

NOTES TO CONDENSED CONSOLIDATED INTERIM INFORMATION

1. BASIS OF PREPARATION

This condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. ACCOUNTING POLICES

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March, 2006 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRS”) and HKAS (collectively referred to as the “New HKFRSs”), which have become effective for accounting periods beginning on or after 1 April, 2006. The applicable New HKFRSs adopted in this interim financial report 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
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above New HKFRSs did not result in substantial changes to the Group’s balance sheet and income statement. The changes in the Group’s accounting policies are summarized as below:

- 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 recognize foreign exchange volatility on such loans funding foreign operations in exchange reserve in the consolidated financial statements.
- HKAS 39 (Amendment) allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, 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 consolidated profit or loss.

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- 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. This amendment does not have any impact on the classification and valuation of the Group's financial instruments classified as at fair value through profit or loss prior to 1 April, 2006 as the Group is able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss.
- 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 recognized at their fair value, and subsequently measured at the higher of (a) the unamortized balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date.
- HKFRS-Int 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.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Presentation of Financial Statement: 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 1 January, 2007.

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

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

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

3. TURNOVER AND SEGMENTAL INFORMATION

Segment information is presented by way of geographical segments. As the Group's turnover and operating profit were contributed solely by manufacturing, trading, distributing and retailing and related service of timepieces products, business segments are not presented.

In determining the Group's geographical segments, segment revenue and results are based on the final destination of goods sold as follows:

	Turnover		Segment results	
	Six months		Six months	
	ended 30 September,		ended 30 September,	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Americas	421,124	422,921	56,129	54,500
Asia (excluding China)	179,523	186,845	16,693	19,245
Europe	124,912	128,001	11,614	13,184
China	567,065	261,228	102,099	55,077
	1,292,624	998,995	186,535	142,006
Other revenue			59,647	21,319
Unallocated expenses			(71,252)	(45,509)
Finance costs			(47,117)	(22,721)
Profit before taxation			127,813	95,095

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4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging (crediting):

	Six months ended 30 September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	31,303	32,936
Staff costs	86,779	67,198
Interest expenses	47,117	22,721
Interest income	(21,039)	(6,009)
Interest income from debt instrument	(15,795)	(6,770)

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 September, 2005: 17.5%) on the estimated assessable profits. Taxation on other overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiaries of the Group operate.

	Six months ended 30 September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current period		
Hong Kong profits tax	6,202	11,274
The People's Republic of China (the "PRC")	760	167
Overseas	651	550
Deferred taxation		
Origination and reversal of temporary differences	(313)	548
	7,300	12,539

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6. INTERIM DIVIDEND

	Six months ended 30 September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
2006 interim dividend declared of 4.1 HK cents (2005: 3 HK cents) per ordinary share	40,704	26,992

This dividend declared after the balance sheet date has not been recognized as a liability at the balance sheet date.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is as follows:

	Six months ended 30 September,	
	2006	2005
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (in HK\$'000)	119,395	80,572
Weighted average number of shares for the purpose of basic earnings per share calculation (in '000)	990,740	884,531
Potential dilutive shares – share options (in '000)	20,038	18
Weighted average number of shares for the purpose of diluted earnings per share calculation (in '000)	1,010,778	884,549
Basic earnings per share (HK cents)	12.05	9.11
Diluted earnings per share (HK cents)	11.81	9.11

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8. TRADE RECEIVABLES

Payment terms with customers are mainly on credit. Invoices are normally payable within 90 days to 120 days of issuance. Each customer has a pre-set maximum credit limit.

An aging analysis of trade receivables is as follows:

	As at 30 September, 2006 (Unaudited) HK\$'000	As at 31 March, 2006 (Audited) HK\$'000
Not yet due	212,580	168,203
Overdue within 90 days	219,107	141,189
Overdue between 91 to 180 days	31,519	9,457
Overdue over 180 days	1,906	–
	465,112	318,849

The carrying value of trade receivables approximated to its fair value.

9. TRADE AND OTHER PAYABLES

An aging analysis of trade payables is as follows:

	As at 30 September, 2006 (Unaudited) HK\$'000	As at 31 March, 2006 (Audited) HK\$'000
Trade payables:		
Not yet due	59,543	56,722
Overdue within 90 days	159,870	39,053
Overdue between 91 to 180 days	16,659	8,355
Overdue over 180 days	19,650	9,506
	255,722	113,636
Accruals and other payables	232,680	271,421
	488,402	385,057

The carrying value of trade payables, accruals and other payables approximated to their fair value.

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10. INTEREST-BEARING BORROWINGS

The interest-bearing borrowings are repayable as follows:

	As at 30 September, 2006 (Unaudited) HK\$'000	As at 31 March, 2006 (Audited) HK\$'000
Within one year	492,775	547,240
After one year but within two years	322,036	291,478
After two years but within five years	361,996	318,436
More than five years	72,000	–
	1,248,807	1,157,154
Representing:		
Current portion	492,775	547,240
Non-current portion	756,032	609,914
	1,248,807	1,157,154
Analyzed as:		
– secured	–	–
– unsecured	1,248,807	1,157,154
	1,248,807	1,157,154

The carrying value of interest-bearing borrowings approximated to their fair value.

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11. COMMITMENTS UNDER OPERATING LEASES

As at 30 September, 2006, the Group had total future minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings falling due as follows:

	As at 30 September, 2006 (Unaudited) HK\$'000	As at 31 March, 2006 (Audited) HK\$'000
Within one year	66,484	49,985
More than one year but within five years	86,673	58,484
More than five years	8,889	8,201
	162,046	116,670

12. CONTINGENT LIABILITIES ALSO GUARANTEE

As at 30 September, 2006, the Group had no material contingent liabilities. The Group has given corporate guarantees to banks in respect of general banking facilities and derivative facilities granted to associate amounting to approximately HK\$236,000,000 (31 March, 2006: HK\$217,000,000).

As at 30 September, 2006, there was no material capital commitment.