

BUSINESS REVIEW & PROSPECTS *(continued)*

- In Asia, the Group will continue to work more extensively with prominent agents and distributors, particularly in the PRC whose entry into the World Trade Organisation has recently been approved. The management believes that the Group has competitive advantages in terms of internationally recognized brandname portfolio, strong production base and sourcing experience in the PRC over the competitors.
- In September 2001, the Group successfully participated 85% equity interest in Abel & Zimmermann, a German jewellery distributor with over 60% of its exports to the US. This enables the Group to expand the Europe and US markets further.
- The Group will continuously pursue its established globalisation strategy of "Think Globally, Act Locally" for ongoing business growth which will translate into shareholder value.

BUSINESS REVIEW & PROSPECTS

- The Group continues to commit itself to being a respected, leading brand jewellery marketer by providing quality products and customer service, extending value adding activities, and acting as a socially responsible corporate citizen for the benefit of its stakeholders.
- As a recognized trendsetter designing innovative and high quality fashion jewellery, the Group's Esprit Jewel has for 3 consecutive years been selected as the Jewel of the Year by German retailers. In March 2001, the Group was appointed the sales distributor of MEXX Jewel in Germany. The Group was also appointed in April 2001 the worldwide licensee for JOOP! jewellery. These additions reflect the Group's status in trend setting.
- After the success of the Group in launching creative series of Pierre Cardin jewellery, a separate team has been established to take care of this new product line. With the support of product design and development functions of Keimothai in Thailand and the experienced marketing executives in Europe, the Pierre Cardin jewellery products have been brought to a new horizon.
- The production capacity of Speidel factory and extended facility in the PRC, which is recognized as having the most advanced electroforming technology in Asia, has reached an annual production level of 3 million pieces, the record high after its transplantation from Germany to the PRC.
- Sales revenue for the period was HK\$254 million, 84% from Europe, 7% from America and 9% from Asia Pacific. The continuous depreciation of Euro for the period to the extent of 11% as compared with corresponding period last year resulted a decrease in the sales figure denominated in Hong Kong dollars. In fact, the Group still managed to maintain similar level of sales after adjusting for the translation effect of the weak Euro, in the midst of a global recession. This is mainly attributable to the Group's leading position in up-scale and fashion brand products; strong integrated in-house product development and production support; and well established distribution network in Europe. With the commitment to customer satisfaction and tight cost control through effective supply chain management, the Group sustained an attributable profit of approximately HK\$10.2 million for the period.
- The management believes that Europe, which is the most significant market of the Group, has great potential to grow. EganaGoldpfeil Group's watch and leather products network in Europe comprises of over 12,000 points of sales, whilst the Group's jewellery products network there approximates to 3,000 points of sales. With such strong back-up, the Group would further capitalize its resources to build up extensive sales network for jewellery products in Europe.

In the USA, with the possession of international brandnames and strong production support in Asia and proven distribution experience in Europe, the Group is seeking appropriate distributors for strategic alliance to expand the distribution business there.