

Chairman's Statement

In the first quarter of this financial year, the retail sector of Hong Kong was seriously affected by the outbreak of Severe Acute Respiratory Syndrome ("SARS") and worsen by the continued deflation in Hong Kong. The turnover of the Group plunged to its lowest level in April of 2003. However, the economy of Hong Kong rebounded dramatically in the second half of this financial year with the successful control of SARS, relaxation of travel restrictions by the Chinese Government on mainland travellers and the favourable outlook for the benefits arising from Closer Economic Partnership Arrangement ("CEPA"). Overall, the Group has achieved a profitable result under the volatile and challenging operating environment for the year ended 31st March, 2004.

REVIEW OF OPERATIONS

During the year under review, the Group disposed of a property with a profit of HK\$13,922,000. For the year ended 31st March, 2004, the Group's consolidated profit before taxation amounted to HK\$24,632,000. The Group's turnover for the year increased by 8% as compared with that of last year.

After the impact of SARS in the first few months of this financial year, Hong Kong retail industry has benefited from the increase of mainland travellers and the improving economic environment in the second half of this financial year. For the year under review, turnover of the Group's gold ornament, jewellery, watch and gift retailing increased to HK\$561 million. The commission income from the securities broking division of the Group increased by 99.4% as compared with that of last year as a result of the growth in the worldwide stock markets and the continued increase in trading volume of the Hong Kong stock market. The metal refining business of the joint venture company in China has a positive contribution to the Group.

During the year under review, the Group opened four additional "how collection" retail shops in Hong Kong and authorised four franchised king fook jewellery retail shops in China. Also, the Group authorised its first franchised shop of "masterpiece by king fook" at a prime location in Shanghai. The King Fook jewellery shop located at Hotel Miramar Shopping Arcade was refurbished at the end of October 2003, presenting a brand new shop image. The Group has obtained the sole dealership rights in Hong Kong for Jacob and Co. in respect of a spectacular timepiece and "starlight", the 98-facets octagon diamond. Both products have been successfully launched in the market.

DIVIDEND

The Board of Directors resolved to recommend the payment of a final dividend of HK0.5 cent (2003: Nil) per ordinary share to shareholders whose names appear on the Register of Members of the Company on 27th August, 2004 subject to the approval of shareholders at the forthcoming annual general meeting.

PROSPECTS

Looking forward, the retail sector of Hong Kong is expected to benefit from the rise in consumer spending sentiment, increase of visitors from mainland China upon further relaxation of restriction on mainland travellers from more provinces in China and the improving economic environment such as stabilised property market and decreasing deflation rate.

The Group will continue to develop its own branded jewellery. The "4 in 1", a new branded jewellery featuring a unique craftsmanship with attractive price, was launched in June 2004. The Group plans to carry out its refurbishing program for two shops this year to give customers a new shopping experience. The Group will step up marketing and promotional programme to promote its image. To maintain a high standard of customer services, the management will carry on with the staff training and development program.

Chairman's Statement (Continued)

PROSPECTS (Continued)

The Group will seek opportunities to expand its franchised business in China and to diversify its business operations.

The management will continue its prudent management policy to improve the Group's business.

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, 9th July, 2004