

CORPORATE INFORMATION

PRINCIPAL ACTIVITY

Design, assembly, manufacturing and distribution of timepieces, jewellery and leather & lifestyle 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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HONG KONG SHARE REGISTRARS & TRANSFER OFFICE

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LISTING

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

Stock Code: 48

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, 2003 together with the comparative figures for the six months ended 30th November, 2002 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, 2003	30th November, 2002
	Notes	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Turnover	2	1,532,467	1,266,010
Cost of sales		(901,586)	(731,627)
Gross profit		630,881	534,383
Other revenues		29,933	83,802
Distribution costs		(269,716)	(237,918)
Administrative expenses		(263,141)	(285,784)
Operating profit		127,957	94,483
Finance costs		(45,383)	(38,487)
Profit before share of profit/(loss) of associated companies		82,574	55,996
Share of profit/(loss) of associated companies		7,291	5,080
Profit before taxation	2, 3	89,865	61,076
Taxation	4	(6,475)	(12,818)
Profit after taxation but before minority interests		83,390	48,258
Minority interests		(10,424)	(11,592)
Profit attributable to shareholders		72,966	36,666
Dividends	5	23,239	11,320
Earnings per share	6		
Basic		6.43 cents	3.27 cents
Diluted		6.31 cents	3.24 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended	
	30th November, 2003 (Unaudited) <i>HK\$ '000</i>	30th November, 2002 (Unaudited) <i>HK\$ '000</i>
Opening balance - Total equity, as previously reported	1,276,707	1,295,429
Effect of change in accounting policy with respect to employee benefits	<u>—</u>	<u>(10,093)</u>
Opening balance - Total equity, as restated	1,276,707	1,285,336
Surplus/(deficit) on revaluation of listed non-trading securities	3,375	(14,808)
Deficit on revaluation of unlisted non-trading securities	<u>—</u>	<u>(12,196)</u>
Exchange differences on translation of the financial statements of overseas subsidiaries	(3,040)	(38,888)
Share of exchange translation (deficit)/surplus of an associated company	<u>(7)</u>	<u>617</u>
Net gains and losses not recognised in the profit and loss account	328	(65,275)
Net profit for the period	<u>72,966</u>	<u>36,666</u>
	1,350,001	1,256,727
Goodwill transferred to profit and loss account on partial disposal of interest in an associated company	2,874	466
Revaluation deficit transferred to profit and loss account on disposal of listed non-trading securities	<u>—</u>	<u>34,823</u>
Revaluation surplus transferred to profit and loss account on disposal of unlisted non-trading securities	<u>—</u>	<u>(6,473)</u>
Issue of share capital upon conversion of convertible bonds/debentures	5,673	10,409
Premium arising from conversion of convertible bonds/debentures	2,113	2,679
Dividends	<u>(34,130)</u>	<u>—</u>
Closing balance - Total equity	<u>1,326,531</u>	<u>1,298,631</u>

CONSOLIDATED BALANCE SHEET

		As at 30th November, 2003 (Unaudited) <i>HK\$'000</i>	As at 31st May, 2003 (Audited) <i>HK\$'000</i>
Non-current assets			
Fixed assets	7	249,392	201,900
Intangible assets	8	407,480	408,405
Deferred tax assets		82,578	78,000
Interests in associated companies		134,675	95,589
Investments in non-trading securities	9	328,324	279,017
		<u>1,202,449</u>	<u>1,062,911</u>
Current assets			
Inventories		851,162	734,104
Accounts receivable, net	10	548,665	622,889
Deposits, prepayments and other receivables		363,186	437,731
Due from associated companies		20,606	14,433
Short-term investments		265,304	154,130
Cash and cash equivalents		592,667	352,266
		<u>2,641,590</u>	<u>2,315,553</u>
Current liabilities			
Accounts payable	11	(272,013)	(231,467)
Accrued charges and other payables		(443,801)	(345,371)
Bills payable		(124,869)	(106,038)
Provisions		(45,668)	(41,881)
Short-term bank borrowings	12	(596,670)	(624,149)
Long-term bank borrowings			
– current portion	12	(135,163)	(187,858)
Other long term loans			
– current portion		(23,289)	(6,377)
Obligations under finance lease			
– current portion		(622)	(289)
Pensions and other post retirement obligations - current portion		(10,473)	(10,503)
Due to associated companies		(12,918)	(3,515)
Amount due to a Director		(138)	(53)
Taxation payable		(30,954)	(19,788)
Final dividend payable		(34,130)	—
		<u>(1,730,708)</u>	<u>(1,577,289)</u>
Net current assets		<u>910,882</u>	<u>738,264</u>
Total assets less current liabilities		<u>2,113,331</u>	<u>1,801,175</u>

CONSOLIDATED BALANCE SHEET *(continued)*

		As at 30th November, 2003 (Unaudited) <i>HK\$'000</i>	As at 31st May, 2003 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
Non-current liabilities			
Long-term bank loans	12	(339,045)	(161,188)
Other long-term liabilities		(34,413)	(22,976)
Convertible bonds		(70,200)	(78,000)
Pensions and other retirement obligations		(199,331)	(127,024)
Deferred tax		(3,528)	(5,426)
		(646,517)	(394,614)
Minority interests		(140,283)	(129,854)
Net assets		1,326,531	1,276,707
Shareholders' equity			
Share capital	13	1,137,649	1,131,976
Reserves	14	165,643	110,772
Proposed interim/final dividend		23,239	33,959
		1,326,531	1,276,707

CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30th November, 2003 (Unaudited) <i>HK\$'000</i>	30th November, 2002 (Unaudited) <i>HK\$'000</i>
Cash generated by operations	520,604	89,840
Interest paid	(34,355)	(30,979)
Tax paid	(4,054)	(2,633)
Tax refund	3,359	3,595
	<hr/>	<hr/>
Net cash from operating activities	485,554	59,823
Net cash (used in)/from investing activities	(331,966)	94,864
Net cash from financing activities	85,777	954
	<hr/>	<hr/>
Net Increase in cash and cash equivalents	239,365	155,641
Cash and cash equivalents at 1st June, 2003 / 1st June, 2002	352,266	407,604
Effect of foreign exchange rate changes	1,036	3,067
	<hr/>	<hr/>
Cash and cash equivalents at 30th November, 2003 / 30th November, 2002	<u>592,667</u>	<u>566,312</u>
Analysis of cash and cash equivalents:		
Cash and bank balances	207,420	204,302
Promissory notes	385,247	362,010
	<hr/>	<hr/>
	<u>592,667</u>	<u>566,312</u>

Notes:

1. 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 year ended 31st May, 2003, except as described below.

In the current interim period, the Group has adopted SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this revised accounting policy had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

Certain presentation changes have been made to the comparative figures upon the adoption of SSAP 12 (Revised).

Notes: (continued)

2. 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 is organised on a worldwide basis into four main business segments:

- Timepieces - design, assembly, manufacturing, distribution and trading of timepieces and timepiece components
- Jewellery - design, assembly, manufacturing, distribution and trading of jewellery products
- Leather & lifestyle - design, assembly, manufacturing, distribution and trading of leather & lifestyle products
- Investments - investments in strategic investments and other trading and non-trading securities. Strategic investments include investments in listed/unlisted securities and closed-end funds which could bring medium or long-term synergetic benefits to the Group's businesses such as strategic alliance and partnership with various distribution business in Asia for furtherance of its business penetration in the region.

	Six months ended 30th November, 2003					Group HK\$'000
	Timepieces HK\$'000	Jewellery HK\$'000	Leather & lifestyle products HK\$'000	Investments HK\$'000	Eliminations HK\$'000	
Turnover	798,558	389,644	344,265	—	—	1,532,467
Inter-segment revenue	6,422	9,551	3,679	—	(19,652)	—
Dividend income	—	—	—	270	—	270
Segment results	59,136	51,558	16,116	1,147	—	127,957
Finance costs						(45,383)
Profit before share of profit of associated companies						82,574
Share of profit of associated companies						7,291
Profit before taxation						89,865
Taxation						(6,475)
Profit after taxation						83,390
Minority interests						(10,424)
Profit attributable to shareholders						72,966

Notes: (continued)

2. Segmental information (continued)

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

	Six months ended 30th November, 2003					Group HK\$'000
	Timepieces HK\$'000	Jewellery HK\$'000	Leather & lifestyle		Eliminations HK\$'000	
			products HK\$'000	Investments HK\$'000		
Capital expenditure	72,441	86,137	39,000	—	—	197,578
Depreciation	11,183	6,456	8,574	—	—	26,213
Amortisation	11,662	4,543	6,400	—	—	22,605
Write back of provision for bad debt	76	—	186	—	—	262
Bad debt expense	3,867	4,058	525	—	—	8,450
Write back of provision for inventory obsolescence	—	1,134	4,490	—	—	5,624
Provision for inventory obsolescence	1,510	—	—	—	—	1,510
	As at 30th November, 2003					
Segment assets	1,551,255	844,523	977,787	335,799	—	3,709,364
Interests in associated companies	134,372	(60)	363	—	—	134,675
Total assets						<u>3,844,039</u>
Segment liabilities	(1,350,314)	(438,701)	(588,210)	—	—	<u>(2,377,225)</u>
Total liabilities						<u>(2,377,225)</u>

Notes: (continued)

2. Segmental information (continued)

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

	Six months ended 30th November, 2002					Group HK\$'000	
	Timepieces HK\$'000	Jewellery HK\$'000	Leather & lifestyle products		Investments HK\$'000		Eliminations HK\$'000
			HK\$'000	HK\$'000			
Turnover	603,467	369,300	293,243	—	—	1,266,010	
Inter-segment revenue	6,675	3,280	3,712	—	(13,667)	—	
Dividend income	—	—	—	448	—	448	
Segment results	74,666	48,690	1,801	(30,674)	—	94,483	
Finance costs						(38,487)	
Profit before share of profit of associated companies						55,996	
Share of profit of associated companies						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	
Capital 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	

Notes: (continued)

2. Segmental information (continued)

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

	As at 31st May, 2003					Group HK\$'000
	Timepieces HK\$'000	Jewellery HK\$'000	Leather & lifestyle products HK\$'000	Investments HK\$'000	Eliminations HK\$'000	
Segment assets	1,517,548	767,760	711,176	286,391	—	3,282,875
Interests in associated companies	95,285	(59)	363	—	—	95,589
Total assets						<u>3,378,464</u>
Segment liabilities	(1,139,537)	(374,484)	(457,882)	—	—	(1,971,903)
Total liabilities						<u>(1,971,903)</u>

(b) Secondary reporting format - geographical segments

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

	Six months ended 30th November, 2003			As at 30th November, 2003
	Turnover HK\$'000	Segment results HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000
Europe	1,174,462	91,379	191,680	1,794,624
America	90,948	(1,891)	941	93,702
Asia Pacific	267,057	38,469	4,957	1,821,038
	<u>1,532,467</u>	<u>127,957</u>	<u>197,578</u>	3,709,364
Interests in associated companies				<u>134,675</u>
Total assets				<u>3,844,039</u>

Notes: (continued)

2. Segmental information (continued)

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

	Six months ended 30th November, 2002			As at
	Turnover	Segment results	Capital expenditure	31st May, 2003
				Total assets
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Europe	1,055,992	83,908	31,595	1,572,293
America	81,246	(2,231)	1,666	84,792
Asia Pacific	128,772	12,806	7,600	1,625,790
	<u>1,266,010</u>	<u>94,483</u>	<u>40,861</u>	<u>3,282,875</u>
Interests in associated companies				<u>95,589</u>
Total assets				<u><u>3,378,464</u></u>

3. Profit before taxation

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

	Six months ended	
	30th November, 2003	30th November, 2002
	HK\$ '000	HK\$ '000
Crediting:		
Interest income	12,901	23,936
Exchange gain, net	—	38,330
Charging:		
Depreciation of fixed assets	26,213	21,628
Amortisation of intangible assets	22,605	19,955
Amortisation of goodwill/negative goodwill arising on acquisition of associated companies	6,155	2,237
Exchange loss, net	2,474	—
Interest expenses	35,386	31,476
Loss on disposal of listed non-trading securities	—	37,998

Notes: (continued)

4. Taxation

Taxation comprised:

	Six months ended	
	30th November, 2003	30th November, 2002
	HK\$'000	HK\$'000
Company and subsidiaries -		
Hong Kong profits tax -		
- Provision for current period	4,500	4,500
- Underprovision in prior periods	—	2,211
Overseas income tax -		
- Provision for current period	3,250	5,599
- Overprovision in prior periods	(1,643)	—
	<u>6,107</u>	<u>12,310</u>
Associated companies -		
Hong Kong profits tax -		
- Provision for current period	368	508
	<u>368</u>	<u>508</u>
	<u>6,475</u>	<u>12,818</u>

Hong Kong profits tax was provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit arising in or derived from Hong Kong. Overseas income tax was provided by subsidiaries and associated companies with overseas operations on their estimated assessable profits for the period at the tax rates applicable in the countries in which the subsidiaries operated.

5. Interim dividend

The Directors have resolved to declare an interim dividend of HK2 cents (2002: HK1 cent) per share payable on 25th March, 2004 to shareholders whose names appear on the register of members of the Company on 17th March, 2004.

Notes: (continued)

6. 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\$72,966,000 (2002: HK\$36,666,000) and the weighted average number of ordinary shares of approximately 1,135,388,000 (2002: 1,122,878,000) in issue during the period.

(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\$73,261,000 (2002: HK\$36,684,000) and the weighted average number of ordinary shares of approximately 1,161,618,000 (2002: 1,131,259,000) that would be in issue having adjusted for the effects of all dilutive potential ordinary shares issuable during the period.

(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, 2003	30th November, 2002
	HK\$'000	HK\$'000
Profit attributable to shareholders used in calculating basic earnings per share	72,966	36,666
Interest savings in respect of convertible bonds/debentures	295	18
Profit attributable to shareholders used in calculating diluted earnings per share	73,261	36,684

Notes: (continued)

6. 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, 2003	30th November, 2002
Weighted average number of ordinary shares used in calculating basic earnings per share	1,135,388,000	1,122,878,000
Dilutive potential effect in respect of -		
- Convertible bonds/debentures	26,202,000	8,053,000
- Share options of the Company	28,000	328,000
	<hr/>	<hr/>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,161,618,000</u>	<u>1,131,259,000</u>

7. Fixed assets

	Property, plant and equipment
	<i>HK\$'000</i>
Carrying value as at 1st June, 2003	201,900
Acquisition of subsidiaries	31,998
Additions	39,257
Exchange adjustments and disposals	2,450
Charge for the period	(26,213)
	<hr/>
Carrying value as at 30th November, 2003	<u>249,392</u>

8. Intangible assets

	<i>HK\$'000</i>
Carrying value as at 1st June, 2003	408,405
Acquisition of subsidiaries	(42,423)
Additions	126,323
Exchange adjustments and disposals	(62,220)
Charge for the period	(22,605)
	<hr/>
Carrying value as at 30th November, 2003	<u>407,480</u>

Notes: (continued)

9. Investments in non-trading securities

At 30th November, 2003, 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 surplus of approximately HK\$3,375,000 (2002: Deficit of 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.

10. 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, 2003	As at 31st May, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current month	359,182	543,511
Between 1 to 2 months	71,514	24,096
Between 2 to 3 months	12,165	10,871
Between 3 to 4 months	11,490	9,655
Over 4 months	94,314	34,756
	<u>548,665</u>	<u>622,889</u>

11. Accounts payable aging analysis

Aging analysis of accounts payable is as follows:

	As at 30th November, 2003	As at 31st May, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current month	210,132	196,720
Between 1 to 2 months	30,066	16,246
Between 2 to 3 months	15,019	5,364
Between 3 to 4 months	5,780	2,455
Over 4 months	11,016	10,682
	<u>272,013</u>	<u>231,467</u>

Notes: (continued)

12. Bank borrowings

(a) Short-term bank borrowings comprised:

	As at 30th November, 2003	As at 31st May, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans and overdrafts	482,620	526,994
Trust receipts and import loans	114,050	97,155
	<u>596,670</u>	<u>624,149</u>

(b) Long-term bank borrowings:

	As at 30th November, 2003	As at 31st May, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable within a period of		
- not exceeding 1 year		
Secured	21,857	5,708
Unsecured	113,306	182,150
- more than 1 year, but not exceeding 2 years		
Secured	2,088	1,998
Unsecured	93,292	111,436
- more than 2 years, but not exceeding 5 years		
Secured	21,048	15,677
Unsecured	221,639	9,996
- after 5 years		
Secured	954	22,005
Unsecured	24	76
	<u>474,208</u>	<u>349,046</u>
Less: Amounts repayable within 1 year included under current liabilities	<u>(135,163)</u>	<u>(187,858)</u>
	<u>339,045</u>	<u>161,188</u>

Notes: (continued)

13. Share capital

	Number of shares	Nominal value of each share HK\$	Nominal value of shares HK\$'000
Balance as at 1st June, 2003	1,131,976,762	1.00	1,131,976
Issue upon exercise of convertible bonds	<u>5,673,000</u>	1.00	<u>5,673</u>
Balance as at 30th November, 2003	<u><u>1,137,649,762</u></u>	1.00	<u><u>1,137,649</u></u>

14. 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, 2003	327,342	(196,847)	432,879	174	40,801	(460,468)	270	580	144,731
Premium arising from exercise of convertible bonds	2,125	—	—	—	—	—	—	—	2,125
Expenses incurred in connection with issue of shares	(12)	—	—	—	—	—	—	—	(12)
Partial disposal of interest in an associated company	—	—	—	—	—	2,874	—	—	2,874
Share of exchange translation reserve deficit of an associated company	—	(7)	—	—	—	—	—	—	(7)
Revaluation of listed non- trading securities	—	—	—	3,375	—	—	—	—	3,375
Profit for the period ended 30th November, 2003	—	—	72,966	—	—	—	—	—	72,966
2003 final dividend	—	—	(34,130)	—	—	—	—	—	(34,130)
Interim dividend declared	—	—	(23,239)	—	—	—	—	—	(23,239)
Exchange differences arising on translation of overseas subsidiaries' financial statements	—	(3,040)	—	—	—	—	—	—	(3,040)
Balance as at 30th November, 2003	<u>329,455</u>	<u>(199,894)</u>	<u>448,476</u>	<u>3,549</u>	<u>40,801</u>	<u>(457,594)</u>	<u>270</u>	<u>580</u>	<u>165,643</u>

Notes: (continued)

15. Related party transactions

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

	Six months ended	
	30th November, 2003	30th November, 2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Purchases from Tonic	37,557	47,537
Purchases from Kuraray group	57,394	69,735
Sales to Dominique	3,141	2,565
Services fees from EIT	120	120
Interest income from Dominique	83	—
Royalties to JOOP!	4,291	—

Notes:

- i. Sales and purchases of goods were determined with reference to published prices and market conditions.
 - ii. Services fees and royalties were charged according to the terms of the relevant agreements.
 - iii. Trading transactions with Kuraray group also constituted connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.
 - iv. Interest was charged at the commercial rate.
- (b) The Group paid approximately HK\$3,690,000 (2002: HK\$3,420,000) 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)

16. Contingent liabilities

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

	As at 30th November, 2003	As at 31st May, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Discounted bills with recourse	128,564	204,403
Guarantees given to landlords in respect of rental obligations of group companies	111	56
Guarantees given to customs in respect of default in customs obligations of group companies	368	278
	<u> </u>	<u> </u>

17. 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, 2003.

BUSINESS REVIEW AND PROSPECTS

With an overall growth in turnover of 21% and profit attributable to shareholders growing at 99%, the Group is convinced that its strategy of pursuing a manufacturing-distributor-brand manager business model along with the pyramid approach to brand management stands vindicated. Looking ahead, with all the major markets and segments showing healthy pick up, the Group is committed to deliver continued growth to its shareholders.

Europe

This has traditionally been the main market for the Group and for the past few years has witnessed a stagnant to worse operating situation due to structural problems, Iraq War and SARS to name the few. The Group survived this by relying on the strength of its business model, its brand management ability and the extensive distribution network it has in place.

However, at present this entire region is showing revival of growth including Group's main market Germany. At the same time the Group is witnessing growth in heretofore untapped markets of Southern and Eastern Europe. This was reflected in the very encouraging response to the first in-house EganaGoldpfeil Spring Fair held in Germany in January 2004. This gives the Group the confidence to expect continued improvement in business in the coming year.

Asia

After the economic problems, Asia was battered by SARS and Iraq war like the rest of the world but more so as SARS was primarily in Asian region. At present these influences have dissipated. With China growing, the Group is making rapid inroad into the Mainland market through strategic partnerships with local partners. At the same time Japan, a country that consumes 35% of world high-end consumer products has picked up. With Group's flagship brands ranking 7th (Comtesse) and 15th (Goldpfeil up from 47th) in Japan, the Group expects significant contributions from these markets.

During the period the Group also increased its strategic partnership/consortium investments by HK\$49 million with a view to meeting its 5-year growth targets for Asia to contribute 28% of Group's enlarged turnover.

BUSINESS REVIEW AND PROSPECTS *(continued)*

America

This region is a minor part of the Group's revenues at present. However, with the renewed focus on this market, US economy's continued resilience and Group's distribution network and relationships in place, this region is likely to grow as a proportion of the total revenue pie.

Timepieces

This business segment has shown comparatively higher growth in the past 6 months. The Group's subsidiary, Junghans holds patents for and manufactures both transponder and radio controlled watches. Cooperative arrangements have been recently put in place with public transport service providers in Hong Kong, Shanghai, Guangzhou, Taiwan and Singapore with full market launch in the pipeline. In addition, the Group anticipates further agreements and therefore, sees exponential growth in this segment.

On the radio controlled timepieces side, the joint collaboration agreement with Seiko-Epson (September 2003) to further develop the market points the way to further growth as the market share of radio controlled timepieces expands.

In the meantime, reach of Group's brands like Esprit, Carrera, Cerruti 1881, MEXX, JOOP!, Pierre Cardin and Field & Stream is being extended to hitherto untapped geographical areas, leveraging Group's distribution and manufacturing channels across the geographic regions.

The Group has also acquired National Geographic license and the watches under this prestigious name (recognized in over 75 countries), with technologically advanced features will be launched in the coming year.

With all the positive issues highlighted above and the Group's existing timepieces markets turning positive, the Group is confident of improving results from this segment.

Jewellery

The Group's jewellery segment has continued a steady growth. The Group has recently started Esprit Jewel in Mainland China as well as entered into cooperation agreement with Shanghai based reputable jewellery company to extend Pierre Cardin brand into China. Other Group brand JOOP! already has presence in China that is now expected to expand after the Group acquired the brand in June 2003.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Jewellery *(continued)*

At the same time, the Group's existing markets in Europe have started showing recovery from SARS and Iraq War effects while Eastern European markets that are heavily influenced by German brands have been quite receptive to co-branding approach developed by the Group in Germany like Katarina Witt by Dugena. Parallel to this, Group's recently acquired distribution business in Europe will be leveraged by the introduction of more Group brands.

In America, a market that is highly competitive, the Group has relationships in place with major chain stores and its brands Kazto and duNouveau are catering to niche high-end markets, proving a good launch pad for further expansion.

On the production side, the Group's manufacturing units in Europe, Thailand and China are geared to meet the increased supply requirements, allowing further economies of scale gains to be achieved.

Given the above encouraging indicators, the Group expects its jewellery segment to continue on its profitable growth path.

Leather & Accessories

This Group segment has the two flagship brands Goldpfeil and Comtesse. Goldpfeil has enjoyed number 1 position for brand recognition in Germany for the past 5 years. While in Japan Comtesse is number 7 and Goldpfeil is number 15 (up from 47) in brand recognition.

The Group opened its prestigious co-branded boutique store in Ginza district, Japan in 2003 to further enhance the brand in the eyes of the Japanese consumers. The response from the market has been very encouraging.

Since the acquisition of its flagship brands few years ago, the Group invested in extending the brand reach by following innovative co-branding concepts (Stefanie Graf by Goldpfeil and Mercedes-Benz by Goldpfeil), established manufacturing facilities as per its unique business model and increased the distribution network. Now the Group is at a unique position where, while it is ready to realize the return on its investments in the brands, the main target markets like Japan, Taiwan, South Korea in Asia and Europe generally have all turned positive economically.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Leather & Accessories *(continued)*

With the generally positive outlook and Group's ongoing focus on delivering continued double-digit growth to our Shareholders, the overall future prospects have considerably improved.

The Group's brand portfolio is considered to be adequate for the time being to support the planned growth targets and no major changes are anticipated. However, the Group may look to enhance individual brands by co-branding them with local brands as the need and opportunity arises. Independent valuation shows that the fair market value of the Group's brand portfolio should exceed HK\$4 billion, representing a valuable off-balance sheet Group asset.

Manufacturing facilities are also considered sufficient to meet the anticipated increases in turnover and aside from minor refurbishment and re-tooling no significant changes are anticipated. Thanks to a vertically integrated manufacturing support, there has been continuous product development, unique design and fashion innovation, generating high levels of customer satisfaction and setting industry trends.

In September 2003, the Group secured a 4-year HK\$240 million syndicated loan, proceeds from which will be principally applied for the European Headquarter and European Technology and Logistic Center projects, product development and working capital requirement in line with the Group's policy of having medium term funding requirements matched by medium term finance.

As an act of confidence in the Group, Credit Suisse First Boston, an international investment bank, has in January 2004 further subscribed to the Group's US\$15 million convertible bonds with maturity in February 2006. The proceeds from these bonds is being applied for expansion of Junghans business in Asia and relocation of production processes to Hong Kong for faster penetration of Mainland China market by taking advantage of C.E.P.A..

The Group continues to practice its core values of "Compassion, Integrity and Fairness" to strive for being a leader and one of the most respected multi-brand fashion accessory group focusing on customer service superiority, for the ultimate benefit of our stakeholders.

MANAGEMENT DISCUSSIONS AND ANALYSIS

The Group turnover for the 6 months to November 2003 was HK\$1,532 million (21% increase from November 2002); giving a profit attributable to shareholders of HK\$73 million that represents an average annualized 11% return on shareholders' funds for the period.

Turnover contribution based on geographical areas stood at Europe 77% (84% November 2002), Asia Pacific 17% (10% November 2002) and America 6% (6% November 2002). Asian Pacific revenues are expected to show continued growth across all business segments.

Business segment turnover contribution showed Timepieces at 52% (48% November 2002), Jewellery at 25% (29% November 2002) and Leather & Accessories at 23% (23% November 2002). Leather & Accessories segment is expected to deliver highest growth amongst the three segments resulting from the Group's focus on its flagship brands - Goldpfeil and Comtesse.

Gross Profit at 41% showed an improvement of 2%, an achievement remarkable when managed at the same time as the tremendous growth in total revenues. This was the direct result of the unique manufacturer-distributor-brand manager business model that Group follows.

Distribution costs at 18% have been managed down from 21% (May 2003) resulting from efficiency gains of following a brand pyramid approach that allows the Group to harness synergy of using similar channels for different brands.

The reduction in Distribution costs was achieved in spite of the cost of Group's European Technology and Logistic Center in Germany that came on line in June 2003 being expensed fully in the accounts. This Center is already delivering encouraging results in terms of streamlining supply chain as well as faster order turnaround time.

During the period, the Group also acquired 100% interest in European distribution business that is expected not only to deliver enhanced revenue with the introduction of further brands but also cost savings once it is fully integrated into Group's existing supply chain.

Administration costs at 17% reflect an improvement both when compared to 12 months to May 2003 (18%) and 6 months to November 2002 (23%). This achievement was managed while the Group was extending its market penetration throughout Asia, primarily Japan, China, Taiwan and South Korea and enhancing its manufacturing facilities - events that would normally result in short to medium term increase in costs. However, due to the Group's active management of expansion, administration costs were kept under control.

MANAGEMENT DISCUSSIONS AND ANALYSIS *(continued)*

Profit attributable to shareholders showed a remarkable and very encouraging improvement of 99% compared to 6 months to November 2002. This is the result of Group's continued focus on bottom line growth for the benefit of its shareholders even in the stagnant business environment suffering from aftereffects of SARS and Iraq war.

Group's Shareholders Equity stands at HK\$1,327 million, representing 7% growth from May 2003.

At 161 days (industry norm of 210 days), inventory turnover has shown a minor increase from 154 days (May 2003). This increase in days has positive connotations and resulted from two events. The first event was the sudden pick up in European demand (Group's main market) from Autumn 2003 onwards resulting in comparatively higher raw material and work-in-progress investment. The second event was Group's first in-house fair in January 2004 at the new European Headquarters and Exhibition Center in Offenbach, Germany, that required relatively higher inventory levels for prompt customer service. The success of this fair has been a great encouragement to the Group as an indication of 2004 business environment. With the operations of the new Technology and Logistic Center in June 2003 performing as scheduled, inventory turnover is already showing a downward trend (as of January 2004, the Group inventory turnover was at 150 days).

Average debtors at 70 days are within industry norm of 120 days. This level was the result of Group's constant close attention and review of credit terms. This stringent credit control is deemed essential by the Group in an economic environment that would have otherwise required an extension in terms to not only increase revenue as was achieved (21%) but just to support it at previous levels.

At 5 times, interest cover is at a comfortable level, allowing the Group to meet minor variations in working capital requirements if the need arose.

Leverage ratio (net borrowings as a proportion of consolidated tangible net worth) improved to 0.71 from May 2003 level of 0.84 and is ahead of the industry average of 1.1x.

The Group practices natural hedging to the extent possible and currency hedging as far as is reasonably practicable. As such, the foreign currency exposure against adverse exchange movements has been adequately contained.

MANAGEMENT DISCUSSIONS AND ANALYSIS *(continued)*

Confirmed orders in hand covering 6 months worth of shipments were generally at a higher level than last year.

The Group had no significant capital commitments as at 30th November, 2003 and there are no material contingent liabilities or off-balance sheet obligations other than trade bills discounted in the ordinary course of business as already fully reflected in the accounts.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15th March, 2004 to 17th March, 2004, both days inclusive, during which period no transfer of shares of the Company will be recorded.

DISCLOSURE UNDER PARAGRAPH 3.7.1 OF PRACTICE NOTE 19 TO THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES")

Loan facility with covenants relating to specific performance of the controlling shareholder

The Company has been granted a four-year transferable loan facility amounting to HK\$240,000,000 in September 2003 which requires that i) Mr. Hans-Joerg SEEBERGER, the controlling shareholder of the Company, continues to be the Chairman of the Group and control the day-to-day management of the Group and ii) Mr. Hans-Joerg SEEBERGER and his associates (as defined in the Listing Rules) own, directly or indirectly at least 30% of the total issued share capital of the Company and be the single largest shareholder of the Company and do not sell, transfer, encumber or otherwise dispose of all or part of the shareholdings in the Company to any financial institution or other third party for financing purposes.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30th November, 2003, the interests and short positions of the Directors and chief executive in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company were as follows:

The Company

	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests as % of the issued share capital	Underlying shares (share options)	Total Interests (including underlying shares) as % of the issued share capital
Number of shares of HK\$1.00 each in the Company								
Hans-Joerg SEEBERGER	—	—	—	449,878,475 (Note i)	449,878,475	39.54%	12,000,000 (Note i)	40.60%
Peter Ka Yue LEE	530,291	—	8,026,838 (Note ii)	—	8,557,129	0.75%	520,000 (Note ii)	0.80%
Michael Richard POIX	2,826,586	—	—	—	2,826,586	0.25%	538,000 (Note iii)	0.30%
Ho Yin CHIK	18,093	—	—	—	18,093	0%	144,800 (Note iv)	0.01%
Professor Udo GLITTENBERG	115,200	—	—	—	115,200	0.01%	—	0.01%
Dr. Goetz Reiner WESTERMEYER	288,000	—	—	—	288,000	0.03%	—	0.03%

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. The options, exercisable at HK\$2.11 per share, were granted pursuant to the Company's Executive Share Option Scheme.
- ii. These shares were beneficially owned by Joshua Limited, a company which was wholly and beneficially owned by Mr. Peter Ka Yue LEE. 20,000 and 500,000 options, exercisable at HK\$1.28 and HK\$2.11 per share respectively, were granted pursuant to the Company's Executive Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Notes: (continued)

- iii. 38,000 and 500,000 options, exercisable at HK\$1.28 and HK\$2.11 per share respectively, were granted pursuant to the Company's Executive Share Option Scheme.
- iv. The options, exercisable at HK\$3.45 per share, were granted pursuant to the Company's Executive Share Option Scheme.

Associated Corporations

Egana Jewellery & Pearls Limited ("Egana Jewellery")

	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests as % of the issued share capital	Underlying shares (share options)	Total Interests (including underlying shares) as % of the issued share capital
Number of shares of HK\$0.50 each in Egana Jewellery								
Hans-Joerg SEEBERGER	—	—	—	230,494,099 (Note i)	230,494,099	74.30%	3,300,000 (Note iii)	75.37%
Peter Ka Yue LEE	73,651	—	1,114,838 (Note ii)	—	1,188,489	0.38%	250,000 (Note iii)	0.46%
Michael Richard POIX	373,398	—	—	—	373,398	0.12%	250,000 (Note iii)	0.20%
Ho Yin CHIK	2,160	—	—	—	2,160	0%	—	0%

Notes:

- i. 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 under the SFO, Mr. Hans-Joerg SEEBERGER was deemed to be interested in these shares.
- ii. These shares were beneficially owned by Joshua Limited, a company which was wholly and beneficially owned by Mr. Peter Ka Yue LEE.
- iii. The options, exercisable at HK\$2.24 per share, were granted pursuant to Egana Jewellery's Executive Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Associated Corporations (continued)

Tonic Industries Holdings Limited ("Tonic")

	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests as % of the issued share capital	Underlying shares (share options)	Total Interests (including underlying shares) as % of the issued share capital
Number of shares of HK\$0.10 each in Tonic								
Hans-Joerg SEEBERGER	—	—	—	129,602,869 (Note i)	129,602,869	20.40%	—	20.40%
Peter Ka Yue LEE	—	—	—	—	—	—	1,810,000 (Note ii)	0.28%

Notes:

- i. The shares were held by wholly-owned subsidiaries of the Company. By virtue of his interest in the Company as disclosed above, Mr. Hans-Joerg SEEBERGER was deemed to be interested in these shares and disclosed the same under the SFO.
- ii. The options, exercisable at HK\$0.70 per share, were granted pursuant to the share option scheme of Tonic.

Certain Directors held certain nominee shares in subsidiaries in trust for the Company or its subsidiaries as at 30th November, 2003.

Save as disclosed above, as at 30th November, 2003, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations within the meaning of Part XV of the SFO which were required to be notified to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required to be entered in the register under section 352 of the SFO.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OTHER THAN THE DIRECTORS OR CHIEF EXECUTIVE OF THE COMPANY

As at 30th November, 2003, the following persons, other than the Directors or chief executive of the Company, held an interest in the shares or underlying shares of the Company as recorded in the register maintained by the Company under section 336 of the SFO:

	Corporate Interests	Total Interests	Total Interests as % of the issued share capital	Underlying shares (including convertible bonds)	Total Interests (including underlying shares) as % of the issued share capital
Number of shares of HK\$1.00 each in the Company					
Aeneas Capital Management, LP (<i>Note i</i>)	60,350,000	60,350,000	5.30%	—	5.30%
Credit Suisse Group (<i>Notes ii and iii</i>)	1,907,497	1,907,497	0.17%	60,757,416	5.51%
Deutsche Bank Aktiengesellschaft	60,350,000	60,350,000	5.30%	—	5.30%

Notes:

- i. These shares were held by Aeneas Capital Management, LP as investment manager.
- ii. These shares were beneficially held by Credit Suisse Group.
- iii. By virtue of the interest in its controlled corporations, Credit Suisse Group was also deemed to have short position in 1,900,000 underlying shares of the Company.

Save as disclosed above, all the interests stated above represent long positions.

Save as disclosed above, as at 30th November, 2003, the Company had not been notified by any other person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

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) 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 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
Ho Yin CHIK	144,800	—	144,800	23/03/1997	3.45
Employees under continuous contracts (excluding Directors)	32,179,400	86,000	32,093,400	06/04/1994 to 25/02/2000	*
	45,382,200	86,000	45,296,200		

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

Note: The outstanding options can be exercised in accordance with the Scheme at any time from the date on which the options are 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) 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 shares comprising the options outstanding at the end of the period	Date granted	Subscription price per share <i>HK\$</i>
Hans-Joerg SEEBERGER	3,300,000	3,300,000	09/01/2000	2.24
Pefer 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
	<hr/> <hr/> 13,125,000	<hr/> <hr/> 13,125,000		

Note: The outstanding options can be exercised in accordance with the Egana Jewellery Scheme at any time after the date upon which the options are granted but not later than 10 years from the date on which the Egana Jewellery Scheme was 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, no right to subscribe for the securities of the Company or its associated corporations within the meaning of the SFO, has been granted by the Company to, nor have any such rights been exercised by, any person during the period.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th November, 2003, the Company and its subsidiaries employed approximately 5,420 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, 2003.

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, 26th February, 2004