

**If you are in doubt** as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares of HK\$0.10 each in the capital of Oriental Watch Holdings Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



## **ORIENTAL WATCH HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 398)**

### **PLACING OF NEW SHARES AND NOTICE OF SPECIAL GENERAL MEETING**

**Financial adviser to the Company**



**INCUB Corporate Finance Limited**

---

A letter from the board of directors of the Company is set out on pages from 3 to 12 of this circular.

A notice convening a special general meeting of the Company (the “**SGM**”) to be held at Charter Room 2 and 3, Basement 1, the Ritz Carlton, 3 Connaught Road Central, Hong Kong at 11:00 a.m on Monday, 27 August 2007 is set out on pages 13 and 14 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk).

Whether or not you are able to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

---

# CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	3
Introduction .....	3
The Placing Agreement .....	4
Application for listing .....	7
Reasons for the Placing Agreement .....	8
Use of proceeds .....	8
Fund raising activities in past twelve-month period .....	9
Changes in shareholding structure .....	10
SGM .....	11
Procedures for demanding a poll .....	12
Recommendation .....	12
General .....	12
<b>Notice of SGM</b> .....	13

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Announcement”	the announcement of the Company dated 20 July 2007 in relation to, among other matters, the Placing
“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, Sunday or public or statutory holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Oriental Watch Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors, including the independent non-executive directors, of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(Parties)”	independent third party (parties) who is (are) not connected person(s) (as defined in the Listing Rules) of the Company and is (are) independent of and not connected with the Company and its connected persons
“Latest Practicable Date”	7 August 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Placee(s)”	any individual(s), institutional or other professional investor(s) who has or will subscribe for the Placing Shares

---

## DEFINITIONS

---

“Placing”	the placing of the Placing Shares, on a bests effort basis, by the Placing Agent under the Placing Agreement
“Placing Agent”	DBS Asia Capital Limited, the placing agent specified in the Placing Agreement, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement entered into on 20 July 2007 between the Company and the Placing Agent for the placing of the Placing Shares
“Placing Price”	HK\$3.80 per Placing Share
“Placing Shares”	up to 39,000,000 new Shares to be placed under the Placing Agreement
“PRC”	People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at 11:00a.m. on 27 August 2007, notice of which is set out on pages 13 and 14 of this circular
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



## ORIENTAL WATCH HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 398)**

***Executive Directors:***

Mr. Yeung Ming Biu (*Chairman*)  
Mr. Yeung Him Kit, Dennis (*Managing Director*)  
Mr. Fung Kwong Yiu  
Ms. Yeung Man Yee, Shirley  
Mr. Lam Hing Lun, Alain  
Mr. Choi Kwok Yum

***Independent non-executive Directors:***

Dr. Sun Ping Hsu, Samson  
Dr. Li Sau Hung, Eddy  
Mr. So Kai Lau, Peter

***Registered office:***

Clarendon House  
Church Street  
Hamilton HM11  
Bermuda

***Head office and principal place of  
business in Hong Kong:***

Room 312-8  
China Insurance Group Building  
141 Des Voeux Road Central  
Central  
Hong Kong

10 August 2007

*To the Shareholders*

Dear Sir or Madam,

### PLACING OF NEW SHARES AND NOTICE OF SPECIAL GENERAL MEETING

#### INTRODUCTION

By the Announcement, the Company announced, among other things, the Placing of up to 39,000,000 Placing Shares at the price of HK\$3.80 per Placing Share by the Placing Agent on behalf of the Company on a best effort basis.

The purpose of this circular is to provide you with (i) further details in respect of the Placing and (ii) a notice convening the SGM at which an ordinary resolution will be proposed to consider and, if thought fit, approve the issue of the Placing Shares and matters contemplated thereby.

---

# LETTER FROM THE BOARD

---

## THE PLACING AGREEMENT

### Date

20 July 2007

### Parties

- (i) The Company, as issuer; and
- (ii) The Placing Agent, as placing agent.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

### Placees

The Placing Shares will be placed to not less than six Placees, who will be individual(s), institutional or other professional investor(s) who together with their ultimate beneficial owners are also Independent Third Parties.

### Placing Shares

Pursuant to the Placing Agreement, the Placing Agent has agreed to place on a best effort basis of up to 39,000,000 Placing Shares.

The Placing Shares, when issued, will rank pari passu in all respects with the then existing Shares in issue.

The Placing Shares represent approximately 13.92% and 12.22% of the issued share capital of the Company as at the Latest Practicable Date and as enlarged by the issue of the Placing Shares respectively. The effect of the issue of the Placing Shares on the Company's shareholding structure is illustrated in a tabular format as set out under the heading "Changes in shareholding structure" below.

### Placing Price

The Placing Price is HK\$3.80 per Placing Share.

The Placing Price represents:

- (i) a discount of approximately 18.45% to the closing price of HK\$4.66 per Share as quoted on the Stock Exchange on 20 July 2007 before trading of the Shares was suspended pending the issue of the Announcement (the "**Suspension**");

---

## LETTER FROM THE BOARD

---

- (ii) a discount of approximately 5.66% to the average closing price of approximately HK\$4.028 per Share for the five consecutive trading days up to and including 20 July 2007 before the Suspension;
- (iii) a discount of approximately 2.16% to the average closing price of HK\$3.884 per Share for the ten consecutive trading days up to and including 20 July 2007 before the Suspension; and
- (iv) a premium of approximately 8.88% over the closing price of HK\$3.49 per Share on the Latest Practicable Date.

The Placing Price was determined on an arm's length basis between the Company and the Placing Agent having considered the recent closing prices of the Shares before the entering into of the Placing Agreement. The Directors (including independent non-executive Directors) consider that the Placing Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

### **Conditions**

Completion of the Placing Agreement is subject to and conditional upon the following:

- (i) the passing by the Shareholders at the SGM of a resolution authorising the issue of the Placing Shares in accordance with all legal and regulatory requirements; and
- (ii) the Listing Committee of the Stock Exchange (either unconditionally or subject only to conditions to which the Company and the Placing Agent both acting reasonably do not object) granting the listing of, and the permission to deal in, the Placing Shares.

If the above conditions are not fulfilled in full on or prior to the day which falls on the expiry of 45 calendar days immediately following the date of the Placing Agreement, i.e. on or before 3 September 2007 (or such other date as may be agreed between the Company and the Placing Agent), the Placing Agreement shall terminate and neither of the parties thereto shall have any claim against the other for any costs or losses (save for any prior breaches of the Placing Agreement).

### **Completion**

Completion of the Placing Agreement will take place on the third Business Day following the satisfaction of the conditions referred to above or such other date as the Company and the Placing Agent shall agree.

The Company will issue a separate announcement containing, among other matters, information on the result of the Placing after completion of the Placing.

---

## LETTER FROM THE BOARD

---

### Termination

If at any time on or prior to the date of completion of the Placing Agreement:

- (i) there develops, occurs or comes into effect:
  - (a) any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement), including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, whether or not sui generis with any of the foregoing, resulting in a material and adverse change in, or which would be expected to result in a material and adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions in the PRC (including Hong Kong and Macau);
  - (b) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;
  - (c) any material and adverse change in conditions of local, national or international securities markets;
  - (d) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group which shall materially and adversely affect the business or the financial or trading position of the Company;
  - (e) any suspension of dealings in the Shares for a period exceeding ten (10) Business Days other than due to the clearance of the Announcement;
  - (f) a change or development involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or elsewhere which would materially and adversely affect the business, financial or trading position of the Company; or
  - (g) the instigation of any litigation or claim of material importance by any third party against any member of the Group which would materially and adversely affect the business, financial or trading position of the Company,



---

## LETTER FROM THE BOARD

---

and which can reasonably be expected, in the opinion of the Placing Agent acting reasonably, to have or has had a material adverse effect upon the condition, (financial or otherwise) or earnings, business affairs or business prospects of the Company;

- (ii) there is any breach of any of the warranties made by the Company as set out in the Placing Agreement which has come to the knowledge of the Placing Agent or any event which has occurred or any matter which has arisen on or after the date of the Placing Agreement and prior to the completion thereof which (a) if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such warranties untrue, inaccurate or misleading, or (b) in the opinion of the Placing Agent acting reasonably, materially and adversely affects the financial position or business of the Company; or
- (iii) there has been a breach of or failure to perform any of the Company's obligations in any material respect under the Placing Agreement,

then and in any such case, the Placing Agent may after consultation with the Company (to the extent that the same is reasonably practicable) terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to the date of completion of the Placing Agreement.

In the event that the Placing Agent terminates the Placing Agreement pursuant to the above provisions, all obligations of the parties to the Placing Agreement shall cease and determine and no party thereto shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation under the Placing Agreement.

### **APPLICATION FOR LISTING**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

---

## LETTER FROM THE BOARD

---

### REASONS FOR THE PLACING AGREEMENT

The Group is principally engaged in the trading of watches.

As disclosed in the annual report of the Company for the year ended 31 March 2006, during the year, the Group established 11 new outlets throughout the PRC, increasing its point of sales to 21 shops. All of the shops are 100% managed by the Group. The management is trying to open up retail markets in the PRC with a long-term presence. The management also expects there is a long-term investment in trading of watches in the PRC market.

As disclosed in the 2007 annual report of the Company, during such financial year, the Group's market share in Mainland China, Hong Kong and Macau has experienced a strong boom. The overall atmosphere in the retail market is very positive, which effect on the retail luxury goods, such as branded watches, has been equally favorable. The Group has been attentive to this increased vitality and thus managed to increase its market share in that sector.

The Group recorded audited consolidated turnover and net profit after tax and extraordinary items for such financial year of approximately HK\$2.6 billion and HK\$94.9 million, representing an increase of 31% and 45% respectively as compared with the corresponding figures last year.

The PRC segment of the Group has shown an impressive growth of 55% over the previous corresponding year, with profits growing by 125%. In the coming year, the Group intends to continue to increase its presence in the PRC through the opening of 10-15 single brand name watch shops. It is expected that the Group will allocate more resources to capture the business opportunities of the Group in the PRC.

In view of the positive market sentiment, the Directors consider the Placing is in the interest and commercial benefit of the Company such that the Group may have a strong financial position in pursuance of its business objectives.

### USE OF PROCEEDS

Assuming all of the Placing Shares are successfully placed, it is estimated that the net proceeds (after deducting all relevant fees, charges and expenses to be incurred in relation to the Placing) from the Placing will be approximately HK\$143,700,000 which is intended to be applied as to approximately HK\$100,590,000 for business development of the Group in the PRC, as to approximately HK\$21,555,000 for business development of the Group in Hong Kong and the remaining balance of approximately HK\$21,555,000 as general working capital of the Group.

---

## LETTER FROM THE BOARD

---

### FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The following is the only fund raising activity that has been carried out by the Company in the twelve months immediately prior to the date of the Announcement:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds as at the Latest Practicable Date</b>
11 June 2007	Private placing of an aggregate of 55,000,000 non-listed warrants	(1) HK\$0.6 million from the issue of warrants; and (2) a maximum of HK\$99.55 million from the full exercise of the subscription rights attaching to the warrants	(1) Net proceeds from the issue of the warrants was intended to be applied as general working capital of the Group; and (2) any proceeds from the issue of new Shares upon the exercise of the subscription rights attaching to the warrants was intended to be applied as funds for business development of the Group in the PRC and towards the general working capital of the Group	(1) HK\$0.6 million from the issue of warrants has been applied as general working capital of the Group as originally intended; and (2) the proceeds of HK\$9.05 million from the exercise of the subscription rights attaching to 5,000,000 warrants has been applied as general working capital of the Group as originally intended

# LETTER FROM THE BOARD

## CHANGES IN SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Placing:

Shareholders	Shareholding as at the Latest Practicable Date		Shareholding upon completion of Placing	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Datsun Holdings Limited <i>(Note 1)</i>	96,800,000	34.54	96,800,000	30.32
Yeung Ming Bui <i>(Note 2)</i>	10,787,260	3.85	10,787,260	3.38
Au Po Kee <i>(Note 3)</i>	6,000,000	2.14	6,000,000	1.88
Sun International Limited <i>(Note 4)</i>	2,000,000	0.71	2,000,000	0.63
Y.H. Chan Limited <i>(Note 2)</i>	294,365	0.11	294,365	0.09
Fung Kwong Yiu <i>(Note 5)</i>	1,803,152	0.64	1,803,152	0.56
Lai Wing Kai <i>(Note 6)</i>	167,547	0.06	167,547	0.05
<b><i>Public Shareholders:</i></b>				
IXIS Asset Management Asia Ltd.	14,258,000	5.09	14,258,000	4.47
Bright Year Limited <i>(Note 7)</i>	5,000,000	1.78	5,000,000	1.57
Placees <i>(Note 8)</i>	—	—	39,000,000	12.22
Other public Shareholders	143,142,876	51.08	143,142,876	44.83
<b>Total</b>	<b>280,253,200</b>	<b>100.00</b>	<b>319,253,200</b>	<b>100.00</b>

---

## LETTER FROM THE BOARD

---

*Notes:*

1. 80% of the issued share capital of Datsun Holdings Limited (“**Datsun**”) is held by Furama Investments Limited (“**Furama**”). Realtower Holdings Limited (“**Realtower**”) holds 55% of the issued share capital of Furama. Mr. Yeung Ming Biu and his spouse have 67.5% interest in Realtower and are deemed by the SFO to be interested in the Shares beneficially owned by Datsun.
2. Mr. Yeung Ming Biu, an executive Director and the chairman of the Company, holds 10,782,260 Shares personally. He also has 47.5% interest in Y.H. Chan Limited.
3. Madam Au Po Kee, the wife of Mr. Yeung Ming Biu, holds 6,000,000 Shares personally.
4. The entire issued share capital of Sun International Limited is wholly and beneficially owned by Dr. Sun Ping Hsu, Samson, an independent non-executive Director.
5. Mr. Fung Kwong Yiu, an executive Director, holds 1,803,152 Shares personally.
6. Mr. Lai Wing Kai, the husband of Madam Yeung Man Yee, Shirley, an executive Director, holds 167,547 Shares personally.
7. Bright Year Limited is beneficially owned by Mr. Chan Francis Ping Kuen, an Independent Third Party.
8. After completion of the Placing Agreement, it is expected that none of the Placees will become a substantial Shareholder under the Listing Rules and thus will be regarded as public Shareholders.

### **SGM**

You will find on pages 13 and 14 of this circular a notice of the SGM to be held at 11:00 a.m. on 27 August 2007 at Charter Room 2 and 3, Basement 1, the Ritz Carlton, 3 Connaught Road Central, Hong Kong to consider and, if thought fit, to approve the issue of the Placing Shares and matters contemplated thereby.

As no Shareholder is materially interested in the Placing, none of them will be required to abstain from voting at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the Company’s Hong Kong branch share registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

---

## LETTER FROM THE BOARD

---

### PROCEDURES FOR DEMANDING A POLL

According to the Bye-laws of the Company, before or on the declaration of the result of voting by the show of hands on a resolution put to the vote at a general meeting or on the withdrawal of any other demand for a poll at a general meeting, a poll may be demanded by:

- (a) at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy entitled to vote at the meeting; or
- (b) any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than 10% of the total voting rights of all the members having the right to vote at the meeting: or
- (c) any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

### RECOMMENDATION

The Board consider that the terms of the Placing are fair and reasonable and in the interests of the Company and the Shareholders as a whole and accordingly recommends the Shareholders to vote in favour of the resolution to be proposed at the SGM.

### GENERAL

The English text of this circular prevails over its Chinese translation in case of discrepancy.

Yours faithfully  
For and on behalf of  
the board of Directors of  
**Oriental Watch Holdings Limited**  
**Yeung Ming Bui**  
*Chairman*



## ORIENTAL WATCH HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 398)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the special general meeting of Oriental Watch Holdings Limited (the “**Company**”) will be held at Charter Room 2 and 3, Basement 1, the Ritz Carlton, 3 Connaught Road Central, Hong Kong on Monday, 27 August 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT** the placing agreement dated 20 July 2007 (the “**Placing Agreement**”) between the Company, as issuer, and DBS Asia Capital Limited, as placing agent (a copy of which has been produced to the meeting and initialed by the chairman of the meeting for the purpose of identification) in respect of the placing of up to 39,000,000 shares of HK\$0.10 each of the Company (the “**Placing Shares**”) at a placing price of HK\$3.80 each (the “**Placing**”) be and is hereby approved, confirmed and ratified in all respects, and the directors of the Company be and are hereby authorised to allot and issue the Placing Shares pursuant to the Placing Agreement and to do all such acts and things and execute all such documents as they consider necessary or expedient in connection with and to give effect to the Placing.”

By Order of the Board  
**Lam Hing Lun, Alain**  
*Company Secretary*

Hong Kong, 10 August 2007

---

## NOTICE OF SGM

---

***Registered office:***

Clarendon House  
Church Street  
Hamilton HM11  
Bermuda

***Principal place of business in Hong Kong:***

Room 312-8  
China Insurance Group Building  
141 Des Voeux Road Central  
Central  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, vote in his/her/its stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy enclosed with the circular of the Company dated 10 August 2007 must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. In the case of joint holders of shares, any one of such joint holders may vote at the SGM, either personally or by proxy, in respect of such shares as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.