

## **MANAGEMENT COMMENTARY**

### **BUSINESS REVIEW & PROSPECTS**

During the six months ended 31st December, 2001, the Group achieved a turnover of HK\$501,306,000 and a profit attributable to shareholders of HK\$11,363,000 compared to the turnover of HK\$466,904,000 and the profit of HK\$26,669,000 in the same six months period for the previous year. This represents an increase of approximately 7% in turnover over that achieved in the same six months period for the previous year.

The Group's core business is the exporting of jewellery and diamond to USA and European markets which are still suffering from the impact caused by the September 11 incident in New York. The Group has tried to maintain its market share in the jewellery manufacturing business by expanding the product mix and production of low margin items.

With more demands for inventory supports in forms of returns and memo programs, the Group has made appropriate provisions for stock re-cycling and trade receivables in pursuant to its prudent financial policy. All these factors accounted for the decrease in the profit of the Group. To maintain strong financials and liquidity, the Group has been pursuing an aggressive control over its purchases and inventory assets. Of course, the marketing effort has been further pursued to ensure better customer relationship and growth in future business.

There have been signs and data reflecting the end of the recession in the US market which is expected to recover in the third or fourth quarter of 2002. Along with the recovery of the US economy, the management is confident that both turnover and profitability of the Group will improve.

The architectural design of the Group's property investment in Tin Hau Temple Road was changed in order to meet the latest market conditions of the property market, allowing better living environment and also more choice for the customers. Therefore, the construction work for this project is expected to start in April this year and to be completed in mid-2003.

### **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK\$0.01 per ordinary share for the six months ended 31st December, 2001 (2000: HK\$0.01), totalling HK\$2,798,000 (2000: HK\$2,762,000), payable in cash on Friday, 19th April, 2002.

The register of members of the Company will be closed from Friday, 12th April, 2002 to Monday, 15th April 2002, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to qualify for the above dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Central Registration Hong Kong Limited, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on Thursday, 11th April, 2002.

## **LIQUIDITY AND FINANCIAL RESOURCES**

In line with the Group's prudent financial management, the Group has been able to maintain a healthy balance sheet. As at 31st December, 2001, the Group has a low gearing ratio of 0.03, calculated on the basis of the Group's bank borrowings over shareholders' funds, total cash and bank balances was HK\$178,545,000 (30th June, 2001: HK\$151,735,000) exceeding bank loans and overdrafts of HK\$18,485,000 (30th June, 2001: HK\$17,164,000).

## **PLEDGE OF ASSETS**

As at 31st December, 2001, certain leasehold land and buildings and property under development of the Group and the shares of a subsidiary with an aggregate net book value of HK\$125,814,000 (30th June, 2001: HK\$125,571,000) have been pledged to bank to secure general banking credit facilities granted to the Group.

## **CAPITAL STRUCTURE**

There was no change to the Group's capital structure during the six month ended 31st December, 2001.

## **NUMBER OF EMPLOYEES AND REMUNERATION POLICIES AND SHARE OPTION SCHEMES**

As at 31st December, 2001, the Group employed a total of approximately 2,500 employees, the majority of whom are employed in the PRC. The Group remunerates its employees largely based on industry practice.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

The Group's borrowings are primarily denominated in Hong Kong dollars. The Group has no significant exposure to foreign exchange fluctuations.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st December, 2001, the interests of the Directors and chief executive of the Company in the issued shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register maintained by the Company under section 29 of the SDI Ordinance or as notified to the Company were as follows:

| Name of directors       | Number of shares  |                              |
|-------------------------|-------------------|------------------------------|
|                         | Personal interest | Family and Other interest    |
| Chan Sing Chuk, Charles | –                 | 123,786,000<br><i>(Note)</i> |
| Cheng Siu Yin, Shirley  | –                 | 123,786,000<br><i>(Note)</i> |
| Choy Jee Hong, Anthony  | 1,000,000         | –                            |
| Chu Wai Kok             | 8,000             | –                            |

*Note:* Mr. Chan Sing Chuk, Charles and Madam Cheng Siu Yin, Shirley are beneficiaries of several discretionary trusts, which through Tamar Investments Limited, Fortune Gold Limited, Magic Hand Limited, and Climb High Company Limited were the beneficial owners of 67,432,000 shares, 37,754,000 shares, 9,450,000 shares and 9,150,000 shares all of HK\$0.10 each in the share capital of the Company respectively as at 31st December 2001.

## SUBSTANTIAL SHAREHOLDERS

As at 31st December 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those of the Directors and chief executive as disclosed above.

## CODE OF BEST PRACTICE OF THE LISTING RULES

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 31st December, 2001.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 31st December, 2001.

On behalf of the Board  
**Chan Sing Chuk, Charles**  
*Chairman*

Hong Kong, 22nd March, 2002