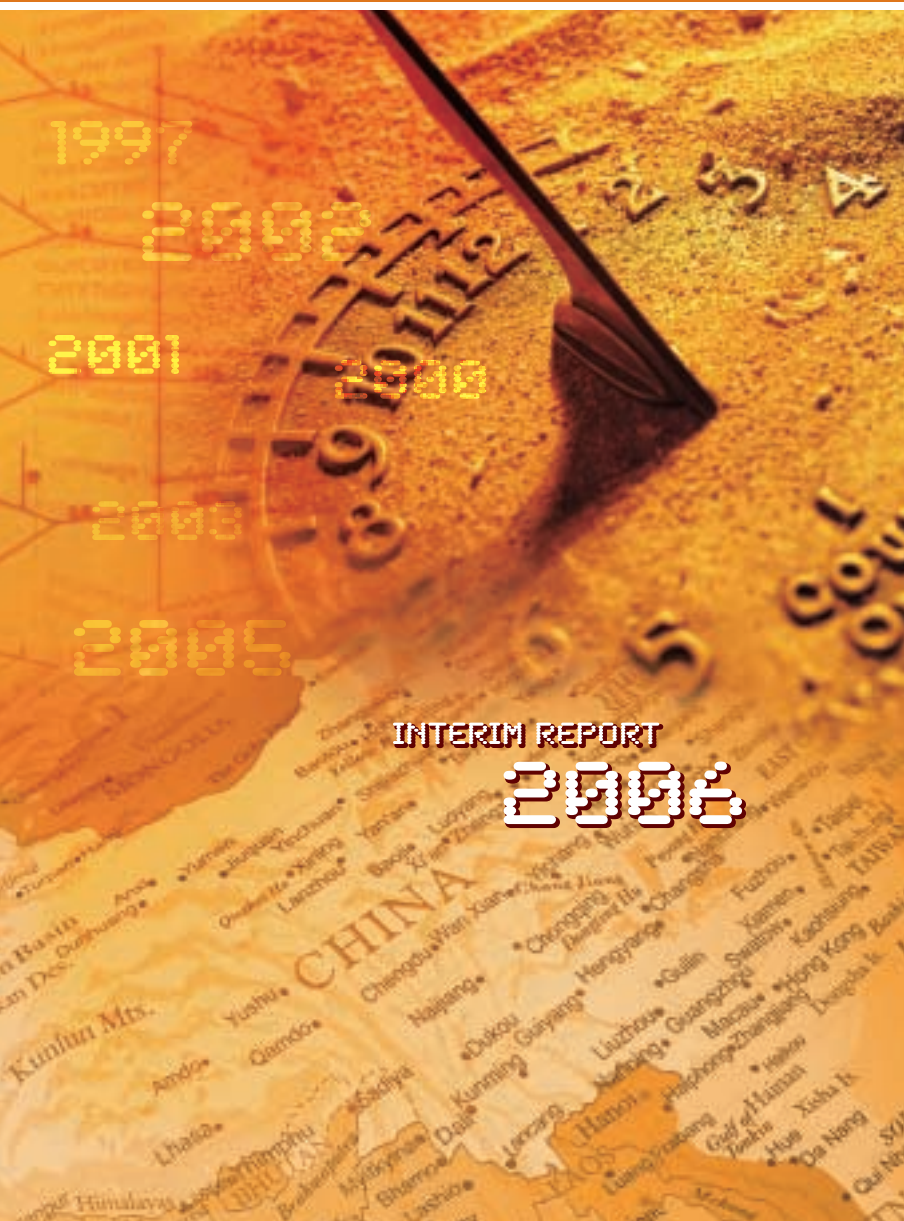




Oriental Watch Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 398)



INTERIM REPORT

2006

CORPORATE INFORMATION

Board of Directors

Mr. Yeung Ming Biu (*Chairman*)
Mr. Yeung Him Kit, Dennis
(*Managing Director*)
Mr. Chan Che Kwong, William
(*Senior Director*)
Mr. Fung Kwong Yiu
(*Executive Director*)
Madam. Yeung Man Yee, Shirley
(*Executive Director*)
Mr. Lam Hing Lun, Alain
(*Executive Director*)
Mr. Choi Kwok Yum
(*Executive Director*)
Dr. Sun Ping Hsu, Samson
(*Non-executive Director*)
Dr. Li Sau Hung, Eddy
(*Non-executive Director*)
Mr. So Kai Lau, Peter
(*Non-executive Director*)

Qualified Accountant and Company Secretary

Mr. Lam Hing Lun, Alain

Principal Bankers

Hang Seng Bank Limited
Bank of America (Asia) Limited
DBS Bank (Hong Kong), Limited
Wing Hang Bank Limited

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong Branch Share Registrars

Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Hong Kong Legal Adviser

Jennifer Cheung & Co

Bermuda Legal Adviser

Conyers, Dill & Pearman

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

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



INTERIM RESULT

The Board of Directors of Oriental Watch Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2006 together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2006

		(Unaudited)	
		Six months ended	
	<i>Notes</i>	30.9.2006	30.9.2005
		HK\$'000	HK\$'000
Turnover		1,148,323	921,336
Cost of goods sold		(1,029,631)	(828,688)
Gross profit		118,692	92,648
Other income		14,417	9,001
Distribution costs		(32,054)	(19,579)
Administrative expenses		(50,455)	(36,962)
Finance costs		(6,289)	(2,430)
Profit before taxation	4	44,311	42,678
Taxation	5	(8,866)	(8,800)
Profit for the period		<u>35,445</u>	<u>33,878</u>
Dividend paid	6	<u>11,010</u>	<u>12,386</u>
Earnings per share	7		
— Basic		<u>12.88 cents</u>	<u>12.31 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2006

	Notes	(Unaudited) 30.9.2006 HK\$'000	(Audited) 31.3.2006 HK\$'000
Non-current assets			
Investment properties		24,657	24,857
Property, plant and equipment		89,052	87,014
Convertible notes receivables		847	1,637
Available-for-sale financial assets		59,166	61,536
		<u>173,722</u>	<u>175,044</u>
Current assets			
Inventories		751,782	672,791
Trade and other receivables	8	111,287	96,925
Conversion option derivative		1,901	2,760
Taxation recoverable		4,822	7,077
Bank balances and cash		167,955	102,281
		<u>1,037,747</u>	<u>881,834</u>
Current liabilities			
Trade and other payables	9	165,494	97,718
Taxation payable		5,694	3,883
Current portion of secured long-term bank loans		980	980
Short-term bank loans		237,505	173,251
Bank overdrafts		—	3,900
		<u>409,673</u>	<u>279,732</u>
Net current assets		<u>628,074</u>	<u>602,102</u>
Total assets less current liabilities		<u>801,796</u>	<u>777,146</u>
Non-current liabilities			
Secured long-term bank loans		11,923	12,413
Deferred taxation		141	141
		<u>12,064</u>	<u>12,554</u>
Net assets		<u>789,732</u>	<u>764,592</u>
Capital and reserves			
Share capital		27,525	27,525
Reserves		762,207	737,067
Total equity		<u>789,732</u>	<u>764,592</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2006

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Asset revaluation reserve HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Dividend reserve HK\$'000	Total HK\$'000
At 1st April, 2006	27,525	52,045	425	209	5,180	569	667,629	11,010	764,592
Exchange difference arising on translation of foreign operations	—	—	—	—	—	696	—	—	696
Change in fair value of available for-sale financial assets	—	—	—	9	—	—	—	—	9
Net income recognised directly in equity	—	—	—	9	—	696	—	—	705
Profit for the period	—	—	—	—	—	—	35,445	—	35,445
Total recognised income for the period	—	—	—	9	—	696	35,445	—	36,150
2006 final dividend paid	—	—	—	—	—	—	—	(11,010)	(11,010)
2006 interim dividend declared	—	—	—	—	—	—	(6,881)	6,881	—
	—	—	—	—	—	—	(6,881)	(4,129)	(11,010)
At 30th September, 2006	<u>27,525</u>	<u>52,045</u>	<u>425</u>	<u>218</u>	<u>5,180</u>	<u>1,265</u>	<u>696,193</u>	<u>6,881</u>	<u>789,732</u>
At 1st April, 2005	27,525	52,045	425	—	5,180	—	620,249	12,386	717,810
Change in fair value of available for-sale financial assets	—	—	—	82	—	—	—	—	82
Profit for the period	—	—	—	—	—	—	33,878	—	33,878
Total recognised income for the period	—	—	—	82	—	—	33,878	—	33,960
2005 final dividend paid	—	—	—	—	—	—	—	(12,386)	(12,386)
2005 interim dividend declared	—	—	—	—	—	—	(6,881)	6,881	—
	—	—	—	—	—	—	(6,881)	(5,505)	(12,386)
At 30th September, 2005	<u>27,525</u>	<u>52,045</u>	<u>425</u>	<u>82</u>	<u>5,180</u>	<u>—</u>	<u>647,246</u>	<u>6,881</u>	<u>739,384</u>

The special reserve of the Group comprises the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital and special reserves of those companies which were acquired by the Company pursuant to a group reorganisation in 1993. The special reserves of these acquired subsidiaries represent the credit arising on reduction of their paid up share capital under the group reorganisation.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2006

	(Unaudited)	
	Six months ended	
	30.9.2006	30.9.2005
	HK\$'000	HK\$'000
Net cash from (used in) operating activities	25,184	(2,100)
Investing activities		
Purchase of property, plant and equipment	(8,086)	(2,520)
Purchase of available-for-sale financial assets	(8,371)	(27,289)
Proceeds from disposal of available-for-sale financial assets	10,750	8,972
Other investing activities	2,941	224
Net cash used in investing activities	(2,766)	(20,613)
Financing activities		
Interest paid	(6,289)	(2,430)
Dividends paid	(11,010)	(12,386)
Bank loans raised	154,590	73,771
Repayment of bank loans	(90,135)	(53,973)
Net cash from financing activities	47,156	4,982
Increase (decrease) in cash and cash equivalents	69,574	(17,731)
Cash and cash equivalents at 1st April	98,381	144,495
Cash and cash equivalents at 30th September	167,955	126,764
Analysis of the balances of cash and cash equivalents		
Bank balance and cash	167,955	129,525
Bank overdrafts	—	(2,761)
	167,955	126,764



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

1. Basis of Preparation

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

2. Principal Accounting Policies

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st March, 2006.

The Group has not early applied the following new Standard, Amendment and Interpretations ("INT") that have been issued but are not yet effective. The directors of the Company anticipate that the application of the Standard, Amendment or INT will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) — INT 8	Scope of HKFRS 2 ²
HK(IFRIC) — INT 9	Reassessment of embedded derivatives ³
HK(IFRIC) — INT 10	Interim financial reporting and impairment ⁴

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st May, 2006.

³ Effective for annual periods beginning on or after 1st June, 2006.

⁴ Effective for annual periods beginning on or after 1st November, 2006.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

3. Segment Information

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

The Group's operations are located in Hong Kong, Macau and Mainland China (the "PRC"). In determining the Group's geographical segments, revenues are attributed to the segment based on the location of the customers. The following table provides an analysis of the Group's geographical segment information.

	Turnover		Results	
	Six months ended 30.9.2006	30.9.2005	Six months ended 30.9.2006	30.9.2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	880,199	770,214	37,963	38,029
Macau and the PRC	347,795	187,132	10,882	7,164
Inter-segment sales elimination	(79,671)	(36,010)	—	—
	<u>1,148,323</u>	<u>921,336</u>	48,845	45,193
Unallocated other income			2,960	—
Unallocated corporate expenses			(1,205)	(85)
Finance costs			(6,289)	(2,430)
Profit before taxation			44,311	42,678
Taxation			(8,866)	(8,800)
Profit for the period			<u>35,445</u>	<u>33,878</u>

Inter-segment sales are charged at prevailing market rate.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

4. Profit Before Taxation

	Six months ended	
	30.9.2006	30.9.2005
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of		
— investment properties	200	200
— property, plant and equipment	5,803	3,263
Directors and key management personnel's remuneration	8,850	9,408
Loss on disposal of		
— convertible notes receivables	599	—
— property, plant and equipment	72	—
and after crediting:		
Gain arising from changes in fair value of conversion option derivative	521	—
Gain on disposal of available-for-sale financial assets	—	284
Imputed interest income from convertible notes receivables	48	—
Income from available-for-sale financial assets	1,903	203
Interest income	1,072	285
	<u>1,072</u>	<u>285</u>

5. Taxation

	Six months ended	
	30.9.2006	30.9.2005
	HK\$'000	HK\$'000
Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profit for the period	(7,384)	(7,797)
PRC income tax	(1,482)	(1,003)
	<u>(8,866)</u>	<u>(8,800)</u>

The PRC income tax is calculated at the rates prevailing pursuant to the relevant laws and regulations in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

6. Dividend

During the six months ended 30th September, 2006, a final dividend of 4.0 Hong Kong cents per share, totalling HK\$11,010,000, in respect of the year ended 31st March, 2006 (2005: HK\$12,386,000) was approved at the annual general meeting held on 29th August, 2006 and subsequently paid to the shareholders.

On 12th December, 2006, the directors resolved to declare an interim dividend of 2.5 Hong Kong cents per share in respect of the six months ended 30th September, 2006 (2005: 2.5 Hong Kong cents per share), totalling HK\$6,881,000 (2005: HK\$6,881,000), to be paid in cash to those shareholders whose names appear on the Company's register of members on 11th January, 2007.

7. Earnings Per Share

The calculation of the basic earnings per share is based on the profit for the period attributable to equity holders of the Company of HK\$35,445,000 (2005: HK\$33,878,000) and the number of 275,253,200 (2005: 275,253,200) shares in issue during the period.

No diluted earnings per share has been presented as the exercise price of the Company's share option was higher than the average market price of the Company's share during both periods.

8. Trade and other Receivables

Included in trade and other receivables are trade receivables and the following is an aged analysis of trade receivables at the balance sheet date:

	30.9.2006	31.3.2006
	HK\$'000	HK\$'000
Age		
0 to 30 days	60,344	53,094
31 to 60 days	2,725	4,399
61 to 90 days	1,273	96
Over 90 days	1,162	17
	<hr/> 65,504 <hr/>	<hr/> 57,606 <hr/>

The Group maintains a general credit policy of not more than 30 days for its established and major customers.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

9. Trade and other Payables

Included in trade and other payables are trade payables and the following is an aged analysis of trade payables at the balance sheet date:

	30.9.2006	31.3.2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Age		
0 to 60 days	120,544	71,225
61 to 90 days	860	4,921
Over 90 days	8,614	4,528
	<hr/> 130,018 <hr/>	<hr/> 80,674 <hr/>

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30th September, 2006, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows:

Name of director	Number of ordinary shares held				Total number of shares	Percentage of issued share capital of the Company
	Personal interest	Family interest	Corporate interest	Other interest		
Yeung Ming Biu	10,787,260	6,000,000	96,800,000 <i>Note (a)</i>	—	113,587,260	41.3%
Yeung Him Kit, Dennis	—	—	—	5,614,400 <i>Note (b)</i>	5,614,400	2.0%
Chan Che Kwong, William	622,515	—	—	9,709,436 <i>Note (c)</i>	10,331,951	3.8%
Fung Kwong Yiu	1,803,152	—	—	1,161,600 <i>Note (d)</i>	2,964,752	1.1%
Yeung Man Yee, Shirley	—	167,547	—	3,194,400 <i>Note (e)</i>	3,361,947	1.2%
Sun Ping Hsu, Samson, Dr.	—	—	2,000,000 <i>Note (f)</i>	—	2,000,000	0.7%

Notes:

- (a) Mr. Yeung Ming Biu and his wife, Madam Au Po Kee, are the beneficial owners of 45% and 22.5% respectively of the issued share capital of Realtower Holdings Limited. Realtower Holdings Limited is the beneficial owner of 55% of the issued share capital of Furama Investments Limited, which is the beneficial owner of 80% of the issued share capital of Datsun Holdings Limited. Datsun Holdings Limited is the beneficial owner of 96,800,000 shares in the Company.



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

(continued)

- (b) Mr. Yeung Him Kit, Dennis is the beneficial owner of 10% and 7% of the issued share capital of Realtower Holdings Limited and Real Champ Limited respectively. Real Champ Limited is the beneficial owner of 20% of the issued share capital of Datsun Holdings Limited.
- (c) Mr. Chan Che Kwong, William is the beneficial owner of 10% of the issued share capital of Furama Investments Limited and 10% of the issued share capital of Y.H. Chan Limited which is the beneficial owner of 25% of the issued share capital of Furama Investments Limited. Y.H. Chan Limited also directly holds 294,365 shares in the Company.
- (d) Mr. Fung Kwong Yiu is the beneficial owner of 6% of the issued share capital of Real Champ Limited.
- (e) Madam Yeung Man Yee, Shirley is the beneficial owner of 7.5% of the issued share capital of Realtower Holdings Limited.
- (f) Dr. Sun Ping Hsu, Samson and his family members are beneficial owners of the entire issued share capital of Sun International Limited, which is the beneficial owner of 2,000,000 shares in the Company.

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

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed in the Company's special general meeting held on 3rd November, 2003, the Company approved and adopted a Share Option Scheme.

SHARE OPTION SCHEME *(continued)*

The options of the Share Option Scheme may be granted to any director of the Company, employee, consultant, customer, supplier or advisor of the Company or a company in which the Company holds an interest or a subsidiary of such company (the "Eligible Persons"), the trustee of the Eligible Persons or a company beneficially owned by the Eligible Persons. The purpose of the Share Option Scheme is to attract and retain quality personnel and Eligible Persons to provide incentive to them to contribute to the business and operation of the Company. The total number of shares available for issue under the Share Option Scheme is 27,525,320 shares, representing 10% of the issued share capital of the Company as at the date of this report. No Eligible Persons shall be granted an option in any 12-month period for such number of shares (issued and to be issued) which in aggregate would exceed 1% of the share capital of the Company in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The exercisable period is determined by the directors, which shall not be more than 10 years from the date of grant. There is no general applicable minimum period for which the options must be held before it can be exercised. An offer of the grant of an option shall be open for acceptance in writing or by telex received by the secretary of the Company for a period of 21 days from the Eligible Persons without paying any consideration upon the acceptance of the offer. The exercise price per share payable on the exercise of an option equal to the highest of:

- (a) the average closing price per share as quoted in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme;
- (b) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of grant; and



SHARE OPTION SCHEME (continued)

(c) the nominal value of the share.

The Share Option Scheme is valid for a period of ten years commencing on the adoption date on 3rd November, 2003.

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

Name of director	Date of grant	Exercisable period	Number of share options and number of underlying shares	
			Exercise price per share HK\$	At 1.4.2006 and at 30.9.2006
Yeung Ming Biu	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000
Yeung Him Kit, Dennis	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000
Chan Che Kwong, William	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000
Fung Kwong Yiu	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000
Yeung Man Yee, Shirley	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000
Lam Hing Lun, Alain	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000
Choi Kwok Yum	16.1.2004	16.1.2004 — 15.1.2014	1.702	2,700,000
				18,900,000

There were no shares options granted, exercised, cancelled or lapsed during the six months ended 30th September, 2006.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2006, according to the register maintained by the Company pursuant to Section 336 of the SFO, the following persons (not being a director of the Company) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company.

(1) Long position in shares of the Company

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

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

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



SUBSTANTIAL SHAREHOLDERS *(continued)*

(2) Short positions

Save as disclosed above, at 30th September, 2006, the Company had not been notified of any other interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Part XV of the SFO.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8th January, 2007 to 11th January, 2007 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend which is payable on 18th January, 2007, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 5th January, 2007.

BUSINESS REVIEW

The Group's un-audited consolidated turnover for the period under review was HK\$1,148,323,000 (2005: HK\$921,336,000) and the profit attributed to equity holders of the Company was HK\$35,445,000 (2005: HK\$ 33,878,000). The earnings per share for the period was 12.88 Hong Kong cents (2005: 12.31 Hong Kong cents).

BUSINESS REVIEW *(continued)*

The turnover for the period has increased 25%, from HK\$921,336,000 to HK\$1,148,323,000, while the gross profit has increased 28%, from HK\$92,648,000 to HK\$118,692,000. These figures are very encouraging to the management. It is recognition of the effort we put into our expansion plan. Since we are still in the early stages of our expansion, the investment we put into it is high. Thus, our overall expenses for the period have increased 51%, which included the opening of new shops and the hiring of new staffs. These were fully anticipated by the management. Although expenses rose, profits also rose by 5%. Our short-term results will understandably be put under some short-term pressure. However, we anticipated that our investments will give us great returns in the future.

During the period, we have opened our largest flagship store in Hong Kong and our first store in Macau. Both stores are situated in major shopping areas, Causeway Bay and Avenida do Infante D. Henrique, respectively. Both shops are spacious and incorporate each individual watch brand's own designs. They provide a luxurious environment for our customers. The performances of both shops have been outstanding. As stated in the previous review, we will continue to pursue opportunities to open up more flagship stores in the major shopping areas of Hong Kong. This may take place in the form of consolidating smaller scale shops into one large shop, or in moving individual shops to better locations within Hong Kong. Instead of saturation, we aim for exclusivity.

Other than Hong Kong and Macau, the Group has also expanded our retail network in the PRC market. Seven new outlets were opened in various cities: Beijing, Inner Mongolia, Tianjin, Foshan, Wuxi, Changchun and Suzhou. In Beijing, we have established the largest Rolex boutique in China. It is located on the renowned Chang An Street. With its prime location and luxurious décor, it is sure to attract an exclusive set of clients in Beijing. The Group will continue to expand its retail network throughout China.



BUSINESS REVIEW *(continued)*

We continue to commit to our dividend policy of providing a consistent return to our shareholders, as we hope that you will continue to commit to the Oriental Watch Group during all its ventures leading to a solid and successful future.

FINANCIAL POSITION AND CAPITAL STRUCTURE

At 30th September, 2006, the Group's total equity reached HK\$790 million, compared with HK\$765 million as at 31st March, 2006. The Group had net current assets of HK\$628 million, including bank and cash balances of HK\$168 million as at 30th September, 2006 compared with balances of HK\$602 million and HK\$102 million respectively as at 31st March, 2006. At 30th September, 2006, bank loans and overdrafts totalled 249 million (31st March, 2006: HK\$190 million). At 30th September, 2006, the gearing ratio (defined as total bank borrowing on total equity) was 0.32 (31st March, 2006: 0.25).

Management considers that financial position of the Group is healthy with adequate funds and unused banking facilities.

The Group's sales and purchase transactions are primarily denominated in Hong Kong dollars and Renminbi. The Group did not face significant risk from exposure to foreign exchange fluctuations.

There was no significant change to the capital structure.

STAFF AND EMPLOYMENT

As at 30th September, 2006, the Group employed a total work force of about 550 staff. The staff turnover rate is low. The Group's policy is to review its employee's pay levels and incentive bonus system regularly to ensure that the remuneration package is competitive with relevant industries.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th September, 2006, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities on the Stock Exchange of Hong Kong Limited.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good governance practices and procedures. The Company has met the code provisions set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules"), throughout the six months ended 30th September, 2006, except the deviation from the code provision A.4.1 of the CG Code.

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, the Independent Non-executive Directors were not appointed for a specific term but are subject to retirement by rotation in annual general meeting of the Company in accordance with the Bye-laws of the Company. The management of the Company considered that there is no imminent need to revise the letter of appointment of Independent Non-executive Directors by adding a specific term in the letter of appointment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Enquiry has been made with all Directors and all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30th September, 2006.



AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company. Terms of reference of the Audit Committee have been updated in compliance with the CG Code.

The Audit Committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of unaudited consolidated interim financial statements for the six months ended 30th September, 2006.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company ("the Remuneration Committee") comprises three members, a majority of whom are independent non-executive directors of the Company. The principal functions of the Remuneration Committee include reviewing the remuneration policies of the Company, assessing the performance of the directors and senior management of the Company and determining the policies in respect to their remuneration packages.

By order of the Board
Yeung Ming Biu
Chairman

Hong Kong, 12th December, 2006