EGANA

JEWELLERY & PEARLS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH NOVEMBER, 2002

HIGHLIGHTS

Turnover increased by 45% reaching HK$369.30 million (2001: HK$253.99 million)

Profit from operations was up by HK$30.79 million to HK$48.69 million (2001: HK$17.90 million)

After-tax profit attributable to shareholders enhanced by HK$28.82 million to HK$39.04 million (2001: HK$10.22 million)

Shareholders' funds exceed HK$448.33 million

Interim dividend: HK6¢/share

RESULTS

The board of directors (the "Directors") of Egana Jewellery & Pearls Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th November, 2002 together with the comparative figures for the six months ended 30th June, 2001 which are summarised as under. These results have been reviewed by the Audit Committee of the Company.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Six months ended	
	30th November, 2002	**30th June, 2001**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover	369,300	253,995
Cost of sales	(217,057)	(115,310)
Gross profit	152,243	138,685
Other revenues	16,333	5,307
Distribution costs	(47,195)	(43,243)
Administrative expenses	(72,691)	(82,845)
Operating profit	48,690	17,904
Finance costs	(6,951)	(7,837)
Profit before taxation	41,739	10,067
Taxation *(note 3)*	(2,649)	154
Profit after taxation but before minority interests	39,090	10,221
Minority interests	(46)	—
Profit attributable to shareholders	39,044	10,221
Dividends	18,612	4,653
Earnings per share *(note 4)*		
Basic	12.59 cents	3.29 cents
Diluted	N/A	N/A

Notes:

1. **Share consolidation**

   On 4th September, 2002, an ordinary resolution was passed at an extraordinary general meeting to consolidate 5,000,000,000 shares of HK$0.05 each in the authorized share capital of the Company into 500,000,000 shares of HK$0.50 each by the consolidation of every 10 shares of HK$0.05 each into one consolidated share of HK$0.50 each.

2. **Basis of preparation and principal accounting policies**

   The condensed interim accounts have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

   The condensed interim accounts have been prepared under the historical cost convention, as modified for the revaluation of leasehold land and buildings and investments in non-trading securities.

   The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the seventeen months period ended 31st May, 2002, except as described below.

   In the current period, the Group has adopted, for the first time, a number of revised and new SSAPs as follows:

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 11 (Revised)	:	Foreign currency translation
SSAP 15 (Revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

   The adoption of these revised and new SSAPs has resulted in the adoption of the following revised and new accounting policies and changes in the presentation of cash flow statement and the statement of changes in equity.

   SSAP 11 (Revised) has eliminated the choice of translating the profit and loss account of overseas subsidiaries at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's overseas subsidiaries are translated at the exchange rate prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognized as income or expense in the period in which the Group's overseas subsidiary is disposed of.

   Under SSAP 15 (Revised), cash flows are now classified under three headings including operating, investing and financing activities. Interests and dividends paid which were previously presented under a separate heading are now classified as operating and financing cash flows respectively, whereas interests and dividends received are now classified as investing cash flows. Cash flows arising from taxes on income are now classified as operating activities, unless they can be separately identified with investing and financing activities.

   The adoption of these revised and new accounting policies had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

3. **Taxation**

Taxation comprised:

	Six months ended 30th November, 2002 *HK$'000*	Six months ended 30th June, 2001 *HK$'000*
Company and subsidiaries -		
Hong Kong profits tax		
- Provision for current period	2,500	500
Overseas income tax		
- Provision for current period	149	76
- Overprovision in prior periods	—	(730)
	2,649	(154)
Associate		
Hong Kong profits tax		
- Provision for current period	—	—
Overseas income tax		
- Provision for current period	—	—
	2,649	(154)

Hong Kong profits tax was provided at the rate of 16% (period ended 30th June, 2001: 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.

4. **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$39,044,000 (period ended 30th June, 2001: HK$10,221,000) and the weighted average number of ordinary shares of approximately 310,206,000 (period ended 30th June, 2001: 310,200,500) in issue during the period. The weighted average number of ordinary shares for the period ended 30th June, 2001 has been adjusted for the share consolidation as described in Note 1.

Diluted earnings per share

There was no diluted earnings per share for the periods ended 30th November, 2002 and 30th June, 2001 as the Company has no dilutive potential ordinary share.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK6 cents per share (period ended 30th June, 2001: HK0.15 cent per share based upon the number of shares prior to share consolidation as described in Note 1) payable on 29th April, 2003 to shareholders whose names appear on the register of members of the Company on 19th March, 2003.

BUSINESS REVIEW AND PROSPECTS

Echoing the promising revenue growth in the 5 months to 31st May 2002 of 9% as evident in our 2002 Annual Report, the first 6 months of this financial year 2002/03 continued to record robust revenue increment.

As compared to the first interim of 2001/02, the revenue for the period under review enjoyed a remarkable 45% increase, reaching HK$369.30 million.

This is attributable to our proactiveness in rationalizing our growth strategy from acquisition to focusing on product and business development which has been effective in 2001/02. This redefined strategy to steer the corporate direction is not a coincidence, and is indeed a calculated one - having regard to the Group's 4-year business plan since its IPO in 1998 that we managed to have our core platform, through appropriate acquisitions and mergers, soundly in place in 2001 to enable us to be better poised, and continue to capitalize on our internal strength and resources to prepare for the challenges ahead of us.

With the anticipated continuous growth in orders due to our successful marketing concept, and our commitment to increase the portion of in-house production for ongoing quality standard upgrade, better economies of scale and response time enhancement, an additional production facility was established in China and started operations in August 2002, sharing the proven success of our Speidel factory in Nanao in transferring cutting-edge technology and knowhow from Germany.

In this highly competitive business environment, we are pleased to be able to maintain a satisfactory gross margin which allows us to continuously develop and assemble the products with best quality standards. In addition to the vertically integrated manufacturing strength, the well established distribution network in Europe, a balanced portfolio of recognized brands in the upscale and fashion segments, and the customer satisfaction commitment are our core competitive advantages that enable us to be performing ahead in the industry.

In the ensuing period, EganaGoldpfeil Group has commenced to consolidate its 5 operations in Germany into a European Headquarters situate in Germany, and to establish a European Technology and Logistics Centre in close proximity to the new European Headquarters (to replace the existing 6 distribution centers) with anticipated full operation in 4Q 2003. Egana Jewellery, being a member of EganaGoldpfeil Group, also participated in these two value adding projects, resulting in higher cost efficiency, moving forward.

In fact, in the interim of 2002/03, there already reflected a 4% (as a percentage of turnover) improvement in distribution cost, in the midst of a 45% increase in sales. The distribution efficiency heralds the preliminary success of the European Technology & Logistics Centre, which upon the anticipated full operation in 4Q 2003 will be bringing a more enduring advantage.

There was a 13% (as a percentage of turnover) reduction in administration expenses, thanks to the European Headquarters program for consolidating the key functions for a more cost effective business model; and the constant risk management review process, thereby eliminating the non-productive / less-profitable functions.

Europe contributed 87% of the Group's revenue, with 10% from the US and 3% from Asia. The trendy and fashion brands (e.g. MEXX, Esprit, JOOP!, Pierre Cardin and Katarina Witt by Dugena) which are well received in Europe with ongoing coverage extension, are perceived to have prospective entry potential for the vast Asian market, including the PRC where the Group has undertaken the necessary pre-market feasibility study, and started to gain its foothold through proper strategic alliance, network relationship and a co-ordinated rollover of the proven communications program instituted in Europe, to Asia.

In the US, we pursue the focus differentiation strategy in the upscale and prestigious segments that Kazto platinum diversification and Abel & Zimmermann are playing their active roles. There will be new concept collections in conjunction with big and famous brands to launch new series. Our platinum collections continue to be well accepted in the US and, to maximize anticipated benefit from our vertically integrated mechanism, our Thai production facility, Keimothai, will be fully geared to accommodate for such order fulfillment.

We will continue to capitalize upon our internal resources and competitive strengths to bring value to our customers, to maximize the return on investment for increasing the shareholder value, and to secure a leading position as a respected jewellery powerhouse to participate in growing the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

With pragmatic business model and defined corporate strategy, the Group managed to weather through the economic downturn, and as a result secured a net profit margin of 10.6%, as compared to 4.02% in the first interim of 2001/02 or 4.9% for the entire financial period of 2001/02.

Profit from operations of HK$48.69 million brought positive operating cash inflow with cash and cash equivalent as of 30th November 2002 exceeding HK$155 million. This is believed to be sufficient to meet the foreseeable working capital requirements and maintain a healthy operating cashflow.

The strong current ratio of 2.1x (2001/02: 1.8x) is a result of the tight credit policy and sound inventory management practice, as evident by the facts that the debtors turnover was maintained at 47 days (against industry norm of 120 days); and that the inventory turnover was at 133 days (30% enhancement from the 2001/02's 190 days).

The gearing ratio (interest bearing debt to consolidated tangible net worth) was continuously improving by 7.3%, to reach 0.38 (as compared to market average of 1.1x). The Group continues to maintain leverage ratio at a comfortable level (net borrowing to consolidated tangible net worth) of 0.22, which allows the Group to leverage its borrowing level further in an optimal manner to cope with future expansion.

There exists continuous enhancement in shareholder funds, which was at HK$448.33 million as of 30th November 2002. There being no sign of impairment in value in the Company's investments and brand portfolio, the management considered that the independent valuation referred to in the 2002 Annual Report should prevail, with the Group's intrinsic value exceeding HK$1.3 billion.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17th March, 2003 to 19th March, 2003, both days inclusive, during which period no transfer of shares of the Company will be recorded.

EMPLOYEES

As at 30th November, 2002, the Group had approximately 2,500 employees. They were remunerated based on their experience, their qualifications, the Group's performance and market conditions.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the period ended 30th November, 2002.

CODE OF BEST PRACTICE

Except that the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings of the Company, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") throughout the period.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

On behalf of the Board
Hans-Joerg SEEBERGER
Chairman and Chief Executive

Hong Kong, 20th February, 2003

Please also refer to the published version of this announcement in The Standard.