

REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

The Directors have pleasure in submitting their report together with the audited accounts of EganaGoldpfeil (Holdings) Limited (the “Company”) and its subsidiaries (the “Group”) for the seventeen-month period from 1st January, 2001 to 31st May, 2002 (the “period”).

CHANGE OF FINANCIAL YEAR END

Pursuant to the directors’ resolution passed on 29th April, 2002, the Group has changed its financial year end from 31st December to 31st May. Accordingly, the financial period of the Group, for which audited accounts were prepared covers the seventeen-month period from 1st January, 2001 to 31st May, 2002.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The Company is an investment holding company. Its subsidiaries and associates are principally engaged in (i) design, assembly, manufacturing and distribution of timepieces, jewellery and leather products; (ii) licensing or assignment of brandnames or trademarks to third party; (iii) trading of timepiece components, jewellery and consumer electronic products and (iv) distribution of branded products through franchisees under the franchising arrangement.

An analysis of the Group’s turnover and segment information for the year ended 31st December, 2000 and the period is set out in Note 3 to the accompanying accounts.

MAJOR CUSTOMERS AND SUPPLIERS

During the period, less than 30% of the Group’s sales and purchases were attributable to the Group’s five largest customers and suppliers respectively.

At 31st May, 2002, none of the Directors, their associates or any shareholders (which to the knowledge of the Directors owned more than 5% of the Company’s share capital) had a beneficial interest in the Group’s five largest customers or suppliers.

RESULTS AND DIVIDENDS

The results of the Group for the period are set out in the consolidated profit and loss account on page 67.

During the period, the Directors have declared an interim dividend of 0.13 cent (2000: Nil) per share, which was fully paid on 15th November, 2001.

The Directors do not recommend the payment of a final dividend (2000: Nil), and recommend that the retained profits of approximately \$366,243,000 at 31st May, 2002 be carried forward.

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

FINANCIAL REVIEW

The Group achieved revenue of \$3,174 million (US\$407 million) for the 17 months to 31st May, 2002 (2002), compared to \$2,454 million (US\$315 million) for the 12 months to 31st December, 2000 (2000). This shows an annualized drop of 9% in 2002 over 2000, which is better than the average industry contraction of 30%.

As 2001 Second Interim Report indicated, the drop in the revenue in the 12 months to 31st December, 2001 was due to the Euro weakness. By leveraging its strong brand portfolio and its extensive distribution network, the Group managed an encouraging 6% rebound in the revenue during the 5 months to 31st May, 2002.

Segmental turnover figures for 2002 show timepieces at 53% (2000: 46%), jewellery at 27% (2000: 27%) and leather and others at 20% (2000: 27%).

Geographical turnover breakdown for 2002 shows Europe at 80% (2000: 70%), Asia Pacific at 13% (2000: 23%) and America at 7% (2000: 7%).

In 2002, branded goods accounted for 78% of the revenue up from 72% in 2000. The rising branded goods revenue trend is in line with Group's strategic objective "to be among the top most respected multi-brand groups in the world". Along with the efforts on branded goods, the Group has made significant investments in strengthening its brand portfolio and streamlining its supply chain. This includes the continued investment in consolidating the existing 6 distribution centers into a single European Logistics Center near Frankfurt, Germany and simultaneous implementation of ERP and CRM programs.

The Group is also currently establishing its European headquarters in Frankfurt-Offenbach, Germany by integrating various German operations to cope with the anticipated business growth.

Expenditure related to the above investments has been written off in 2002 in accordance with Group's standard prudent approach and in compliance with the accounting pronouncements. Although, this has resulted in Selling and Distribution Expenses rising by 11% in 2002, it has placed the Group on a solid foundation of being able to deliver enhanced customer service at lower future ongoing operational costs resulting in significant boost to the future profitability.

Operating profit from operations, operating profit margin and average annualized return on equity are \$188 million (US\$24 million), 6% and 4% respectively. As stated above, Group's brand and supply-chain management investment efforts in 2002 are expected to enable the Group to deliver enhanced shareholder returns in the coming years.

Average debtor turnover days for 2002 were 55 down from 60 in 2000 and further ahead of the industry norm of 120 days. This improvement was achieved, under deteriorating market conditions, by Group's focused credit risk and working capital management efforts.

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

FINANCIAL REVIEW *(Cont'd)*

The 2002 closing inventory of \$590 million (US\$76 million) is 2% less than 2000 figure of \$605 million (US\$78 million). Having regard to the seasonal increase in inventory levels during the spring to autumn period (major European and US trade shows are held in the first half of the year and Fall-Christmas sale planning and production occurs in summer), the closing inventory position is at a comfortable level. This shows that the effective inventory management efforts have reduced working capital investment requirements and are helping to deliver higher shareholder returns.

During 2002, the Group financed its operations by internal resources and bank borrowings. As at 31st May, 2002, the short-term bank borrowings stood at \$749 million (2000: \$632 million) or US\$96 million (2000: US\$81 million). The current and quick ratios are at 1.4 and 1 respectively, both of which are ahead of the industry yardsticks. The cash and cash equivalents as of 31st May, 2002 are \$588 million or US\$75 million. Given the healthy financial platform, the Group considers its level of resources sufficient to meet its working capital requirements.

The Group has invested \$168 million as minority strategic investors in 5 investment funds which have investments primarily in consumers products industry in Asia-Pacific, and which have other strategic investors also engaging in the consumer products industry in Far East. This investment is with a view to enhancing the industry know-how and relationship in the core business activities of the Group and to enjoying capital appreciation. During the ensuing period, the investment funds have extended a return on investment of 16% to the Group.

During the ensuing period CSFB converted its 3 year US\$15 million convertible notes in the Group into equity of \$42 million. The outstanding amount of the convertible notes due to expire in December 2002 is \$13 million.

To enhance the return on shareholder funds, the Group in the first quarter of 2002 applied \$80 million to repurchase its own shares representing 3% of its issued capital. This has received positive recognition by the investing public and the support of our stakeholders.

The gearing ratio (total interest bearing debt/tangible net worth) is at a manageable 0.9 that is below market average of 1.1. The interest cover is at 3 times. The above figures reflect Group's proven strategy to keep the debts at manageable levels while taking full advantage of gearing in the current low interest environment to deliver enhanced shareholder returns.

The Group practices natural hedging (having revenue and expenses denominated in the same currency) to the extent possible and has a practice of hedging currency notes as far as is reasonably practicable. Thus the foreign currency exposure has been properly contained.

The Group had no significant capital expenditure commitments as at 31st May, 2002.

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

FINANCIAL REVIEW *(Cont'd)*

As of May 31st, 2002, shareholder funds stood at \$1,295 million (US\$166 million). When taken together with the share repurchase amount of \$80 million, the effective shareholder funds are \$1,375 million (US\$176 million) or \$146 million higher than the 2000 level (\$1,229 million or US\$158 million) and represent 5 times our 1993 pre-IPO level. The inclusion of the independent valuation of the brand portfolio will put the Group's intrinsic value above \$5 billion.

EMPLOYEES AND REMUNERATION POLICIES

At 31st May, 2002, the Group employed approximately 3,800 staff. Remuneration is determined by reference to their qualifications and experiences of the staff concerned. The Group has adopted a performance evaluation policy whereby employees with outstanding performance will be awarded.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company during the period are set out in Note 22 to the accompanying accounts.

CONVERTIBLE DEBENTURES

Details of the terms of the convertible debentures are set out in Note 21 to the accompanying accounts.

RESERVES

Movements in reserves of the Group and the Company during the period are set out in Note 23 to the accompanying accounts.

Under the Companies Law (2001 Second Revision) Chapter 22 of the Cayman Islands, share premium of the Company is available for distributions or payment of dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or payment of dividends the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, no dividend shall be paid otherwise than out of retained profits of the Company or the amount held in any share premium account. At 31st May, 2002, the Company's share premium amounted to approximately \$324,674,000 (2000: \$352,650,000) while its retained profits amounted to approximately \$124,095,000 (2000: \$215,857,000).

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

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

During the period, the Company repurchased its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), all of which have been automatically cancelled, as follows:

Month	Number of shares purchased	Highest price paid per share \$	Lowest price paid per share \$	Total amount paid \$
February, 2002	161,060,000	0.206	0.202	32,961,750.72
March, 2002	234,640,000	0.205	0.202	48,013,625.35
	<u>395,700,000</u>			<u>80,975,376.07</u>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Memorandum and Articles of Association of the Company and the Companies Law of the Cayman Islands.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates at 31st May, 2002 are set out in Notes 15 and 16 to the accompanying accounts respectively.

FIXED ASSETS

Details of the movements in fixed assets during the period are set out in Note 12 to the accompanying accounts.

BANK LOANS AND OVERDRAFTS

Particulars of bank loans and overdrafts at 31st May, 2002 are set out in Notes 19 and 20 to the accompanying accounts respectively. There was no interest capitalised by the Group during the period.

DONATIONS

During the period, the Group made charitable and other donations of approximately \$206,000 (for the year ended 31st December, 2000: \$185,000).

REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

PENSION SCHEMES AND COSTS

Details of pension schemes and costs are set out in Notes 2, 5 and 25 to the accompanying accounts respectively.

SUBSEQUENT EVENTS

Details of significant subsequent events are set out in Note 30 to the accompanying accounts.

DIRECTORS

The Directors who held office during the period and up to the date of this report were as follows:

Executive Directors

Hans-Joerg SEEBERGER (*Chairman and Chief Executive*)

Peter Ka Yue LEE

Michael Richard POIX

Non-executive Directors

David Wai Kwong WONG

Professor Udo GLITTENBERG

Dr. Götz Reiner WESTERMEYER

In accordance with Article 92 of the Company's Articles of Association, Mr. Michael Richard POIX and Dr. Götz Reiner WESTERMEYER shall retire by rotation from office and, being eligible, offer themselves for re-election. All other Directors continue in office.

DIRECTORS' SERVICE CONTRACTS

Mr. Hans-Joerg SEEBERGER's three-year service agreement with the Company was expired on 31st August, 2001. The service agreement was renewed for another three years until 31st August, 2004.

Mr. Peter Ka Yue LEE's three-year service agreement with the Company was expired on 31st December, 2001. The service agreement was renewed for another three years until 31st December, 2004.

Mr. Michael Richard POIX's three-year service agreement with the Company was expired on 31st March, 2001. The service agreement was renewed for another three years until 31st March, 2004.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company or its subsidiaries which is not terminable by the Company or its subsidiaries within one year without payment of compensation (other than statutory compensation).

REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

DIRECTORS' INTERESTS IN SECURITIES

At 31st May, 2002, the interests of the Directors, chief executive and their associates in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to section 29 of the SDI Ordinance were as follows:

The Company

Name of Directors	Number of shares		Total
	Personal interests	Corporate interests	
Hans-Joerg SEEBERGER	—	4,466,984,746 <i>(Note i)</i>	4,466,984,746
Peter Ka Yue LEE	5,302,915	80,268,380 <i>(Note ii)</i>	85,571,295
Michael Richard POIX	28,265,860	—	28,265,860
Dr. Goetz Reiner WESTERMEYER	2,880,000	—	2,880,000
Professor Udo GLITTENBERG	1,152,000	—	1,152,000

Associated corporations

Egana Jewellery & Pearls Limited ("Egana Jewellery")

Name of Directors	Number of shares		Total
	Personal interests	Corporate interests	
Hans-Joerg SEEBERGER	—	2,304,940,990 <i>(Note iii)</i>	2,304,940,990
Peter Ka Yue LEE	736,516	11,148,386 <i>(Note ii)</i>	11,884,902
Michael Richard POIX	3,733,986	—	3,733,986

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

DIRECTORS' INTERESTS IN SECURITIES (Cont'd)

Associated corporations (Cont'd)

Tonic Industries Holdings Limited

Name of Directors	Number of shares		Total
	Personal interests	Corporate interests	
Hans-Joerg SEEBERGER	—	157,374,869 <i>(Note iv)</i>	157,374,869

Notes:

- i. These shares were registered in the name of Peninsula International Limited and its nominee which held the same as nominee for the Captive Insurance Trust, a discretionary trust whose prospective beneficiaries included Mr. Hans-Joerg SEEBERGER and his family.
- ii. These shares were beneficially owned by Joshua Limited, a company which was wholly and beneficially owned by Mr. Peter Ka Yue LEE.
- iii. 10,449,548 shares were registered in the name of Peninsula International Limited and its nominee which held the same as nominee for the Captive Insurance Trust, a discretionary trust whose prospective beneficiaries included Mr. Hans-Joerg SEEBERGER and his family. 2,294,491,442 shares were registered in the name of the Company and its nominee. By virtue of his interest in the Company pursuant to section 8 of the SDI Ordinance, Mr. Hans-Joerg SEEBERGER was deemed to be interested in these shares.
- iv. The shares were held by wholly owned subsidiaries of the Company. By virtue of his interest in the Company pursuant to section 8 of the SDI Ordinance, Mr. Hans-Joerg SEEBERGER was deemed to be interested in these shares.

Except that certain Directors held certain nominee shares in subsidiaries in trust for the Company or its subsidiaries at 31st May, 2002, no Directors held an interest in the share capital of the Company or any of its subsidiaries other than those as disclosed above.

Save as disclosed above, at 31st May, 2002, none of the Directors or chief executive or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which are deemed or taken to have under section 31 or Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

CONNECTED TRANSACTIONS

Details of the connected transactions for the period are set out in Note 29(b) to the accompanying accounts. The independent Non-executive Directors have reviewed the connected transactions set out in Note 29(b) and confirmed that those transactions were:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms and fair and reasonable so far as the shareholders of the Company were concerned and in the interest of the Company as a whole; and
- (iii) within the relevant cap amounts as agreed by the Stock Exchange.

Save as disclosed therein, there were no other transactions which needed to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

SHARE OPTION SCHEME

The Company

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

1. Purpose of the Scheme

An incentive to executive management and employees.
2. Participants of the Scheme

Eligible full-time employees including the Executive Directors of the Company and its subsidiaries.
3. Total number of shares available for issue under the Scheme and the percentage of issued share capital at 19th September, 2002

455,980,000 shares (prior to share consolidation as described in Note 30(b) to the accompanying accounts), representing approximately 4.07% of the issued capital.
4. Maximum entitlement of each participant under the Scheme

25% of the aggregate number of shares issued and issuable under the Scheme.
5. The period within which shares must be taken up under an option

10 years commencing from the date of grant of such options.
6. The minimum period for which an option must be held before it can be exercised

Year 1: up to 20% of shares comprised in the options at its date of grant (or if applicable as subsequently adjusted in accordance with the Scheme);

Year 2: up to 40% of shares so comprised, less the percentage of shares in respect of which the option was exercised in Year 1;

Year 3: up to 60% of shares so comprised, less the percentage of shares in respect of which the option was exercised in Years 1 and 2;

Year 4: up to 80% of shares so comprised, less the percentage of shares in respect of which the option was exercised in Years 1, 2 and 3; and

Years 5: all shares so comprised in respect of which the option was to 10 not previously exercised.
(inclusive)

REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

SHARE OPTION SCHEME (Cont'd)

The Company (Cont'd)

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|----|--|---|
| 7. | The amount payable on acceptance of the option | Nominal amount of \$1.00 upon acceptance of the option. |
| 8. | The basis of determining the exercise price | The exercise price is the higher of:

(a) 85% of the average of the closing prices of shares on the Stock Exchange of five business days immediately preceding the date of offer to grant the option; and

(b) the nominal value thereof. |
| 9. | The remaining life of the Scheme | The Scheme will expire on 31st May, 2003. |

On 1st September, 2001, amendments to Chapter 17 of the Listing Rules (the "New Rules") on share option schemes came into effect. If the Company wishes to continue to grant options under the Scheme on or after 1st September, 2001, it must also comply with the new requirements set out in the New Rules. However, all options granted prior to the coming into effect of the said amendments will remain in full force and effect.

REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

SHARE OPTION SCHEME (Cont'd)

The Company (Cont'd)

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)(b) 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 lapsed	Number of shares comprising the options outstanding at the end of the period	Date granted	Subscription price per share \$
Hans-Joerg SEEBERGER	120,000,000	—	120,000,000	09/01/2000	0.211
Peter Ka Yue LEE	200,000	—	200,000	06/04/1994	0.128
	5,000,000	—	5,000,000	09/01/2000	0.211
Michael Richard POIX	380,000	—	380,000	06/04/1994	0.128
	5,000,000	—	5,000,000	17/01/2000	0.211
Employees under continuous contracts (excluding Directors)	331,850,000	6,450,000	325,400,000	06/04/1994 to 07/08/2000	*
	<u>462,430,000**</u>	<u>6,450,000</u>	<u>455,980,000**</u>		

* The options are exercisable at subscription price of \$0.128 or \$0.211 or \$0.345 per share.

** 38,420,000 shares comprising the options were cancelled in December 1999.

Note: The outstanding options can be exercised in accordance with the Scheme at any time from the date on which the option is 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 and exercised during the period.

REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

SHARE OPTION SCHEME (Cont'd)

Egana Jewellery

Share options are granted to the directors, executives and employees of Egana Jewellery under the Executive Share Option Scheme of Egana Jewellery (the "Egana Jewellery Scheme") adopted on 26th June, 1998 and became unconditional on 23rd July, 1998. Details of the Egana Jewellery Scheme are as follows:

1. Purpose of the Egana Jewellery Scheme

An incentive to executive management and employees.
2. Participants of the Egana Jewellery Scheme

Eligible full-time employees including the executive directors of Egana Jewellery and its subsidiaries.
3. Total number of shares available for issue under the Egana Jewellery Scheme and the percentage of issued share capital at 19th September, 2002

131,250,000 shares (prior to share consolidation which took effect on 5th September, 2002), representing approximately 4.23% of the issued capital.
4. Maximum entitlement of each participant under the Egana Jewellery Scheme

25% of the aggregate number of shares issued and issuable under the Egana Jewellery Scheme.
5. The period within which shares must be taken up under an option

10 years commencing from the date of grant of such options and ending on the date of expiry of the Egana Jewellery Scheme.
6. The minimum period for which an option must be held before it can be exercised

Year 1: up to 20% of shares comprised in the options at its date of grant (or if applicable as subsequently adjusted in accordance with the Egana Jewellery Scheme);

Year 2: up to 40% of shares so comprised, less the percentage of shares in respect of which the option was exercised in Year 1;

Year 3: up to 60% of shares so comprised, less the percentage of shares in respect of which the option was exercised in Years 1 and 2;

REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

SHARE OPTION SCHEME *(Cont'd)*

Egana Jewellery *(Cont'd)*

- Year 4: up to 80% of shares so comprised, less the percentage of shares in respect of which the option was exercised in Years 1, 2 and 3; and
- Years 5: all shares so comprised in respect of which the option was to 10 not previously exercised.
(inclusive)
7. The amount payable on acceptance of the option Nominal amount of \$1.00 upon acceptance of the option.
8. The basis of determining the exercise price The exercise price is the higher of:
- (a) 85% of the average of the closing prices of shares of Egana Jewellery on the Stock Exchange of five business days immediately preceding the date of offer to grant the option; and
 - (b) the nominal value thereof.
9. The remaining life of the Egana Jewellery Scheme The Egana Jewellery Scheme will expire on 23rd July, 2008.

On 1st September, 2001, the New Rules on share option schemes came into effect. If Egana Jewellery wishes to continue to grant options under the Egana Jewellery Scheme on or after 1st September, 2001, it must also comply with the new requirements set out in the New Rules. However, all options granted prior to the coming into effect of the said amendments will remain in full force and effect.

REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

SHARE OPTION SCHEME (Cont'd)

Egana Jewellery (Cont'd)

The following shows the particulars of the share options of Egana Jewellery granted to the directors, executives and employees of Egana Jewellery group that are required to be disclosed pursuant to Rule 17.07 of Chapter 17 and sub-paragraph 13(1)(b) 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 lapsed	Number of shares comprising the options outstanding at the end of the period	Date granted	Subscription price per share
Hans-Joerg SEEBERGER	33,000,000	—	33,000,000	09/01/2000	0.224
Peter Ka Yue LEE	2,500,000	—	2,500,000	09/01/2000	0.224
Michael Richard POIX	2,500,000	—	2,500,000	17/01/2000	0.224
Employees under continuous contracts (excluding Directors)	94,750,000	1,500,000	93,250,000	06/01/2000 to 31/01/2000	0.224
	<u>132,750,000</u>	<u>1,500,000</u>	<u>131,250,000</u>		

Note: The outstanding options can be exercised in accordance with the Egana Jewellery Scheme at any time after the date upon which the option is granted but not later than 10 years from the date on which the Egana Jewellery Scheme is adopted, 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 of Egana Jewellery were granted and exercised during the period.

Save as disclosed above, at 31st May, 2002, neither the Directors or chief executive nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or any of its subsidiaries, or had exercised any such right during the period.

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DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed below, no contracts, commitment or agreement of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, existed at the end of the period or at any time during the said period:

- (a) A deed dated 19th September, 1992 was made between the Company, Mr. Hans-Joerg SEEBERGER and Mr. Siegfried Adalbert UNRUH, a former Director, under which Mr. SEEBERGER and Mr. UNRUH jointly and severally covenanted to indemnify the Company against any liabilities incurred by Eco Swiss China Time Limited, a subsidiary of the Company, in relation to any liabilities of Eco Swiss SpA and Contempo SpA.
- (b) Mr. David Wai Kwong WONG is a director of International Taxation Advisory Services Limited, a company which received professional fees from the Group of approximately \$10,593,000 (inclusive of disbursements) during the period (for the year ended 31st December, 2000: \$7,422,000), in connection with the provision of taxation and corporate advisory services to the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Hans-Joerg SEEBERGER, aged 59, is the founder of the Group, Chairman and Chief Executive of the Company. He has more than 21 years' experience in the timepiece, jewellery and leather business in the Far East and Europe. He is responsible for the Group's overall corporate policy and development strategy as well as overseeing the Group's operations worldwide, particularly in the financial and marketing aspects.

Peter Ka Yue LEE, aged 55, is responsible for the financial and general management of the Group's Hong Kong operations. Before joining the Group, he worked as an executive in marketing and corporate management in several international companies in the consumer and manufacturing industries. He joined the Group in 1978.

Michael Richard POIX, aged 50, joined the Group in October 1988. He previously worked with a large German mail order house, a large German department store organisation as a foreign trader in their trade departments and a retail company in Germany as the head of the purchasing department for watches, jewellery and electronics. He is responsible for the day-to-day operations of the Group's business and ensuring compliance with the Group's obligations under its brandname licences.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Cont'd)*

Non-executive Directors

David Wai Kwong WONG, aged 44, has over 21 years' experience in finance, accounting, corporate and taxation affairs. He is a fellow of the Association of Chartered Certified Accountants, and an associate of the Hong Kong Society of Accountants, the Australian Association of Practising Accountants and the Australasian Association of Secretaries and Managers. He is a director of International Taxation Advisory Services Limited and is also a non-executive director of Egana Jewellery and seven other Hong Kong listed companies.

Professor Udo GLITTENBERG, aged 58, is a professor in business administration, having studied in the United States and Europe. Before establishing two private business schools in Germany, he was the chief executive of a steel and plastics manufacturing group and a team leader in a Chinese-German government co-operation project in Shanghai, the People's Republic of China.

Dr. Götz Reiner WESTERMEYER, aged 61, was previously the managing director of a major Japanese consumer electronics company based in Düsseldorf, Germany, for over 11 years, and had worked as an executive in charge of the consumer electronics division of a major conglomerate headquartered in Turkey. He is currently the executive of a German organisation representing certain interests from the Eastern Europe for consumer electronics products. He obtained his doctorate in joint venture management from Munich University. He has extensive experience in the import and distribution of consumer electronic products and other consumer products throughout Europe.

Biographical details of senior management of the Group are set out in The People section on page 4.

SUBSTANTIAL SHAREHOLDERS

At 31st May, 2002, the following entities (not being a Director or chief executive of the Company) held an interest of 10% or more in the issued share capital of the Company which is required to be recorded under section 16(1) of the SDI Ordinance:

Name	Number of issued shares	Percentage of issued share
Peninsula International Limited <i>(Note i)</i>	4,466,984,746	39.83%
Trustcorp Limited as trustee of the Captive Insurance Trust <i>(Note ii)</i>	4,466,984,746	39.83%

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SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Notes:

- i. These shares were registered in the name of Peninsula International Limited and its nominee which held the same as nominee for the Captive Insurance Trust, a discretionary trust whose prospective beneficiaries included Mr. Hans-Joerg SEEBERGER and his family.
- ii. Duplication of Peninsula International Limited's holding.

Save as disclosed above, at 31st May, 2002, the Company was not notified by any persons who had an interest of 10% or more in the issued share capital of the Company which is required to be recorded under section 16(1) of the SDI Ordinance.

AUDIT COMMITTEE

The Audit Committee, comprising not less than two independent Non-executive Directors, mainly focuses on the review and supervision of the Company's financial reporting process and internal controls.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Except that the Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings of the Company, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period.

AUDITORS

During the period, Messrs. Arthur Andersen & Co resigned as auditors of the Company and Messrs. PricewaterhouseCoopers were appointed by the Directors to fill the casual vacancy occasioned until the next Annual General Meeting.

The accounts for the period have been audited by Messrs. PricewaterhouseCoopers. A resolution for the appointment of Messrs. PricewaterhouseCoopers as the Company's auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



Hans-Joerg SEEBERGER

Chairman and Chief Executive

Hong Kong, 19th September, 2002