

## Management Discussion and Analysis

### OVERALL GROUP RESULTS

The results of the Group for the year ended 31st March, 2003 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 16 to 18.

The Group's turnover for the year decreased by 26.0% as compared with that of last year. The Group's consolidated net operating loss for the year was HK\$26,816,000. The loss per share was HK6.2 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. 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.

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.

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.

### SECURITIES BROKING

During the year under review, the commission income from the securities broking division of the Group decreased by 40.6% as a result of the weak Hong Kong stock market.

### INVESTMENTS

As at 31st March, 2003, the Group held 2,554,000 shares in Hong Kong Exchanges and Clearing Limited amounting to HK\$21,198,000. The Group also held certain non-trading investments listed outside Hong Kong amounting to HK\$5,394,000.

### FINANCE

As at 31st March, 2003, the Group's current assets and current liabilities were HK\$583 million and HK\$155 million respectively. There were bank balances and cash of HK\$26 million and unsecured bank loans and overdrafts of HK\$140 million.

Based on the total borrowings of HK\$173 million and the shareholders' funds of HK\$439 million of the Group, the overall borrowings to equity ratio was 39.4%, which was at a healthy level.

### EMPLOYEES

As at 31st March, 2003, 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.