

Notes:

1. Change of year end date

During the period, the Company changed its financial year end date from 31st December to 31st May. As a result, the Company announces these results for the 12 months ended 31st December, 2001.

2. Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are 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 financial statements for the 12 months ended 31st December, 2000.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the accounts for the 12 months 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:

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 12 months ended 31st December, 2000 of HK\$1,047,796.

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.

Notes: (continued)

2. Basis of preparation and accounting policies (continued)

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 period has been recognised directly in the retained profits as brought forward at 1st January, 2000 and this also results in a decrease in the Group's net profit for the 12 months ended 31st December, 2000 of HK\$13,149,306.

3. 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, profit before taxation, assets, liabilities and capital expenditure by geographical locations is as follows:

	Turnover		Profit before taxation	
	12 months ended 31st December,		12 months ended 31st December,	
	2001	2000	2001	2000
	HK\$ '000	HK\$ '000	HK\$ '000	(Restated) HK\$ '000
Europe	468,420	562,911	24,053	36,607
America	81,155	60,838	(20,870)	(6,968)
Asia Pacific	39,281	46,899	12,157	4,452
	<u>588,856</u>	<u>670,648</u>	<u>15,340</u>	<u>34,091</u>

	Assets		Liabilities		Capital Expenditure	
	As at 31st December,		As at 31st December,		12 months ended 31st December,	
	2001	2000	2001	2000	2001	2000
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Europe	235,331	221,074	138,725	138,668	834	454
America	62,115	56,746	28,621	24,470	1,825	13,207
Asia Pacific	311,246	315,752	100,404	93,704	3,311	5,912
	<u>608,692</u>	<u>593,572</u>	<u>267,750</u>	<u>256,842</u>	<u>5,970</u>	<u>19,573</u>

Notes: (continued)

4. Profit before taxation

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

	12 months ended 31st December,	
	2001	2000 (Restated)
	HK\$'000	HK\$'000
Depreciation of fixed assets	10,217	10,512
Amortisation of intangible assets	2,963	2,862
Interest income	(8,285)	(11,417)
Interest expenses	16,111	14,874

5. Taxation

Taxation comprised:

	12 months ended 31st December,	
	2001	2000
	HK\$'000	HK\$'000
Company and subsidiaries —		
Current taxation		
Hong Kong profits tax		
— Provision for current period	500	4,500
— Under-provision in prior period	—	115
Overseas income tax		
— Provision for current period	445	263
— Over-provision in prior period	(9)	(268)
	<u>936</u>	<u>4,610</u>
Associate —		
Current taxation		
Hong Kong profits tax		
— Provision for current period	—	—
Overseas income tax		
— Provision for current period	—	—
	<u>936</u>	<u>4,610</u>

Hong Kong profits tax was provided at the rate of 16% (2000: 16%) 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)

6. Interim dividend

The Directors do not recommend payment of 2nd interim dividend for the 12 months ended 31st December, 2001. First interim dividend of HK0.15 cent (2000: HK0.38 cent) per share was paid on 15th November, 2001.

7. 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\$14,453,000 (2000: HK\$29,481,000) and the weighted average number of ordinary shares of approximately 3,102,032,000 (2000: 3,101,441,000) in issue during the period.

Diluted earnings per share

There is no diluted earnings per share for the period ended 31st December, 2001 as the Company has no dilutive potential ordinary share. Diluted earnings per share for the period ended 31st December, 2000 was calculated based on the consolidated profit attributable to shareholders of approximately HK\$29,481,000 and the weighted average number of ordinary shares of approximately 3,110,871,000 that would be in issue having been adjusted to reflect the effects of all dilutive potential ordinary shares issuable during the period.

8. Fixed assets

	Property, plant and equipment <i>HK\$'000</i>
Carrying value as at 1st January, 2001	37,031
Acquisition of subsidiaries	382
Additions	5,950
Exchange adjustments and disposals	(120)
Revaluation	(125)
Charge for the period	(10,217)
	<hr/>
Carrying value as at 31st December, 2001	<u>32,901</u>

Notes: (continued)

9. Intangible assets

	HK\$'000
Carrying value as at 1st January, 2001, as previously reported	56,738
Prior period adjustments	(14,473)
	<hr/>
Carrying value as at 1st January, 2001 as restated	42,265
Acquisition of subsidiaries	47
Additions	20
Exchange adjustments and disposals	(1,619)
Charge for the period	(2,963)
	<hr/>
Carrying value as at 31st December, 2001	<u>37,750</u>

10. Long-term investment

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

11. 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:

	As at 31st December, 2001 HK\$'000	As at 31st December, 2000 HK\$'000
In current month	12,769	54,173
Between 1 to 2 months	22,745	12,890
Between 2 to 3 months	6,777	7,474
Between 3 to 4 months	6,104	2,761
Over 4 months	4,434	1,836
	<hr/>	<hr/>
	52,829	79,134
	<hr/> <hr/>	<hr/> <hr/>

12. Accounts payable aging analysis

Aging analysis of accounts payable is as follows:

	As at 31st December, 2001 HK\$'000	As at 31st December, 2000 HK\$'000
In current month	28,640	21,156
Between 1 to 2 months	3,912	4,816
Between 2 to 3 months	4,023	245
Between 3 to 4 months	1,096	1,514
Over 4 months	—	67
	<hr/>	<hr/>
	37,671	27,798
	<hr/> <hr/>	<hr/> <hr/>

Notes: (continued)

13. Share Capital

	Number of ordinary shares of HK\$0.05 each	Nominal value HK\$'000
Balance as at 1st January, 2001	3,102,003,971	155,100
Issue upon exercise of warrants	54,724	3
	<u>3,102,058,695</u>	<u>155,103</u>
Balance as at 31st December, 2001	<u>3,102,058,695</u>	<u>155,103</u>

14. Reserves

	Share premium account HK\$'000	Exchange translation reserve HK\$'000	Retained profits HK\$'000	Goodwill HK\$'000	Other reserve HK\$'000	Total HK\$'000
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	—	—
	<u>31,224</u>	<u>(17,615)</u>	<u>85,986</u>	<u>81,964</u>	<u>71</u>	<u>181,630</u>
At 1st January, 2001 as restated	31,224	(17,615)	85,986	81,964	71	181,630
Premium arising from exercise of warrants	3	—	—	—	—	3
Profit for the period ended 31st December, 2001	—	—	14,453	—	—	14,453
Interim dividend paid	—	—	(4,653)	—	—	(4,653)
Other reserve	—	—	—	—	(2)	(2)
Exchange differences arising on translation of overseas subsidiaries' financial statements	—	(6,079)	—	—	—	(6,079)
	<u>—</u>	<u>(6,079)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,079)</u>
Balance as at 31st December, 2001	<u>31,227</u>	<u>(23,694)</u>	<u>95,786</u>	<u>81,964</u>	<u>69</u>	<u>185,352</u>

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:

	12 months ended 31st December,	
	2001	2000
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Sales of goods/services	5,654	7,005
Purchases of goods	2,358	2,221
Interest income	3,107	3,598
Allocation of operating costs	65,658	68,029
Management fee expenses	7,929	5,957
Royalty fee expenses	16,420	16,761

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 approximately HK\$1,251,000 (period ended 31st December, 2000: HK\$1,859,000) 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.

16. Contingent liabilities

Contingent liabilities in respect of bills discounted with recourse at 31st December, 2001 was approximately HK\$3,274,000 (as at 31st December, 2000: HK\$818,000).

17. Comparative figures

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

18. 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 12 months ended 31st December, 2001.