

## Chairman's Statement

### FINAL RESULTS

The Group's businesses were unavoidably affected by the worldwide economic slowdown and severe price competition during the first half of this financial year. The slowdown was worsened by the terrorist attacks in the United States and persisted until the end of the financial year. Hence the Group's performance was adversely affected. As the sluggish global economy has not yet improved, there is still pressure on the Group's profit margin and overall performance in the future.

For the year ended 31 March 2002, turnover of the Group was HK\$1,714 million (2001: HK\$1,599 million), representing an increase of approximately 7.2%, but the profit attributable to shareholders decreased dramatically by 18.6% to HK\$79.2 million (2001: HK\$97.3 million). Basic earnings per share for the year was 28.8 cents (2001: 35.3 cents), representing a decline of 18.4% over last year.

### FINAL DIVIDEND

The Directors are pleased to propose a final dividend of 4.5 cents per share (2001: 6 cents) for the year ended 31 March 2002 to members, whose names appear on the Register of Members on 30 August 2002. The dividend will be paid on or before 18 September 2002.

### BUSINESS REVIEW AND PROSPECTS

The Group will continue to strengthen the competitiveness of its existing business operations in Hong Kong. In addition, the Group will actively develop its market in China with a prudent attitude. Given the enormous potential of the China market following its entry to the World Trade Organization, the Group has set up a wholly owned subsidiary in Shanghai Wai Gao Qiao Free Trade Zone to engage in watch trading and the results are satisfactory and encouraging. The China market is opening up and the operating environment in China is improving. The Group will grasp every business opportunity for further development in China. With the Group's extensive experience accumulated from the past operations and investments in China, the management is confident that such expansion will provide a satisfactory contribution to the Group in the future.

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The current depressed economic conditions in Hong Kong, such as the record high unemployment rate, contracted retail sales, and persistent deflation, have a definite negative impact on the retail market. The Group will strive to weather these difficulties and uncertainties to bring long-term value for its shareholders. Looking ahead, the Hong Kong economy shows little indication of early recovery, and the Board believes that it will take some time to see a clear recovery in the retail market of Hong Kong. However, the abolishment of the China tourist quota will provide opportunity for the retail market and improve local consumer confidence.

Barring unforeseen circumstances and based on the results achieved to date, the Board is confident that the Group will continue to maintain profitability in the current and coming years.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2002, the aggregate purchases attributable to the Group's five largest suppliers was approximately 98% of the group's total purchases and the aggregate sales attributable to the Group's five largest customers was less than 30% of the Group's total sales. The purchases attributable to the Group's largest supplier was approximately 87%.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, owned more than 5% of the share capital of any of the five largest customers or suppliers of the Group.

### CAPITAL AND FINANCE

Despite the less than satisfactory results, the Group can still maintain its policy of conservative capital management with its gearing ratio at a prudent level. The financial foundation of the Group is strong with ample cash flow. At the end of the financial year under review, the Group's net assets amounted to HK\$556 million (2001: HK\$503 million) with a net asset value per share HK\$2.02 (2001: HK\$1.83). The Group's net current assets increased by approximately 16.7% to HK\$454 million (2001: HK\$389 million). Shareholders' funds at 31 March 2002 reached HK\$556 million, up by 10.5% (2001: HK\$503 million). The Group had cash on hand of HK\$93.3 million (2001: HK\$55.7 million) as at 31 March 2002 whilst bank loans and overdrafts totaled Hk\$23.8 million (2001: HK\$12.2 million). The ratio of the Group's net bank borrowings was insignificant when compared to shareholders' funds.

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### APPRECIATION

On behalf of the Board of Directors, I wish to express our deep appreciation to the Group's customers and business partners for their continued support as well as to our employees for their loyal and dedicated service during the year.

By order of the Board

**Yeung Ming Bui**

*Chairman*

Hong Kong, 18 July 2002