

## Chairman's Statement



**Mr. Cheng Chung Hing**  
Chairman

*Net profit for the year showed an increase of HK\$1.0 million to HK\$43.0 million representing an increase of 2.3% when compared to last year.*

On behalf of the Board, I would like to present the results of the Group for the year ended March 31, 2006.

In the year under review, the Group recorded a decrease in turnover of HK\$34.0 million from HK\$412.3 million in 2005 to HK\$378.3 million in 2006, representing a decrease of 8.2% against last year. The decrease in turnover is primarily due to the decline in demand of South Sea pearls of our US customers and to a lesser extent, the strong upward swing of bullion price which impacted our sales order on assembled jewelry products.

Net profit for the year 2006 showed an increase of HK\$1.0 million to HK\$43.0 million when compared to the net profit after restatement of HK\$42.0 million in 2005, representing an increase of 2.3%. The increase in net profit was mainly due to the lower administrative expenses and an increased contribution of the interest income in this year.

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### Human Resources

The Group has approximately 1,030 (2005: *approximately 1,284*) 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\$44.5 million for the year ended March 31, 2006 (2005: *approximately HK\$47.5 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

South Sea pearls' performance is still the Group's main core business stream apart from our assembled pearl jewelry and jewelry products, representing 39.9% and 45.6% respectively. The geographical analysis shows that the European market continues to grow at a healthy pace while US market has dropped in this year. Sales of freshwater pearls have shown an increase in performance indicating that freshwater pearls have their potential in attracting those customers with a more affordable price range segment.

On the property investment side, the Group has committed into a project investment located in Zhuji, Zhejiang, PRC. Zhuji Municipal is one of the largest freshwater pearls nurturing and trading centres in the PRC supplying comprehensive range of freshwater pearls and other pearl products. The project will involve building a new international market place together with related facilities in Zhuji. Capturing the existing market customer base in this existing marketplace, we expect the project will further enlarge our Group's customer base and business. The initial registered capital is US\$20 million which will be injected after the year ended March 31, 2006 and the estimated investment is US\$40 million. The first phase will cover a land use area of more than 400,000 sq. metres. Our Group owns 49% interest of this project.



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Despite the drop in the Group's sales performance in this year, we have a full team of designers offering wide range of innovative and trendy products design to our customers as well as a full team of skilful labor to ensure our superb production quality of our pearls and jewelry products. By expanding our customer network through pro-active marketing as well as continuous investment in our back-end production equipment and improvements made in our techniques, we will keep on working hard to achieve a better sales performance result. In addition, our cost-control measures will continue to enforce to ensure expenditures are incurred in a cost-effective way.

Furthermore, with our coming project investment located in Zhuji and due to the strategic importance of its location, our customer base will expect to be enlarged and we can also build a global brand name to become one of the market leaders in the pearl industry. This can further diversify and expand our Group's property investment business. Looking forward, our business future looks promising and we expect that this Zhuji project investment can bring our Group into another level.

### Final Dividend

The Board does not recommend the payment of a final dividend for the year ended March 31, 2006 (2005: 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 work hard in capturing every opportunity for future growth and expansion, yet the future ahead is full of challenges. By adopting prudent strategies and aggressively pursuing for future development, we will make the best use of every business opportunity ahead and bring excellent returns to our shareholders.

**Cheng Chung Hing**  
Chairman

Hong Kong, June 28, 2006

