



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, 2002.

In the year under review, the Group posted a decrease in turnover of HK\$28.4 million from HK\$311.1 million in 2001 to HK\$282.7 million in 2002. The decrease in turnover was mainly attributable to a general slow down of the economies of, and weakened business confidence in, many of the Group's major markets, especially after the attack in New York on September 11, 2001. The turnover in the last quarter, however, posted a strong rebound and recorded HK\$79.6 million as against HK\$68.0 million for the comparative period in last year because of increased marketing efforts by the Group and improvement in the market sentiments.

Net profit for the year was HK\$20.4 million compared to a net loss of HK\$49.8 million in 2001 due to a write-down in value on certain inventories.

HUMAN RESOURCES

The Group has approximately 700 (2001: approximately 650) employees. The majority of these employees work in the PRC. Remuneration of the Group's employees include basic salaries and bonuses. The Group incurred staff cost of approximately HK\$33.1 million for the year ended March 31, 2002 (2001: approximately HK\$37.0 million). In order to attract and retain a high caliber of capable and motivated human resources, the Company offers share options to staff based on the individual performance and the achievement of the Company's objectives and targets.

BUSINESS REVIEW AND PROSPECTS

Of the various pearl products offered by the Group, South Sea pearls (including white and gold South Sea pearls and Tahitian black pearls) continued to constitute the largest share of its total turnover at approximately 48% (2001: approximately 42%). The global demand for South Sea pearls continues to grow. South Sea pearls, at present, are very popular among international fashion designers in their jewellery designs. The Group believes this fashion trend shall sustain and expects Tahitian black pearls, in particular, shall soon become a market focus. To capitalise on this global market trend, the Group is strengthening its marketing and sales efforts for South Sea pearls by virtue of its well-established purchasing network. Such network has allowed it to purchase top quality South Sea pearls in large amounts and at competitive prices. The Group will enhance its promotional and marketing efforts for South Sea pearls in order to strengthen its market share.





On Chinese freshwater and cultured pearls, there are signs that their supply and selling price have been stabilised. With the continuing improvement in quality of Chinese cultured pearls against Japanese cultured pearls, the Group is shifting its sales towards the Chinese cultured pearls.

The Group also provides value-added services including jewellery design to customers to boost sales.

At present, the global economy has not settled into any steady trend and, in particular, the economies of the Group's major markets are yet to show clear signs of recovery or growth in the near terms. The Group will remain responsive to the market conditions, and continues to undertake measures to control operating costs, improve quality of products and to enlarge customer base. With the entry of the PRC into the World Trade Organization, the Group is positive about the future demand for pearl and jewellery products in the PRC and will take steps to strengthen its presence there.

The e-commerce business continues to operate steadily. The Group will continue to minimise costs and enhance the effectiveness of this operation.



FINAL DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the year ended March 31, 2002 (2001: Nil).

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 continuing support and trust. I would also like to thank all my colleagues for their hard work and contributions in the past year.



The Group will continue to adopt prudent yet aggressive strategies, get well prepared in capturing every opportunity for further expansion and in achieving the best possible returns for its shareholders.

Cheng Chung Hing
Chairman

Hong Kong, June 28, 2002