

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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*For the six months ended September 30, 2001*

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended March 31, 2001, except as described below.

In the current period, the Group has adopted for the first time, a number of new and revised SSAPs which has resulted in the adoption of the following new/revised accounting policies.

#### *Leases*

SSAP 14 (Revised) “Leases” has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group’s leasing arrangements. These changes have not had any material effect on the results for the current period or prior accounting years and, accordingly, no prior year adjustment has been required. Disclosures for all the Group’s leasing arrangements have been modified so as to comply with requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

#### *Goodwill*

In the current period, the Group has adopted SSAP 30 “Business combinations” and has elected not to restate goodwill previously eliminated against reserves. Accordingly, goodwill arising on acquisitions prior to April 1, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or joint venture, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after April 1, 2001 is capitalised and amortised over its estimated useful life.

The directors have reviewed the recoverability of the amount of goodwill arising from consolidation as at September 30, 2001 and an impairment loss amounting to HK\$1,353,000 has been recognised in full in the current interim period.

### 3. SEGMENT INFORMATION

#### Geographical Segments

	Revenue		Contribution to profit from operations	
	For the six months ended September 30,		For the six months ended September 30,	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	34,952	37,069	3,875	3,929
Asian countries excluding Hong Kong	38,401	55,094	2,388	5,470
North America	39,030	45,612	2,338	4,326
Europe	31,984	37,633	1,816	3,633
Others	6,305	5,577	392	507
	<u>150,672</u>	<u>180,985</u>		
Profit from operations			<u>10,809</u>	<u>17,865</u>

#### Business Segments

Pearls business	145,939	177,041	8,932	16,567
Property letting	3,811	2,630	955	(16)
Others	922	1,314	922	1,314
	<u>150,672</u>	<u>180,985</u>		
Profit from operations			<u>10,809</u>	<u>17,865</u>

### 4. PROFIT FROM OPERATIONS

	For the six months ended September 30,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	<u>3,645</u>	<u>3,907</u>

## 5. TAXATION

	For the six months ended September 30,	
	2001	2000
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	2,217	2,437
People's Republic of China (the "PRC")	<u>1,146</u>	<u>2,094</u>
	<u><u>3,363</u></u>	<u><u>4,531</u></u>

Hong Kong Profits Tax is calculated at the rate of 16% of the estimated assessable profit for the period. Income tax in the PRC is calculated at rates ranging from 7.5% to 15% of the income of the PRC subsidiaries.

## 6. DIVIDEND

The directors do not recommend the payment of an interim dividend (six months ended September 30, 2000: Nil) and propose that the profit for the period be retained. No dividend was paid during the period.

## 7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share ("EPS") is based on the following data:

	For the six months ended September 30,	
	2001	2000
	HK\$'000	HK\$'000
<i>Earnings</i>		
Earnings for the purposes of basic and diluted EPS (net profit for the period)	<u>6,008</u>	<u>14,666</u>
	'000	'000
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic EPS	<u>631,871</u>	630,754
Effect of dilutive share options		<u>11,577</u>
Weighted average number of ordinary shares for the purposes of diluted EPS		<u><u>642,331</u></u>

## 7. EARNINGS PER SHARE (Continued)

No diluted EPS amounts have been presented for the six months ended September 30, 2001 as the exercise prices of the Company's outstanding share options and warrants were higher than the fair value per share for that period.

The computation of diluted EPS for the six months ended September 30, 2000 does not assume the exercise of the Company's outstanding warrants as the exercise price was higher than the fair value per share for that period.

## 8. INVESTMENT PROPERTIES

The directors are of the opinion that the market value of the Group's investment properties as at September 30, 2001 is not materially different from the carrying value of the investment properties. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties in the period.

## 9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 60-90 days to its trade customers.

Included in trade and other receivables are trade receivables of HK\$79,236,000 (March 31, 2001: HK\$62,620,000). The following is an aging analysis of trade receivables at the reporting date:

	<b>9.30.2001</b>	3.31.2001
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>26,497</b>	20,145
31 – 60 days	<b>12,707</b>	14,138
61 – 90 days	<b>12,277</b>	6,005
> 90 days	<b>27,755</b>	22,332
	<u><b>79,236</b></u>	<u>62,620</u>

## 10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$7,310,000 (March 31, 2001: HK\$3,649,000). The following is an aging analysis of trade payables at the reporting date:

	<b>9.30.2001</b>	3.31.2001
	<b>HK\$'000</b>	HK\$'000
0 – 60 days	<b>7,147</b>	2,919
61 – 120 days	<b>163</b>	712
> 120 days	<b>–</b>	18
	<u><b>7,310</b></u>	<u>3,649</u>

## 11. RESERVES

	Share premium account HK\$'000	Other non- distributable reserve HK\$'000	Merger reserve HK\$'000	Investment property revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
Balance at April 1, 2000	83,910	2,001	(200)	32,434	(174)	1,580	251,172	370,723
Issue of shares at premium	319	-	-	-	-	-	-	319
Transferred to share capital on bonus issue	(10,531)	-	-	-	-	-	-	(10,531)
Deficit on revaluation of investment properties	-	-	-	(6,455)	-	-	-	(6,455)
Net loss for the year	-	-	-	-	-	-	(49,826)	(49,826)
Goodwill arising on acquisition of subsidiaries	-	-	-	-	(1,179)	-	-	(1,179)
Exchange adjustment arising from translation of financial statements of overseas operations	-	-	-	-	-	723	-	723
Balance at March 31, 2001	73,698	2,001	(200)	25,979	(1,353)	2,303	201,346	303,774
Net profit for the period	-	-	-	-	-	-	6,008	6,008
Impairment loss on goodwill arising on acquisition of subsidiaries	-	-	-	-	1,353	-	-	1,353
Exchange adjustment arising from translation of financial statements of overseas operations	-	-	-	-	-	659	-	659
<b>Balance at September 30, 2001</b>	<b>73,698</b>	<b>2,001</b>	<b>(200)</b>	<b>25,979</b>	<b>-</b>	<b>2,962</b>	<b>207,354</b>	<b>311,794</b>