Notes:

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, and cost of acquiring know-how of business were capitalised and amortised using the straight-line method over a period of not more than three years and fifteen years, respectively. The adoption of SSAP 29 has led to a re-assessment of this accounting policy. In particular, advertising expenses and certain know-how costs 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$3,439,317 and the Group's net profit after minority interests for the six months ended 30th June, 2000 of HK$21,118,234.

(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.

1. Basis of preparation and accounting policies *(continued)*

(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$29,050,492 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 after minority interests for the six months ended 30th June, 2000 of HK$8,542,434.

2. Segmental Information

Analysis of turnover and profit before taxation by principal activities is as follows:

	Turnover Six months ended 30th June,		**Profit before taxation Six months ended 30th June,**	
	2001	**2000**	**2001**	**2000 (Restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Timepiece operations	524,556	541,126	25,306	45,852
Jewellery operations	253,995	298,570	10,067	20,826
Leather operations	222,423	240,112	1,809	(12,951)
	1,000,974	1,079,808	37,182	53,727

Analysis of turnover and profit before taxation by geographical locations is as follows:

	Turnover Six months ended 30th June,		**Profit before taxation Six months ended 30th June,**	
	2001	**2000**	**2001**	**2000 (Restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Europe	799,653	760,274	75,926	68,880
America	51,448	58,730	(31,462)	(31,385)
Asia Pacific	149,873	260,804	(7,282)	16,232
	1,000,974	1,079,808	37,182	53,727

3. Profit before taxation

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

	Six months ended 30th June, 2001 HK$'000	Six months ended 30th June, 2000 (Restated) HK$'000
Depreciation of fixed assets	20,316	15,001
Amortisation of intangible assets	13,520	12,699
Interest income	(22,901)	(19,886)
Interest expenses	32,908	31,554

4. Taxation

	Six months ended 30th June, 2001 HK$'000	Six months ended 30th June, 2000 HK$'000
Company and subsidiaries:		
Hong Kong	500	3,502
Overseas	3,369	1,646
	3,869	5,148
Associates:		
Hong Kong	265	840
Overseas	120	93
	4,254	6,081

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 associates operate.

5. Interim dividend

The Directors have resolved to declare an interim dividend of HK0.13 cent (2000: Nil) 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$30,198,000 (2000: HK$40,355,000) and the weighted average number of ordinary shares of approximately 11,430,560,000 (2000: 10,062,331,000) in issue throughout the period.

The diluted earnings per share for the period ended 30th June, 2001 is based on the adjusted profit attributable to shareholders of approximately HK$30,595,000 after taking into consideration the interest expenses, net of tax that will be saved on the conversion of convertible debentures into ordinary shares (2000: HK$41,703,000 after taking into consideration the potential dilution effect of options of Egana Jewellery & Pearls Limited) and the weighted average number of ordinary shares of approximately 11,654,352,000 (2000: 10,904,036,000) 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 *HK$'000*
Carrying value as at 1st January, 2001	197,816
Additions	14,009
Exchange adjustments and disposals	(13,042)
Charge for the period	(20,316)
Carrying value as at 30th June, 2001	178,467

8. Intangible assets

	HK$'000
Carrying value as at 1st January, 2001, as previously reported	380,665
Prior period adjustments	(24,766)
Carrying value as at 1st January, 2001, restated	355,899
Additions	2,831
Exchange adjustments and disposals	(2,942)
Charge for the period	(13,520)
Carrying value as at 30th June, 2001	342,268

9. Investments in securities

The increase in investments in securities largely represents the Group's portfolio investments in certain close-end investment funds which are under the management of listed investment banks/Hong Kong registered investment advisors.

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	**2000**
	HK$'000	*HK$'000*
Current month	197,211	318,395
Between one to two months	46,742	44,328
Between two to three months	17,591	21,034
Between three to four months	10,294	11,262
Over four months	14,892	7,996
	286,730	403,015

11. Accounts payable aging analysis

Aging analysis of accounts payable is as follows:

	2001	**2000**
	HK$'000	*HK$'000*
Current month	107,632	156,845
Between one to two months	32,000	26,031
Between two to three months	3,659	8,637
Between three to four months	16,884	1,629
Over four months	5,684	1,997
	165,859	195,139

12. Share capital

	Number of ordinary shares of HK$0.10 each	**Nominal value** *HK$'000*
Balance as at 1st January, 2001	11,325,472,648	1,132,547
Issue upon exercise of convertible debentures	199,433,516	19,943
Balance as at 30th June, 2001	11,524,906,164	1,152,490

Notes: (continued)

13. 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$'000	Other reserve HK$'000	Total HK$'000
Balance as at 1st January, 2001 as previously reported	352,650	(99,453)	415,354	(4,795)	1,231	(544,096)	270	587	121,748
Effect of adopting SSAP 29	–	(212)	(17,578)	–	–	(2,966)	–	–	(20,756)
Effect of adopting SSAP 30 and SSAP 31	–	–	(34,169)	–	–	34,169	–	–	–
Balance as at 1st January, 2001 as restated	352,650	(99,665)	363,607	(4,795)	1,231	(512,893)	270	587	100,992
Premium arising from exercise of convertible debentures	11,265	–	–	–	–	–	–	–	11,265
Expenses incurred in connection with issue of shares	(6)	–	–	–	–	–	–	–	(6)
Share of unrealised holding loss in securities of an associate	–	–	–	(1,218)	–	–	–	–	(1,218)
Share of exchange translation reserve of an associate	–	(973)	–	–	–	–	–	–	(973)
Revaluation of non-trading securities	–	–	–	(3,788)	–	–	–	–	(3,788)
Share of revaluation surplus on fixed assets of an associate	–	–	–	3,588	–	–	–	–	3,588
Profit for the period ended 30th June, 2001	–	–	30,198	–	–	–	–	–	30,198
Dividend declared	–	–	(14,982)	–	–	–	–	–	(14,982)
Exchange differences arising on translation of overseas subsidiaries' financial statements	–	(28,314)	–	–	–	–	–	–	(28,314)
Balance as at 30th June, 2001	363,909	(128,952)	378,823	(6,213)	1,231	(512,893)	270	587	96,762

14. Related party transactions

a. During the period, the Group entered into transactions with the following associates - Peace Mark (Holdings) Limited ("Peace Mark"), Tonic Industries Holdings Limited ("Tonic") and Capricon Company Limited ("Capricon"), and the following related companies - Marubeni Deutschland GmbH ("Marubeni") and Kuraray Europe GmbH ("Kuraray"). In the opinion of the Directors, the following transactions arose in the ordinary course of the Group's business:

	Six months ended 30th June,	
	2001	**2000**
	HK$'000	*HK$'000*
Rental expenses to Capricon	423	423
Purchases from Peace Mark	9,853	40,585
Purchases from Tonic	8,258	4
Purchases from Marubeni	43,366	48,253
Purchases from Kuraray	16,979	23,717
Sales to Peace Mark	34	3,848

Notes:

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

ii. Rental expenses were charged according to the terms of the relevant agreements.

iii. Trading transactions with Marubeni and Kuraray also constituted connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

b. The Group paid approximately HK$3,578,000 (period ended 30th June, 2000: HK$3,954,000) 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.

15. Contingent liabilities

Contingent liabilities in respect of bills discounted with recourse at 30th June, 2001 was approximately HK$3,158,000 (as at 31st December, 2000: HK$44,715,000).

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.