

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended 31 March 2007

**1. BASIS OF PREPARATION**

The condensed interim 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 Standards No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee.

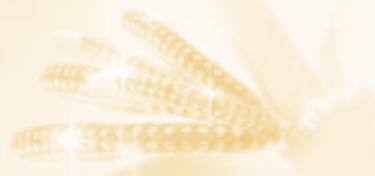
These condensed consolidated financial statements have been prepared under the historical cost convention. The accounting policies and basis of presentation used in the preparation of these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's audited consolidated financial statements for the year ended 30 September 2006.

**2. TURNOVER AND OTHER REVENUE**

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after eliminations of all significant intra-Group transactions during the period.

An analysis of turnover, other revenue and gains is as follows:

	<b>For the six months ended 31 March</b>	
	<b>2007 (Unaudited) HK\$'000</b>	<b>2006 (Unaudited) HK\$'000</b>
Turnover – sale of goods	<b>283,077</b>	239,243
Other revenue		
Interest income	<b>627</b>	472
Others	<b>65</b>	5
	<b>692</b>	477
	<b>283,769</b>	239,720



### 3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

The principal activity of the Group is the manufacture and sale of jewellery products, which is managed according to the geographical location of customers.

#### a) Geographical segments based on the location of customers

The following tables present revenue and results for the Group's geographical segments:

For the six months ended 31 March 2007:

	United States (Unaudited) HK\$'000	Europe (Unaudited) HK\$'000	Middle East and Asia (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	114,871	102,151	66,055	283,077
Segment results	19,558	22,792	17,224	59,574
Unallocated revenue				692
Unallocated expenses				(5,534)
Profit from operating activities				54,732
Finance costs				(4,798)
Profit before tax				49,934
Tax				(8,689)
Net profit from ordinary activities attributable to shareholders				41,245

For the six months ended 31 March 2006:

	United States (Unaudited) HK\$'000	Europe (Unaudited) HK\$'000	Middle East and Asia (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	119,275	89,642	30,326	239,243
Segment results	21,109	18,638	5,090	44,837
Unallocated revenue				477
Unallocated expenses				(2,726)
Profit from operating activities				42,588
Finance costs				(4,453)
Profit before tax				38,135
Tax				(7,069)
Net profit from ordinary activities attributable to shareholders				31,066



3. SEGMENT INFORMATION (continued)

b) Business segments

The following tables present revenue and results for the Group's business segments:

For the six months ended 31 March 2007:

	Exports (Unaudited) HK\$'000	Domestic (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	243,681	39,396	283,077
Segment results	47,155	12,419	59,574
Unallocated revenue			692
Unallocated expenses			(5,534)
Profit from operating activities			54,732
Finance costs			(4,798)
Profit before tax			49,934
Tax			(8,689)
Net profit from ordinary activities attributable to shareholders			41,245

For the six months ended 31 March 2006:

	Exports (Unaudited) HK\$'000	Domestic (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	232,596	6,647	239,243
Segment results	43,466	1,371	44,837
Unallocated revenue			477
Unallocated expenses			(2,726)
Profit from operating activities			42,588
Finance costs			(4,453)
Profit before tax			38,135
Tax			(7,069)
Net profit from ordinary activities attributable to shareholders			31,066



#### 4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 31 March	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Cost of inventories sold	191,395	169,512
Depreciation	7,282	7,135
Research and development costs	—	204
	<u>          </u>	<u>          </u>

#### 5. FINANCE COSTS

	For the six months ended 31 March	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest on interest bearing bank overdrafts, trust receipt loans and other interest bearing bank loans wholly repayable within 5 years	4,798	4,453
	<u>          </u>	<u>          </u>

**6. TAX**

	<b>For the six months ended 31 March</b>	
	<b>2007 (Unaudited) HK\$'000</b>	<b>2006 (Unaudited) HK\$'000</b>
Current period provision:		
Hong Kong profits tax	—	—
Overseas taxation	<b>8,689</b>	<b>7,069</b>
<b>Tax charge for the period</b>	<b>8,689</b>	<b>7,069</b>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong in respect of the period (2006: Nil). Overseas taxation is related to Macau and PRC tax which has been provided at the applicable income tax rate on the assessable profits based on existing legislation, interpretations and practices in respect thereof.

The taxation on the Group's profit before tax for the period differs from the theoretical amount that would arise using the tax rates prevailing in the jurisdiction in which the Group operates as follows:

	<b>For the six months ended 31 March</b>	
	<b>2007 (Unaudited) HK\$'000</b>	<b>2006 (Unaudited) HK\$'000</b>
Profit before tax	<b>49,934</b>	<b>38,135</b>
Tax at the statutory rate of 17.5%	<b>8,738</b>	<b>6,674</b>
Effect of different tax rates for companies operating in other jurisdictions	<b>(652)</b>	<b>(785)</b>
Tax effect of non-taxable income	<b>(108)</b>	<b>(65)</b>
Tax effect of non-deductible expenses	<b>642</b>	<b>743</b>
Tax effect of tax losses not recognised	<b>69</b>	<b>502</b>
<b>Tax charge for the period</b>	<b>8,689</b>	<b>7,069</b>

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred taxation in respect of the period (2006: Nil).



## 7. DIVIDEND

The Board has resolved to declare an interim dividend of HK0.3 cent (2006: HK0.3 cent) per share payable on 8 August 2007 to shareholders whose names appear on the register of members of the Company on 20 July 2007.

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

The calculation of basic earnings per share is based on the Group's unaudited net profit from ordinary activities attributable to shareholders for the period of approximately HK\$41,245,000 (2006: HK\$31,066,000) and the weighted average of 704,091,758 (2006: 653,535,714) ordinary shares in issue during the period.

No dilutive earnings per share is presented for the period ended 31 March 2007 as the Group did not have any potential dilutive ordinary shares outstanding.

The calculation of diluted earnings per share for the period ended 31 March 2006 is based on the Group's unaudited net profit from ordinary activities attributable to shareholders for the period of approximately HK\$31,066,000 and the weighted average number of 700,963,605 ordinary shares in issue during the period. The weighted average number of ordinary shares used to calculate the diluted earnings per share comprises the weighted average number of 653,535,714 ordinary shares in issue during the period and the weighted average number of 47,427,891 ordinary shares deemed to be issued at no consideration on exercise of all outstanding share options.

## 9. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days. 100% provision is made for outstanding debts aged over 365 days.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	<b>31 March 2007 (Unaudited) HK\$'000</b>	<b>30 September 2006 (Audited) HK\$'000</b>
1 – 30 days	<b>44,851</b>	42,415
31 – 60 days	<b>42,704</b>	44,770
61 – 90 days	<b>29,899</b>	27,505
	<b>117,454</b>	114,690

## 10. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days from its suppliers.

An aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of goods purchased, is as follows:

	<b>31 March 2007 (Unaudited) HK\$'000</b>	<b>30 September 2006 (Audited) HK\$'000</b>
1 – 30 days	<b>8,152</b>	9,230
31 – 60 days	<b>1,594</b>	774
61 – 90 days	<b>1,104</b>	1,477
Over 91 days	<b>43</b>	127
	<b>10,893</b>	11,608



## 11. SHARE CAPITAL

### Authorised ordinary shares of HK\$0.01 each

At 30 September 2006 and 31 March 2007

### Issued and fully paid ordinary shares of HK\$0.01 each

At 30 September 2006

Issue of shares upon exercise of share options

Issue of new shares

At 31 March 2007

Number of shares '000	Nominal value HK\$'000
<b>2,000,000</b>	<b>20,000</b>
<b>697,500</b>	<b>6,975</b>
<b>26,000</b>	<b>260</b>
<b>43,950</b>	<b>440</b>
<b>767,450</b>	<b>7,675</b>

## 12. CONTINGENT LIABILITIES

As at 31 March 2007, the Company had executed corporate guarantees to banks for banking facilities granted to certain subsidiaries of the Company. These banking facilities have been utilized to the extent of approximately HK\$131.2 million as at 31 March 2007 (30 September 2006: HK\$123.9 million).

## 13. OPERATING LEASE ARRANGEMENTS

As at 31 March 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 March 2007 (Unaudited) HK\$'000	30 September 2006 (Audited) HK\$'000
Within 1 year	9,286	1,935
In 2 to 5 years, inclusive	1,596	1,108
	<b>10,882</b>	<b>3,043</b>