loan facilities granted to the Group.

9. INTERESTS IN JOINT VENTURES

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Cost of investments in unlisted joint ventures	21,807	21,807
Exchange adjustment	196	808
Share of post-acquisition profits	<u>20,805</u>	<u>19,682</u>
	42,808	42,297
Amount due from a joint venture (<i>Note</i>)	<u>77,639</u>	<u>77,639</u>
	<u><u>120,447</u></u>	<u><u>119,936</u></u>

Note: The amount, which is due from Hei Tung Watches Company Limited (“Hei Tung”), is unsecured, interest-free and has no fixed repayment term. The Group expects the amount would be settled after twelve months from the end of the reporting period and therefore classifies the amount as a non-current asset.

10. TRADE AND OTHER RECEIVABLES

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Trade receivables	86,440	86,120
Receivable from a joint venture (<i>Note</i>)	1,542	2,637
Property rental and utilities deposits	29,604	43,678
Advances to other suppliers	1,828	1,117
VAT recoverable	2,970	2,849
Other receivables	<u>18,318</u>	<u>5,546</u>
	<u><u>140,702</u></u>	<u><u>141,947</u></u>

Note: The amount represents reimbursements receivable from a joint venture under a procurement arrangement (see note 15).

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:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Age		
0 to 30 days	76,347	81,673
31 to 60 days	8,447	3,652
61 to 90 days	—	5
Over 90 days	1,646	790
	<u>86,440</u>	<u>86,120</u>

11. TRADE AND OTHER PAYABLES

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Trade payables	88,410	97,075
Payroll and welfare payables	7,740	7,395
Commission payables	1,621	2,647
Advances from customers	16,823	20,293
Renovation work payables	4,093	2,199
VAT and other taxes payables	6,188	12,045
Advertising fee payables	2,020	2,568
Interest payables	157	695
Property rental payables	483	493
Other payables	6,132	7,293
	<u>133,667</u>	<u>152,703</u>

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

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Age		
0 to 60 days	80,507	87,890
61 to 90 days	2,171	645
Over 90 days	5,732	8,540
	<u>88,410</u>	<u>97,075</u>

12. BANK LOANS

During the period, the Group obtained a new bank loan amounting to HK\$100,000,000 (six months ended 30 September 2014: new bank loans of HK\$100,000,000). The new loan raised during the period carries interest at variable rate of HIBOR plus 1.8% and is repayable over three years up to 2017.

13. SHARE CAPITAL

	Number of shares	Amount HK\$ '000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2014, 31 March 2015 and 30 September 2015	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2014, 31 March 2015 and 30 September 2015	<u>570,610,224</u>	<u>57,061</u>

14. 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.

(i) 2003 Share Option Scheme

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
6 April 2011	32,300,000 (Note a)	6 April 2011 to 5 April 2021	HK\$4.13	HK\$3.44 (Note a)
29 August 2011	23,000,000	29 August 2011 to 28 August 2021	HK\$4.80	N/A

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

The following tables disclose movements of the Company's share options held by directors, employees and consultants during the six months ended 30 September 2015 and 30 September 2014:

Share options granted on 6 April 2011

Categories of participants	Number of share options outstanding at 1 April 2014, 31 March 2015 and 30 September 2015
Directors of the Company	14,520,000
Other employees	14,400,000
Consultants (<i>Note b</i>)	2,640,000
Total	31,560,000

Share options granted on 29 August 2011

Categories of participants	Number of share options outstanding at 1 April 2014, 31 March 2015 and 30 September 2015
Other employees	18,000,000
Consultants (<i>Note b</i>)	5,000,000
	23,000,000

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

The 2003 Share Option Scheme expired on 2 November 2013. The options could be exercised by the participants at any time during the option period and notwithstanding that the 2003 Share Option Scheme had expired.

No option was exercised or lapsed under the 2003 Share Option Scheme during the six months ended 30 September 2015 and 30 September 2014.

(ii) 2013 Share Option Scheme

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 13 August 2013, a new share option scheme was adopted with effect on 3 November 2013 (the “2013 Share Option Scheme”) after the expiry of the 2003 Share Option Scheme. The 2013 Share Option Scheme will remain in force until 2 November 2023.

No option was granted, exercised or lapsed under the 2013 Share Option Scheme during the six months ended 30 September 2015 and 30 September 2014 since its effective date on 3 November 2013 and there was no outstanding share option as at 30 September 2015.

During the six months ended 30 September 2015 and 30 September 2014, no share-based payment expense was recognised in relation to share options granted by the Company.

15. RELATED PARTY TRANSACTIONS

The compensation of key management personnel is disclosed in note 4.

In addition, in April 2012, the Group entered into a procurement agreement with Hei Tung, a company incorporated in Macau and a joint venture of the Group. Pursuant to the procurement agreement, the Group provides procurement services to the joint venture relating to supply of watches and spare parts for no consideration. The procurement agreement is effective from 1 April 2012. At 30 September 2015, reimbursement receivable from Hei Tung amounted to HK\$1,542,000 (31 March 2015: HK\$2,637,000).

16. CAPITAL COMMITMENTS

	30 September 2015 HK\$'000	31 March 2015 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	<u>1,870</u>	<u>2,000</u>

INTERIM/SPECIAL DIVIDEND

The directors have proposed to pay an interim dividend of 0.1 HK cent per share (2014: Nil) in respect of the six months ended 30th September, 2015, totalling HK\$570,000 (2014: Nil), to be paid in cash to the shareholders whose names appear on the register of the members of the Company on 11th December, 2015. Dividend warrants will be sent to the shareholders on or before 17th December, 2015.

No special dividend was paid or payable for the six months ended 30 September, 2015 (2014: 0.5 HK cent per share, totalling HK\$2,853,000).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 9th December, 2015 to 11th December, 2015 (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 17th December, 2015, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 8th December, 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results

On behalf of the Board of Directors (the "Board") of Oriental Watch Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), I hereby present the unaudited consolidated results of the Group for the six months ended 30 September 2015 (the "Period").

Given the slowdown of economic growth in China and the overall slackening landscapes in luxury sector, turnover for the six months ended 30 September 2015 increased by 2.5% to HK\$1,570 million (2014: HK\$1,532 million). Gross profit declined by 5.6% to HK\$241 million (2014: HK\$255 million) whilst gross profit margin dropped to 15.4% from 16.7% in the corresponding period last year. Net profit attributable to owners of the Company was HK\$3 million, representing a decrease of 77% from the previous corresponding period (2014: HK\$11 million). The significant decline in both the Group's gross profit and net profit was mainly attributable to: (1) the slowdown of demand in the competitive high-end consumer goods market, and (2) the high level of operating costs.

The Board has resolved to recommend an interim dividend of 0.1 HK cent per share for the six months ended 30 September 2015 (2014: nil ; special dividend of 0.5 HK cent per share), dividend payout for the Period of approximately 22% (2014: 26%)

Business Review

As at 30 September 2015, the Group operates 81 retail and wholesale points (including associate retail stores) in the Greater China region. Breakdown by geographic region is as follows:

	As at 30 September 2015
Hong Kong	13
Macau	3
China	62
Taiwan	3
Total	<u>81</u>

Since 2014, China has been experiencing a gradual slowdown in economic growth. According to the National Bureau of Statistics of China, the country's gross domestic product ("GDP") growth rate slows to 6.9% in the third quarter of 2015. First time missing the 7% growth target as announced in the "Twelfth Five-Year Plan", this sluggish growth rate marks the lowest point of economic growth since the first quarter in 2009. Such bleak economic landscape has plunged the retail market, especially the high-end consumer goods market, into a meltdown, and the luxury watches sector is one of the most greatly affected luxury categories in the market. Apart from the gloomy economic environment, the change in destination preference of outbound Chinese tourists is also a key issue for retailers. Recent RMB depreciation and relaxations of visa policies in foreign countries have encouraged Chinese outbound travellers to visit foreign countries, including Japan, Korea, the United States and different European countries. Favourable exchange rates have also made Chinese visitors more inclined to spend money and purchase luxury goods abroad. Furthermore, the increasing social tensions between Hong Kong and mainland China have deflated Chinese travellers' sentiment to visit Hong Kong. In spite of the headwinds ahead, Oriental Watch, as a traditional trading of luxury watches company that operates in the Greater China area, will strike to achieve business stability through improving store efficiency as well as employing effective inventory and cost control, so as to serve the best interests of its shareholders.

Other than the declining consumer traffic and the depressing overall sentiment in the luxury retail market, high rental rate persists to be a major challenge to the Group. For the six months ended 30 September 2015, the Group's aggregate rental costs (excluding related property management fees approximately same as last period, accounting for 43% (2014: 40%) of the Group's overall operating expenses. During the Period, the Group has successfully negotiated to re-new the leases of a number of existing stores at a reasonable rate. Even though there is noticeable slowdown in the pace of rent increase or even decrease in rental rates, the overall rental rates still linger on a substantially high level in Hong Kong. Amid such adverse market environment, a slight decline in rent does not really alleviate the heavy burden brought by the overly high rental rate. The Group will continue to employ appropriate cost control measures, so as to offset the lofty rental costs. With an aim to minimise cost burdens and maximise store efficiency, the Group will pay continuous efforts in conducting internal assessment and optimising product portfolio.

To tackle the high rental costs, the Group also strikes to optimise its profitability by unlocking the hindered value of its inventories. As inventory management plays a decisive role in the Group's cash flow, the Group has been employing a stringent measure over inventory control. During the Period, the Group has implemented a strategic and proactive approach in monitoring the inventory level. Having employed a prudent stance in the replenishment policy, the Group has cautiously monitored the inventory level of high-ticket items, and purchased stocks only when the existing inventory depletes to a pre-agreed level. Together with the efforts committed by the front-line staff, the Group has successfully lower the inventory level during the Period. As at 30 September 2015, the Group's overall inventory level declined significantly by 5.8% from HK\$1,784 million to HK\$1,680 million. Upon the progress achieved in regard to inventories during the Period, the Group will continue to strictly monitor the inventory level, in the hope to provide stable cash flow for steady business growth and development in the future.

According to the Federation of the Swiss Watch Industry FH, the total value of Swiss watch exports to Hong Kong and China in September 2015 records a 20.5% and 9.2% year-on-year decline respectively. Such startling number clearly indicates the slow demand for luxury watches in the Greater China market currently. Oriental Watch, whose brand portfolio consists primarily of Swiss watch brands, is unavoidably affected by such sluggish demand. Nevertheless, the Group remains cautiously optimistic on the outlook of the luxury watch market. The Chinese government has recently announced the “Thirteenth Five-Year Plan”, introducing a proposal for the country’s development from 2016 to 2020. The plan has especially highlighted urbanisation as one of the core development focuses of China in the coming five years. As deeper urbanisation proceeds across the country and people become more affluent in general, luxury products will become affordable to a larger group of people in China. Though evident results are yet to be recognisable in the short term, the Group is confident that upcoming developments will be beneficial to the luxury watches sector in the long term. Together with the favourable government policies, Oriental Watch will adopt a prudent stance to overcome the headwinds ahead. To maximise our store profitability, we will strategically adjust our store portfolio. The Group will only re-new the leases of existing stores when the rent is lowered to a reasonable rate. At the same time, we will continue to search for suitable vacant shops to expand our store portfolio. In fact, the Group has already made forwarding progress in our shop hunting venture, where a new store located in prime location in Hong Kong will open later in 2015. Furthermore, the Group will also continue our endeavours in store management, cost-cutting measures and inventory control. With the interests of our shareholders as our first priority, the Group will strike to achieve improvement, stability and sustainability in our business.

On behalf of the Group, we would like to thank our customers, suppliers, staff and shareholders for their contribution, loyalty and continued support.

Liquidity and financial resources

At 30th September 2015, the Group’s total equity reached HK\$2,196 million, compared with HK\$2,212 million as at 31st March 2015. The Group had net current assets of HK\$1,850 million, including bank and cash balances of HK\$336 million as at 30th September 2015 compared with balances of HK\$1,892 million and HK\$344 million respectively as at 31st March 2015. At 30th September 2015 bank loans of HK\$269 million (31st March 2015: HK\$338 million). At 30th September 2015, the gearing ratio (defined as total bank borrowing on total equity) was 0.12 (31st March, 2015: 0.15).

Management 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, 2015, the Group employed a total work force of about 700 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, 2015, 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 2015, 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, 2015.

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, 2015.

PUBLICATION OF INTERIM RESULTS AND DESPATCH 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 2015 interim report containing all information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in the due course.

MEMBERS OF THE BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Dr. 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, 18th November, 2015