EganaGoldpfeil

(HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT 2006/2007

Stock Code : 48

CONTENTS

CORPORATE INFORMATION

PRINCIPAL ACTIVITY

Design, assembly, manufacturing and distribution of timepieces, jewellery and leather & lifestyle products; licensing or assignment of brand names or trademarks to third parties; trading of timepiece components, jewellery and consumer electronic products and distribution of branded timepieces, jewellery, leather & lifestyle products through franchisees under the franchising arrangement and holding of investments.

DIRECTORS

Executive Directors

Hans-Joerg SEEBERGER *(Executive Chairman)*
Peter Ka Yue LEE *(Deputy Chairman)*
Michael Richard POIX *(Chief Executive Officer)*
Ho Yin CHIK
David Wai Kwong WONG
Wolfgang Heinz PFEIFER

Independent Non-Executive Directors

Professor Udo GLITTENBERG
Dr. Goetz Reiner WESTERMEYER
Andy Yick Man NG

SECRETARY

David Wai Kwong WONG

AUDITORS

Baker Tilly Hong Kong Limited

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HONG KONG SHARE REGISTRARS & TRANSFER OFFICE

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LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 48
(Constituent Stock of Hang Seng Composite Index Series)

WEBSITE

http://www.egana.com

The board of directors (the "Board" or the "Directors") of EganaGoldpfeil (Holdings) Limited ("EganaGoldpfeil" or the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th November, 2006 together with the comparative figures for the six months ended 30th November, 2005 which are summarised as under. These results have been reviewed by the Audit Committee of the Company.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended	
		30th November, 2006 (Unaudited)	**30th November, 2005 (Unaudited)**
	Notes	*HK$'000*	*HK$'000*
Turnover	*2*	**3,309,970**	2,832,464
Cost of sales		**(1,990,605)**	(1,609,977)
Gross profit		**1,319,365**	1,222,487
Other revenues		**64,582**	54,107
Distribution costs		**(719,843)**	(612,003)
Administrative expenses		**(356,104)**	(423,067)
Operating profit		**308,000**	241,524
Finance costs		**(89,786)**	(64,285)
Profit before share of profit/(loss) of associated companies		**218,214**	177,239
Share of profit/(loss) of associated companies		**13,275**	13,633
Profit before taxation	*2, 3*	**231,489**	190,872
Taxation	*4*	**(25,594)**	(22,727)
Profit for the period		**205,895**	168,145
Attributable to:			
Equity holders of the Company		**186,023**	147,196
Minority interests		**19,872**	20,949
		205,895	168,145
Dividends	*5*	**43,792**	36,003
Earnings per share	*6*		
Basic		**14.20 cents**	11.56 cents
Diluted		**14.04 cents**	11.33 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30th November, 2006 (Unaudited) HK$'000	Six months ended 30th November, 2005 (Unaudited) HK$'000
Opening balance – Total equity, as previously reported	**2,210,574**	1,748,424
Retrospective adjustment – reclassification of leasehold land from fixed assets	**-**	(8,713)
Retrospective adjustment – reversal of share of asset revaluation reserve of an associated company	**-**	(8,794)
Retrospective adjustment – loss on acquisition of additional interests in subsidiaries	**-**	(87,457)
Retrospective adjustment – reclassification of minority interests to equity	**-**	276,181
Retrospective adjustment – reclassification of convertible bonds to equity	**-**	13,035
Opening balance – Total equity, as restated	**2,210,574**	1,932,676
Surplus/(deficit) on revaluation of available-for-sale financial assets	**54,311**	(30,031)
Exchange differences arising from translation of the financial statements of foreign subsidiaries and associated companies	**7,937**	(4,844)
Share of exchange translation reserve of an associated company	**37**	974
Net gains/(losses) recognised directly in equity	**62,285**	(33,901)
Profit for the period	**205,895**	168,145
Total recognised income for the period*	**268,180**	134,244
Realisation of reserves upon disposal of available-for-sale financial assets	**-**	6,229
Deemed acquisition of additional interests in a subsidiary	**(521,958)**	–
Shares issued upon exercise of share options	**17,450**	–
Shares issued upon privatisation of a subsidiary	**136,066**	–
Shares issued upon conversion of convertible bonds	**-**	5,240
Premium arising from issue of shares in relation to exercise of share options and privatisation of a subsidiary	**396,272**	–
Expenses incurred in connection with conversion of convertible bonds and issue of shares	**-**	(12)
Issue of convertible bonds of a subsidiary	**-**	22,803
Conversion of convertible bonds of a subsidiary	**-**	12,595
Final dividends	**(71,524)**	(44,678)
Dividends paid to minority interests	**(332)**	(500)
Closing balance – Total equity	**2,434,728**	2,068,597
* Attributable to equity holders of the Company	**227,276**	128,240
Attributable to minority interests	**40,904**	6,004
	268,180	134,244

CONSOLIDATED BALANCE SHEET

	Notes	As at 30th November, 2006 (Unaudited) HK$'000	As at 31st May, 2006 (Audited) HK$'000
Non-current assets			
Fixed assets	*7*	**451,845**	416,649
Leasehold land	*8*	**20,564**	20,907
Intangible assets	*9*	**856,628**	833,341
Deferred tax assets		**159,660**	144,793
Interests in associated companies		**172,940**	161,461
Available-for-sale financial assets	*10*	**350,791**	296,398
Derivative financial instruments	*11*	**661**	6,045
		2,013,089	1,879,594
Current assets			
Inventories		**1,363,352**	1,318,602
Accounts receivable, net	*12*	**1,016,732**	1,501,662
Deposits, prepayments and other receivables		**759,170**	461,178
Due from associated companies		**21,476**	19,908
Investments held for trading		**156**	312
Derivative financial instruments	*11*	**18,409**	10,426
Cash and cash equivalents		**1,248,713**	1,385,251
		4,428,008	4,697,339
Current liabilities			
Accounts payable	*13*	**(597,037)**	(896,020)
Accruals and other payables		**(481,021)**	(435,210)
Bills payable		**(202,875)**	(249,808)
Provisions		**(17,705)**	(8,524)
Derivative financial instruments	*11*	**(64,085)**	(37,570)
Short-term bank borrowings	*14*	**(1,077,523)**	(1,105,516)
Current portion of long-term bank borrowings	*14*	**(314,275)**	(170,237)
Current portion of other long-term liabilities		**(31,640)**	(29,538)
Current portion of obligations under finance leases		**(4,450)**	(4,486)
Current portion of pensions and other post retirement obligations		**(9,880)**	(15,470)
Due to associated companies		**(2,845)**	(6,449)
Due to a Director		**(123)**	(42)
Loan from a minority shareholder		**(1,395)**	(1,349)
Taxation payable		**(25,614)**	(12,707)
Final dividend payable		**(71,524)**	–
		(2,901,992)	(2,972,926)

CONSOLIDATED BALANCE SHEET *(continued)*

	Notes	As at 30th November, 2006 (Unaudited) HK$'000	As at 31st May, 2006 (Audited) HK$'000
Net current assets		**1,526,016**	1,724,413
Total assets less current liabilities		**3,539,105**	3,604,007
Non-current liabilities			
Long-term bank borrowings	14	**(856,280)**	(1,155,908)
Other long-term liabilities		**(16,063)**	(17,994)
Pensions and other post retirement obligations		**(222,332)**	(211,000)
Derivative financial instruments	11	**(1,792)**	(2,029)
Deferred tax liabilities		**(7,910)**	(6,502)
		(1,104,377)	(1,393,433)
Net assets		**2,434,728**	2,210,574
Capital and reserves			
Share capital	15	**1,439,326**	1,285,810
Reserves	16	**945,265**	522,982
Proposed interim/final dividend		**43,792**	64,291
Equity attributable to equity holders of the Company		**2,428,383**	1,873,083
Minority interests	16	**6,345**	337,491
Total Equity		**2,434,728**	2,210,574

CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th November, 2006 (Unaudited) *HK$'000*	Six months ended 30th November, 2005 (Unaudited) *HK$'000*
Cash generated by/(used in) operations	**202,690**	(367,199)
Interest paid	**(80,155)**	(46,772)
Tax paid	**(30,732)**	(18,472)
Tax refund	**5,735**	1,213
Net cash from/(used in) operating activities	**97,538**	(431,230)
Net cash (used in)/from investing activities	**(45,008)**	160,224
Net cash (used in)/from financing activities	**(192,266)**	479,995
Net (decrease)/increase in cash and cash equivalents	**(139,736)**	208,989
Cash and cash equivalents at 1st June, 2006/1st June, 2005	**1,385,251**	812,895
Effect of foreign exchange rate changes	**3,198**	(8,973)
Cash and cash equivalents at 30th November, 2006/30th November, 2005	**1,248,713**	1,012,911
Analysis of cash and cash equivalents:		
Cash and bank balances	**427,795**	407,311
Promissory notes	**820,918**	605,600
	1,248,713	1,012,911

NOTES TO THE ACCOUNTS

1. Basis of preparation and principal accounting policies

The unaudited interim accounts have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of the interim accounts in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKICPA.

They have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, investments held for trading and certain financial instruments, which are carried at fair values.

The accounting policies used in the accounts are consistent with those followed in the preparation of the Group's annual accounts for the year ended 31st May, 2006 except that the Group had changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS"), HKAS and interpretations (collectively referred to as the "New HKFRSs") which are relevant to the Group's operations and are applicable for the financial year ending 31st May, 2007. The applicable New HKFRSs adopted in this interim accounts are set out below:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC)-Interpretation 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Interpretation 9	Reassessment of Embedded Derivatives

1. **Basis of preparation and principal accounting policies** *(continued)*

The adoption of the above New HKFRSs did not result in substantial changes to the Group's accounting policies and have no significant impact on its results of operations and financial position. No restatement of comparative figures was made as the amounts of the impact were immaterial. In summary:

- HKAS 19 (Amendment) introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses.

- HKAS 21 (Amendment) changes the net investment definition to include loans between fellow subsidiaries. It permits inter-company loans denominated in any currency to be part of a net investment in a foreign operation and to recognise foreign exchange volatility on such loans funding foreign operations in the exchange translation reserve in the consolidated accounts.

- HKAS 39 (Amendment) allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated accounts, provided that (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect the consolidated profit or loss.

- HKAS 39 (Amendment) changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category.

- HKAS 39 and HKFRS 4 (Amendment) requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair values, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred; and (b) the expenditure required to settle the commitment at the balance sheet date.

- HK(IFRIC)-Interpretation 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

- HK(IFRIC)-Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.

1. Basis of preparation and principal accounting policies *(continued)*

The Group has not early adopted the following New HKFRSs that have been issued but are not yet effective:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Interpretation 10	Interim Financial Reporting and Impairment

The Group had already commenced an assessment of the impact of these New HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. Segmental information

(a) Primary reporting format – business segments

The Group's businesses are managed according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit, which is subject to risks and returns that are different from those of other business segments.

The Group is organised on a worldwide basis into four main business segments:

- Timepieces – design, assembly, manufacturing, distribution and trading of timepieces and timepiece components

- Jewellery – design, assembly, manufacturing, distribution and trading of jewellery products

- Leather & lifestyle – design, assembly, manufacturing, distribution and trading of leather & lifestyle products

- Investments – investments in available-for-sale financial assets and investments held for trading. Available-for-sale financial assets include investments in listed/unlisted securities and closed-end fund which could bring medium or long-term synergetic benefits to the Group's businesses such as strategic alliance and partnership with various distribution business in Asia for furtherance of its business penetration in the region.

NOTES TO THE ACCOUNTS *(continued)*

2. Segmental information *(continued)*

(a) Primary reporting format – business segments *(continued)*

	Six months ended 30th November, 2006					
	Timepieces	**Jewellery**	**Leather & lifestyle products**	**Investments**	**Eliminations**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,084,253	600,587	1,625,130	–	–	3,309,970
Inter-segment revenue	16,512	4,473	7,254	–	(28,239)	–
Dividend income	–	–	–	1,743	–	1,743
Segment results	117,989	62,014	126,253	1,744	–	308,000
Finance costs						(89,786)
Profit before share of profit of associated companies						218,214
Share of profit of associated companies						13,275
Profit before taxation						231,489
Taxation						(25,594)
Profit for the period						205,895
Attributable to:						
Equity holders of the Company						186,023
Minority interests						19,872
						205,895

2. Segmental information *(continued)*

(a) Primary reporting format – business segments *(continued)*

	Six months ended 30th November, 2006					
	Timepieces	Jewellery	Leather & lifestyle products	Investments	Eliminations	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	11,760	13,439	55,873	–	–	81,072
Depreciation	9,236	5,916	27,048	–	–	42,200
Amortisation	5,112	1,016	2,539	–	–	8,667
Reversal of allowance for bad debts	–	246	225	–	–	471
Bad debts expense	1,644	1,536	428	–	–	3,608
Write-back of provision for inventory	2,128	–	3,479	–	–	5,607
Provision for inventory	837	1,833	6,627	–	–	9,297
	As at 30th November, 2006					
Segment assets	2,417,312	1,503,800	1,996,098	350,947	–	6,268,157
Interests in associated companies	172,215	(73)	798	–	–	172,940
Total assets						6,441,097
Segment liabilities	(1,933,330)	(1,297,896)	(775,143)	–	–	(4,006,369)
Total liabilities						(4,006,369)

NOTES TO THE ACCOUNTS *(continued)*

2. Segmental information *(continued)*

(a) Primary reporting format – business segments *(continued)*

	Six months ended 30th November, 2005					
	Timepieces	Jewellery	Leather & lifestyle products	Investments	Eliminations	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	954,659	433,124	1,444,681	–	–	2,832,464
Inter-segment revenue	8,973	1,658	3,888	–	(14,519)	–
Dividend income	–	–	–	2,081	–	2,081
Segment results	80,265	75,964	82,912	2,383	–	241,524
Finance costs						(64,285)
Profit before share of profit of associated companies						177,239
Share of profit of associated companies						13,633
Profit before taxation						190,872
Taxation						(22,727)
Profit for the period						168,145
Attributable to:						
Equity holders of the Company						147,196
Minority interests						20,949
						168,145
Capital expenditure	17,215	9,191	35,612	–	–	62,018
Depreciation	9,064	4,699	21,151	–	–	34,914
Amortisation	5,893	1,099	2,342	–	–	9,334
Reversal of allowance for bad debts	1,064	80	1,056	–	–	2,200
Bad debts expense	693	284	213	–	–	1,190
Write-back of provision for inventory	–	2,468	37,495	–	–	39,963
Provision for inventory	2,283	–	4,891	–	–	7,174

2. Segmental information *(continued)*

(a) Primary reporting format – business segments *(continued)*

	As at 31st May, 2006					
	Timepieces	**Jewellery**	**Leather & lifestyle products**	**Investments**	**Eliminations**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	2,258,624	1,510,436	2,349,702	296,710	–	6,415,472
Interests in associated companies	161,102	(66)	425	–	–	161,461
Total assets						6,576,933
Segment liabilities	(2,525,071)	(845,982)	(995,306)	–	–	(4,366,359)
Total liabilities						(4,366,359)

(b) Secondary reporting format – geographical segments

The Group's operations are mainly located in Europe, Asia Pacific and America. In determing the Group's geographical segments, turnover is attributed to the segments based on the destination of merchandise. Segment assets and capital expenditure were based on the geographical locations of the assets.

	Six months ended 30th November, 2006			As at 30th November, 2006
	Turnover	**Segment results**	**Capital expenditure**	**Total assets**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Europe	2,341,249	200,255	64,619	2,897,359
America	139,944	(8,931)	713	94,809
Asia Pacific	828,777	116,676	15,740	3,275,989
	3,309,970	308,000	81,072	6,268,157
Interests in associated companies				172,940
Total assets				6,441,097

2. Segmental information *(continued)*

(b) Secondary reporting format – geographical segments *(continued)*

	Six months ended 30th November, 2005			As at 31st May, 2006
	Turnover	**Segment results**	**Capital expenditure**	**Total assets**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Europe	2,402,241	189,779	50,305	2,963,847
America	112,115	(716)	1,245	86,159
Asia Pacific	318,108	52,461	10,468	3,365,466
	2,832,464	241,524	62,018	6,415,472
Interests in associated companies				161,461
Total assets				6,576,933

3. Profit before taxation

The Group's profit before taxation is arrived at after crediting and charging the following:

	Six months ended 30th November, 2006	Six months ended 30th November, 2005
	HK$'000	*HK$'000*
Crediting:		
Interest income	**35,300**	24,910
Net exchange gain	**10,901**	–
Net fair value (loss)/gain on financial instruments		
– interest rate swaps	**(1,602)**	3,944
Net gain on derivative financial instruments		
– forward foreign exchange contracts	**2,289**	2,445
– forward gold/silver contracts	**2,093**	371
– gold/silver options	**2,372**	–
Charging:		
Depreciation of fixed assets	**42,200**	34,914
Amortisation of intangible assets	**8,324**	8,999
Amortisation of leasehold land	**343**	335
Net exchange loss	**–**	20,911
Interest expenses	**75,388**	53,274
Net loss on derivative financial instruments		
– currency options	**25,091**	566
Share of taxation of associated companies (Included in share of profit/(loss) of associated companies)	**1,148**	1,105

4. Taxation

Taxation comprised:

	Six months ended 30th November, 2006 HK$'000	Six months ended 30th November, 2005 HK$'000
Company and subsidiaries		
Current taxation:		
Hong Kong profits tax		
– Provision for current period	**5,735**	2,921
Overseas income tax		
– Provision for current period	**10,754**	10,946
– Under-provision in prior periods	**20,987**	83
Deferred taxation		
– Recognised during the period	**(11,882)**	8,777
	25,594	22,727

Hong Kong profits tax was provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong. Overseas income tax was provided by subsidiaries with overseas operations on their estimated assessable profits for the period at the tax rates applicable in the countries in which the subsidiaries operated.

5. Interim dividend

The Board has resolved to declare an interim dividend of HK3 cents per share (2005: HK2.8 cents) payable on 30th March, 2007 to shareholders whose names appear on the register of members of the Company on 9th March, 2007.

6. Earnings per share

(a) Basic earnings per share

Basic earnings per share was calculated based on the consolidated profit attributable to equity holders of the Company for the period of approximately HK$186,023,000 (2005: HK$147,196,000) and the weighted average number of ordinary shares of approximately 1,310,387,000 (2005: 1,273,634,000) in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share was calculated based on the adjusted consolidated profit attributable to equity holders of the Company for the period of approximately HK$186,023,000 (2005: HK$145,621,000) and the weighted average number of ordinary shares of approximately 1,324,484,000 (2005: 1,285,486,000) that would be in issue having adjusted for the effects of all dilutive potential ordinary shares issuable during the period.

(c) Reconciliation

A reconciliation of profit attributable to equity holders of the Company used in calculating the basic and diluted earnings per share was as follows:

	Six months ended	
	30th November, 2006	**30th November, 2005**
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**186,023**	147,196
Dilutive potential effect in the earnings of a subsidiary in respect of convertible bonds of the subsidiary	**–**	(1,609)
Interest savings in respect of convertible bonds	**–**	34
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	**186,023**	145,621

6. Earnings per share *(continued)*

(c) Reconciliation (continued)

A reconciliation of the number of ordinary shares for calculation of basic and diluted earnings per share was as follows:

	Six months ended 30th November, 2006	Six months ended 30th November, 2005
Weighted average number of ordinary shares used in calculating basic earnings per share	**1,310,387,000**	1,273,634,000
Dilutive potential effect in respect of		
– Convertible bonds	**–**	11,822,000
– Share options of the Company	**14,097,000**	30,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	**1,324,484,000**	1,285,486,000

7. Fixed assets

	Property, plant and equipment *HK$'000*
Carrying value as at 1st June, 2006	416,649
Additions	65,211
Exchange adjustments and disposals	12,185
Charge for the period	(42,200)
Carrying value as at 30th November, 2006	451,845

8. Leasehold land

	HK$'000
Carrying value as at 1st June, 2006	20,907
Charge for the period	(343)
Carrying value as at 30th November, 2006	20,564

9. Intangible assets

	HK$'000
Carrying value as at 1st June, 2006	833,341
Additions	15,861
Exchange adjustments and disposals	15,750
Charge for the period	(8,324)
Carrying value as at 30th November, 2006	856,628

10. Available-for-sale financial assets

As at 30th November, 2006, the available-for-sale financial assets were stated at fair values which were determined by the Directors or according to quoted market prices and the revaluation surplus of approximately HK$54,311,000 (2005: a deficit of HK$30,031,000) was recorded in the revaluation reserve. In the opinion of the Directors, there was no indication of impairment in the carrying values of the financial assets.

11. Derivative financial instruments

	As at 30th November, 2006		**As at 31st May, 2006**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Forward foreign exchange contracts	**–**	**11,462**	–	11,549
Currency options	**–**	**52,047**	186	27,156
Forward gold and silver contracts	**10,344**	**1,014**	7,818	627
Gold and silver options	**4,981**	**–**	2,608	–
Interest rate swaps	**3,745**	**1,354**	5,859	267
	19,070	**65,877**	16,471	39,599
Analysed as:				
Non-current	**661**	**1,792**	6,045	2,029
Current	**18,409**	**64,085**	10,426	37,570
	19,070	**65,877**	16,471	39,599

12. Accounts receivable aging analysis

The Group allows an average credit period of 30-120 days to its trade customers. Aging analysis of accounts receivable after allowance for bad and doubtful debts is as follows:

	As at 30th November, 2006 *HK$'000*	As at 31st May, 2006 *HK$'000*
Current month	**890,616**	1,360,020
Between 1 to 2 months	**65,412**	41,618
Between 2 to 3 months	**12,841**	12,722
Between 3 to 4 months	**10,556**	10,781
Over 4 months	**37,307**	76,521
	1,016,732	1,501,662

The Directors consider that the carrying amount of accounts receivable approximates their fair value.

13. Accounts payable aging analysis

Aging analysis of accounts payable is as follows:

	As at 30th November, 2006 *HK$'000*	As at 31st May, 2006 *HK$'000*
Current month	**460,688**	844,144
Between 1 to 2 months	**46,900**	33,398
Between 2 to 3 months	**39,930**	6,199
Between 3 to 4 months	**19,786**	2,046
Over 4 months	**29,733**	10,233
	597,037	896,020

The Directors consider that the carrying amount of accounts payable approximates their fair value.

14. Bank borrowings

(a) Short-term bank borrowings comprised:

	As at 30th November, 2006 HK$'000	As at 31st May, 2006 HK$'000
Bank loans and overdrafts	**770,677**	815,501
Trust receipts and import loans	**306,846**	290,015
	1,077,523	1,105,516

The Directors consider that the carrying amount of short-term bank borrowings approximates their fair value.

(b) Long-term bank borrowings:

	As at 30th November, 2006 HK$'000	As at 31st May, 2006 HK$'000
Repayable within a period of		
– not exceeding 1 year		
Secured	**9,584**	7,553
Unsecured	**304,691**	162,684
– more than 1 year, but not exceeding 2 years		
Secured	**9,573**	6,570
Unsecured	**146,405**	291,121
– more than 2 years, but not exceeding 5 years		
Secured	**8,622**	9,347
Unsecured	**691,680**	848,623
– after 5 years		
Secured	**–**	247
Unsecured	**–**	–
	1,170,555	1,326,145
Less: Amounts repayable within 1 year included under current liabilities	**(314,275)**	(170,237)
	856,280	1,155,908

The fair value of the long-term bank borrowings, estimated by discounting their future cash flows at the prevailing market borrowing rates at the balance sheet date, approximates the corresponding carrying amount.

NOTES TO THE ACCOUNTS *(continued)*

14. Bank borrowings *(continued)*

The carrying amount of the Group's total bank borrowings are denominated in the following currencies:

	As at 30th November, 2006	As at 31st May, 2006
	HK$'000	*HK$'000*
Hong Kong dollars	**669,231**	639,650
US dollars	**273,055**	329,284
Euro dollars	**1,183,921**	1,350,095
Others	**121,871**	112,632
Total	**2,248,078**	2,431,661

15. Share capital

	Number of shares	Nominal value of each share	Nominal value of shares
		HK$	*HK$'000*
Balance as at 1st June, 2006	1,285,810,051	1.0	1,285,810
Issued upon exercise of share options	17,450,000	1.0	17,450
Issued upon privatisation of a subsidiary	136,065,641	1.0	136,066
Balance as at 30th November, 2006	1,439,325,692	1.0	1,439,326

16. Reserves and minority interests

	Attributable to equity holders of the Company										
	Share premium account HK$'000	Exchange translation reserve HK$'000	Retained profits HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Capital redemption reserve HK$'000	Goodwill HK$'000	Legal reserve HK$'000	Other reserves HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Balance as at 1st June, 2006	372,153	(195,314)	839,131	(16,240)	40,801	(454,108)	270	580	587,273	337,491	924,764
Premium arising from exercise of share options	19,370	-	-	-	-	-	-	-	19,370	-	19,370
Premium arising from issue of shares in relation to privatisation of a subsidiary	376,902	-	-	-	-	-	-	-	376,902	-	376,902
Deemed acquisition of additional interests in a subsidiary	-	-	(150,240)	-	-	-	-	-	(150,240)	(371,718)	(521,958)
Share of exchange translation reserve of an associated company	-	37	-	-	-	-	-	-	37	-	37
Revaluation of available-for-sale financial assets	-	-	-	34,409	-	-	-	-	34,409	19,902	54,311
Profit for the period	-	-	186,023	-	-	-	-	-	186,023	19,872	205,895
Final dividends for 2006	-	-	(71,524)	-	-	-	-	-	(71,524)	-	(71,524)
Interim dividends declared	-	-	(43,792)	-	-	-	-	-	(43,792)	-	(43,792)
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	(332)	(332)
Exchange differences arising from translation of the financial statements of foreign subsidiaries and associated companies	-	6,807	-	-	-	-	-	-	6,807	1,130	7,937
Balance as at 30th November, 2006	768,425	(188,470)	759,598	18,169	40,801	(454,108)	270	580	945,265	6,345	951,610

17. Related party transactions

(a) During the period, the Group entered into transactions with the following associated companies – Tonic Industries Holdings Limited ("Tonic"),Dominique Roger Diffusion S.A.R.L. ("Dominique"), Amaretta GmbH ("Amaretta") and JOOP! GmbH ("JOOP!") and a related company – Kuraray Co. Limited and its subsidiaries ("Kuraray group"). In the opinion of the Directors, the following transactions arose in the ordinary course of the Group's business:

	Six months ended	
	30th November, 2006 (Unaudited)	**30th November, 2005 (Unaudited)**
	HK$'000	*HK$'000*
Purchases from Amaretta	**38**	13
Purchases from Tonic	**–**	14,184
Purchases from Kuraray group	**14,537**	14,369
Sales to Dominique	**9,212**	12,511
Sales to Amaretta	**8**	–
Sales to Tonic	**49**	–
Management fee from Amaretta	**861**	811
Royalties to JOOP!	**7,421**	6,773
Interest expense to Amaretta	**47**	59
Interest expense to Tonic	**–**	460
Advertising contribution to JOOP!	**–**	2,965
Advertising contribution to Dominique	**74**	52
Rental income from Amaretta	**840**	907

Notes:

i. Sales and purchases of goods were determined with reference to published prices and market conditions.

ii. Management fee and royalties were charged according to the terms of the relevant agreements.

iii. Trading transactions with Kuraray group also constituted connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

iv. Interest was charged at the commerical rate.

v. Advertising contribution and rental income were charged at a cost basis.

17. Related party transactions *(continued)*

(b) During the period, compensation to key management of the Group is analysed as below:

	Six months ended 30th November, 2006 (Unaudited) *HK$'000*	Six months ended 30th November, 2005 (Unaudited) *HK$'000*
Salaries and other short-term employee benefits	**12,607**	55,092
Termination benefits	**1,620**	1,956
Post-employment benefits	**192**	1,654
	14,419	58,702

18. Commitments

(a) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases payable as follows:

	As at 30th November, 2006		As at 31st May, 2006	
	Leasehold land and buildings *HK$'000*	Furniture and equipment *HK$'000*	Leasehold land and buildings *HK$'000*	Furniture and equipment *HK$'000*
Payable:				
– Not later than 1 year	**285,578**	**18,890**	272,562	18,465
– Later than 1 year and not later than 5 years	**788,476**	**16,613**	742,034	16,600
– Later than 5 years	**630,729**	**65**	620,881	–
	1,704,783	**35,568**	1,635,477	35,065

18. Commitments *(continued)*

(b) Commitments under license agreements

The Group had future aggregate minimum royalty payments under license agreements payable as follows:

	As at 30th November, 2006 *HK$'000*	As at 31st May, 2006 *HK$'000*
Payable:		
– Not later than 1 year	**51,425**	55,891
– Later than 1 year and not later than 5 years	**116,112**	166,459
– Later than 5 years	**–**	170,277
	167,537	392,627

(c) Purchase commitments

Certain other subsidiaries of the Group entered into purchase agreements with third party companies and agreed to purchase leather products from these third party companies during the year up to 2007. As at 30th November, 2006, total outstanding commitment amounted to approximately HK$388,169,000 (As at 31st May, 2006: HK$426,759,000).

Save as disclosed above, neither the Group nor the Company had any significant commitments as at 30th November, 2006 and 31st May, 2006.

19. Contingent liabilities

There were no material contingent liabilities as at 30th November, 2006.

BUSINESS REVIEW AND PROSPECTS

EganaGoldpfeil continues to focus on its core competence in brand management as a leading and respected international luxury and fashion accessories group, specialising in leather (including footwear), timepieces and jewellery.

Statistics show that based on the retail revenue coverage, the Group ranks No. six in the luxury goods industry.

During the six months to 30th November, 2006, EganaGoldpfeil recorded a robust growth in revenue of 17% from HK$2,832 million in 1H FY 2005/06 to HK$3,310 million in the ensuing period. This is due to the Group's defined approach of increasing focus on the affordable luxury segment, which enjoys a faster industry growth (15%) as compared to the premium luxury increment of 5% and fashion/sports segment of 10%. During the period, the portion of revenue contribution from affordable luxury products was increased from 33% in FY 2005/06 to 40%. The luxury segment as led by Goldpfeil and Comtesse represented 20% of revenue pie, which percentage was in line with the prior period of 18%, and served as an important entry key to new markets and new distribution network.

The revenue increase was also attributable to the proven success of introducing our own German brands, Goldpfeil, Comtesse, JOOP!, Salamander, Sioux and Junghans from Germany, respectively Western Europe (where they rank top in awareness and market share) to Eastern Europe and Asia, both of which recorded a relatively higher GDP growth and better market growth. In addition, the balanced mix of the licensed brands in the fashion/sports segment, including Esprit timewear & jewel, Cerruti 1881 watch & jewellery, continued to show positive development — thanks to the trend setting commitment of the team.

In the 1H FY 2006/07, 45% of the revenue came from Germany where it reflected an 11% growth. The rest of the Western European countries (primarily, Benelux, Switzerland, France and Italy) represented 19% of the Group's revenue split and showed an 8.5% growth. Eastern Europe (including Austria, East Russia, Hungary, Poland, Czech Republic, Slovakia and Croatia) contributed 7% of the Group's revenue with an encouraging 20% growth. The European continent as a whole thus represented approximately 71% of our total revenue with an 11% growth in 1H FY 2006/07, out-performing the market average of 9%.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Asia constituted 25% of the Group's revenue and reflected a promising 27% increment. This is represented by a 30% growth in Japan (the world's largest luxury goods consumers market), which contributed 5% to the Group's total. 45% upsurge came from the world's fastest growing consumer products market, Mainland China, representing 6% of the Group's revenue. Hong Kong SAR and other Far East areas, constituting 12% of the Group's turnover, showed a 10% growth, and so was the growth in Taiwan (which represented 2% of Group's income).

We are pleased that well-defined strategies were in place to grow the US presence by (a) pursuing strategic alliance in expanding network, and (b) introducing brands that fit the American consumers. Within three months of launch, PUMA watches successfully established access to 150 point-of-sales ("POS") and a commitment of a further 290 POS to carry this upbeat collection by May 2007. National Geographic watches continued to be well received in the US with 70 respectable POS carrying the products. We are taking positive steps to strengthen its watch and jewellery division to fuel further growth with a view to increasing sales from the current 4% to 9% of the Group's revenue in three years, and to launch at an appropriate time the high end luxury accessories to this important market which represents 17% of the global consumer goods purchasing volume.

Product split was in line with the prior corresponding period, with leather representing 49% (51% in FY 2005/06) of the Group's revenue, followed by timepieces at 33% (34% in FY 2005/06) and jewellery at 18% (15% in FY 2005/06). All of the product segments managed to out-perform the industry average, being leather showing growth of 12% versus industry of 11%, with the corresponding figures for timepieces at 14% and 8%, and those for jewellery at 39% and 7%.

The integration of Salamander and its retail business has been making satisfactory progress. Extension of Salamander footwear to leather accessories and the introduction of multi-brand concept to selected Directly-Operated Stores ("DOS") have shown encouraging response. Brand equity and customers' loyalty were enhanced, which we believe should add further growth momentum. Leveraging on 310 owned DOS in Europe and Asia generating 25% of the Group's turnover, 450 POS located mainly in Eastern Europe and China where the Group has enjoyed faster growth were added to our distribution network now covering 13,500 POS in 100 countries from which 75% of the revenue were derived. We would continue to practice this proven distribution model of 25% (retail) : 75% (wholesale) to sustain continuous growth.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Our 12 production facilities in Europe (7) and Asia (5) provided a reliable support to the product development and manufacture of 70% of our branded products, and are currently at a healthy 85% utilization. This enabled the Group to introduce, in addition to the 2 main collections (Autumn/Winter and Spring/Summer), bi-monthly limited and/or special editions for luxury and affordable luxury products, and monthly selected collections for the fashion/sports product category. This proved to be a welcome move and was well received by our POS partners.

The European Technology and Logistic Center in Frankfurt managed to control the logistic cost to sales for the European operations within 6%, ahead of the norm of 7%. This set a role model for the Greater China division which has started transferring the know-how including the Enterprise Resources Planning system from Europe to Asia. The logistic cost to sales in Mainland China amounted to 10%, which is aimed to be contained within 7% as a 3-year target, along with its anticipated strong business growth.

As a prominent exhibitor in international trade fairs, we are able to set the trend for the industry and thus to secure orders to the extent of six months ahead. In the midst of a 17% revenue growth, we managed to contain marketing and communication expenditure effectively, and thus the distribution expenses to sales were maintained at 22%, similar to that in FY 2005/06.

The Group continued to focus in streamlining its operations and in maximizing human resources capital through global human resources planning and development program to enhance operating efficiency. The administration expenses to sales were lowered from 15% in 1H FY 2005/06 to the current 11%.

We continue to ensure realization of synergies from recent acquisitions, including Salamander, and other transactions undertaken in previous periods, being Goldpfeil, Comtesse, JOOP! as well as Junghans.

To extend the network effectively, we seek appropriate strategic partners for collaboration. We aim at ensuring consistent earnings growth with positive cash inflow for achieving double digit growth in shareholders' funds annually, and having the return on equity surpass 20% as a 3-year target.

In November 2006, the Company successfully privatised Egana Jewellery & Pearls Limited ("Egana Jewellery"), the Hong Kong listed subsidiary engaged in jewellery business which was 55% owned by EganaGoldpfeil prior to the privatisation. More jewellery products will be introduced to our DOS, which should readily help the Group's jewellery division to extend its network more expeditiously and efficiently. The jewellery segment recorded a 39% year-on-year revenue growth and an operating margin of 10.6%.

FINANCIAL REVIEW

Leveraging on the 17% increase in revenue (HK$3,310 million), there reflected a 26% increment in the profit attributable to shareholders (HK$186 million) during the six months ended 30th November, 2006.

Gross margin was improved by 1% to 40% in 1H FY 2006/07 (39% in FY 2005/06) with the operating margin (EBIT) at 8.2%, as compared to 7.7% in 1H FY 2005/06. This increase in operating margin is primarily attributable to four factors, being enhanced gross margin as a result of a change of product mix for higher average selling price, logistic cost to sales containment in China and the US, better operating efficiency and the increase of operating margin of Salamander pursuant to its smooth integration. Our objective is to increase at least 1% gross margin on an annual basis, going forward. The finance cost to sales ratio was similar to that in FY 2005/06 and is maintained at a healthy level of 2.7% — thanks to the Group's well-practised treasury policy.

Inventory turnover on an annual basis was 123 days, in line with the prior period of 124 days. Debtors turnover was 69 days (60 days in FY 2005/06) while the accounts payable turnover was 110 days (123 days in FY 2005/06). Working capital to sales improved to 26%, as compared to FY 2005/06's 28% or industry norm of 30%. The current ratio was 1.5x, ahead of the industry average of 1x, demonstrating a sound working capital platform to support the continuous growth of the business. Net gearing (net interest-bearing debts to shareholders' funds) was 0.4x as compared to 0.59x in FY 2005/06. As such, interest coverage was at 6.8x (6.2x in FY 2005/06). This adds confidence to us that the multi-brand business approach and financing model (of matching capital expenditure by equity funds) are appropriate in terms of making positive contribution for the long-term growth of the Company.

The Group has provided HK$100 million for capital expenditure, being HK$30 million for new shop opening, HK$30 million for production facilities maintenance and HK$40 million for product development, so as to maintain our leading edge. Shareholders' funds stood at HK$2,428 million, translating into a 16% return on equity (in line with prior corresponding period) on an annual basis. As the privatisation of Egana Jewellery was only completed in November 2006, five months of the minority interests' share of profit, being HK$20 million, has been excluded from the consolidated accounts of EganaGoldpfeil during the ensuing period.

The Group practices natural hedging to the extent possible and currency hedging as far as is reasonably practicable. Foreign currency exposure against adverse exchange movements is adequately contained. Save as disclosed above, the Group had no significant capital commitments as at 30th November, 2006. There are no material contingent liabilities or off balance sheet obligations.

OTHER INFORMATION

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7th March, 2007 to 9th March, 2007, both days inclusive, during which period no transfer of shares of the Company will be recorded. In order to qualify for the interim dividend payable on or about 30th March, 2007, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrars, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 6th March, 2007.

COMPLIANCE WITH THE CONTINUING DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES")

On 28th January, 2005, the Company entered into a syndicated loan agreement with banks for a three-year revolving credit and term loan facility amounting to HK$300,000,000 ("HK$300 Million Loan Facility"). The proceeds were used exclusively to refinance the Company's indebtedness under a HK$240,000,000 syndicated transferable loan facility obtained in September 2003 and to finance the Company's general working capital requirements. The HK$300 Million Loan Facility should be repaid in full on or before 28th January, 2008.

On 3rd June, 2005, the Company's wholly-owned subsidiary entered into a loan agreement with a syndicate of banks in respect of a EUR60,000,000 loan facility ("EUR60 Million Loan Facility"). The proceeds were used exclusively to (i) refinance the acquisitions of the Salamander Trademark, Salamander Leather and Footwear Businesses in Europe (except Germany) and Salamander Retail Shops operations in Germany (these transactions have been disclosed in the Company's announcement dated 7th March, 2005 and a circular dated 24th March, 2005) and (ii) finance the Company's general working capital requirements. The EUR60 Million Loan Facility should be repaid in full on or before 8th June, 2010.

On 31st August, 2005, the Company entered into a loan agreement with a syndicate of banks in respect of a US$16,000,000 loan facility ("US$16 Million Loan Facility"). The proceeds were used exclusively for general corporate funding of the Group. The US$16 Million Loan Facility should be repaid in full on or before 31st August, 2008.

COMPLIANCE WITH THE CONTINUING DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") *(continued)*

On 8th February, 2006, the Company's wholly-owned subsidiary entered into a loan agreement with a syndicate of banks in respect of a EUR20,000,000 loan facility ("EUR20 Million Loan Facility"). The proceeds were used exclusively to (i) refinance the acquisitions of the Salamander Trademark, Salamander Leather and Footwear Businesses in Europe (except Germany) and Salamander Retail Shops operations in Germany and (ii) finance the Company's general working capital requirements. The EUR20 Million Loan Facility should be repaid in full on or before 10th February, 2011.

Under the aforesaid HK$300 Million Loan Facility and the US$16 Million Loan Facility, Mr. Seeberger or Peninsula International Limited (the single largest controlling shareholder of the Company) and their respective associates (as defined in the Listing Rules) shall maintain beneficial ownership of not less than 30% of the issued shares of the Company and shall not sell, transfer, encumber or otherwise dispose of all or part of the shareholdings in the Company for financing purposes.

Pursuant to the terms of the EUR60 Million Loan Facility and the EUR20 Million Loan Facility, the Company shall procure that:

i) Mr. Seeberger continues to be the Chairman of the Company and controls the day-to-day management of the Company; and

ii) Mr. Seeberger and his associates (as defined in the Listing Rules) continues to own beneficially, directly or indirectly, at least 30% of the total issued share capital of the Company and continues to be the single largest shareholder of the Company and do not sell, transfer, encumber or otherwise dispose of all or part of the shareholdings in the Company to any financial institution or other third party for financing purposes.

A breach of any of the above conditions will constitute an event of default under the HK$300 Million Loan Facility, EUR60 Million Loan Facility, US$16 Million Loan Facility and EUR20 Million Loan Facility (where appropriate). If such an event of default occurs, all amounts outstanding, including the accrued interest and all other sums payable, under the respective Facility may become immediately due and payable.

OTHER INFORMATION *(continued)*

COMPLIANCE WITH THE CONTINUING DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") *(continued)*

In November 2006, the Board resolved to separate the roles of Chairman and Chief Executive in the interests of the Company in terms of the business development of the Company. This also enables the Company to fully comply with Code Provision A.2.1 set out in the Code on Corporate Governance Practices of the Listing Rules. Steps are being taken to reflect the above change in the undertakings in the EUR60 Million Loan Facility and the EUR20 Million Loan Facility which shall be in line with the regulatory requirements promoting good corporate governance practices.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30th November, 2006, the interests and short positions of the Directors and Chief Executive in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company were as follows:

The Company

	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests as % of the issued share capital	Underlying shares (share options)	Total Interests (including underlying shares) as % of the issued share capital
Number of shares of HK$1.00 each in the Company								
Hans-Joerg SEEBERGER	–	–	–	478,620,553 *(Note i)*	478,620,553	33.25%	12,000,000 *(Note i)*	34.09%
Peter Ka Yue LEE	530,291	–	8,191,773 *(Note ii)*	–	8,722,064	0.61%	500,000 *(Note ii)*	0.64%
Michael Richard POIX	2,884,666	–	–	–	2,884,666	0.20%	500,000 *(Note iii)*	0.24%
Ho Yin CHIK	18,464	–	–	–	18,464	0%	144,800 *(Note iv)*	0.01%
Professor Udo GLITTENBERG	115,200	–	–	–	115,200	0.01%	–	0.01%
Dr. Goetz Reiner WESTERMEYER	288,000	–	–	–	288,000	0.02%	–	0.02%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION *(continued)*

The Company *(continued)*

Notes:

i. 50,044,553 shares were registered in the name of Peninsula International Limited ("PIL") or its nominee which held the same as nominee for the Captive Insurance Trust, a discretionary trust whose prospective beneficiaries included Mr. Seeberger and his family. 428,576,000 shares were registered in the name of Joint Asset International Limited ("JA"). JA is owned as to 70% by PIL and 30% by VDCI SA, a wholly owned subsidiary of Richemont SA, one of the world's leading luxury goods groups with particular strength in jewellery, luxury watches and writing instruments. The options, exercisable at HK$2.11 per share, were granted pursuant to the Company's Executive Share Option Scheme.

ii. These shares were beneficially owned by Joshua Limited, a company wholly and beneficially owned by Mr. Peter Ka Yue LEE. The options, exercisable at HK$2.11 per share, were granted pursuant to the Company's Executive Share Option Scheme.

iii. The options, exercisable at HK$2.11 per share, were granted pursuant to the Company's Executive Share Option Scheme.

iv. The options, exercisable at HK$3.45 per share, were granted pursuant to the Company's Executive Share Option Scheme.

v. All the interests stated above represent long position.

OTHER INFORMATION *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION *(continued)*

Associated Corporation

Tonic Industries Holdings Limited ("Tonic")

	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests as % of the issued share capital	Underlying shares (share options)	Total Interests (including underlying shares) as % of the issued share capital
Number of shares of HK$0.10 each in Tonic								
Hans-Joerg SEEBERGER	–	–	–	194,404,303 *(Note i)*	194,404,303	20.40%	–	20.40%
Peter Ka Yue LEE	–	–	–	–	–	–	2,715,000 *(Note ii)*	0.28%

Notes:

i. These shares were held by wholly-owned subsidiaries of the Company. By virtue of Mr. Seeberger's interests in the Company as disclosed above, he was deemed to be interested in these shares and disclosed the same under the SFO.

ii. The options, exercisable at HK$0.467 per share, were granted pursuant to Tonic's share option scheme.

iii. All the interests stated above represent long position.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION *(continued)*

Certain Directors held certain nominee shares in the Company's subsidiaries in trust for the Company as at 30th November, 2006.

Save as disclosed above, as at 30th November, 2006, none of the Directors or Chief Executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations within the meaning of Part XV of the SFO which were required to be notified to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, (the "Model Code") or which are required to be entered in the register under section 352 of the SFO.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OTHER THAN THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY

As at 30th November, 2006, the following person, other than the Directors and the Chief Executive of the Company, held interests in the shares or underlying shares of the Company as recorded in the register maintained by the Company under section 336 of the SFO:

	Corporate Interests	Total Interests	Total Interests as % of the issued share capital
Number of shares of HK$1.00 each in the Company			
Joint Asset International Limited ("JA")	428,576,000	428,576,000	29.78%

These shares were beneficially held by JA, which is owned as to 70% by PIL and 30% by VDCI SA, a wholly owned subsidiary of Richemont SA, one of the world's leading luxury goods groups with particular strength in jewellery, luxury watches and writing instruments. All the interests stated above represent long positions.

OTHER INFORMATION *(continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OTHER THAN THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY *(continued)*

Save as disclosed above, as at 30th November, 2006, the Company had not been notified by any other person (other than the Directors and the Chief Executive) having interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company

Share options are granted to the Directors, executives and employees under the Executive Share Option Scheme of the Company adopted on 31st May, 1993 (the "Scheme").

The following shows the particulars of the share options of the Company granted to the Directors, executives and employees of the Group that are required to be disclosed pursuant to Rule 17.07 of Chapter 17 and sub-paragraph 13(1) of Appendix 16 of the Listing Rules during the period:

Directors	Number of shares comprising the options outstanding at the beginning of the period	Number of options exercised	Number of shares comprising the options outstanding at the end of the period	Date granted	Subscription price per share
					HK$
Hans-Joerg SEEBERGER	12,000,000	—	12,000,000	09/01/2000	2.11
Peter Ka Yue LEE	500,000	—	500,000	09/01/2000	2.11
Michael Richard POIX	500,000	—	500,000	17/01/2000	2.11
Ho Yin CHIK	144,800	—	144,800	23/03/1997	3.45
Employees under continuous contracts (excluding Directors)	31,674,400	17,450,000	14,224,400	28/01/1997 to 25/02/2000	*
	44,819,200	17,450,000	27,369,200		

* The options are exercisable at a subscription price of HK$1.28, HK$2.11 or HK$3.45 per share.

OTHER INFORMATION *(continued)*

SHARE OPTION SCHEME *(continued)*

The Company *(continued)*

Note: The outstanding options can be exercised in accordance with the Scheme at any time from the date on which the options are granted and prior to the expiry of 10 years from that date, provided that up to 20%, 40%, 60% and 80% of the original number of shares comprising the options can be exercised in the 1st, 2nd, 3rd and 4th year from the date granted, respectively.

No options were granted, cancelled or lapsed during the period.

Save as disclosed above, no right to subscribe for the securities of the Company or its associated corporation within the meaning of the SFO, has been granted by the Company to, nor have any such rights been exercised by, any person during the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of, its securities (whether on the Stock Exchange or otherwise) during the period ended 30th November, 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

We are pleased that according to the Bank of New York alert and information provided by funds managers, 40% of the Company's issued shares are held by 45 institutional investors worldwide.

The Group would continue to commit itself to maintaining high standards of corporate governance practices and ensuring the application of those corporate governance practices and policies within the Group. Details were disclosed in the Corporate Governance Report in the Annual Report 2005/06.

To fully comply with A.2.1 set out in the Code on Corporate Governance Practices (the "Stock Exchange Code") contained in Appendix 14 of the Listing Rules, in November 2006, the Board resolved to separate the roles of Chairman and Chief Executive with Mr. Michael Poix, an Executive Director and Chief Marketing Officer, re-designated as the Group Chief Executive Officer and Mr. Hans-Joerg Seeberger continued to be the Executive Chairman of the Group.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

With additional director Mr. Heinz Pfeifer on Board, whose responsibility is to oversee the European operations and the brand development of our own German brand portfolio, the Board now comprises nine members with each of them focusing on their respective strength to grow the Company. The Board has enhanced its skills and experience appropriate for the requirements of the business of the Company.

In addition, to ensure the respective country heads in the sales and marketing subsidiaries in the 19 strategic jurisdictions, the key brand managers and the executives in charge of the production facilities aware of the reporting channel as well as their respective responsibilities and targets, the Board has devised a Management Responsibility System Directive as the master guideline for an effective operation with an enhanced accountability by the team members, thereby increasing the stakeholder value. Further, the Group adopted a Product Development Policy and Practice Directive and established a committee to ensure that intellectual property rights are respected throughout the organisation.

In February 2007, based on the recommendation of the Remuneration Committee, the Board adopted a fresh Remuneration Policy Framework for the senior executives of the Group. This Framework shall be subject to review on an annual basis and shall serve as a base for, inter alia, ensuring that senior executives' remuneration are determined on a fair and equitable basis and that individuals' targets are aligned with the Group's corporate goals by promoting a performance based bonus program.

Throughout the accounting period covered by the interim report, the Company has fully complied with the Stock Exchange Code except for A.4.1, A.4.2 and E.1.2 thereof, details of which are elaborated below.

Though the independent non-executive directors are not appointed for a specific term as provided under A.4.1 of the Stock Exchange Code, all of them are subject to retirement by rotation and by re-election at the annual general meetings of the Company according to the Company's Articles of Association. Whilst A.4.2 stipulates that every director should be subject to retirement by rotation at least once every three years and the Company's Articles of Association has been amended to comply with this code provision as far as practicable, due to the extensive experience of the Chairman and as founder of the Company, it is in the interest of the Company to not subjecting him to such retirement by rotation.

With a view to complying with E.1.2 of the Stock Exchange Code requiring the chairman of the board to attend the annual general meetings of the Company, the Chairman has designated Mr. Peter Lee, currently Deputy Chairman, to chair and attend the Company's annual general meeting on 17th November, 2006.

OTHER INFORMATION *(continued)*

MODEL CODE

The Company has adopted its "Code for Securities Transactions by Directors" (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code (Appendix 10 of the Listing Rules). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Code of Conduct throughout the period under review.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited financial statements for the six months ended 30th November, 2006 and the interim report including the accounting principles and practices and any significant change in accounting policies adopted by the Group. They have also discussed the internal control and risk management system review program of the Group.

APPRECIATION

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to our colleagues for their hard work and dedication to grow the Company, to our business partners for their patience to make our products a success, to our stakeholders and the Company's shareholders including the 45 institutional investors worldwide holding in aggregate 40% of the Company's issued shares for their invaluable support.

On behalf of the Board
EganaGoldpfeil (Holdings) Limited
Hans-Joerg SEEBERGER
Executive Chairman

Hong Kong, 15th February, 2007