

CORPORATE INFORMATION

PRINCIPAL ACTIVITY

Design, manufacturing, distribution and trading of jewellery products; and licensing or assignment of brandnames to third parties for the design, manufacturing and/or distribution of jewellery and consumer products other than timepieces

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 Stock Code: 926

The board of directors (the "Directors") of Egana Jewellery & Pearls Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th November, 2004 together with the comparative figures for the six months ended 30th November, 2003 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, 2004	30th November, 2003
	Notes	(Unaudited) HK\$ '000	(Unaudited) HK\$ '000
Turnover	2	420,668	389,644
Cost of sales		(232,461)	(207,148)
Gross profit		188,207	182,496
Other revenues		21,818	9,768
Distribution costs		(76,270)	(66,074)
Administrative expenses		(76,430)	(74,632)
Operating profit		57,325	51,558
Finance costs		(10,511)	(8,651)
Profit before taxation	2, 3	46,814	42,907
Taxation	4	(2,022)	(2,484)
Profit after taxation but before minority interests		44,792	40,423
Minority interests		(1)	(1)
Profit attributable to shareholders		44,791	40,422
Dividends	5	21,316	17,061
Earnings per share	6		
Basic		13.25 cents	13.03 cents
Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended	
	30th November, 2004 (Unaudited) <i>HK\$'000</i>	30th November, 2003 (Unaudited) <i>HK\$'000</i>
Opening balance — Total equity	<u>511,597</u>	<u>456,599</u>
Surplus on revaluation of investments in non-trading securities	72	103
Exchange differences on translation of the financial statements of foreign subsidiaries	<u>10,243</u>	<u>1,455</u>
Net gains and losses not recognised in the profit and loss account	10,315	1,558
Net profit for the period	44,791	40,422
Issue of share capital upon conversion of convertible bonds	31,753	—
Premium arising from conversion of convertible bonds	34,529	—
Dividends	<u>(15,239)</u>	<u>(12,408)</u>
Closing balance — Total equity	<u><u>617,746</u></u>	<u><u>486,171</u></u>

CONSOLIDATED BALANCE SHEET

	Note	As at 30th November, 2004 (Unaudited) HK\$'000	As at 31st May, 2004 (Audited) HK\$'000
Non-current assets			
Fixed assets	7	39,451	39,056
Intangible assets	8	118,638	115,610
Interest in an associated company		(65)	(59)
Investments in non-trading securities	9	80,193	80,121
Deferred tax assets		10,538	9,646
		<u>248,755</u>	<u>244,374</u>
Current assets			
Inventories		245,219	207,868
Accounts receivables, net	10	74,031	286,061
Royalty deposit		10,825	14,079
Deposits, prepayments and other receivables		88,982	32,572
Due from fellow subsidiaries		103,880	77,956
Due from a related company		1,428	1,428
Short-term investments		168,168	38,449
Cash and cash equivalents			
- Promissory notes		226,743	164,568
- Cash and bank balances		75,222	35,267
		<u>994,498</u>	<u>858,248</u>
Current liabilities			
Accounts payable	11	(89,619)	(65,566)
Accruals and other payables		(98,677)	(56,024)
Bills payable		(80,897)	(59,074)
Short-term bank borrowings	12	(166,410)	(136,369)
Current portion of long-term bank borrowings	12	(26,061)	(24,854)
Current portion of other long-term loans		(857)	(460)
Current portion of obligations under finance lease		—	(54)
Due to fellow subsidiaries		(23,862)	(42,931)
Due to a related company		(634)	(1,242)
Due to Directors		(178)	(170)
Dividend payable		(15,239)	—
Taxation payable		(6,774)	(10,092)
		<u>(509,208)</u>	<u>(396,836)</u>
Net current assets		<u>485,290</u>	<u>461,412</u>
Total assets less current liabilities		<u>734,045</u>	<u>705,786</u>
Non-current liabilities			
Long-term bank borrowings	12	(105,948)	(107,090)
Other long-term liabilities		(7,697)	(19,469)
Convertible bonds		—	(66,300)
Deferred tax liabilities		(2,609)	(1,289)
		<u>(116,254)</u>	<u>(194,148)</u>
Minority interests		<u>(45)</u>	<u>(41)</u>
Net assets		<u>617,746</u>	<u>511,597</u>
Capital and reserves			
Share capital	13	190,488	158,735
Reserves	14	405,942	339,590
Proposed interim/final dividend		21,316	13,272
Shareholders' funds		<u>617,746</u>	<u>511,597</u>

CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30th November, 2004 (Unaudited) <i>HK\$'000</i>	30th November, 2003 (Unaudited) <i>HK\$'000</i>
Cash generated by operations	227,335	217,562
Interest paid	(6,951)	(8,137)
Tax paid	(4,945)	(1,437)
Tax refund	—	1,442
	<hr/>	<hr/>
Net cash from operating activities	215,439	209,430
Net cash used in investing activities	(124,385)	(151,509)
Net cash from financing activities	10,265	3,987
	<hr/>	<hr/>
Net increase in cash and cash equivalents	101,319	61,908
Cash and cash equivalents at 1st June, 2004/1st June, 2003	199,835	91,479
Effect of foreign exchange rate changes	811	5
	<hr/>	<hr/>
Cash and cash equivalents at 30th November, 2004/30th November, 2003	301,965	153,392
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents:		
Cash and bank balances	75,222	31,732
Promissory notes	226,743	121,660
	<hr/>	<hr/>
	301,965	153,392
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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 Institute of Certified Public Accountants.

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

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, 2004.

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 two main business segments:

- Jewellery - design, manufacturing, distribution and trading of jewellery products.
- Investments - investments in strategic investments and other trading and non-trading securities. Strategic investments include investments in a private closed-end fund and an unlisted company 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 the Group's business penetration in the region.

	Six months ended 30th November, 2004		
	Jewellery products	Investments	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	420,668	—	420,668
Segment results	57,325	—	57,325
Finance costs			(10,511)
Profit before taxation			46,814
Taxation			(2,022)
Profit after taxation			44,792
Minority interests			(1)
Profit attributable to shareholders			44,791
Segment assets	1,163,007	80,311	1,243,318
Interest in an associated company	(65)	—	(65)
Total assets	1,162,942	80,311	1,243,253
Segment liabilities	(625,462)	—	(625,462)
Total liabilities	(625,462)	—	(625,462)
Capital expenditure	3,545	—	3,545
Depreciation	3,950	—	3,950
Amortisation	4,722	—	4,722
Bad debt expense	40	—	40
Write back of provision for inventory	22,748	—	22,748

Notes: (continued)

2. Segmental information (continued)

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

	Six months ended 30th November, 2003		
	Jewellery products <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	389,644	—	389,644
Segment results	51,558	—	51,558
Finance costs			(8,651)
Profit before taxation			42,907
Taxation			(2,484)
Profit after taxation			40,423
Minority interests			(1)
Profit attributable to shareholders			40,422
Capital expenditure	86,137	—	86,137
Depreciation	6,456	—	6,456
Amortisation	4,543	—	4,543
Bad debt expense	4,058	—	4,058
Write back of provision for inventory	1,134	—	1,134

	As at 31st May, 2004		
	Jewellery products <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment assets	1,022,451	80,230	1,102,681
Interest in an associated company	(59)	—	(59)
Total assets	1,022,392	80,230	1,102,622
Segment liabilities	(590,984)	—	(590,984)
Total liabilities	(590,984)	—	(590,984)

Notes: (continued)

2. Segmental information (continued)

(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 and results attributed to the segments were based on the destination of delivery of merchandise. Segment assets and capital expenditure were based on the geographical location of the assets.

	Six months ended 30th November, 2004			As at 30th November, 2004
	Turnover HK\$'000	Segment results HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000
Europe	348,351	55,161	455	468,362
America	43,358	(2,265)	1,179	56,046
Asia Pacific	28,959	4,429	1,911	718,910
	<u>420,668</u>	<u>57,325</u>	<u>3,545</u>	1,243,318
Interest in an associated company				<u>(65)</u>
Total assets				<u>1,243,253</u>

	Six months ended 30th November, 2003			As at 31st May, 2004
	Turnover HK\$'000	Segment results HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000
Europe	324,120	51,473	82,247	392,198
America	40,705	(2,015)	922	47,376
Asia Pacific	24,819	2,100	2,968	663,107
	<u>389,644</u>	<u>51,558</u>	<u>86,137</u>	1,102,681
Interest in an associated company				<u>(59)</u>
Total assets				<u>1,102,622</u>

Notes: (continued)

3. Profit before taxation

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

	Six months ended	
	30th November, 2004 <i>HK\$'000</i>	30th November, 2003 <i>HK\$'000</i>
Crediting:		
Interest Income	7,931	4,937
Exchange gain, net	7,129	—
Charging:		
Depreciation of fixed assets	3,950	6,456
Amortisation of intangible assets	4,722	4,543
Interest expenses	6,369	6,722
Exchange loss, net	—	2,057

4. Taxation

Taxation comprised:

	Six months ended	
	30th November, 2004 <i>HK\$'000</i>	30th November, 2003 <i>HK\$'000</i>
Company and subsidiaries		
Current taxation:		
Hong Kong profits tax		
- Provision for current period	6,133	2,500
- Over-provision in prior periods	(4,879)	—
Overseas income tax		
- Provision for current period	314	32
- Under/(Over)-provision in prior periods	25	(48)
Deferred taxation:		
- Recognised during the period	429	—
	2,022	2,484
Share of taxation attributable to associated company		
Hong Kong profits tax	—	—
Overseas income tax	—	—
	2,022	2,484

Hong Kong profits tax was provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong. Overseas income tax was provided by subsidiaries with overseas operations on their estimated assessable profits for the period at the tax rates applicable in the countries in which the subsidiaries operated.

Notes: (continued)

5. Interim dividend

The Directors have resolved to declare an interim dividend of HK5.5 cents per share (2003: HK5.5 cents per share) payable on 30th March, 2005 to shareholders whose names appear on the register of members of the Company on 23rd March, 2005.

6. Earnings per share

Basic earnings per share

Basic earnings per share was calculated based on the consolidated profit attributable to shareholders for the period of approximately HK\$44,791,000 (2003: HK\$40,422,000) and the weighted average number of ordinary shares of approximately 337,969,000 (2003: 310,206,000) in issue during the period.

Diluted earnings per share

During the periods ended 30th November, 2004 and 30th November, 2003, the Company's share options exercise price was above the average fair value of one ordinary share, and thus there were no dilutive potential ordinary shares.

7. Fixed assets

	Property, plant and equipment
	<i>HK\$'000</i>
Carrying value as at 1st June, 2004	39,056
Additions	3,514
Exchange adjustments and disposals	831
Charge for the period	(3,950)
	<hr/>
Carrying value as at 30th November, 2004	39,451
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8. Intangible assets

	<i>HK\$'000</i>
Carrying value as at 1st June, 2004	115,610
Additions	31
Exchange adjustments and disposals	7,719
Charge for the period	(4,722)
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Carrying value as at 30th November, 2004	118,638
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Notes: (continued)

9. Investments in non-trading securities

At 30th November, 2004, the investments in non-trading securities were stated at fair values which were determined by the Directors or according to quoted market prices and the revaluation surplus of approximately HK\$72,000 (2003: HK\$103,000) was recorded in the revaluation reserve. In the opinion of the Directors, there were no indication of impairment in the carrying values of the investments.

10. Accounts receivable aging analysis

The Group allows an average credit period of 30-120 days to its trade customers. Aging analysis of accounts receivable after provision for bad and doubtful debts is as follows:

	As at 30th November, 2004	As at 31st May, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
In current month	50,736	265,985
Between 1 to 2 months	10,151	6,880
Between 2 to 3 months	6,619	2,072
Between 3 to 4 months	6,525	7,807
Over 4 months	—	3,317
	<u>74,031</u>	<u>286,061</u>

11. Accounts payable aging analysis

Aging analysis of accounts payable is as follows:

	As at 30th November, 2004	As at 31st May, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
In current month	73,311	52,342
Between 1 to 2 months	6,312	7,170
Between 2 to 3 months	5,374	1,633
Between 3 to 4 months	2,121	2,466
Over 4 months	2,501	1,955
	<u>89,619</u>	<u>65,566</u>

Notes: (continued)

12. Bank borrowings

(a) Short-term bank borrowings comprised:

	As at 30th November, 2004	As at 31st May, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans and overdrafts	120,254	108,235
Trust receipts and import loans	46,156	28,134
	<u>166,410</u>	<u>136,369</u>

(b) Long-term bank borrowings:

	As at 30th November, 2004	As at 31st May, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable within a period of		
- not exceeding 1 year		
Secured	20,845	20,029
Unsecured	5,216	4,825
- more than 1 year, but not exceeding 2 years		
Secured	15,183	13,094
Unsecured	22,765	16,578
- more than 2 years, but not exceeding 5 years		
Secured	—	—
Unsecured	68,000	77,418
- after 5 years		
Secured	—	—
Unsecured	—	—
	<u>132,009</u>	<u>131,944</u>
Less: Amounts repayable within 1 year included under current liabilities	<u>(26,061)</u>	<u>(24,854)</u>
	<u>105,948</u>	<u>107,090</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, 2004	317,470,029	0.50	158,735
Issue upon exercise of convertible bonds	63,505,633	0.50	31,753
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Balance as at 30th November, 2004	380,975,662	0.50	190,488
	<hr/> <hr/>		<hr/> <hr/>

14. Reserves

	Share premium account HK\$ '000	Exchange translation reserve HK\$ '000	Retained profits HK\$ '000	Goodwill HK\$ '000	Revaluation reserve HK\$ '000	Other reserve HK\$ '000	Total HK\$ '000
At 1st June, 2004	39,295	12,354	214,883	68,814	17,447	69	352,862
Share premium arising from conversion of convertible bonds	34,529	—	—	—	—	—	34,529
Profit for the period ended 30th November, 2004	—	—	44,791	—	—	—	44,791
2004 final dividend	—	—	(15,239)	—	—	—	(15,239)
Interim dividend declared	—	—	(21,316)	—	—	—	(21,316)
Surplus on revaluation of non-trading securities	—	—	—	—	72	—	72
Exchange differences arising on translation of overseas subsidiaries' financial statements	—	10,243	—	—	—	—	10,243
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th November, 2004	73,824	22,597	223,119	68,814	17,519	69	405,942
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Notes: (continued)

15. Related party transactions

- (a) During the period, the Group had the following material transactions with EganaGoldpfeil (Holdings) Limited and its subsidiaries excluding the Group ("EganaGoldpfeil Group") which also constituted connected transactions as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

	Six months ended	
	30th November, 2004 (Unaudited) HK\$'000	30th November, 2003 (Unaudited) HK\$'000
Sales of goods/services	3,791	9,551
Purchases of goods	2,746	2,131
Interest income	608	943
Allocation of operating costs	49,928	49,621
Management fee expenses	4,872	4,642
Royalty fee expenses	9,357	8,605

Notes:

- i. Sales and purchases of goods were determined with reference to published prices and market conditions.
 - ii. Interest was charged at the commercial rate.
 - iii. Cost allocation, management fee expenses and royalty fee expenses were charged according to the terms of the relevant agreements.
- (b) During the period, the Group paid royalties of approximately HK\$2,600,000 (2003: HK\$2,699,000) to a related company, JOOP! GmbH, which were charged according to the terms of the relevant agreement.
- (c) The Group paid HK\$567,800 (2003: HK\$616,925) to International Taxation Advisory Services Limited, of which Mr. David Wai Kwong WONG, a Director of the Company, was 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.

16. Contingent liabilities

Contingent liabilities in respect of bills discounted with recourse at 30th November, 2004 were approximately HK\$20,733,000 (year ended 31st May, 2004: HK\$423,000).

BUSINESS REVIEW AND PROSPECTS

The 5-year growth plan has been implemented as scheduled as evident by an encouraging 8% growth in turnover, and 11% increment in after tax earnings.

In Europe, the Exhibition Centre at our European Headquarters, at Offenbach, Frankfurt Germany hosted the first ever Egana Autumn Fair in September 2004, which attracted customers from our existing coverage in Western Europe, as well as new customers from Eastern Block. There reflected an 8% increase in revenue from Europe.

Also, the European Technology & Logistic Center at Frankfurt, Germany has been in place on a timely manner to enlarge the logistics efficiency and faster order fulfillment benefits pursuant to the extension of 12 countries to 25 countries within European community effective 2004. This translates into 1.3% savings on European sales in logistics cost.

In collaboration with our partners in China, the progress is satisfactory. The new collections of various brandnames were very well received and should materialise in new orders during and after the Basel Fair, which is the largest and most important watch and jewellery fair in the world. In the 6 months to November 2004, Asia reflected a 17% increase in orders to that in 2003.

Based on this positive development and the global economic recovery underway, we are hopeful that the Group's annual revenue share from our Asian market for FY04/05 would exceed 20%, targeting the 30% revenue split threshold in the 5-year plan.

With the gradual development of branded goods, the in-house production has increased, which results in lesser bought-in-finished goods. This enhancement of product mix enriches the gross margin to 45%, a 7% basis point upsurge as compared to the FY03/04's.

This enables the Group to reserve further resources for communications program and marketing activities for enhancing the brand awareness and gaining further network coverage.

In the US, our focus differentiation approach towards the upscale and luxury jewellery segment is bringing positive results which recorded a 7% increase in revenue during the 6 months to November 2004 as compared to that in 2003. The exhibition in the Phoenix Jewellery Show in January 2005 attracted strong customer interest towards the Group's extended jewel range, and the platinum jewellery collection.

The Group in its production facilities (G&W) in Germany has developed certain advanced platinum jewellery production process, and is in partnership with the Platinum Guild to launch internationally during the Basel Fair a platinum jewellery collection which is expected to have particularly good reception in the US and China markets, in addition to the European segment.

The Company is pursuing strategic alliance possibility to achieve further growth of our business in the US. It is believed that with the Group's well established jewellery product development and production facilities network (2 in Europe, 4 in Asia), a well balanced portfolio of brands with international recognition, and our pioneer experience in co-branding approach, we are well posed to be in partnership with strong retail network and/or chain stores to jointly expand the US business, with a view to achieving 20% revenue share in 5-year time.

In November 2004, Merrill Lynch subscribed US\$5 million convertible bonds with maturity in February 2009, evidencing its confidence towards our Group.

We continue to focus on delivering double digit growth in shareholder value, and have achieved a 21% rise for the period.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Group turnover for the 6 months to November 2004 reached HK\$421 million, an encouraging 8% increase, which was represented by 8% increment in Europe; 7% in the US and 17% in Asia Pacific, as compared to the same period in 2003.

During the period, Europe accounted for 83%, US at 10% and Asia at 7% of Group's turnover, a pattern similar to that in 2003.

With successful opening up of certain new markets in Europe (including Russia, Poland, Croatia, Turkey) and in Asia (including China, Taiwan, Singapore), the Group is increasing the portion of product mix from bought-in-finished goods to in-house produced jewels. As a result, the gross margin reached 45%, a 7% upsurge from the 38% threshold for the year ended 31st May, 2004.

To launch branded products in new markets and to gain further market share in existing coverage, the Group has increased the communications program outlays during the period, by 1% to sales. Distribution cost is at 18% to sales (17% for November 2003).

Thanks to the enhanced logistics efficiency and inventory control due to the European Technology & Logistic Center in Germany, there continuously reflects 1.3% savings in logistics and order fulfillment expenses in Europe, which is translated to an overall 1% administrative expenses savings to the Group (18% in 2004 versus 19% in 2003).

Profit attributable to shareholders amounted to HK\$45 million at a margin of 11%, and represented a promising increase of 11% over the same period in 2003. This is translated into an average annualised 15% returns on shareholder funds for the period.

The shareholders' funds stood at HK\$618 million, representing a growth of 21% when compared to May 2004, echoing the Company's vision to deliver double digit growth to our shareholders.

The annualised inventory turnover for the 6 months to November 2004 is similar to that in the prior year, at 178 days. The annualised debtors turnover for November 2004 period is similar to that in 2003, at 78 days. These are attributable to our continuous focus in inventory control and tight credit policy.

The finance cost to sales ratio for 2004 is similar to that in 2003, at 2.5%, which represents a healthy level, demonstrating that the Group has practised a prudent treasury model to contain the borrowing cost to an acceptable level, thereby minimising any adverse effect that may arise due to interest rate increase.

The current ratio is 2x, well ahead of the industry norm of 1x, reflecting a strong working capital platform to support the continuous growth of the business.

The gearing ratio (interest bearing debts to shareholders' funds) was 0.49x, as compared to 0.67x for the year ended 31st May, 2004, and the industry norm of 1x. This adds confidence to the management that the current multi-brand business approach and financing model (of matching capital expenditure by equity funds) are both making positive contribution for the long term growth.

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

Currently, the confirmed orders on hand covering 6-month worth of shipments are at a higher level than last year.

The Group had no significant capital commitments as at 30th November, 2004 and there are no contingent liabilities or off balance sheet obligations other than trade bills discounted in the ordinary course of business.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21st March, 2005 to 23rd March, 2005, both days inclusive, during which period no transfer of shares of the Company will be recorded.

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

As at 30th November, 2004, the interests and short positions of the Directors and chief executive in the shares and underlying shares of the Company and its associated corporation (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\$0.50 each in the Company								
Hans-Joerg SEEBERGER	—	—	—	247,166,099 (Note i)	247,166,099	64.88%	3,300,000 (Note iii)	65.74%
Peter Ka Yue LEE	73,651	—	1,114,838 (Note ii)	—	1,188,489	0.31%	250,000 (Note iii)	0.38%
Michael Richard POIX	373,398	—	—	—	373,398	0.10%	250,000 (Note iii)	0.16%
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 ("Mr. SEEBERGER") and his family. 246,121,144 shares were registered in the name of EganaGoldpfeil (Holdings) Limited ("EganaGoldpfeil") and its nominee. By virtue of his interest in EganaGoldpfeil and the Captive Insurance Trust under the SFO, Mr. 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 the Company's Executive Share Option Scheme.
- iv. All the interests stated above represent long position.

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

Associated Corporation
EganaGoldpfeil

	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 EganaGoldpfeil								
Hans-Joerg SEEBERGER	—	—	—	470,592,553 <i>(Note i)</i>	470,592,553	39.10%	12,000,000 <i>(Note i)</i>	40.10%
Peter Ka Yue LEE	530,291	—	8,191,773 <i>(Note ii)</i>	—	8,722,064	0.72%	500,000 <i>(Note ii)</i>	0.77%
Michael Richard POIX	2,884,666	—	—	—	2,884,666	0.24%	500,000 <i>(Note iii)</i>	0.28%
Ho Yin CHIK	18,464	—	—	—	18,464	0%	144,800 <i>(Note iv)</i>	0.01%
Shunji SAEKI	53,000	8,640	—	—	61,640	0.01%	179,000 <i>(Note v)</i>	0.02%

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. SEEBERGER and his family. The options, exercisable at HK\$2.11 per share, were granted pursuant to EganaGoldpfeil'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. The options, exercisable at HK\$2.11 per share, were granted pursuant to EganaGoldpfeil's Executive Share Option Scheme.
- iii. The options, exercisable at HK\$2.11 per share, were granted pursuant to EganaGoldpfeil's Executive Share Option Scheme.
- iv. The options, exercisable at HK\$3.45 per share, were granted pursuant to EganaGoldpfeil's Executive Share Option Scheme.
- v. 99,000 and 80,000 options, exercisable at HK\$1.28 and HK\$2.11 per share respectively, were granted pursuant to EganaGoldpfeil's Executive Share Option Scheme.
- vi. All the interests stated above represent long position.

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

Certain Directors held certain nominee shares in subsidiaries in trust for the Company or its subsidiaries as at 30th November, 2004.

Save as disclosed above, as at 30th November, 2004, 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 corporation 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, 2004, 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 issued share capital	Underlying shares (including convertible bonds)	Total interests (including underlying shares) as % of the issued share capital
Number of shares of HK\$0.50 each in the Company					
Glorious Concept Limited <i>(Note i)</i>	67,121,600	67,121,600	17.62%	—	17.62%
Eco-Haru Mfr. Holdings Limited <i>(Note i)</i>	67,121,600	67,121,600	17.62%	—	17.62%
EganaGoldpfeil <i>(Note ii)</i>	246,121,144	246,121,144	64.60%	—	64.60%
Merrill Lynch & Co Inc <i>(Note iii)</i>	3,606,399	3,606,399	0.95%	13,872,322	4.59%

Notes:

- Glorious Concept Limited is a wholly-owned subsidiary of Eco-Haru Mfr. Holdings Limited, which in return is wholly-owned by EganaGoldpfeil.
- The interest includes 178,999,544 and 67,121,600 shares held by EganaGoldpfeil and Glorious Concept Limited respectively.
- These shares were beneficially held by Merrill Lynch & Co Inc.
- All the interests stated above represent long positions.

Save as disclosed above, as at 30th November, 2004, the Company had not been notified by any other persons (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

Share options are granted to the Directors, executives and employees under the Executive Share Option Scheme of the Company adopted on 26th June, 1998 and became unconditional on 23rd July, 1998 (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 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	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	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
Hartmut VAN DER STRAETEN	250,000	250,000 (note ii)	— (note ii)	12/01/2000	2.24
Employees under continuous contracts (excluding Directors)	9,075,000	—	9,075,000	07/01/2000 to 31/01/2000	2.24
	<u>13,125,000</u>	<u>250,000</u>	<u>12,875,000</u>		

Notes:

- i. The outstanding options can be exercised in accordance with the 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 Scheme was adopted, provided that up to 20%, 40%, 60% and 80% of the original number of shares comprising the options can be exercised in the 1st, 2nd, 3rd and 4th year from the date granted, respectively.
- ii. Mr. Hartmut VAN DER STRAETEN ceased to be a Director of the Company on 18th November, 2004 and the 250,000 options granted to him were lapsed on the same day.

No options were granted, exercised or cancelled during the period.

Save as disclosed above, no right to subscribe for the securities of the Company or its associated corporation within the meaning of the SFO, has been granted by the Company to, nor have any such rights been exercised by, any persons during the period.

EMPLOYEES

As at 30th November, 2004, the Group had approximately 3,600 employees. They were remunerated based on their experience, their qualifications, the Group's performance and market conditions.

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, 2004.

CODE OF BEST PRACTICE

Except that the Independent 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 old Appendix 14 of the Listing Rules throughout the period.

As to the new Appendix 14 (Code on Corporate Governance Practices) of the Listing Rules, the Directors will adopt the principles set out therein. A Remuneration Committee comprising all Independent Non-Executive Directors and Mr. David Wai Kwong WONG, a Director, was duly established on 31st January, 2005. A detailed Corporate Governance Report will be prepared and disclosed in the Company's 2005 Annual Report.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with management regarding auditing, internal control and financial reporting matters including the review of the Company's unaudited interim financial results for the six months ended 30th November, 2004.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the period, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code (Appendix 10) of the Listing Rules.

The Board of Directors of the Company did not aware of any non-compliance by any Directors of the Company regarding the required standard set out in the Model Code and its code of conduct regarding securities transactions.

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, 17th February, 2005