

In the year ended 31st March, 2003, the Group faced a very unfavourable business environment as a result of the continuing downturn of the Hong Kong economy. The prevalent salary cuts, high unemployment rate and continued deflation in Hong Kong have weakened consumer sentiments. Moreover, the outbreak of the Severe Acute Respiratory Syndrome ("SARS") in March, 2003 had further worsen Hong Kong's economy.

### REVIEW OF OPERATIONS

For the year ended 31st March, 2003, the Group's overall turnover decreased by 26.0% as compared with that of last year mainly due to a drop in the turnover of bullion trading. As a result of the transfer of the Group's refining and related bullion trading business to the joint venture company in China, turnover of the Group's bullion trading decreased to HK\$30 million. The joint venture company in China successfully completed its refining pilot run and started to make contribution to the Group.

Despite the continued weak consumer sentiments, turnover of gold ornament, jewellery, watch and gift retailing business of the Group increased slightly by 2.9% to HK\$516 million as a result of its effective marketing strategy. The commission income from the securities broking business of the Group decreased by 40.6% as a result of the continued decline in trading volume of the Hong Kong stock market.

The Group recorded a consolidated net operating loss of HK\$26,816,000 for the year. Excluding the impairment loss of non-trading investments, the net operating loss was HK\$6,589,000 for the year. The operating result of the Group was slightly improved mainly due to the increase in turnover of the retailing business and its related gross profit.

### DIVIDEND

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

### PROSPECTS

Due to the impact of SARS outbreak and the unfavorable fundamental economic factors such as record high unemployment rate and prevalent salary cuts in Hong Kong, we believe that the local retail market will remain to be bleak for some time.

The Group will strengthen the promotion of its branded jewellery of "how" for young customers. Two more "how" collection concept shops will be opened in the coming year. The management will continue the staff training and development program to maintain a high standard of customer service.

There are currently three franchised retail outlets in each of Beijing and Hangzhou. The Group plans to open two franchised retail outlets in Shandong and Chekiang Provinces. The management will also seek opportunity to diversify its activities into other business operations to generate more stable income.

## Chairman's Statement *(Continued)*

### APPRECIATION

On behalf of the Board of Directors, I would like to thank our staff members for their support in the past year.

**Yeung Ping Leung, Howard**  
*Chairman*

Hong Kong, 11th July, 2003