

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30th September, 2002 (2001: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Results**

For the six months ended 30th September, 2002, turnover for the Group increased by 40.8% to HK\$870.2 million (2001: HK\$618.2 million). Profit from operations amounted to HK\$44.6 million (2001: HK\$43.1 million) while profit attributable to shareholders was HK\$25.6 million (2001: HK\$22.4 million).

Increase in turnover was mainly due to the contribution from the 3D-GOLD Tourism Exhibition Hall and the growth of the Group's business in Mainland China and Hong Kong. The gross profit margin increased from 14.7% in 2001 to 17.5% in the reporting period, largely contributed from increase of sales in retail business which is of higher profit margin. Gross profit amounted to HK\$152.1 million (2001: HK\$91.1 million).

Coupled with the expansion of retail business, the Group continued to increase its promotion costs for the "3D-GOLD" and "La Milky Way" products and brands in the period under review. As a result, the selling, distribution and marketing expenses now accounted for 6.6% of total turnover, as compared with 1.9% in 2001. Management believes that such an investment will enhance the Group's brand value to sustain overall profitability in the long term. General and administrative expenses also showed an increase from HK\$36.4 million in 2001 to HK\$49.9 million in the 2002 period, along with the general expansion in business volume of the Group. Its ratio as a percentage of total turnover, however, slightly dropped down to 5.7% (2001: 5.9%). Following the lowering of interest rate, interest expenses of the Group decreased from HK\$17.2 million in the first half year in 2001 to HK\$11.9 million in 2002.

Profit attributable to shareholders has attained a growth of 14.1% to HK\$25.6 million for the six months ended 30th September, 2002 (2001: HK\$22.4 million).

**Business Review**

Mainland China and Hong Kong remains as the Group's largest market. For the six months ended 30th September, 2002, the Mainland China and Hong Kong market accounted for 81.3% of the Group's total turnover and generated HK\$707.4 million in sales. Compared with same period last year, sales in Mainland China and Hong Kong grew by 75.3% in 2002. The upsurge in total sales of Mainland China and Hong Kong was mainly due to:

- (1) enhanced popularity of the Group's products and more extensive market recognition of the Group's brands in Mainland China and Hong Kong;
- (2) expansion of distribution network for retail business by -
  - (a) increasing the number of "3D-GOLD" and "La Milky Way" franchised retail outlets in Mainland China;
  - (b) establishment of more sales outlets in large department stores and shopping malls in Hong Kong for selling products under the brand name "3D-GOLD" and "La Milky Way";
- (3) substantial increase of tourists visiting the Group's "3D-GOLD Tourism Exhibition Hall"; and
- (4) the growing demand for luxurious brand name gold and jewellery products in Mainland China, which was resulted from the country's steady economic growth.

For the six months ended 30th September, 2002, contribution to the Group's total turnover from overseas markets were respectively 9.0% for Southeast Asia, 4.8% for Europe, 4.8% for the United States of America and 0.2% for others. The total sales in these overseas markets dropped by 24.1% to HK\$162.8 million (2001: HK\$214.6 million), following the weakening global economy in the reporting period.

### **Future Prospects**

In October 2002, the Group announced the Grand Opening of the extension of “3D-GOLD Tourism Exhibition Hall” in Hunghom. The new extension provides an additional 30,000 square feet of retail space to host the ever increasing number of visitors. Now, the “3D-GOLD Tourism Exhibition Hall” has more capacity to serve its customers and become a famous tourist spot in Hong Kong. With the HKSAR Government’s policies in promotion of Hong Kong tourist industry and the relaxation of Mainland citizens visiting Hong Kong, management is confident that the Hall will continuously bring in more and more retail business to the Group in the coming years. The Group is also researching the possibility of setting up “3D-GOLD Tourism Exhibition Hall” with different themes in Macau and in other major cities in Mainland China to further enhance its success in tourism business.

In Mainland China, the Group continues to expand its retail network for “3D-GOLD” and “La Milky Way” branded products as planned, and has opened a number of new franchised retail outlets during the reporting period. Demand from customers for the Group’s branded products is promising. As market potential in Mainland China is enormous, growth in sales revenue for the Group is expected in parallel with the establishment of new franchised retail outlets.

### **Liquidity and Financial Resources**

As at 30th September, 2002, the Group maintained an aggregate banking facilities of HK\$586,745,000 (31st March, 2002: HK\$475,277,000), of which HK\$51,337,000 (31st March, 2002: HK\$32,783,000) had not been utilised. The Group primarily uses its internally-generated cashflow and banking facilities to finance its operations and business developments. Management is of the view that the Group has sufficient funding for such purposes. Interest on bank borrowings is charged at commercial lending rates to the Group. Certain assets of the Group have been pledged to banks for such banking facilities.

The Group’s gearing ratio as at 30th September, 2002 (ratio of aggregate bank borrowings to equity) was 0.93 (31st March, 2002: 0.79). Additional bank borrowings were raised by the Group to fund the business expansion during the period.