



On behalf of the Board of Directors, I would like to present the results of the Group for the year ended March 31, 2003.

In the year under review, the Group posted an increase in turnover of HK\$40.4 million from HK\$282.7 million in 2002 to HK\$323.1 million in 2003, representing an increase of 14.3% against last year. The increase in turnover was mainly attributable to the overall improvement in market sentiment with major area of growth in Asia (including the PRC and Thailand) and North America in the second to fourth quarters. The turnover in the last quarter, alone, posted a strong performance and recorded HK\$98.0 million as against HK\$79.6 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 showed an increase of HK\$6.2 million to HK\$26.6 million representing an increase of 30.4% when compared to HK\$20.4 million in 2002.

HUMAN RESOURCES

The Group has approximately 969 (2002: approximately 700) employees. The majority of these employees work in the PRC. Remuneration of the Group's employees includes basic salaries and bonuses. The Group incurred staff cost of approximately HK\$35.2 million for the year ended March 31, 2003 (2002: approximately HK\$33.1 million). In order to attract and retain a high calibre of capable and motivated human resources, the





Company offers share options to staff based on individual performance and the achievement of the Company's objectives and targets.

BUSINESS REVIEW AND PROSPECTS

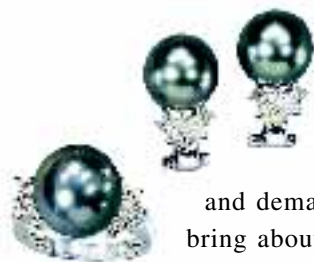
Of the various pearl products offered by the Group, South Sea pearls (including white and gold South Sea pearls and Tahitian black pearls) continued to constitute the largest share of its total turnover at approximately 50% (2002: approximately 48%). The global demand for South Sea pearls continues to grow. South Sea pearls, at present, are very popular among international fashion designers in their jewelry designs. The Group believes this fashion trend on South Sea pearls, especially on Tahitian black pearls, shall sustain and become a market focus. To capitalize 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. Continued promotional and marketing efforts for South Sea pearls will be made to suit the market demand and to further strengthen the Group's market share in this segment.

The Group also provides value-added services including jewelry design to customers to boost sales. The Group continues to capture its strength in its core business while diversifying to expand on its jewelry business. During the year, the group has expanded its jewelry business by acquiring assets including fixed assets, inventories and customer information from a jewelry company in order to further expand its business clientele located in Europe and to enlarge the Group's market share. The Group will remain responsive to the market conditions, and continue to undertake measures to control operating costs, improve quality of products and to enlarge customer base.

The negative impact of the Iraq War and SARS on consumer spending, as well as the ban of Hong Kong jewelry manufacturers and merchants from the Basel trade show in Switzerland in March 2003, one of the largest annual jewelry trade shows in the world, are well publicized in the press. However, with the Iraqi War concluded, and SARS on the wane, there appears to be a general improvement of consumer spending sentiment. Hong



Kong jewelry manufacturers and merchants have had encouraging results at the "JCK" trade show in Las Vegas starting late May 2003. We are closely monitoring the market, while it may be necessary on occasions to deploy various flexible marketing/pricing strategies to re-engage our customers after these major world events, which may in turn exert some pressure on profit margin. We shall continue to efficiently respond to, if not anticipate, our customers' tastes and demands. We believe offering the right product/service mix to our customers will bring about the best results of operations. In addition, while the newly acquired jewelry business may have a profit margin that is slightly lower than our existing pearl and pearl jewelry businesses, we expect it to contribute positively to our overall profits. With the entry of the PRC





into the World Trade Organization, the Group believes that the demand for pearl and jewelry products in the PRC will grow and it will continue to take steps to strengthen its presence there. Therefore, by strengthening our core pearl business, expanding further into the jewelry business, simultaneously controlling overall expenditures and enhancing effectiveness of its operations, we remain optimistic for the coming year.

FINAL DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the year ended March 31, 2003 (2002: Nil).

PROPOSED BONUS ISSUE OF SHARES

The Board of Directors proposed a bonus issue of shares be made to shareholders whose names appear on the register of members on August 6, 2003 in the proportion of one bonus share for every ten shares held (the "Bonus Issue"). The bonus shares will be credited as fully paid and will rank *pari passu* in all respects with the existing issued shares with effect from the date of issue, but not rank for the Bonus Issue. No fractional shares will be issued but will be aggregated and sold. The proceeds of sale will be retained for the benefit of the Company.

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 interests for its shareholders.

Cheng Chung Hing

Chairman

Hong Kong, June 27, 2003