

MANAGEMENT DISCUSSION AND ANALYSIS

In 2001, the Group had focused in selling more high-end fine jewellery products to upscale department stores and prestigious chain retail networks, thereby improving its gross profit margin from 47.7% to 54.6%. The overall slowdown in economy and devaluation of Euro currency had restricted the growth in Group's sales revenue as well as reduced its net margin. However, our debt collection was slightly improved to 49 days as a result of proper credit control. The Group continued to maintain a sound interest cover of 4.5x, which allows the Group to gear up its borrowing level for future expansion. The current ratio was 1.8x, which compares favourably to the industry norm. The Group's gearing ratio was 0.36x which remains well ahead of the industry average of 1.1x.

We are optimistic that the Euro currency will be getting stronger in the second half of the year and look forward to continuing deliver positive results for shareholders.