

# CONSOLIDATED CASH FLOW STATEMENT

	12 months ended	
	31st December,	
	2001	2000
	(Unaudited)	(Audited, restated)
	HK\$'000	HK\$'000
Net cash inflow from operating activities	113,004	608,127
Net interest paid	(30,862)	(31,596)
Dividend received	3,858	6,825
Dividend paid	(15,067)	(39,111)
Dividend paid to minority shareholders	(1,491)	(14,489)
Tax paid	(18,491)	(27,445)
Tax refund	2,235	734
Net cash outflow from investing activities	(252,039)	(668,353)
Net cash outflow before financing activities	(198,853)	(165,308)
Net cash inflow from financing activities	115,535	178,942
(Decrease) Increase in cash and cash equivalents	(83,318)	13,634
Cash and cash equivalents at 1st January	143,602	131,549
Effect of foreign exchange rate changes	(6,086)	(1,581)
Cash and cash equivalents at 31st December	<u>54,198</u>	<u>143,602</u>
Analysis of cash and cash equivalents:		
Cash and bank balances	366,687	469,439
Bank loans and overdrafts	(504,986)	(243,718)
Trust receipt and import loans	(56,645)	(82,119)
Promissory notes	249,142	—
	<u>54,198</u>	<u>143,602</u>

## 1. Change of year end date

During the period, the Company changed its financial year end date from 31st December to 31st May. As a result, the Company announces these results for the 12 months ended 31st December, 2001.

## 2. Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the financial statements for the 12 months ended 31st December, 2000.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the accounts for the 12 months ended 31st December, 2000 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July, 2000)
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

In prior years, advertising and promotional expenditure, and cost of acquiring know-how of business were capitalised and amortised using the straight-line method over a period of not more than three years and fifteen years, respectively. The adoption of SSAP 29 has led to a re-assessment of this accounting policy. In particular, advertising expenses and certain know-how costs are not considered to give rise to an identifiable resource from which economic benefits are expected to flow up to the Group. Accordingly, such expenditure is now recognised as an expense in the period in which it is incurred. The change in accounting policy has been applied retrospectively resulting in a decrease in the retained profits at 1st January, 2000 of HK\$3,439,317 and the Group's net profit after minority interests for the 12 months ended 31st December, 2001 of HK\$14,138,249.

**2. Basis of preparation and accounting policies (continued)**

Goodwill arising on consolidation represents the excess of cost of acquisition of subsidiary and associate over the Group's share of the fair value ascribed to the separable net assets at the date of acquisition. In previous years, goodwill was taken to the reserves in the year in which it arose. With the introduction of SSAP 30, the Group has adopted the transitional provisions prescribed therein. New goodwill incurred after 1st January, 2001 is capitalised in the balance sheet and is amortised to the income statement on a straight-line basis over its estimated useful economic life. All goodwill arising from earlier acquisitions before 1st January, 2001 will continue to be held in reserves and no reinstatement has been made.

In accordance with the requirements of SSAP 31 and the transitional provisions of SSAP 30, an adjustment has been made concerning the impairment of goodwill arising prior to the adoption of SSAP 30 which was eliminated against available reserves. The adjustment, which represents a change in accounting policy, has been applied retrospectively in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". Accordingly, goodwill in the amount of HK\$29,050,492 which was impaired in prior years has been recognised directly in the retained profits as brought forward at 1st January, 2000 and this also results in a decrease in the Group's net profit after minority interests for the period ended 31st December, 2000 of HK\$8,615,334.

### 3. Segmental information

- a. Analysis of turnover, profit before taxation, assets, liabilities and capital expenditure by principal activities is as follows:

	Turnover 12 months ended 31st December,		Profit before taxation 12 months ended 31st December,	
	2001	2000	2001	2000 (Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Timepieces	1,161,602	1,122,348	49,458	86,534
Jewellery	588,856	670,648	15,340	34,091
Leather	421,555	579,360	(16,346)	(8,201)
Others	32,436	81,880	(1,503)	2,173
	<u>2,204,449</u>	<u>2,454,236</u>	<u>46,949</u>	<u>114,597</u>

  

	Assets as at		Liabilities as at		Capital expenditure	Capital expenditure
	31st December, 2001	31st December, 2000	31st December, 2001	31st December, 2000	12 months ended 2001	12 months ended 2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Timepieces	1,627,673	1,444,114	990,696	813,875	46,360	22,830
Jewellery	608,692	593,572	267,750	256,842	5,970	19,573
Leather	641,149	554,453	327,539	384,349	105,433	63,731
Others	4,739	19,886	4,549	7,849	3	—
	<u>2,882,253</u>	<u>2,612,025</u>	<u>1,590,534</u>	<u>1,462,915</u>	<u>157,766</u>	<u>106,134</u>
Interest in associates	92,439	181,646				
Unallocated corporate assets	16,238	—				
	<u>2,990,930</u>	<u>2,793,671</u>				

**3. Segmental information (continued)**

- b. Analysis of turnover, profit before taxation, assets, liabilities and capital expenditure by geographical locations is as follows:

	Turnover 12 months ended 31st December,		Profit before taxation 12 months ended 31st December,	
	2001	2000	2001	2000 (Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Europe	1,753,228	1,709,307	66,925	109,883
America	176,739	160,785	(44,374)	(27,326)
Asia Pacific	274,482	584,144	24,398	32,040
	<u>2,204,449</u>	<u>2,454,236</u>	<u>46,949</u>	<u>114,597</u>

  

	Assets as at		Liabilities		Capital expenditure	Capital expenditure
	31st December, 2001	31st December, 2000	31st December, 2001	31st December, 2000	12 months ended 2001	12 months ended 2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Europe	1,287,172	1,275,392	862,887	914,402	71,754	78,959
USA	117,017	118,368	54,518	47,280	2,817	16,086
Asia Pacific	1,586,741	1,399,911	673,129	501,233	83,195	11,089
	<u>2,990,930</u>	<u>2,793,671</u>	<u>1,590,534</u>	<u>1,462,915</u>	<u>157,766</u>	<u>106,134</u>

**4. Profit before taxation**

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

	12 months ended 31st December,	
	2001	2000 (Restated)
	HK\$'000	HK\$'000
Depreciation of fixed assets	43,700	37,641
Amortisation of intangible assets	28,221	24,699
Interest income	(48,924)	(35,246)
Interest expenses	72,005	66,506

**5. Taxation**

Taxation comprised:

	<b>12 months ended</b>	
	<b>31st December,</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Company and subsidiaries -		
Current taxation		
Hong Kong profits tax		
- Provision for current period	8,000	9,000
- Over-provision in prior periods	(9,739)	(233)
Overseas income tax		
- Provision for current period	3,315	9,588
- Over-provision in prior periods	(288)	(1,251)
	<u>1,288</u>	<u>17,104</u>
Associates -		
Current taxation		
Hong Kong profits tax		
- Provision for current period	1,084	1,579
Overseas income tax		
- Provision for current period	131	91
	<u>2,503</u>	<u>18,774</u>

Hong Kong profits tax was provided at the rate of 16% (2000: 16%) 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.

**6. Interim dividend**

The Directors do not recommend payment of any 2nd interim dividend for the 12 months ended 31st December, 2001. First interim dividend of HK0.13 cent (2000: Nil) was paid on 15th November, 2001.

## 7. Earnings per share

### Basic earnings per share

Earnings per share was calculated based on the consolidated profit attributable to shareholders for the period of approximately HK\$40,012,000 (2000: HK\$87,603,000) and the weighted average number of ordinary shares of approximately 11,496,091,000 (2000: 10,687,235,000) in issue during the period.

### Diluted earnings per share

Diluted earnings per share was calculated based on the adjusted earnings of approximately HK\$40,645,000 after taking into consideration the interest expenses, net of tax that will be saved on the conversion of convertible debentures into ordinary shares (2000: HK\$89,718,000 after taking into consideration the potential dilution effect of options of Egana Jewellery & Pearls Limited) and the weighted average number of ordinary shares of approximately 11,663,506,000 (2000: 11,365,225,000) that would be in issue having been adjusted to reflect the effects of all dilutive potential ordinary shares issuable during the period.

## 8. Fixed assets

	<b>Property, plant and equipment</b>
	<i>HK\$'000</i>
Carrying value as at 1st January, 2001	197,816
Acquisition of subsidiaries	382
Additions	46,147
Exchange adjustments and disposals	(8,790)
Revaluation	(578)
Charge for the period	(43,700)
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Carrying value as at 31st December, 2001	191,277
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## 9. Intangible assets

	<i>HK\$'000</i>
Carrying value as at 1st January, 2001, as previously reported	380,665
Prior period adjustments	(24,766)
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Carrying value as at 1st January, 2001, restated	355,899
Acquisition of subsidiaries	47
Additions	111,619
Exchange adjustments and disposals	(1,867)
Charge for the period	(28,221)
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Carrying value as at 31st December, 2001	437,477
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## 10. Investments in securities

The increase in investments in securities largely represents the Group's portfolio investments in certain close-end investment funds which are under the management of listed investment banks/Hong Kong registered investment advisors.

## 11. Accounts receivable aging analysis

The Group allows an average credit period of 30-90 days to its trade customers. Aging analysis of accounts receivable after provision for bad and doubtful debts is as follows:

	<b>As at 31st December, 2001 HK\$'000</b>	<b>As at 31st December, 2000 HK\$'000</b>
Current month	138,150	318,395
Between 1 to 2 months	49,297	44,328
Between 2 to 3 months	24,238	21,034
Between 3 to 4 months	12,361	11,262
Over 4 months	32,231	7,996
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	<u>256,277</u>	<u>403,015</u>



**12. Maturity analysis of bank loans**

a. Short-term bank borrowings comprised:

	<b>As at 31st December, 2001</b>	<b>As at 31st December, 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans and overdrafts		
- with maturity within 3 months	504,986	243,718
- with maturity more than 3 months	123,753	284,182
Current portion of long-term bank loan (b)	98,086	22,471
Trust receipts and import loans		
- with maturity within 3 months	56,645	82,119
- with maturity more than 3 months	650	—
	<u>784,120</u>	<u>632,490</u>
Secured	<u>6,529</u>	<u>1,716</u>
Unsecured	<u>777,591</u>	<u>630,774</u>

b. Long-term bank loan comprised:

	<b>As at 31st December, 2001</b>	<b>As at 31st December, 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable within a period of		
- not exceeding 1 year		
Secured	2,229	1,716
Unsecured	95,857	20,755
- more than 1 year, but not exceeding 2 years		
Secured	2,339	1,825
Unsecured	105,984	3,048
- more than 2 years, but not exceeding 5 years		
Secured	8,855	7,958
Unsecured	70,342	7,756
- after 5 years		
Secured	21,206	4,791
Unsecured	—	1,166
	<u>306,812</u>	<u>49,015</u>
Less: Amounts repayable within 1 year included under current liabilities	<u>(98,086)</u>	<u>(22,471)</u>
	<u>208,726</u>	<u>26,544</u>

Notes: (continued)

### 13. Accounts payable aging analysis

Aging analysis of accounts payable is as follows:

	<b>As at 31st December, 2001</b>	<b>As at 31st December, 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current month	138,087	156,845
Between 1 to 2 months	8,272	26,031
Between 2 to 3 months	5,425	8,637
Between 3 to 4 months	5,343	1,629
Over 4 months	9,149	1,997
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	166,276	195,139
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### 14. Share capital

	<b>Number of ordinary shares of HK\$0.10 each</b>	<b>Nominal value</b>
		<i>HK\$'000</i>
Balance as at 1st January, 2001	11,325,472,648	1,132,547
Issue upon exercise of convertible debentures	285,902,250	28,590
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Balance as at 31st December, 2001	11,611,374,898	1,161,137
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Notes: (continued)

## 15. Reserves

	Share premium account	Exchange translation reserve	Retained profits	Revaluation reserve	Capital redemption reserve	Goodwill	Legal reserve	Other reserves	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at									
1st January, 2001									
as previously reported	352,650	(99,453)	415,354	(4,795)	1,231	(544,096)	270	587	121,748
Effect of adopting SSAP 29	—	(212)	(17,578)	—	—	(2,966)	—	—	(20,756)
Effect of adopting SSAP 30 and 31	—	—	(34,169)	—	—	34,169	—	—	—
Balance as at									
1st January, 2001									
as restated	352,650	(99,665)	363,607	(4,795)	1,231	(512,893)	270	587	100,992
Premium arising from exercise of convertible debentures	13,533	—	—	—	—	—	—	—	13,533
Expenses incurred in connection with issue of shares	(21)	—	—	—	—	—	—	—	(21)
Loss on revaluation of properties	—	—	—	(454)	—	—	—	—	(454)
Goodwill:									
Disposal of interests in associates	—	—	—	—	—	4,382	—	—	4,382
Adjustment of fair value on acquisition of a subsidiary	—	—	—	—	—	45,219	—	—	45,219
Share of exchange translation reserves of an associate	—	(467)	—	—	—	—	—	—	(467)
Revaluation of non- trading securities	—	—	—	(34,216)	—	—	—	—	(34,216)
Share of revaluation surplus on property of an associate	—	—	—	3,893	—	—	—	—	3,893
Other statutory reserves	—	—	—	—	—	—	(260)	(587)	(847)
Profit for the period ended									
31st December, 2001	—	—	40,012	—	—	—	—	—	40,012
Interim dividend paid	—	—	(15,067)	—	—	—	—	—	(15,067)
Exchange differences arising on translation of overseas subsidiaries' financial statements	—	(15,900)	—	—	—	—	—	—	(15,900)
Balance as at									
31st December, 2001	366,162	(116,032)	388,552	(35,572)	1,231	(463,292)	10	—	141,059

**16. Related party transactions**

- a. During the period, the Group entered into transactions with the following associates - Peace Mark (Holdings) Limited ("Peace Mark"), Tonic Industries Holdings Limited ("Tonic") and Capricon Company Limited ("Capricon"), and the following related companies - Marubeni Deutschland GmbH ("Marubeni") and Kuraray Europe GmbH ("Kuraray"). In the opinion of the Directors, the following transactions arose in the ordinary course of the Group's business:

	<b>12 months ended 31st December,</b>	
	<b>2001</b>	<b>2000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental expenses to Capricon	635	846
Purchases from Peace Mark	15,664	44,398
Purchases from Tonic	8,258	4
Purchases from Marubeni	45,158	80,935
Purchases from Kuraray	64,753	50,733
Sales to Peace Mark	80	6,750

*Notes:*

- i. Sales and purchases of goods were determined with reference to published prices and market conditions.
  - ii. Rental expenses were charged according to the terms of the relevant agreements.
  - iii. Trading transactions with Marubeni and Kuraray also constituted connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.
- b. The Group paid approximately HK\$7,480,000 (period ended 31st December, 2000: HK\$7,422,000) to International Taxation Advisory Services Limited, of which Mr. David Wai Kwong WONG, a non-executive Director of the Company, is a director, for corporate advisory services rendered. The Directors consider that the fees were paid according to prices and conditions similar to those offered by other external consultants of the Group.

**17. Contingent liabilities**

Contingent liabilities in respect of bills discounted with recourse at 31st December, 2001 was approximately HK\$4,126,000 (as at 31st December, 2000: HK\$44,715,000).

**18. Comparative figures**

Certain comparative figures have been adjusted to conform with change in accounting policies.

**19. Review of interim financial statements**

The Company's Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's unaudited interim results for the 12 months ended 31st December, 2001.