

Management Discussion and Analysis

OVERALL GROUP RESULTS

The results of the Group for the year ended 31st March, 2002 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 15 to 17.

The Group's turnover for the year decreased by 16.3% as compared with that of last year. The Group's consolidated net loss before taxation for the year was HK\$16,655,000. The loss per share was HK3.7 cents.

JEWELLERY RETAILING AND BULLION TRADING

The retail sector of Hong Kong has been hard-hit and the Group's retail business was still affected by weak consumer sentiments resulting from high unemployment rate and prevalent salary cuts during the year. In the financial year of 2001/2002, turnover of the Group's gold ornament, jewellery, watch and gift retailing business declined by 11.4% to HK\$501 million and the turnover of bullion trading decreased by 22.2% to HK\$241 million.

As high unemployment rate and prevalent salary cuts continue to weaken the consumer sentiments in Hong Kong, we believe that the local retail market will remain to be bleak for some time.

SECURITIES BROKING

During the year under review, the commission income from the securities broking division of the Group decreased by 48.3% as a result of the weak worldwide stock markets and the Hong Kong stock market.

INVESTMENTS

As at 31st March, 2002, the Group still held 2,554,000 shares in the Hong Kong Exchanges and Clearing Limited amounting to HK\$30,903,000. The Group also held certain non-trading investments listed outside Hong Kong amounting to HK\$13,270,000.

FINANCE

As at 31st March, 2002, the Group's current assets and current liabilities were HK\$590 million and HK\$151 million respectively. There were bank balances and cash of HK\$30 million and unsecured bank loans and overdrafts of HK\$123 million.

Based on the total borrowings of HK\$178 million and the shareholders' funds of HK\$463 million of the Group, the overall borrowings to equity ratio was 38.4%, which was at a healthy level. The Group has undrawn banking facilities of approximately HK\$356 million, which can be used for any investment opportunities and to cover any anticipated funding needs.

EMPLOYEES

As at 31st March, 2002, there were approximately 230 employees employed by the Group. The employees are remunerated according to the nature of their jobs and are entitled to an incentive bonus scheme based on their performance.