

# CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the Company's annual report for 2000.

## Results

The Group's turnover for the year ended 31st December, 2000 was HK\$671 million (US\$86 million). Operating profit before taxation was HK\$48.3 million (US\$6.2 million) with distributable earnings of HK\$43.7 million (US\$5.6 million).

## Dividends

An interim dividend of HK0.38 cent per share was paid on 15th November, 2000. With a view to enabling continuous business growth through defined strategies including strategic alliance and fusion, thereby enhancing our shareholder value, the Board does not recommend payment of any final dividend for the year ended 31st December, 2000.

## Closure of Register of Members

To establish shareholder's entitlement for attending the

Company's annual general meeting on 20th June, 2001, the Company's register of members will be closed from 18th June, 2001 to 20th June, 2001 (both days inclusive). No transfers of securities will be recorded during such period.

## Operations Review

2000 was a **year of challenge**. 84% of our Group turnover was derived from Europe, an **increase of 15%** over 1999. The steep drop of the Euro against the US dollar to the extent of 20% from the beginning of the year was an unexpected development and adversely impacted our results for 2000. Group turnover was HK\$671 million (US\$86 million). We are fortunate that despite the weakened Euro, our turnover was just 3% less than 1999. Therefore in absolute terms, when excluding the effect of the devalued Euro, we have in **real terms increased** our turnover by approximately 9%. We attribute this to our ongoing commitment to **quality products and services** as well as **value adding activities**, which allow continuous growth of our network and product coverage.

Profit attributable to shareholders was HK\$43.7 million (US\$5.6 million). In 2000, we have **expensed instead of**

**deferred** certain promotion and advertising expenditure, thereby increasing our distribution costs by HK\$13 million (US\$1.7 million) or nearly 2% of turnover. This amount included marketing and feasibility studies of the US jewellery market throughout the year to assess the **potential launch** of *Carrera* and *Goldpfell* jewellery in the forthcoming years, as well as developing new marketing and advertising campaigns to ensure effective and dramatic launch of these new collections for the US market. This accounting treatment is in anticipation of a **change in policy** in having all pre-launch promotion expenditure expensed, instead of amortized over 3 years effective 2001.

In addition to the above, the impact of the devalued Euro directly affected our profit by approximately HK\$25 million (US\$3.2 million) as a result of the following:

► The price and terms of our branded products are normally established at the inception of the launch. It is our prevailing policy to keep these unchanged as far as practicable for the season to ensure fairness, thereby demonstrating our long-term commitment to our business partners. The fall of the Euro has thus effectively had an estimated HK\$21 million (US\$2.7

million) effect being included in the administrative expenditures. This has proven to be favourable and of long-term benefit in establishing closer relationship with strategic partners and associates to enable them to participate with the Group to minimize any currency effect on the product prices.

- ▶ Administrative expenditure also included an unrealized exchange loss of HK\$4 million (US\$0.5 million) due to revaluation at the year end date.

Excluding the effect of the devaluation of the Euro (which eroded the operating margin to 7.2%) and adjusting the pre-launch promotion expenditure to the prevailing policy, the operating profit enjoyed a **double digit growth rate**.

Shareholder fund increased by HK\$25 million (US\$3.2 million) to HK\$351 million (US\$45 million).

During the year, we continued to **strengthen our dominant presence in Europe** as a proven trendsetter designing innovative and high quality fashion jewellery. The Company's **own jewellery brands** include *duNouveau*, *Goldpfell*, *Carrera*, *Jacquelin*, *Kazto*, *Pierre Cardin*, *Speidel* and *Yamato (Perlen)*. Licensed brands include *Esprit*

*Jewel* and *Katarina Witt by Dugena*. Since first launched in 1997, *Esprit Jewel* has for three consecutive years been selected as the **Jewel of the Year** by German retailers, a testament to our creative designs. Our commitment to focus our efforts on our **branded products** resulted in their contributing 86% to Group turnover, up from 70% in 1999.

## Going Forward

We continuously update our processes to meet the challenges of the new millennium, as well as strive to set the **latest trends and innovations** in our jewellery collections. Our strengths in jewellery manufacture continue to reach new heights. Our factory in Thailand will act as a centralized location for the sourcing of precious and semi-precious stones for the Group, to cope with the increased production and procurement requirements. We anticipate that we can extend this efficient sourcing service to our peers. We also plan to increase production of customer label collections and to sell directly to upscale department stores. We will improve and streamline our processes with the contribution of our **Logistics & Manufacturing system** and our extensive use of intranet, extranet, and video

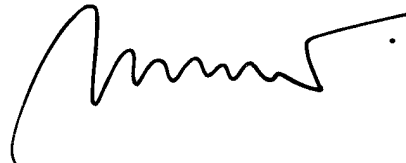
conferencing as a means to improve our internal processes and our customer relationship management.

In this connection, **Egana Information Technology Limited** was established as a fellow associate, to provide Enterprise Resource Planning and the Logistics & Manufacturing systems to the Group and other entities in the industry for the betterment of the community in terms of **operation efficiency enhancement** and as an **additional revenue stream** for the Group.

We will continue to pursue our Group vision of being a **respected, leading multi-brand powerhouse**, with our **mission** of ensuring **quality** jewellery products and customer service, extending **value adding activities**, and acting as a socially **responsible corporate citizen** for the benefit of our stakeholders. This is in line with the Group's major strategies to drive our ongoing business growth, namely "**Think Globally, Act Locally**", "**Related Diversification**" and "**Expansion through Organic Growth and Strategic Alliance**". This will contribute to the realization of our goal of enjoying **ongoing double digit income growth** to enhance shareholder value.

## Acknowledgements

On behalf of the Board, I would like to express our heartfelt thanks for the industrious efforts and contribution of our employees and deep appreciation for their dedication to the Group. With the ongoing support of our shareholders, customers, employees and other business associates, we are confident of bright future prospects for our Group.



Hans-Joerg SEEBERGER

Chairman and Chief Executive

Hong Kong, 26th April, 2001