

1. Basis of preparation and accounting policies

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

These condensed interim accounts should be read in conjunction with the 2000 annual financial statements.

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

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

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

- (a) In prior years, advertising and promotional expenditure were capitalised and amortised using the straight-line method over a period of not more than three years. The adoption of SSAP 29 has led to a re-assessment of this accounting policy. In particular, advertising expenses are not considered to give rise to an identifiable resource from which economic benefits are expected to flow up to the Group. Accordingly, such expenditure is now recognised as an expense in the period in which it is incurred. The change in accounting policy has been applied retrospectively resulting in a decrease in the retained profits at 1st January, 2000 of HK\$14,951,478 and the Group's net profit for the six months ended 30th June, 2000 of HK\$165,642.
- (b) Goodwill arising on consolidation represents the excess of cost of acquisition of subsidiary and associate over the Group's share of the fair value ascribed to the separable net assets at the date of acquisition. In previous years, goodwill was taken to the reserves in the year in which it arose. With the introduction of SSAP 30, the Group has adopted the transitional provisions prescribed therein. New goodwill incurred after 1st January, 2001 is capitalised in the balance sheet and is amortised to the income statement on a straight-line basis over its estimated useful economic life. All goodwill arising from earlier acquisitions before 1st January, 2001 will continue to be held in reserves and no reinstatement has been made.
- (c) In accordance with the requirements of SSAP 31 and the transitional provisions of SSAP 30, an adjustment has been made concerning the impairment of goodwill arising prior to the adoption of SSAP 30 which was eliminated against available reserves. The adjustment, which represents a change in accounting policy, has been applied retrospectively in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". Accordingly, goodwill in the amount of HK\$16,558,952 which was impaired in prior periods has been recognised directly in the prior periods' retained profits as brought forward at 1st January, 2000 and this also results in a decrease in the Group's net profit for the six months ended 30th June, 2000 of HK\$13,149,306.

2. Segmental Information

Over 90% of the Group's turnover and profit before taxation were attributable to the manufacturing, distribution and trading of jewellery products. An analysis of turnover and profit before taxation by geographical locations is as follows:

	Turnover		Profit before taxation	
	six months ended 30th June,		six months ended 30th June,	
	2001	2000	2001	2000
			(Restated)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Europe	213,395	253,066	24,824	38,193
America	16,512	21,731	(13,100)	(10,877)
Asia Pacific	24,088	23,773	(1,657)	(6,490)
	<u>253,995</u>	<u>298,570</u>	<u>10,067</u>	<u>20,826</u>

3. Profit before taxation

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

	Six months ended 30th June,	
	2001	2000
	(Restated)	
	HK\$'000	HK\$'000
Depreciation of fixed assets	5,148	5,240
Amortisation of intangible assets	1,427	1,399
Interest income	(4,514)	(5,139)
Interest expenses	7,356	5,356

4. Taxation

	Six months ended 30th June,	
	2001	2000
	(Restated)	
	HK\$'000	HK\$'000
Company and subsidiaries:		
Hong Kong	500	1,002
Overseas	(654)	61
	<u>(154)</u>	<u>1,063</u>
Associate:		
Overseas	—	—
	<u>(154)</u>	<u>1,063</u>

Hong Kong Profits Tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the period. Overseas taxation has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the overseas subsidiaries and the associate operate.

5. Interim dividend

The Directors have resolved to declare an interim dividend of HK0.15 cent (2000: HK0.38 cent) per share payable on 15th November, 2001 to shareholders whose names appear on the register of members of the Company on 24th October, 2001.

6. Earnings per share

The calculation of basic earnings per share for the period ended 30th June, 2001 is based on the profit attributable to shareholders of approximately HK\$10,221,000 (2000: HK\$19,763,000) and the weighted average number of ordinary shares of approximately 3,102,005,000 (2000: 3,100,996,000) in issue throughout the period.

There is no diluted earnings per share for the period ended 30th June, 2001 as the Company has no dilutive potential ordinary share. The diluted earnings per share for the period ended 30th June, 2000 is based on the profit attributable to shareholders of approximately HK\$19,763,000 and the weighted average number of ordinary shares of approximately 3,111,821,000 that would be in issue having been adjusted to reflect the effect of all dilutive potential ordinary shares during the period.

7. Fixed assets

	Property, plant and equipment <i>HK\$'000</i>
Carrying value as at 1st January, 2001	37,031
Additions	1,376
Exchange adjustments and disposals	(399)
Charge for the period	(5,148)
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Carrying value as at 30th June, 2001	32,860
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8. Intangible assets

	<i>HK\$'000</i>
Carrying value as at 1st January, 2001, as previously reported	56,738
Prior period adjustments	(14,473)
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Carrying value as at 1st January, 2001 as restated	42,265
Additions	27
Exchange adjustments and disposals	(2,609)
Charge for the period	(1,427)
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Carrying value as at 30th June, 2001	38,256
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9. Long-term investment

The long-term investment represents our portfolio investment in a close-end investment fund which has been managed by a Hong Kong investment advisor.

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:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
In current month	32,964	54,173
Between one to two months	18,675	12,890
Between two to three months	1,838	7,474
Between three to four months	141	2,761
Over four months	4,303	1,836
	<u>57,921</u>	<u>79,134</u>

11. Accounts payable aging analysis

Aging analysis of accounts payable is as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
In current month	16,369	21,156
Between one to two months	6,640	4,816
Between two to three months	1,456	245
Between three to four months	14,263	1,514
Over four months	2,684	67
	<u>41,412</u>	<u>27,798</u>

12. Share Capital

	Number of ordinary shares of HK\$0.05 each	Nominal value <i>HK\$'000</i>
Balance as at 1st January, 2001	3,102,003,971	155,100
Issue upon exercise of warrants	54,724	3
Balance as at 30th June, 2001	<u>3,102,058,695</u>	<u>155,103</u>

13. Reserves

	Share premium account <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2001 as previously reported	31,224	(19,141)	131,693	52,256	71	196,103
Effect of adopting SSAP 29	—	1,526	(15,999)	—	—	(14,473)
Effect of adopting SSAP 30 and SSAP 31	—	—	(29,708)	29,708	—	—
At 1st January, 2001 as restated	31,224	(17,615)	85,986	81,964	71	181,630
Premium arising from exercise of warrants	10	—	—	—	—	10
Profit for the period ended 30th June, 2001	—	—	10,221	—	—	10,221
Dividend declared	—	—	(4,653)	—	—	(4,653)
Exchange differences arising on translation of overseas subsidiaries' financial statements	—	(9,812)	—	—	—	(9,812)
Balance as at 30th June, 2001	<u>31,234</u>	<u>(27,427)</u>	<u>91,554</u>	<u>81,964</u>	<u>71</u>	<u>177,396</u>

14. 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 June, 2001 (Unaudited) <i>HK\$'000</i>	2000 (Unaudited) <i>HK\$'000</i>
Sales of goods/services	3,157	3,326
Purchases of goods	82	545
Interest income	1,604	1,847
Allocation of operating costs	40,954	29,251
Management fee expenses	4,688	3,258
Royalty fee expenses	8,442	7,799

14. Related party transactions *(continued)*

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. The Group paid HK\$547,975 (period ended 30th June 2000: HK\$963,600) 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.

15. Contingent liabilities

Contingent liabilities in respect of bills discounted with recourse at 30th June, 2001 was approximately HK\$922,000 (year ended 31st December, 2000: HK\$818,000).

16. Comparative figures

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

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 June, 2001.