CORPORATE INFORMATION

PRINCIPAL ACTIVITY

Design, assembly, manufacturing and distribution of timepieces, jewellery and leather products; licensing or assignment of brandnames to third parties; and trading of timepiece components, jewellery and consumer electronic products

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

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WEBSITE

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REGISTERED OFFICE

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HONG KONG SHARE REGISTRARS & TRANSFER OFFICE

Secretaries Limited, G/F., Bank of East Asia Harbour View Centre
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LISTING

The Stock Exchange of Hong Kong Limited Stock Code: 48
(Constituent Stock of Hang Seng Composite Index Series)

The board of directors (the "Directors") of EganaGoldpfeil (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated condensed results of the Company and its subsidiaries (the "Group") for the six months ended 30th November, 2002 together with the comparative figures for the six months ended 30th June, 2001 which are summarised as under. These results have been reviewed by the Audit Committee of the Company.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended	
		30th November, 2002	**30th June, 2001**
	Notes	**(Unaudited)**	**(Unaudited)**
		HK$'000	*HK$'000*
Turnover	*3*	**1,266,010**	1,000,974
Cost of sales		**(731,627)**	(567,343)
Gross profit		**534,383**	433,631
Other revenues		**83,802**	48,135
Distribution costs		**(237,918)**	(198,155)
Administrative expenses		**(285,784)**	(205,920)
Operating profit		**94,483**	77,691
Finance costs		**(38,487)**	(38,094)
Profit before share of profit/ (loss) of associates		**55,996**	39,597
Share of profit/(loss) of associates		**5,080**	(2,415)
Profit before taxation	*3, 4*	**61,076**	37,182
Taxation	*5*	**(12,818)**	(4,254)
Profit after taxation but before minority interests		**48,258**	32,928
Minority interests		**(11,592)**	(2,730)
Profit attributable to shareholders		**36,666**	30,198
Dividends	*6*	**11,320**	14,982
Earnings per share	*7*		
Basic		**3.27 cents**	2.64 cents
Diluted		**3.24 cents**	2.63 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30th November, 2002 (Unaudited) *HK$'000*	Six months ended 30th June, 2001 (Unaudited) *HK$'000*
Opening balance - Total equity	**1,295,429**	1,229,074
Deficit on revaluation of listed non-trading securities	**(14,808)**	(3,788)
Deficit on revaluation of unlisted non-trading securities	**(12,196)**	—
Exchange differences on translation of the financial statements of overseas subsidiaries	**(38,888)**	(28,314)
Share of revalutaion deficit of non-trading securities of an associate	**—**	(1,218)
Share of exchange translation surplus/(deficit) of an associate	**617**	(973)
Share of revalutaion surplus on fixed assets of an associate	**—**	3,588
Net gains and losses not recognised in the profit and loss account	**(65,275)**	(30,705)
Net profit for the period	**36,666**	30,198
	1,266,820	1,228,567
Goodwill transferred to profit and loss on partial disposal of interest in an associate	**466**	—
Revaluation deficit transferred to profit and loss account on disposal of listed non-trading securities	**34,823**	—
Revaluation surplus transferred to profit and loss account on disposal of unlisted non-trading securities	**(6,473)**	—
Issue of share capital	**10,409**	19,943
Premium arising from issue of share capital	**2,679**	11,259
Closing balance - Total equity	**1,308,724**	1,259,769

CONSOLIDATED BALANCE SHEET

	Note	As at 30th November, 2002 (Unaudited)	As at 31st May, 2002 (Audited) (Note 18)
		HK$'000	HK$'000
Non-current assets			
Fixed assets	8	**178,571**	200,936
Intangible assets	9	**414,523**	415,438
Deferred tax assets		**56,209**	54,789
Interests in associates		**101,370**	100,631
Investments in non-trading securities	10	**356,181**	417,510
		1,106,854	1,189,304
Current assets			
Cash and bank balances		**204,302**	274,216
Inventories		**571,762**	590,281
Accounts receivable, net	11	**476,162**	272,814
Short-term investments		**548,407**	449,157
Dividend receivable		**—**	8,994
Due from associates		**9,151**	71,669
Deposits, prepayments and other receivables		**376,822**	267,507
		2,186,606	1,934,638
Current liabilities			
Short-term bank borrowings	12	**(717,275)**	(617,655)
Long-tem bank borrowings – current portion	12	**(148,511)**	(131,652)
Other long term loans - current portion		**(5,372)**	(4,409)
Obligations under finance lease – current portion		**(321)**	(348)
Accounts payable	13	**(236,757)**	(213,610)
Accrued charges and other payables		**(272,160)**	(230,433)
Bills payable		**(109,726)**	(102,832)
Due to associates		**(11,110)**	(89)
Amounts due to Directors		**(320)**	(18)
Taxation payable		**(17,373)**	(2,829)
Provisions		**(72,154)**	(44,828)
Convertible debentures		**—**	(13,260)
		(1,591,079)	(1,361,963)
Net current assets		**595,527**	572,675
Total assets less current liabilities		**1,702,381**	1,761,979

CONSOLIDATED BALANCE SHEET *(continued)*

	Note	As at 30th November, 2002 (Unaudited)	As at 31st May, 2002 (Audited) *(Note 18)*
		HK$'000	*HK$'000*
Non-current liabilities			
Long-term bank loans	*12*	**(169,957)**	(265,032)
Retirement benefit obligations		**(75,302)**	(69,397)
Other long-term liabilities		**(22,031)**	(17,831)
		(267,290)	(352,260)
Minority interests		**(126,367)**	(114,290)
Net assets		**1,308,724**	1,295,429
Shareholders' equity			
Share capital	*14*	**1,131,976**	1,121,567
Reserves	*15*	**165,428**	173,862
Proposed interim dividend		**11,320**	—
		1,308,724	1,295,429

CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th November, 2002 (Unaudited)	Six months ended 30th June, 2001 (Unaudited, restated)
	HK$'000	*HK$'000*
Cash generated by/(used in) operations	**89,840**	(101,072)
Interest paid	**(30,979)**	(29,482)
Tax paid	**(2,633)**	(9,595)
Tax refund	**3,595**	3,105
Net cash from/(used in) operating activities	**59,823**	(137,044)
Net cash from/(used in) investing activities	**94,864**	(55,951)
Net cash from financing activities	**954**	284,709
Net Increase in cash and cash equivalents	**155,641**	91,714
Cash and cash equivalents at 1st June, 2002 / 1st January, 2001	**407,604**	469,439
Effect of foreign exchange rate changes	**3,067**	(14,507)
Cash and cash equivalents at 30th November, 2002 / 30th June, 2001	**566,312**	546,646
Analysis of cash and cash equivalents:		
Cash and bank balances	**204,302**	434,646
Promissory notes	**362,010**	112,000
	566,312	546,646

Notes:

1. Share consolidation

On 4th September, 2002, an ordinary resolution was passed at an extraordinary general meeting of the Company pursuant to which every 10 shares of HK$0.10 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$1.00 each. The share consolidation became effective on 5th September, 2002.

2. Basis of preparation and principal accounting policies

The condensed interim accounts 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 Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The condensed interim accounts have been prepared under the historical cost convention, as modified for the revaluation of leasehold land and buildings and investments in non-trading securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the seventeen months period ended 31st May, 2002, except as described below.

In the current period, the Group has adopted, for the first time, a number of revised and new SSAPs as follows:

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 11 (Revised)	:	Foreign currency translation
SSAP 15 (Revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

The adoption of these revised and new SSAPs has resulted in the adoption of the following revised and new accounting policies and changes in the presentation of cash flow statement and the statement of changes in equity.

SSAP 11 (Revised) has eliminated the choice of translating the profit and loss account of overseas subsidiaries at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's overseas subsidiaries are translated at the exchange rate prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the Group's overseas subsidiary is disposed of.

Under SSAP 15 (Revised), cash flows are now classified under three headings including operating, investing and financing activities. Interests and dividends paid which were previously presented under a separate heading are now classified as operating and financing cash flows respectively, whereas interests and dividends received are now classified as investing cash flows. Cash flows arising from taxes on income are now classified as operating activities, unless they can be separately identified with investing and financing activities.

The adoption of these revised and new accounting policies had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

3. Segmental information

(a) Primary reporting format - business segments

The Group's businesses are managed according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit, which is subject to risks and returns that are different from those of other business segments.

The Group was organised on a worldwide basis into four main business segments:

- Timepieces - design, assembly, manufacturing, distribution and trading timepieces and timepieces components;
- Jewellery - design, assembly, manufacturing, distribution and trading of jewellery products;
- Leather - design, assembly, manufacturing, distribution and trading of leather products; and
- Strategic Investments - investments in listed/unlisted securities which could bring medium or long-term synergetic benefits to the Group's business.

	Six months ended 30th November, 2002				
	Timepieces	**Jewellery**	**Leather**	**Strategic investments**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	603,467	369,300	293,243	—	1,266,010
Segment results	73,565	48,690	2,091	(29,863)	94,483
Finance costs					(38,487)
Profit before share of profit of associates					55,996
Share of profit of associates					5,080
Profit before taxation					61,076
Taxation					(12,818)
Profit after taxation					48,258
Minority Interests					(11,592)
Profit attributable to shareholders					36,666

Notes: (continued)

3. Segmental information *(continued)*

(a) Primary reporting format - business segments *(continued)*

	Timepieces	Jewellery	Leather	Strategic investments	Group
	Six months ended 30th November, 2002				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Captial expenditure	13,929	8,265	18,667	—	40,861
Depreciation	9,783	4,725	7,120	—	21,628
Amortisation	12,158	1,077	6,720	—	19,955
Write back of provision for bad debt	1,228	—	—	—	1,228
Bad debt expense	6,628	2,414	363	—	9,405
Write back of provision for inventory obsolescence	—	—	7,640	—	7,640
Provision for inventory obsolescence	1,694	—	—	—	1,694
	As at 30th November, 2002				
Segment assets	1,516,102	641,831	725,923	308,234	3,192,090
Interests in associates	101,050	(55)	375	—	101,370
Total assets	1,617,152	641,776	726,298	308,234	3,293,460
Segment liabilities	(1,181,671)	(288,059)	(388,639)	—	(1,858,369)
Total liabilities	(1,181,671)	(288,059)	(388,639)	—	(1,858,369)

Notes: (continued)

3. Segmental information *(continued)*

(a) Primary reporting format - business segments *(continued)*

	Six months ended 30th June, 2001				
	Timepieces	**Jewellery**	**Leather**	**Strategic investments**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	524,556	253,995	222,423	—	1,000,974
Segment results	50,367	17,904	9,420	—	77,691
Finance costs					(38,094)
Profit before share of loss of associates					39,597
Share of loss of associates					(2,415)
Profit before taxation					37,182
Taxation					(4,254)
Profit after taxation					32,928
Minority Interests					(2,730)
Profit attributable to shareholders					30,198
Capital expenditure	13,211	1,403	2,226	—	16,840
Depreciation	8,559	5,148	6,609	—	20,316
Amortisation	7,905	1,427	4,188	—	13,520
Write back of provision for bad debt	6,487	—	—	—	6,487
Bad debt expense	3,385	3,358	560	—	7,303
Provision for inventory obsolescence	4,252	—	—	—	4,252
Write back of provision for inventory obsolescence	10,192	903	5,345	—	16,440

3. Segmental information *(continued)*

(a) Primary reporting format - business segments *(continued)*

	As at 31st May, 2002				
	Timepieces	**Jewellery**	**Leather**	**Strategic investments**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	1,389,138	659,883	617,564	356,726	3,023,311
Interests in associates	100,313	(57)	375	—	100,631
Total assets	1,489,451	659,826	617,939	356,726	3,123,942
Segment liabilities	(1,047,634)	(351,568)	(315,021)	—	(1,714,223)
Total liabilities	(1,047,634)	(351,568)	(315,021)	—	(1,714,223)

(b) Secondary reporting format - geographical segments

The Group's operations are mainly located in Europe, Asia Pacific and America. In determing the Group's geographical segments, turnover is attributed to the segments based on the destination of merchandise. Segment assets and capital expenditures were based on the geographical locations of the assets.

	Six months ended 30th November, 2002			As at 30th November, 2002
	Turnover	**Segment results**	**Capital expenditure**	**Total assets**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Europe	1,055,992	83,908	31,595	1,383,701
America	81,246	(2,231)	1,666	113,097
Asia Pacific	128,772	12,806	7,600	1,695,292
	1,266,010	94,483	40,861	3,192,090
Interests in associates				101,370
Total assets				3,293,460

Notes: (continued)

3. Segmental information *(continued)*

(b) Secondary reporting format - geographical segments *(continued)*

	Six months ended 30th June, 2001			As at 31st May, 2002
	Turnover	**Segment results**	**Capital expenditure**	**Total assets**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Europe	799,653	96,872	13,642	1,320,010
America	51,448	(28,141)	1,081	100,986
Asia Pacific	149,873	8,960	2,117	1,602,315
	1,000,974	77,691	16,840	3,023,311
Interests in associates				100,631
Total assets				3,123,942

4. Profit before taxation

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

	Six months ended 30th November, 2002	Six months ended 30th June, 2001
	HK$'000	*HK$'000*
Crediting:		
Interest income	23,936	22,901
Exchange gain, net	38,330	—
Charging:		
Depreciation of fixed assets	21,628	20,316
Amortisation of intangible assets	19,955	13,520
Exchange loss, net	—	18,767
Interest expenses	31,476	32,908
Loss on disposal of listed non-trading securities *(i)*	37,998	—

(i) The Group's investments are made for the strategic purpose in furtherance of its core business, being the manufacturing and distribution of luxury consumer goods. Such was the case with Peace Mark (Holdings) Limited ("Peace Mark"), a listed company engaged in the production and distribution of watches, which was an associate of the Group from 1995 to August 2001. In the latter part of 2001, the Group decided to concentrate its resources on its own branded production, and focused on the technical expertise of German watch manufacturer Junghans Uhren GmbH which was acquired in November 2000. In August 2001, the Group sold 10% interests to the management of Peace Mark, and the remaining balance classified as a non-trading security.

Notes: (continued)

4. Profit before taxation *(continued)*

In August 2002, Peace Mark proceeded with a Rights Issue. The Group decided that the development plans of Peace Mark were no longer strategic to the Group's long term investment vision, and thus gradually disposed of the shares over the next few months. The cumulative loss of nearly HK$38 million has been recognized in the accounts for the six months ended 30th November, 2002.

5. Taxation

Taxation comprised:

	Six months ended 30th November, 2002	Six months ended 30th June, 2001
	HK$'000	*HK$'000*
Company and subsidiaries -		
Hong Kong profits tax		
- Provision for current period	4,500	500
- Underprovision in prior periods	2,211	—
Overseas income tax		
- Provision for current period	5,599	4,394
- Overprovision in prior periods	—	(1,025)
	12,310	3,869
Associates -		
Hong Kong profits tax		
- Provision for current period	508	265
Overseas income tax		
- Provision for current period	—	120
	12,818	4,254

Hong Kong profits tax was provided at the rate of 16% (period ended 30th June, 2001: 16%) on the estimated assessable profit arising in or derived from Hong Kong. Overseas income tax was provided by subsidiaries and associates with overseas operations on their estimated assessable profits for the period at the tax rates applicable in the countries in which the subsidiaries and associates operated.

6. Interim dividend

The Directors have resolved to declare an interim dividend of HK1 cent per share (period ended 30th June, 2001: HK0.13 cent per share based upon the number of shares prior to share consolidation as described in Note 1) payable on 29th April, 2003 to shareholders whose names appear on the register of members of the Company on 19th March, 2003.

Notes: (continued)

7. Earnings per share

(a) Basic earnings per share

Basic earnings per share was calculated based on the consolidated profit attributable to shareholders for the period of approximately HK$36,666,000 (period ended 30th June, 2001: HK$30,198,000) and the weighted average number of ordinary shares of approximately 1,122,878,000 (period ended 30th June, 2001: 1,143,056,000) in issue during the period.

The weighted average number of ordinary shares for the period ended 30th June, 2001 has been adjusted for the share consolidation as described in Note 1.

(b) Diluted earnings per share

Diluted earnings per share was calculated based on the adjusted consolidated profit attributable to shareholders for the period of approximately HK$36,684,000 (period ended 30th June, 2001: HK$30,595,000) and the weighted average number of ordinary shares of approximately 1,131,259,000 (period ended 30th June, 2001: 1,165,435,000) that would be in issue having adjusted for the effects of all dilutive potential ordinary shares issuable during the period.

The weighted average number of ordinary shares for the period ended 30th June, 2001 has been adjusted for the share consolidation as described in Note 1.

(c) Reconciliation

A reconciliation of profit attributable to shareholders used in calculating the basic and diluted earnings per share was as follows:

	Six months ended	
	30th November, 2002	**30th June, 2001**
	HK$'000	*HK$'000*
Profit attributable to shareholders used in calculating basic earnings per share	36,666	30,198
Dilutive potential effect in respect of convertible debentures	18	397
Profit attributable to shareholders used in calculating diluted earnings per share	36,684	30,595

Notes: (continued)

7. Earnings per share *(continued)*

(c) Reconciliation *(continued)*

A reconciliation of the number of ordinary shares for calculation of basic and diluted earnings per share was as follows:

	Six months ended	
	30th November, 2002	**30th June, 2001**
Weighted average number of ordinary shares used in calculating basic earnings per share	1,122,878,000	1,143,056,000
Dilutive potential effect in respect of		
- convertible debentures	8,053,000	22,326,000
- share options of the Company	328,000	53,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,131,259,000	1,165,435,000

8. Fixed assets

	Property, plant and equipment
	HK$'000
Carrying value as at 1st June, 2002	200,936
Acquisition of subsidiaries	1,535
Additions	17,914
Exchange adjustments and disposals	(20,186)
Charge for the period	(21,628)
Carrying value as at 30th November, 2002	178,571

9. Intangible assets

	HK$'000
Carrying value as at 1st June, 2002	415,438
Acquisition of subsidiaries	13,199
Additions	8,213
Exchange adjustments and disposals	(2,372)
Charge for the period	(19,955)
Carrying value as at 30th November, 2002	414,523

10. Investments in non-trading securities

At 30th November, 2002, the investments in non-trading securities were stated at fair value which were determined by the Directors or according to quoted marked prices and the revaluation deficit of approximately HK$27,004,000 was recorded in the revaluation reserve. In the opinion of the Directors, there was no indication of impairment in the carrying values of the investments.

Notes: (continued)

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:

	As at 30th November, 2002 *HK$'000*	**As at 31st May, 2002** *HK$'000*
Current month	374,254	194,750
Between 1 to 2 months	40,426	26,402
Between 2 to 3 months	15,906	10,673
Between 3 to 4 months	6,269	5,323
Over 4 months	39,307	35,666
	476,162	272,814

12. Maturity analysis of bank loans

a. Short-term bank borrowings comprised:

	As at 30th November, 2002 *HK$'000*	**As at 31st May, 2002** *HK$'000*
Bank loans and overdrafts		
- with maturity within 3 months	518,076	530,965
- with maturity more than 3 months and less than one year	22,109	6,103
Trust receipts and import loans	177,090	80,587
	717,275	617,655
Current portion of long-term bank borrowing *(b)*	148,511	131,652
	865,786	749,307
Secured	10,895	39,501
Unsecured	854,891	709,806

Notes: (continued)

12. Maturity analysis of bank loans *(continued)*

b. Long-term bank borrowings comprised:

	As at 30th November, 2002 *HK$'000*	**As at 31st May, 2002** *HK$'000*
Repayable within a period of		
- not exceeding 1 year		
Secured	2,044	2,380
Unsecured	146,467	129,272
- more than 1 year, but not exceeding 2 years		
Secured	4,635	5,128
Unsecured	111,972	143,630
- more than 2 years, but not exceeding 5 years		
Secured	5,547	6,765
Unsecured	46,264	88,522
- after 5 years		
Secured	1,539	20,987
Unsecured	—	—
	318,468	396,684
Less: Amounts repayable within 1 year included under current liabilities	(148,511)	(131,652)
	169,957	265,032

Notes: (continued)

13. Accounts payable aging analysis

Aging analysis of accounts payable is as follows:

	As at 30th November, 2002 *HK$'000*	As at 31st May, 2002 *HK$'000*
Current month	190,751	169,918
Between 1 to 2 months	16,324	15,516
Between 2 to 3 months	15,729	4,406
Between 3 to 4 months	5,440	4,690
Over 4 months	8,513	19,080
	236,757	213,610

14. Share capital

	Number of shares	Nominal value of each share *HK$*	Nominal value of shares *HK$'000*
Before share consolidation			
Balance as at 1st June, 2002	11,215,674,898	0.10	1,121,567
After share consolidation	1,121,567,489	1.00	1,121,567
Issue upon exercise of convertible debentures	10,409,273	1.00	10,409
Balance as at 30th November, 2002	1,131,976,762	1.00	1,131,976

Notes: (continued)

15. Reserves

	Share premium account *HK$'000*	Exchange translation reserve *HK$'000*	Retained profits *HK$'000*	Revaluation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Goodwill *HK$'000*	Legal reserve *HK$'000*	Other reserves *HK$'000*	Total *HK$'000*
Balance as at 1st June, 2002	324,674	(106,486)	366,243	8,715	40,801	(460,935)	270	580	173,862
Premium arising from exercise of convertible debentures	2,850	–	–	–	–	–	–	–	2,850
Expenses incurred in connection with issue of shares	(171)	–	–	–	–	–	–	–	(171)
Partial disposal of interest in an associate	–	–	–	–	–	466	–	–	466
Share of exchange translation reserve of an associate	–	617	–	–	–	–	–	–	617
Revaluation of listed non-trading securities	–	–	–	(14,808)	–	–	–	–	(14,808)
Revaluation of unlisted non-trading securities	–	–	–	(12,196)	–	–	–	–	(12,196)
Disposal of listed non-trading securities	–	–	–	34,823	–	–	–	–	34,823
Disposal of unlisted non-trading securities	–	–	–	(6,473)	–	–	–	–	(6,473)
Profit for the period ended 30th November, 2002	–	–	36,666	–	–	–	–	–	36,666
Interim dividend declared	–	–	(11,320)	–	–	–	–	–	(11,320)
Exchange differences arising on translation of overseas subsidiaries' financial statements	–	(38,888)	–	–	–	–	–	–	(38,888)
Balance as at 30th November, 2002	327,353	(144,757)	391,589	10,061	40,801	(460,469)	270	580	165,428

Notes: (continued)

16. Related party transactions

a. During the period, the Group entered into transactions with the following associates - Tonic Industries Holdings Limited ("Tonic"),Dominique Roger Diffusion S.A.R.L. ("Dominique") and Egana Information Technology Limited ("EIT") and a related company - Kuraray Europe GmbH ("Kuraray"). In the opinion of the Directors, the following transactions arose in the ordinary course of the Group's business:

	Six months ended	
	30th November, 2002	**30th June, 2001**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Purchases from Tonic	47,537	8,258
Purchases from Kuraray	69,735	16,979
Sales to Dominique	2,565	—
Services fees from EIT	120	—

Notes:

i. Sales and purchases of goods were determined with reference to published prices and market conditions.

ii. Services fees were charged according to the terms of the relevant agreement.

iii. Trading transactions with 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$3,420,000 (period ended 30th June, 2001: HK$3,578,000) 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.

Notes: (continued)

17. Contingent liabilities

Contingent liabilities not provided for by the Group were summarised below:

	As at 30th November, 2002 *HK$'000*	As at 31st May, 2002 *HK$'000*
Discounted bills with recourse	84,136	40,048
Guarantees given to financial institutions in respect of facilities granted to a third party	—	14,620
Guarantees given to landlords in respect of rental obligations of group companies	3,784	3,658
Guarantees given to customs in respect of customs obligations of group companies	2,518	5,568

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 six months ended 30th November, 2002.

BUSINESS REVIEW AND PROSPECTS

Encouraging Revenue Increment Resulting From Proven Business Model

Echoing the promising revenue growth in the 5 months to 31st May, 2002 of 6% as evident in the 2002 Annual Report, the first 6 months of this financial year 2002/03 continued to record encouraging revenue increment.

As compared to the first interim of 2001/02, the revenue for the first interim of 2002/03 enjoyed a remarkable 26.5% increase, reaching HK$1,266.01 million.

This is attributable to our proactiveness in rationalizing our growth strategy from acquisition to focusing on product and business development which has been effective in 2001/02. This redefined strategy to steer the corporate direction is not a coincidence, and is indeed a calculated one - having regard to EganaGoldpfeil Group's 4-year business plan since the successful integration of Goldpfeil in 1998 that we managed to have our core platform, through appropriate acquisition and mergers, soundly in place in 2001 to enable us to be better poised, and continue to capitalize on our internal strength and resources to prepare for the challenges ahead of us.

In this highly competitive business environment, we are pleased to be able to maintain a satisfactory gross margin, which enables us to continuously develop and assemble products with best product quality. Our well established distribution network in Europe, the vertically integrated manufacturing strength, our unique brand pyramid comprising of recognized brands throughout the upscale, contemporary and fashion segments, and the customer satisfaction commitment are our core competitive advantages that enable us to be performing ahead in the industry.

Timepiece

This division contributed 47% of the EganaGoldpfeil Group's revenue, securing a 43% gross profit margin. There recorded a promising 15% upsurge in revenue achieving HK$603.47 million (2001: HK$524.56 million). This is partly due to the successful introduction of Junghans Systems (transponder) watch program in Hong Kong, which has set a strong showcase, and that the Group is launching it into China, Taiwan, Singapore and Malaysia. In China, partners in Shanghai, Guangzhou and Shenzhen are being identified with a view to capitalizing upon the respective strength for securing the success of the Junghans Systems (transponder) watch program. The fashion brands (MEXX, JOOP!, Esprit, Carrera and Pierre Cardin) continued to gain market share in Europe, and are perceived to have promising potential in the vast Asian market. Profit from operations attributable to the timepiece division reached HK$74 million (2001: HK$50 million).

Jewellery

EganaGoldpfeil Group's revenue saw 29% coming from the jewellery division which maintained a satisfactory gross margin in line with the corporate direction. A 45% revenue increment was recorded with sales reaching HK$369.30 million (2001: HK$253.99 million) and profit from operations was up by HK$30.79 million to HK$48.69 million (2001: HK$17.90 million). To cope with the expansion, an additional production facility was established in China which started operations in August 2002, sharing the proven success of our Speidel factory in Nanao in transferring cutting-edge technology and knowhow from Germany.

In the US, we pursue with positive development the focus differentiation strategy in the upscale and prestigious segment in which Kazto platinum diversification and Abel & Zimmermann high end gold and platinum from Germany are playing their active roles, and are expanding our strategic alliance and network coverage there.

Leather (Lifestyle)

Under the umbrella of Goldpfeil, this division continuously enjoyed revenue growth and better profitability, reflecting the appropriateness of our strategy in extending customer focus to consumer-centred approach with direct involvement in our Directly-Operated-Stores, Shops-in-Shops, franchisee partners and social events, for realizing the vision of Goldpfeil being a truly global lifestyle brand. Co-branding is a proven marketing strategy that has been used by EganaGoldpfeil Group in enriching brand awareness, widening customer catch and extending product coverage. In August 2002, "Stefanie Graf by Goldpfeil" leather collection was introduced with overwhelming response, thereby extending Goldpfeil to the sportive elegance segment.

There saw a smooth fushion of Comtesse Group together with the Comtesse brand with Goldpfeil in September 2002, which is reckoned to have mutual synergic effects.

As a result, the Group recorded a remarkable 32% growth in revenue. With enhanced production efficiency, gross profit increased by 57%, reaching HK$122.03 million (2001: HK$77.46 million). Absorbing all the relevant communications and marketing expenditure for the long term benefit of these prestigious brands, and the recurring administration and distribution overheads, the operating results have gradually turned around and made positive contribution in the ensuing period.

Strategic Investments

The management realized certain strategic investments in a gas supply project and an operations with building material activities in China (both of which were invested for accessing networks for Junghans Systems business in China), with part of the resultant proceeds of HK$66 million for applying to grow Junghans business direct in the China market, having regard to the positive progress of Junghans development there and our dedication to push market penetration through more direct participation.

In August 2002, Peace Mark (an ex-associated company in which the Group's shareholding was reduced to 6.5% in August 2001) has undertaken a Rights Issue, which diluted our shareholding interests to 2%. Having duly considered the share dilution impact, and that this investment was no longer in line with our strategy of devising resources in investments and projects that are to contribute to our core business activities in the long term, the management divested the Peace Mark shares, recording a HK$38 million loss on share dilution / disposition.

Remarkable Operating Profit Upsurge Due to Consolidation of Key Functions in Europe

Excluding the one-off Peace Mark shares disposition loss, EganaGoldpfeil Group achieved a 70% enrichment in operating profit, achieving HK$132.48 million (2001: HK$77.69 million).

The Group has commenced to consolidate the 5 operations in Germany into one Headquarters in Europe (EHQ) situate in Germany, and to establish a European Technology and Logistics Centre (ETC) in Germany (to replace the existing 6 distribution centers), which along with the constant risk management review process, helps to consolidate key functions for a continuous improvement in operational efficiency, thereby eliminating any non-productive / less profitable functions.

During the period under review, there demonstrated an improvement in controlling our distribution and administration cost as a percentage of turnover. This is the result of the efficiency arising from the preliminary success of these projects, which upon the anticipated full operation in 4Q 2003, will be bringing a more enduring advantage.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Strategic Business Plans Bringing Additional Recurring Contribution, Going Forward

Europe represented 83% of the EganaGoldpfeil Group's revenue, and thus the ETC and EHQ programs are expected to have more direct catalyst effects, moving forward.

US contributed 7% of the EganaGoldpfeil Group's revenue, with the balance 10% primarily from Asia. These jurisdictions are having sound business potential for Goldpfeil and Junghans, which are identified as our key business plans (along with the ETC and EHQ programs) with a view to bringing long term recurring positive cash inflows. Goldpfeil will be opening its flagship boutique in Ginza, Japan in March 2003, thereby signifying the brand's increasing acceptance by customers in Japan which is regarded as the most difficult country in accepting foreign brands, and further boosting brand awareness in Asia.

Clear Mission - Bringing Value to Customers & Enhancing Shareholder Value

With the clear mission of timely delivery of quality products and services, an effective extension of value adding activities and being innovative and unique, we will continue to capitalize our internal resources and competitive strengths to bring value to our customers, to maximize the return on investment for increasing the shareholder value, and to secure a leading position as a respected multi-brand powerhouse to participate in growing the fashion accessory industry.

MANAGEMENT DISCUSSIONS AND ANALYSIS

With pragmatic business model and defined corporate strategy, EganaGoldpfeil Group managed to weather through the economic downturn, and as a result secured an operating profit margin (after adjusting for the Peace Mark shares divestment effect), of 10.5%.

With positive operating cash inflows, the cash and cash equivalents as of 30th November, 2002 reached HK$566 million. This is believed to be sufficient to meet the foreseeable working capital requirements and maintain a healthy operating cashflow. The encouraging current ratio of 1.4x (ahead of the industry norm of 1x) is a result of tight credit policy and sound inventory management practice, as evident by the facts that the debtors turnover was maintained at 54 days (as compared to industry average of 120 days) and that the inventory turnover was within 150 days (35% better than the market norm of 230 days).

The leverage ratio (net borrowing to consolidated tangible net worth) was continuously improving by 24.3%, to reach 0.56 (2001/02: 0.74). This allows the Group to leverage its borrowing level further in an optimal manner to cope with further expansion.

There exists continuous enhancement in shareholders' funds, which was at HK$1,309 million as of 30th November, 2002. There being no sign of impairment in value in the Company's investments and brand portfolio, the management considered that the independent valuation referred to in the 2002 Annual Report should prevail, with EganaGoldpfeil Group's intrinsic value exceeding HK$5 billion.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17th March, 2003 to 19th March, 2003, both days inclusive, during which period no transfer of shares of the Company will be recorded.

DIRECTORS' INTERESTS

As at 30th November, 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

	Number of Shares		
Directors	**Personal Interests**	**Corporate Interests**	**Total**
Hans-Joerg SEEBERGER	—	446,698,475 *(note i)*	446,698,475
Peter Ka Yue LEE	530,291	8,026,838 *(note ii)*	8,557,129
Michael Richard POIX	2,826,586	—	2,826,586
Dr. Goetz Reiner WESTERMEYER	288,000	—	288,000
Professor Udo GLITTENBERG	115,200	—	115,200

Associated corporations
Egana Jewellery & Pearls Limited ("Egana Jewellery")

	Number of Shares		
Directors	**Personal Interests**	**Corporate Interests**	**Total**
Hans-Joerg SEEBERGER	—	230,494,099 *(note iii)*	230,494,099
Peter Ka Yue LEE	73,651	1,114,838 *(note ii)*	1,188,489
Michael Richard POIX	373,398	—	373,398

Tonic Industries Holdings Limited

	Number of Shares		
Director	**Personal Interests**	**Corporate Interests**	**Total**
Hans-Joerg SEEBERGER	—	155,002,869 *(note iv)*	155,002,869

DIRECTORS' INTERESTS *(continued)*

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. 1,044,955 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. 229,449,144 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 as at 30th November, 2002, no Director 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, as at 30th November, 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 its associated corporations which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under section 31 or Part 1 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.

SUBSTANTIAL SHAREHOLDERS

As at 30th November, 2002, the following entities (other than 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 Shares	Percentage of Issued Shares
Peninsula International Limited *(note i)*	446,698,475	39.46%
Trustcorp Limited as trustee of the Captive Insurance Trust *(note ii)*	446,698,475	39.46%

Notes:

i. These shares were registered in the name of Peninsula International Limited and its nominee which held the shares 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, as at 30th November, 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.

SHARE OPTION SCHEME

The Company

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

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period:

Directors	Number of Shares comprising the options outstanding at the beginning of the period (Adjusted for the Share Consolidation as described below)	Number of options lapsed	Number of Shares comprising the options outstanding at the end of the period	Date granted	Subscription price per Share (Adjusted for the Share Consolidation as described below)
					HK$
Hans-Joerg SEEBERGER	12,000,000	—	12,000,000	09/01/2000	2.11
Peter Ka Yue LEE	20,000	—	20,000	06/04/1994	1.28
	500,000	—	500,000	09/01/2000	2.11
Michael Richard POIX	38,000	—	38,000	06/04/1994	1.28
	500,000	—	500,000	17/01/2000	2.11
Employees under continuous contracts (excluding Directors)	32,540,000	75,000	32,465,000	06/04/1994 to 25/02/2000	*
	45,598,000	75,000	45,523,000		

SHARE OPTION SCHEME *(continued)*

The Company *(continued)*

* The options are exercisable at a subscription price of HK$1.28 or HK$2.11 or HK$3.45 per share.

Note: On 4th September, 2002, an ordinary resolution was passed at an extraordinary general meeting of the Company pursuant to which every 10 shares of HK$0.10 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$1.00 each. The share consolidation became effective on 5th September, 2002 (the "Share Consolidation").

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, exercised or cancelled during the period.

SHARE OPTION SCHEME *(continued)*

Egana Jewellery

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

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 (Adjusted for the share consolidation as described below)	Number of shares comprising the options outstanding at the end of the period	Date granted	Subscription price per share (Adjusted for the share consolidation as described below)
				HK$
Hans-Joerg SEEBERGER	3,300,000	3,300,000	09/01/2000	2.24
Peter Ka Yue LEE	250,000	250,000	09/01/2000	2.24
Michael Richard POIX	250,000	250,000	17/01/2000	2.24
Employees under continuous contracts (excluding Directors)	9,325,000	9,325,000	07/01/2000 to 31/01/2000	2.24
	13,125,000	13,125,000		

Note: On 4th September, 2002, an ordinary resolution was passed at an extraordinary general meeting of Egana Jewellery pursuant to which every 10 shares of HK$0.05 each in the issued and unissued share capital of Egana Jewellery were consolidated into one consolidated share of HK$0.50 each. The share consolidation became effective on 5th September, 2002 (the "share consolidation").

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 numbers of shares comprising the options can be exercised in the 1st, 2nd, 3rd and 4th year from the date granted, respectively.

SHARE OPTION SCHEME *(continued)*

Egana Jewellery*(continued)*

No options of Egana Jewellery were granted, exercised, lapsed or cancelled during the period.

Save as disclosed above, as at 30th November, 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th November, 2002, the Company and its subsidiaries employed approximately 4,600 staff. Remuneration is determined by reference to their qualifications and experiences of the staff concerned. The Group has set up a performance evaluation policy and will award those employees with outstanding performance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its securities (whether on the Stock Exchange or otherwise) during the period ended 30th November, 2002.

CODE OF BEST PRACTICE

Except that the non-executive directors of the Company 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.

APPRECIATION

On behalf of the Directors, I would like to extend our gratitude and sincere appreciation to our colleagues for their hard work and dedication and the Company's shareholders for their support.

On behalf of the Board
Hans-Joerg SEEBERGER
Chairman and Chief Executive

Hong Kong, 20th February, 2003