

Chairman's Statement



Mr. Cheng Chung Hing
Chairman

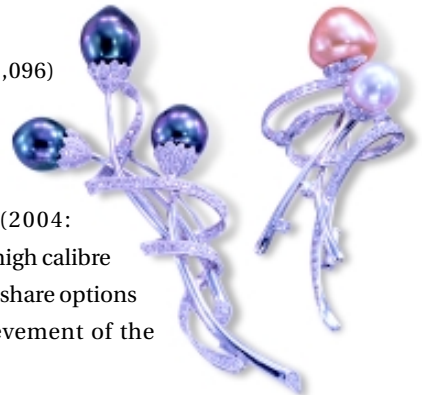
On behalf of the Board, I would like to present the results of the Group for the year ended March 31, 2005.

In the year under review, the Group recorded an increase in turnover of HK\$30.2 million from HK\$382.1 million in 2004 to HK\$412.3 million in 2005, representing an increase of 7.9% against last year. Results of the first quarter last year were undermined by negative economic effects brought by Severe Acute Respiratory Syndrome ("SARS") and the Iraq war. The positive growth this year was mainly due to an overall improvement in global economy, an increase in the Group's turnover in pearls and jewelry as well as its adoption of flexible and effective pricing strategies.

Net profit for the year showed an increase of HK\$34.3 million to HK\$71.5 million representing an increase of 92.2% when compared to last year. This increase in net profit was mainly contributed by the disposal of an investment property which had brought about a gain of HK\$33.4 million to the Group.

Human Resources

The Group has approximately 1,284 (2004: approximately 1,096) 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\$47.5 million for the year ended March 31, 2005 (2004: approximately HK\$40.9 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

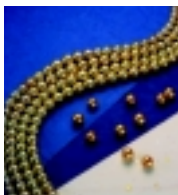
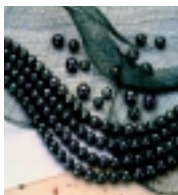
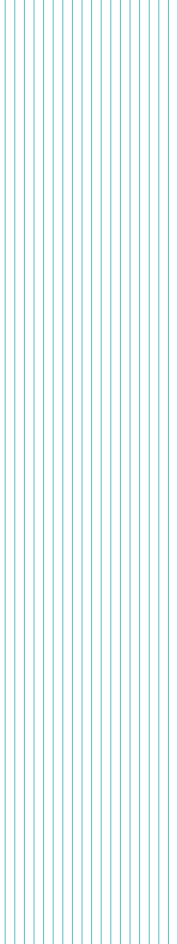
Given the sustaining demand for South Sea pearls, we continue to place emphasis on the sale of South Sea pearls, which comprised 42.1% of the Group's total sales. In order to further increase our strength in the pearl and jewelry sector, we created our own in-house design and manufacturing teams, which gives us better quality control in designing and producing assembled pearl jewelry and jewelry products. Through competitive prices and improved quality, we managed to have solid growth in the sales of our pearl and jewelry finished products.

While South Sea pearls attract sophisticated customers, freshwater pearls still have great potential in the youth and teenage market. We maintain classical and elegant designs of pearl strands and jewelry products for our more sophisticated customers while at the same time developing fashionable and trendy designs targeting younger and teenage customers with prices ranging from affordable to high end.

We maintain our quality and prices of products through our experienced buyers and our good purchasing network together with our unique pearl processing techniques and skills in producing finished products. We also emphasize offering fashionable and vivid designs to maintain the attraction of our products.

In order to maintain the market exposure of our Group and products as well as to keep abreast of the latest fashion and jewelry market trends, we attend international tradeshows and exhibitions. At the same time, we keep investing in our production facilities to solidify our back-end manufacturing operations in order to support our increased sales orders while maintaining our good quality of production.

We will continue to build our customer base to expand our assembled jewelry sales while working to maintain our strong market position in our core pearl business. Looking ahead, we believe that the global economy will keep on growing at a healthy pace and we will keep pursuing new business opportunities including venturing into new market segments, enlarging our customer base and strengthening market share. We will also keep an eye on potential investment opportunities beyond the pearl and jewelry industry with a view to bringing about the best returns to the Group and its shareholders. In the coming fiscal year, we intend to pursue aggressive marketing strategies offering the right product and service mix to engage new customers and keep our current customers, capture high-potential investment opportunities, while at the same time maintaining effective cost control measures. We believe our performance in the coming year will continue to be promising.



Chairman's Statement**Final Dividend**

The Board does not recommend the payment of a final dividend for the year ended March 31, 2005 (2004: Nil).

**Proposed Bonus Issue of Shares**

The Board of Directors proposed a bonus issue of shares be made to shareholders whose names appear on the register of members on August 1, 2005 in the proportion of one bonus share for every ten shares held (the "Bonus Issue"). Based on the 909,763,825 shares in issue as at June 28, 2005, 90,976,382 bonus shares will be issued. The bonus shares will be credited as fully paid and will rank pari passu in all respects with the existing issued shares with effect from the date of issue, but not rank for the Bonus Issue. No fractional shares will be issued but will be aggregated and sold. The proceeds of sale will be retained for the benefit of the Company.

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 future ahead is full of challenges, yet promising opportunities are also underway. At a time when the Group prepares and equips itself to meet challenges, it strives to capture every opportunity for growth and expansion. With a sufficient working capital and a prudently aggressive development strategy, the Group aims at achieving the best possible returns for all its shareholders.

Cheng Chung Hing
Chairman

Hong Kong, June 28, 2005

