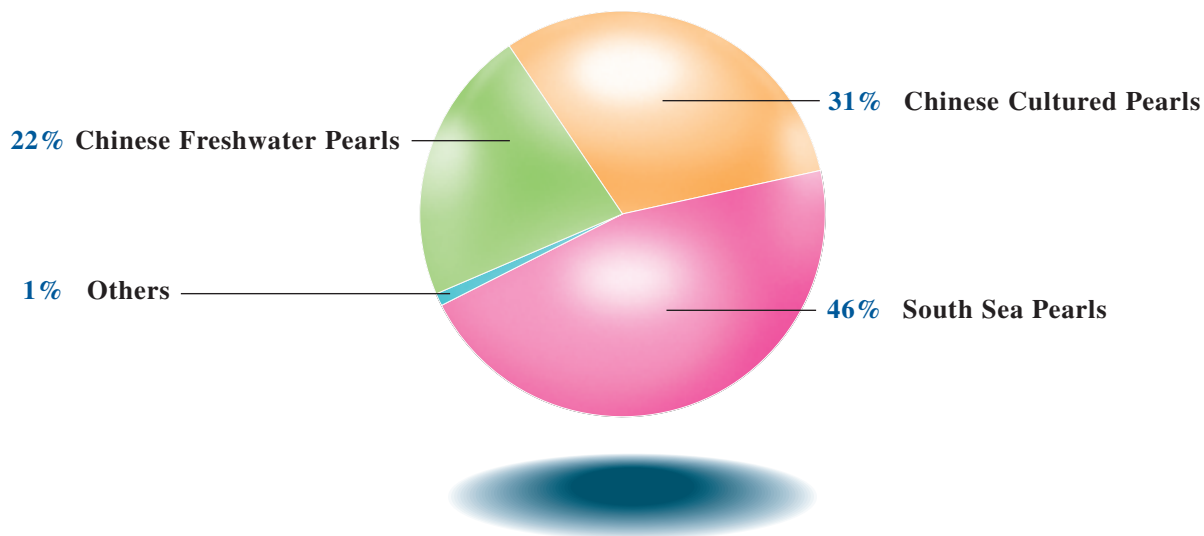




Financial Review

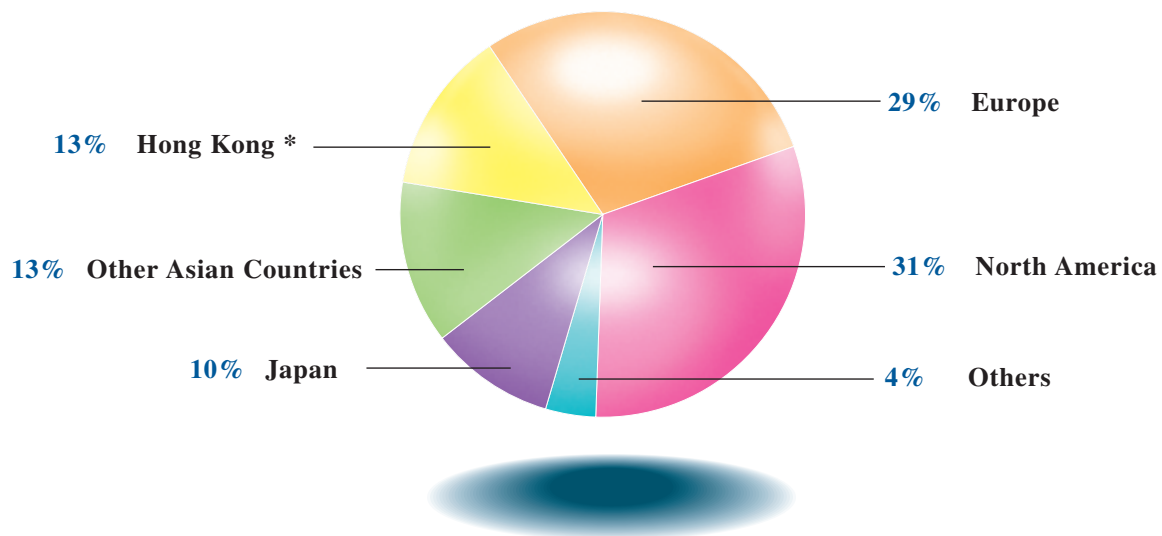
TURNOVER BY PRODUCTS

for the year ended March 31, 2004



TURNOVER BY REGION

for the year ended March 31, 2004



* A majority of sales in Hong Kong are for exporters and manufacturers



USE OF PROCEEDS FROM ISSUE OF NEW SHARES

The proceeds from issue of new shares by the Company in September 1997, net of listing expenses, were approximately HK\$123.4 million. The net proceeds have been fully utilized as stated in the prospectus except for the following unutilized balance, which has been placed on short term bank deposits in Hong Kong Banks:

- (a) approximately HK\$26 million for the expansion of processing facilities of Chinese cultured pearls and freshwater pearls; and
- (b) approximately HK\$23 million for the investment in pearl farms in major pearl producing countries.

The net proceeds from the placing of 40,000,000 new shares by the Company in August 1999 were approximately HK\$12.75 million. The net proceeds have been fully utilized for the purpose as stated in the announcement dated August 6, 1999 except for approximately HK\$3 million for retail market development in pearl products in the PRC being unused. The said balance was deposited in various banks in Hong Kong.

On July 3, 2003, the Board of Directors (the “Board”) announced that it is in the best interests of the Company and the Company’s shareholders to modify the usage of the unutilized balance of the proceeds and changed the use of unutilized proceeds of approximately HK\$52 million to the following purposes:–

- (i) approximately HK\$20 million for the expansion and improvement of the jewelry manufacturing facilities;
- (ii) approximately HK\$12 million for the promotion of pearl and jewelry businesses;
- (iii) approximately HK\$20 million for general working capital of the Group.

At March 31, 2004, the HK\$52 million was unutilized with the same usage as disclosed on July 3, 2003. The said amount is deposited in various banks in Hong Kong.

SALES AND CUSTOMERS

The Company’s customers consist principally of jewelry manufacturers, wholesale jewelry distributors and mass jewelry merchandisers in Europe, the United States, Hong Kong and other Asian countries. The Company’s policy is to denominate all its sales in either US dollars or Hong Kong dollars. Since Hong Kong dollar remained “pegged” to the US dollar throughout the financial year, the Board does not anticipate significant risks of fluctuations in the exchange rate between the US dollar and the Hong Kong dollar in the foreseeable future.

For the year ended March 31, 2004, the five largest customers of the Company accounted for approximately 22.1% (2003: 19.0%) of the Company’s sales with the largest customer accounting for approximately 8.6% (2003: 9.2%) of the Company’s sales.



PURCHASE AND SUPPLIERS

For the year ended March 31, 2004, approximately 27.5% of the Company's purchases were made in US dollars, with the remaining amount settled in Hong Kong dollars, Renminbi and Japanese Yen. It is the Company's policy not to enter into derivative contracts unless the Company considers it necessary to hedge against foreign exchange fluctuations. No such derivative contract had been entered into during the year.

For the year ended March 31, 2004, the five largest suppliers of the Company accounted for approximately 52.6% (2003: 43.6%) of the Company's total purchases, with the largest supplier accounting for approximately 12.7% (2003: 13.2 %) of the Company's total purchases.

None of the Directors, their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) or any shareholders of the Company (who or which, to the knowledge of the Directors, owns more than 5% of the issued share capital of the Company) has any interest in any of the Group's five largest suppliers.

FINANCIAL RESOURCES AND LIQUIDITY

- (a) At March 31, 2004, the Group had working capital of HK\$247.7 million, which included a cash balance of HK\$90.5 million, compared with working capital of HK\$276.6 million, which included a cash balance of HK\$75.6 million at March 31, 2003. The current ratio as at March 31, 2004 was 6.5 compared to 10.4 as at March 31, 2003. Net cash inflow from operating activities for the year ended March 31, 2004 was HK\$80.2 million as compared to HK\$32.6 million for the year ended March 31, 2003.
- (b) The Company had available working capital facilities of HK\$95.5 million in total with various banks at March 31, 2004. Such banking facilities include letter of credit arrangements, import loans, overdraft and other facilities commonly used in the jewelry business. All such banking facilities bear interest at floating rates generally offered by banks in Hong Kong and PRC, and are subject to periodic review. At March 31, 2004, the Group did not utilize sub-credit facilities. The Group believes that funds to be generated from internal operations and the existing banking facilities will enable the Group to meet anticipated future cash flow requirements.



Financial Review

- (c) At March 31, 2004, the Group had pledged the following assets to banks to secure bank borrowings and general banking facilities:

	2004 HK\$'000	2003 HK\$'000
Carrying amount of leasehold land and buildings	74,980	39,050
Carrying amount of investment properties	132,662	83,894
	207,642	122,944

- (d) The Group's exposure to foreign currency is mainly in US dollars (sales transactions) and Renminbi (purchases of pearls). The Group does not foresee a substantial exposure to fluctuations in exchange rate since (i) Hong Kong dollars remained pegged to US dollars, the Company's sales proceeds have had minimal exposure to foreign currency fluctuations; (ii) Renminbi is relatively stable in relation to other currencies, thus the Group does not commit in any exchange rate hedges.

GEARING RATIO

At March 31, 2004, the Group had total debts amounted to HK\$11.6 million, equal to 2.4% of shareholders' funds of HK\$489.4 million. The gearing ratio was 5.4% at March 31, 2003 as the Group had total debts of HK\$22.0 million and shareholders' funds of HK\$408.9 million after incorporating the restatement adjustment made as a result of the adoption of SSAP 12 (Revised) on "Income Taxes" in 2003.