



On behalf of the Board, I would like to present the results of the Group for the year ended March 31, 2004.

In the year under review, the Group recorded an increase in turnover of HK\$59.0 million from HK\$323.1 million in 2003 to HK\$382.1 million in 2004, representing an increase of 18.3% against last year. The increase in turnover was mainly attributable to (i) the overall improvement in market sentiment after the impact of the "Iraq War" and "Severe Acute Respiratory Syndrome" ("SARS"), (ii) the increased revenue contribution on pearls and jewelry finished products, (iii) our strengthened marketing efforts, flexible pricing strategies and (iv) value added services to satisfy our customer's needs. The major areas of growth were in Europe and North America from the second to fourth quarter. The turnover in the last quarter, alone, posted a strong performance and recorded HK\$107.2 million as against HK\$98.0 million for the comparative period in last year, representing an increase of 9.4% against last year.



Net profit for the year showed an increase of HK\$12.6 million to HK\$37.2 million representing an increase of 51.4% when compared to HK\$24.6 million after incorporating the restatement adjustment made as a result of the adoption of SSAP 12 (Revised) on "Income Taxes" in 2003.



## Chairman's Statement



### HUMAN RESOURCES

The Group has approximately 1,096 (2003: approximately 969) 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\$40.9 million for the year ended March 31, 2004 (2003: approximately HK\$35.2 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 the individual performance and the achievement of the Company's objectives and targets.

### BUSINESS REVIEW AND PROSPECTS

With global demand on South Sea pearls sustaining to grow, South Sea pearls (including white and gold South Sea pearls and Tahitian black pearls) continue to perform to be the largest share of our Group's total turnover, representing approximately of 46.4% (2003: approximately 50%). South Sea pearls at present are very popular among international fashion designers in their jewelry designs and this trend will be expected to continue. In order to capitalize on this growth, the Group has been strengthening on its marketing and sales efforts on South Sea pearls and through its well established purchasing networks, our Group can purchase top quality South Sea pearls in large amount and at competitive prices. In addition, our Group also places emphasis



on continual promotional and marketing efforts on South Sea pearls in order to capture the market demand and to further strengthen our Group's market share. On top of it, the Group also provides value-added services including jewelry designs to customers to increase our sales.

On the jewelry product side, the Group has been exploring on new potential customers during the year. We have also further expanded on our marketing and distribution network through marketing efforts such as attending international trade shows and exhibitions, marketing campaigns and advertisements. In return, we have successfully increased our jewelry product's market share in Europe covering various new segments of clients like retail chains and



department stores. We keep on strengthening our own production capabilities and product quality so as to support on our increased orders. At the same time, we have built up our own design team offering unique and wider range of choices to our jewelry customers.

2003 was a volatile year on Hong Kong economy. Further to the negative impact on consumer spending on SARS in the Group's first quarter of the year, the economy has recovered quickly in the latter part of the year. We have closely monitored on the change of the market environment in response to customers' taste and demand, while using various flexible pricing strategies to engage our customers to ensure we are efficiently responding to the market situation which in

turn having pressure on our profit margin.

We believe that the economy will continue to grow in a healthy and steady pace despite there are policies taken by the China government recently to avoid overheating of China economy. We believe that offering the right products/services mix to our customers will bring the best results to our operations. We further strengthen our core pearl business and expand on assembled jewelry in our product mix simultaneously through our aggressive marketing and flexible pricing strategies. On top of these tactics, we continue to conduct effective cost controls measures. With the PRC's entry into the World Trade Organization and the overall improvement in worldwide economy, we are optimistic in achieving better results and we look forward to having a prosperous year ahead.

### FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended March 31, 2004 (2003: Nil).

### CONCLUSION

On behalf of the Board, 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 possible returns for its shareholders.

**Cheng Chung Hing**

*Chairman*

Hong Kong, June 29, 2004

