

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Accounting policies

These unaudited condensed consolidated interim accounts (“interim accounts”) have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited, and should be read in conjunction with the 2001 annual accounts.

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

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 30th June, 2001, except that the Group has changed certain of its accounting policies following its adoption of the following new or revised 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)	:	Event after balance sheet date
SSAP 26	:	Segment reporting
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets

Except as set out below, the adoption of the above SSAPs does not have a material impact on the Group’s results and financial position in the current and prior periods.

The significant changes in the Group’s accounting policies resulting from the adoption of these new policies are set out below:

a. SSAP 9 (revised) : Event after balance sheet date

In accordance with the SSAP 9 (revised), the Group no longer recognizes dividends proposed or declared after the balance sheet date as liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy.

This restatement has resulted in a decrease in current liabilities at 30th June, 2001 by HK\$4,197,000 for the provision of the proposed dividends that is no longer required.

Changes to headings used in the previously reported 30th June, 2001 balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

b. SSAP 26 : Segment reporting

In Note 2 to these condensed interim accounts the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group’s internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

NOTES TO CONDENSED INTERIM ACCOUNTS (continued)

1. Accounting policies (continued)

c. SSAP 30 : Business combinations

In prior years, goodwill arising on consolidation, representing the difference between purchase consideration paid for subsidiaries or associated companies over the fair value ascribed to the net underlying assets acquired, has been charged against reserve in the year of acquisition. Following the introduction of SSAP 30, goodwill arising on acquisitions on or after 1st July, 2001 is capitalised as an intangible asset in the balance sheet and is amortised to the profit and loss account using the straight-line method over its estimated useful economic life. The Group has taken advantage of the transitional provisions in SSAP 30 and goodwill arising from acquisitions before 1st July, 2001 has not been retroactively capitalised and amortised. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of Assets".

2. Turnover and segment information

An analysis of the Group's turnover and contribution to operating profit for the period by principal activity and geographical location of operations are as follows:

	Turnover		Contribution to operating profit	
	Six months ended		Six months ended	
	31st December,		31st December,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities				
Designing, manufacturing, marketing and trading of fine jewellery and diamonds	495,890	462,613	20,124	35,241
Others	5,416	4,291	(6,842)	(5,351)
	<u>501,306</u>	<u>466,904</u>	<u>13,282</u>	<u>29,890</u>
Principal geographical location of operations				
Hong Kong	443,280	409,736	14,340	32,513
North America	–	11,122	–	143
Europe	56,787	46,046	2,445	871
Others	1,239	–	(3,503)	(3,637)
	<u>501,306</u>	<u>466,904</u>	<u>13,282</u>	<u>29,890</u>

NOTES TO CONDENSED INTERIM ACCOUNTS (continued)

3. Operating profit

Operating profit is stated after (crediting)/charging the following:

	Six months ended 31st December,	
	2001	2000
	HK\$'000	HK\$'000
Realized and unrealized (gains)/losses on other investments	1,552	(612)
Depreciation of fixed assets	1,920	1,399
Operating leases – land and buildings	2,236	1,725
Provision for bad and doubtful debts	6,032	1,081
Pre-operating expenditure written off	2,219	2,420
Loss on disposal of a subsidiary	–	4,642
	<u>–</u>	<u>4,642</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 31st December,	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current	1,987	2,992
– over provision in prior year	(409)	–
	<u>1,578</u>	<u>2,992</u>
Overseas taxation	57	233
	<u>1,635</u>	<u>3,225</u>

5. Dividends

	Six months ended 31st December,	
	2001	2000
	HK\$'000	HK\$'000
2001 Final dividend, paid, of HK\$0.015 (2000 final paid: HK\$0.02) per ordinary share (<i>Note (i)</i>)	4,197	5,147
2002 Interim, proposed on 22nd March, 2002, of HK\$0.01 (2001: HK\$0.01) per ordinary share (<i>Note (ii)</i>)	2,798	2,762
	<u>6,995</u>	<u>7,909</u>

NOTES TO CONDENSED INTERIM ACCOUNTS (continued)

5. Dividends (continued)

Note (i): The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 30th June, 2000 and 2001 were HK\$5,147,000 and HK\$4,197,000 respectively. Under the Group's new accounting policy as described in Note 1(a), these have been written back against opening retained profit as at 1st July, 2000 and 2001 in Note 12 and are now charged in the period in which they were proposed.

Note (ii): At a meeting held on 22nd March, 2002 the Directors declared an interim dividend of HK\$0.01 per ordinary share. This proposed dividend is not reflected as a dividend payable in these condensed interim accounts, but will be reflected as an appropriation of retained earnings for the year ending 30th June, 2002.

6. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$11,363,000 (2000: HK\$26,669,000) and the weighted average number of 279,800,031 (2000: 257,352,500) ordinary shares in issue during the year.

No fully diluted earnings per share is shown as the Company has no potential dilutive ordinary shares at 31st December, 2001 and 2000.

7. Trade and other receivables

Included in trade and other receivables are trade debtors and their ageing analysis is as follows:

	Current <i>HK'000</i>	31-60 days <i>HK'000</i>	61-90 days <i>HK'000</i>	Over 90 days <i>HK'000</i>	Total <i>HK'000</i>
Balance at 31st December, 2001	<u>21,299</u>	<u>36,986</u>	<u>32,421</u>	<u>56,922</u>	<u>147,628</u>
Balance at 30th June, 2001	<u>52,483</u>	<u>30,511</u>	<u>45,264</u>	<u>46,504</u>	<u>174,762</u>

The Group allows an average credit period of 90 days to its trade customers.

8. Trade and other payables

Included in trade and other payables are trade payable and their ageing analysis is as follows:

	Current <i>HK'000</i>	31-60 days <i>HK'000</i>	61-90 days <i>HK'000</i>	Over 90 days <i>HK'000</i>	Total <i>HK'000</i>
Balance at 31st December, 2001	<u>65,110</u>	<u>3,696</u>	<u>7,523</u>	<u>55,775</u>	<u>132,104</u>
Balance at 30th June, 2001	<u>34,714</u>	<u>17,523</u>	<u>17,193</u>	<u>51,170</u>	<u>120,600</u>

NOTES TO CONDENSED INTERIM ACCOUNTS (continued)

9. Bank loans and overdrafts

At 31st December, 2001, the Group's bank loans and overdraft as follows:

	31st December, 2001 HK\$'000	30th June, 2001 HK\$'000
Secured (<i>notes(a) and (b)</i>)	<u>18,485</u>	<u>23,707</u>

- (a) These bank loans and overdrafts are secured by first legal charges over investment properties, certain leasehold land and buildings and the property under development of the Group and the shares of a subsidiary.
- (b) The Company has provided corporate guarantees of HK\$169,000,000 (30th June, 2001 : HK\$169,000,000) for general banking facilities granted to certain subsidiaries.

10. Long-term liabilities

	31st December, 2001 HK\$'000	30th June, 2001 HK\$'000
Loans from minority shareholders	<u>4,981</u>	<u>4,462</u>

Loans from minority shareholders of certain subsidiaries were made to finance the long-term investments of those subsidiaries. These loans are unsecured, interest-free and not repayable within the next year.

11. Share capital

There was no movement in the share capital of the Company in the current interim reporting period.

NOTES TO CONDENSED INTERIM ACCOUNTS (continued)

12. Reserves

Group	Share premium HK\$'000	Non-distributable reserve HK\$'000	Revaluation reserve investment properties HK\$'000	Retained profits HK\$'000	Foreign currency translation reserve HK\$'000	Total HK\$'000
At 1st July, 2000 as previously reported	146,072	273,606	2,319	100,719	1,189	523,905
Effect of adopting SSAP 9 (revised)						
– 1999/2000 final dividend paid	–	–	–	5,147	–	5,147
At 1st July, 2000 as restated	146,072	273,606	2,319	105,866	1,189	529,052
Premium on issue of shares	12,301	–	–	–	–	12,301
Realization upon disposal of foreign subsidiaries	–	–	–	–	837	837
Goodwill on acquisition of subsidiaries	–	–	–	(27,108)	–	(27,108)
Currency realignment on transaction of foreign subsidiaries and associated company	–	–	–	–	(20)	(20)
Deficit on revaluation	–	–	(150)	–	–	(150)
Profit for the year retained	–	–	–	20,738	–	20,738
1999/2000 final dividend paid (note 5)	–	–	–	(5,147)	–	(5,147)
2000/2001 interim dividend paid (note 5)	–	–	–	(2,762)	–	(2,762)
At 30th June, 2001	<u>158,373</u>	<u>273,606</u>	<u>2,169</u>	<u>91,587</u>	<u>2,006</u>	<u>527,741</u>
At 1st July, 2001 as previously reported	158,373	273,606	2,169	87,390	2,006	523,544
Effect of adopting SSAP 9 (revised)						
– 2000/2001 final dividend	–	–	–	4,197	–	4,197
At 1st July, 2001 as restated	158,373	273,606	2,169	91,587	2,006	527,741
Currency realignment on transaction of foreign subsidiaries and associated company	–	–	–	–	(427)	(427)
Profit for the period	–	–	–	11,363	–	11,363
2000/2001 final dividend paid (note 5)	–	–	–	(4,197)	–	(4,197)
At 31st December, 2001	<u>158,373</u>	<u>273,606</u>	<u>2,169</u>	<u>98,753</u>	<u>1,579</u>	<u>534,480</u>
Representing						
Retained profits				95,955		
Proposed 2001/2002 interim dividend				2,798		
				<u>98,753</u>		

NOTES TO CONDENSED INTERIM ACCOUNTS (continued)

13. Commitments

Commitments under operating leases

At 31st December, 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	31st December, 2001 HK\$'000	30th June, 2001 HK\$'000
Not later than one year	3,301	1,019
Later than one year but not later than five years	3,410	–
	<hr/> 6,711 <hr/>	<hr/> 1,019 <hr/>

14. Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Six months ended 31st December,	
	2001 HK\$'000	2000 HK\$'000
Subcontracting fees paid and payable to associated companies	6,180	5,845
	<hr/> 6,180 <hr/>	<hr/> 5,845 <hr/>