

## CHAIRMAN'S STATEMENT

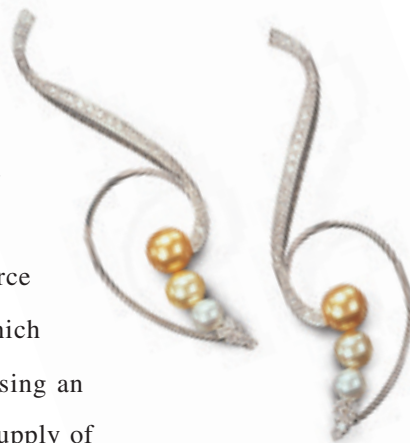


On behalf of the Board of Directors, I would like to present the results of the Group for the year ended March 31, 2001.

In the fiscal year of 2000/01, the Group recorded a turnover of approximately HK\$311.1 million, representing an increase of 11.4% as compared to last year.

The U.S. economy, acting as the global economic indicator, slowed down with weakened consumer sentiment during the year under review. Buyers were highly cautious when placing orders. While in Europe, the Euro was too weak to encourage imports. Despite all these, however, the Group managed to minimize the adverse effects of the unfavourable global economy by virtue of its solid experience in the industry and flexible marketing strategies.

Last year saw the Group's initial endeavors to explore e-commerce and continuous efforts to expand its pearl jewelry business, which both required investment to put up new infrastructure, thus causing an inevitable increase in administrative expenses. In addition, the supply of Chinese pearls, which referred to freshwater pearls in particular, had increased significantly and continuously dropped in price. To cope with the market trend, the Group decided to write down value on certain inventories, to a relatively large extent, at approximately HK\$65.4 million. For these reasons, the Group recorded a loss to shareholders of approximately HK\$49.8 million. After the write-down on inventories, the Group will become more flexible in its marketing and sales strategies and better-prepared for future growth.



*Silver Award of  
The 3rd International  
South Sea Pearl Jewellery  
Design Competition*

## CHAIRMAN'S STATEMENT

Despite the fact that the Group was not performing well last year, it has always been financially sound. As at March 31, 2001, the cash on hand was approximately HK\$114.0 million, which has been sufficient to sustain the Group's daily operations and expenses. The gearing ratio was 33.8%.

The Group is now modifying its business strategies and implementing stringent cost control measures. It is confident that its business will be back to the right track very soon.

### *The Final Dividend*

The Board of Directors does not recommend the payment of a final dividend for the year ended March 31, 2001 (2000: Nil).

### *Business Review & Prospects*

#### **Traditional Pearl Business:**

In the year under review, the quality of South Sea pearls kept on improving. With a slight increase in supply, its price was adjusted accordingly and became more competitive and attractive. Strong global demand for South Sea pearls had made it well sought after in the jewelry market. In view of this, the Group promoted South Sea pearls vigorously to further strengthen its market share. During the year, sales of South Sea pearls were remarkable, soaring by 82% as compared to last year. It accounted for approximately 42% of the Group's total turnover, increasing from 25% in the previous year.



## CHAIRMAN'S STATEMENT



The supply of Chinese freshwater pearls and Chinese cultured pearls increased significantly in the year and their prices continued to soften. Buyers' confidence was affected. Despite their abundant supply, their quality was improving. Once prices are stabilized, another surge in the demand cycle will boost the market. The management believes that the price of both types of pearls will soon be stable, and has every confidence in the growth in their demand.

The demand for pearl jewelry products was rising. The Group underwent an internal restructure on product development. Expertise and vigorous efforts were put on South Sea pearl and Chinese freshwater pearl jewelry in particular, and integrating with various value-added services to suit the demand of different countries. Though the Group is still incubating its pearl jewelry business, it firmly believes that it will have a promising future and will bring better returns to the Group.



The PRC economy has been growing with huge potential in the jewelry retail market. To capture these business opportunities, the Group had set up a total of six jewelry outlets in the PRC, in Nanjing, Shenyang, Dailin and Hangzhou respectively. All these outlets were performing steadily. Following the PRC's accession into the WTO, she will definitely have an economic take-off. The demand for jewelry will surge and the tide will turn in the Group's favor.

# CHAIRMAN'S STATEMENT

## **E-Commerce Business:**

The Group is engaged in e-business through its subsidiary, Cyber Bizport Limited. Its B2C website, [www.4376zone.com](http://www.4376zone.com), had celebrated its first anniversary in the year. Despite that its performance was not as good as expected, the Group will dedicate itself to diversifying its contents, products and markets to provide more pleasure in online shopping. The Group will persist in stringent costs control, minimize expenses and so strengthen the effectiveness of its operations.



Additionally, the Group is still developing its B2B trading platform. This new marketplace will re-engineer and facilitate operation efficiency among business partners, such as suppliers and customers.



## *Conclusion*

On behalf of the Board of Directors, I would like to take this opportunity to extend my sincere thanks to the Group's shareholders, customers and suppliers for their continued support and trust. I would also like to thank all my colleagues for their efforts and contributions in the past. The Group will seek every opportunity to achieve the best possible returns for its shareholders.

**Cheng Chung Hing**

*Chairman*

Hong Kong, June 28, 2001