

Management's Discussion and

管理層討論及分析 Analysis



Operation Review 業務回顧

Overall Group Results

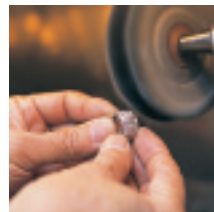
Turnover for the year was HK\$1,177.5 million (2000: HK\$1,271.9 million), representing a decrease of 7% mainly as a result of the continuing difficult conditions in the local retail market and lower tourist spending in Hong Kong.

Profit from operations was HK\$66.2 million (2000: HK\$142.7 million). The decline was caused by a decrease in property related income following the Group's divestment of non-core properties, non-recurrence of recovery of a bad debt and an increase in the provision for obsolete inventory during the year. We have evaluated critically our inventory portfolio and have made a provision for obsolete inventory amounting to HK\$40.4 million for the year. Had the effect of the provision been excluded, the overall gross margin would have shown an absolute improvement of 1.4% point compared to the prior year's 35.9% gross margin.

集團整體業績

本年度之營業額為港幣1,177,500,000元（二零零零年：港幣1,271,900,000元），較去年減少7%，主要由於香港本地零售市場之經營環境氣氛淡靜及遊客之消費力減弱所致。

經營盈利為港幣66,200,000元（二零零零年：港幣142,700,000元）。經營盈利下降之原因乃由於本集團在本年度出售非核心物業後由物業產生之收入減少及去年之已收回壞帳並無在本年度再次出現而引起，另外過時存貨之撥備增加亦為下降之原因。董事會在本年度作仔細評估本公司之存貨組合，並提撥合共港幣40,400,000元之過時存貨撥備。倘排除上述撥備所帶來之影響，則應錄得整體毛利較去年之35.9%毛利增加1.4%。



Loss attributable to shareholders was HK\$68.3 million (2000: HK\$285.6 million), an improvement of HK\$217.3 million. Loss per share improved from HK\$0.76 to HK\$0.20. Finance costs, loss on disposal and revaluation of properties and provision for unrecoverable debts were substantially reduced from those in last year, reflecting the result of the restructuring efforts.

Hong Kong Operation

Decrease in turnover was mainly attributable to the lower level of our retail and showroom sales in Hong Kong. The bursting of the technology stock bubble in the U.S. and elsewhere, uncertainties over the structural change of the Hong Kong economy and slowing down of the U.S. economy made local consumers increasingly more conservative towards consumption. On the other hand, thanks to the improvement of sales mix, our gross margin improved. This indicated that consumers, though cautious, are still willing to pay for products with value for money.

The Group has always been dedicated to improving the value of our products and services to our customers. Our product design has been well recognised by the profession. It was evidenced by our Creative Manager, Mr. Tommy Yuen's winning of the Gold Awards in The Third International South Sea Pearl Jewellery Design Competition and The Buyers' Favorite Diamond Jewellery Design 2000. On top of that, our colleagues also won another six awards in different competitions during the year.

股東應佔虧損為港幣68,300,000元 (二零零零年：港幣285,600,000元)，較去年之虧損數字減少港幣217,300,000元。每股虧損由去年之港幣0.76元減至本年度之港幣0.20元。融資成本、出售及重估物業所致之虧損及無法收回債務之撥備均已較過往年度大幅減少，顯示本集團為重組而付出之努力所帶來之成果。

香港業務

營業額減少之主要原因為本集團在香港之零售店及珠寶展覽場之銷售額下降所致。由於美國及其他國家之科技股泡沫爆破、香港經濟出現結構上之改變導致前景不明朗，加上美國經濟增長速度放緩等因素令到本地消費者在消費時抱持更保守之態度。另一方面，由於本公司銷售組合改善，毛利亦因此上升。此現象顯示消費者在謹慎之餘，仍然願意購買物有所值之貨品。

本集團一直以來致力於提升產品及對客戶服務之質素。本公司之創作總監袁志偉先生分別贏得第三屆國際南洋珍珠首飾設計比賽金獎及二零零零年最受買家歡迎鑽石首飾設計金獎，足以證明本公司之產品設計在業內被受推崇。此外，同事們亦在本年度內分別在不同比賽中贏得六個獎項。

The management is determined to replenish our inventory portfolio with more contemporary and quality design products. Our product design and merchandising departments have been reorganised and empowered to become more responsive to market changes. A series of projects, such as a computer-aided design centre and expansion of moulds-building capability, have commenced to enable ourselves to offer wider range of contemporary and quality design to our customers.

To accommodate the trend towards decentralisation of the population in Hong Kong, the Group has been carrying out more jewellery exhibition sales to serve our customers in different areas of Hong Kong with a competitive cost structure.

The Group will redevelop the information technology system in the coming year to re-engineer the business processes to bring about greater administrative and logistics efficiency and control.

Overseas Operations

Turnover from overseas operations was HK\$454.4 million (2000: HK\$385.6 million), with a 17.8% growth from last year. Sales in Mainland China were steady whilst sales from operations in Taiwan, Thailand and Malaysia showed signs of recovery with double digit growth.

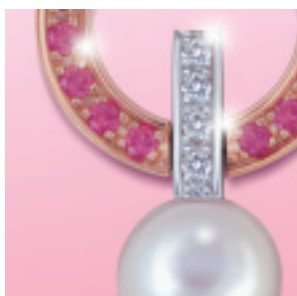
管理層決定在存貨組合內重新注入更時尚流行兼匠心獨運之產品。本集團已重組產品設計及商品採購部門，並授命各同事須緊貼追隨市場潮流之改變而作出迅速反應。本公司已開始進行一連串項目，例如設立電腦輔助設計中心及增強製模能力，務求能夠向客戶提供廣泛及新潮精美產品系列。

為適應現時之香港人口分佈趨勢，本集團一直均在香港各區舉辦更多珠寶展覽會，為客戶提供在成本價格上具有競爭力之產品。

本集團在來年將會重新發展資訊科技系統，旨在重新制定業務流程，以提升行政及物流各方面之效率及管理。

海外業務

海外業務之營業額為港幣454,400,000元（二零零零年：港幣385,600,000元），較去年增加17.8%。國內之銷售情況穩定，而台灣、泰國及馬來西亞之業務之銷售情況亦呈現復甦跡象，共錄得雙位數字之增長。



Mainland China has enjoyed one of the fastest and most sustained periods of economic growth in its history and we believe the conditions remain in place for this to continue. It will be the most important market for the Group. In April 2001, the Group set up a jewellery processing joint venture in Beijing, which enables the Group to have a stronger foothold in this expanding market.

The Group will continue to improve operating efficiency and control in all overseas operations.

Employees

The Group has approximately 850 employees. Employees are rewarded on a performance basis with reference to market practice. Other employee benefits include medical cover and subsidies for job-related education as well as an employee share option scheme.

Staff is provided with on-the-job training and formal job-related training by sharing of experiences of seniors and by outside professional trainers.

環顧過去，中國之經濟均以最快速度持續增長，我們深信這個情況將會持續一段長時期。中國內地將會是本集團最重要之市場。在二零零一年四月，本集團在北京成立一個珠寶加工合資企業，令本集團能夠在這個日益龐大之市場內奠定一個更穩固的基礎。

本集團將會繼續改善其他海外業務之營運效率及管理。

僱員

本集團僱用約850名員工。僱員之薪酬均參照市場標準及員工各自之表現而訂定。其他僱員之福利包括醫療及與工作有關之進修津貼，本集團亦有提供僱員優先認股權計劃。

員工均會獲提供在職培訓，並透過與資深同事互相交流工作經驗及由集團以外之專業訓練人員提供與工作有關之正式訓練。

Financial Review

財務回顧

During the year, the Group continued to divest its non-core assets. As at 28th February, 2001, the book value of non-current assets was HK\$86.6 million comprising mainly furniture and fixtures and properties used for retail shops, showrooms and offices. They are principally financed by equity.

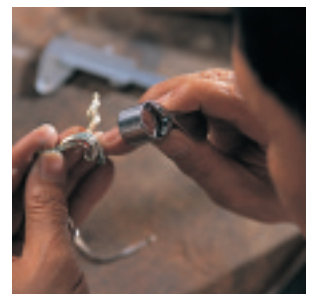
Pursuant to the Subscription Agreement of the preference shares dated 31st December, 1997, if the preference shares have not been converted into ordinary shares, the preference shares are to be redeemed by the Company on 28th February, 2002. We are in an advanced stage of negotiation with the preference shareholder to redeem the preference shares in consideration for an interest in certain subsidiaries of the Company. The Company will make all the necessary disclosures when a definitive agreement is reached with the preference shareholder. Barring unforeseen circumstances, the Company is optimistic in reaching an agreement with the preference shareholder.

As at 28th February, 2001, total interest-bearing borrowings amounted to HK\$352.7 million (2000: HK\$409.9 million), a reduction of HK\$57.2 million. All of the Group's borrowings are denominated in local currency. The bank borrowings were secured and interests were determined on the basis of inter-bank market rates. Interest cover (ratio of profit from operations before net interest expenses to net interest expenses) for the year was 2.1 times.

在本年度內，集團繼續出售非核心資產。截至二零零一年二月二十八日止，本集團之非流動資產帳面值為港幣86,600,000元，主要包括用於零售店、珠寶展覽場及辦事處之傢俬、裝修及物業。彼等大部份以股本提供資金。

根據於一九九七年十二月三十一日訂立之優先股認購協議，倘優先股在二零零二年二月二十八日尚未被兌換為普通股，則須由本公司於同日贖回。本公司已進一步與優先股持有人磋商有關以本公司若干附屬公司之權益作為代價贖回優先股。待本公司與優先股持有人達成決定性協議之時便會作所有有關之披露。如無意外，本公司對與優先股持有人達成協議一事抱有樂觀態度。

於二零零一年二月二十八日，付息貸款總額為港幣352,700,000元（二零零零年：港幣409,900,000元），較去年減少港幣57,200,000元。本集團之全部貸款均以當地貨幣定值。銀行貸款乃有抵押，而利息則按銀行同業借貸之市場息率釐定。本年度之盈利對利息倍數（未計利息支出淨額之經營盈利對利息支出淨額之比率）為2.1倍。



The figure for net asset value declined from HK\$207.4 million to HK\$113.3 million mainly as a result of the loss for the year and a deficit on revaluation of properties. Gearing (ratio of interest-bearing borrowings less cash and bank balances to net asset value), therefore, increased from 1.5 times to 2.7 times.

On 3rd August, 2000, the Company entered into a debt restructuring agreement (the "Restructuring Agreement") with its bank creditors. The restructuring is for a period of five years and three months or up to an earlier date when repayments reduce the total bank indebtedness to HK\$150 million. Pursuant to the Restructuring Agreement, the Group is required to divest non-core assets to reduce its borrowings. The Group is also required to reduce its borrowings, at least HK\$24 million a year starting from 3rd November, 2000. Interest is payable during the restructuring period. The Company and certain of its wholly-owned subsidiaries have charged all of their undertakings, properties and assets by way of debentures and mortgages or second mortgages as security for the restructured bank indebtedness under the Restructuring Agreement. During the year under review, the Company repaid HK\$51.4 million to its bank creditors under the Restructuring Agreement, thereby reducing the balance to HK\$347.4 million from HK\$398.8 million. Under the terms of the Restructuring Agreement, the majority participating lenders may terminate the Restructuring Agreement at any time by servicing a 14-day notice on the Company. The whole balance due under the Restructuring Agreement is therefore classified under the current liabilities. The directors believed that up to the date of this report, there was no reason to believe that the bank creditors would not continue the Restructuring Agreement. Up to the latest practicable date, the Group has further disposed of certain non-core assets and made fixed repayment in accordance with the Restructuring Agreement. Loan balances under the Restructuring

資產淨值之數字由港幣207,400,000元減至港幣113,300,000元，主要由於本年度虧損及重估物業所產生之虧損所引致。因此，資產負債比率(附息貸款減現金及銀行結餘對資產淨值之比率)則由1.5倍增至2.7倍。

於二零零零年八月三日，本公司與銀行債權人訂立一項債務重組協議(「重組協議」)。有關之債務重組期間為五年零三個月或直至本公司將銀行貸款總額減至港幣150,000,000元為止(以較早日期為準)。根據重組協議，本集團須出售非核心資產以減低貸款額。本集團亦須由二零零零年十一月三日起每一年內最少須償還港幣24,000,000元。在債務重組期間內，所有尚未償還之款項均須計息。本公司及其若干全資附屬公司已根據重組協議將全部業務，物業及資產以債券及按揭或第二按揭之方式為重組銀行債務提出抵押。在回顧年度內，本公司已根據重組協議向債權銀行償還港幣51,400,000元，因此已將有關債款餘額由港幣398,800,000元減至港幣347,400,000元。根據重組協議，參與債務重組之大部份債權人可在向本公司發出14日之通知後終止重組協議。因此，根據重組協議所須償還之全部款額將被列為流動負債。截至本報告刊發日期，並無任何理由足以令董事會相信有關之債權銀行會終止重組協議。截至最後可行日期為止，本集團已根據重組協議進一步出售若干非核心資產及作出定額還款，有關債款

Agreement would be further reduced by HK\$42.7 million to HK\$304.7 million. With the continued support from the bankers, the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future.

Corporate Governance

On 31st August, 2000, two more independent non-executive directors were appointed to the Board. The Board of directors comprises three executive directors and four independent non-executive directors. All directors are able to take independent professional advice in furtherance of their duties if necessary.

At each annual general meeting, one-third of the directors (except the Chairman and Chief Executive Officer of the Company) shall retire from office by rotation and the retiring directors shall be eligible for re-election. The Company at the shareholders' meeting at which a director retires may by ordinary resolution fill the office being vacated by electing the retiring director or some other person eligible for election.

The Board meets monthly and is responsible for overall group strategy, investment and divestment policy. There were 17 full Board meetings held during the year and all the acts of the Board were unanimously approved by the Directors.

Independent non-executive directors provide independent assessment and advice on finance and operations as well as business proposal from the executive directors. They have no financial or other interest in the business of the Company or its subsidiaries.

又進一步減少港幣42,700,000元至餘額港幣304,700,000元。在本集團往來銀行的繼續支持下，本集團將有能力在可見未來解決所有財務承擔。

公司管治

於二零零零年八月三十一日，兩位增添獨立非執行董事受委任加入董事會。董事會成員包括三位行政董事及四位獨立非執行董事。在有需要之情況下，所有董事均會尋求獨立專業意見以履行彼等之職責。

於每個股東週年大會上，三份一之董事（不包括本公司主席及行政總裁）將會依章告退，而退任董事將會在合乎資格情況下重選連任。如有任何董事於股東大會上退任，本公司可以通過普通決議案重選退任董事或選舉其他合資格膺選之人士以填補董事職位空缺。

董事會每月均舉行一次例會，並負責制定本集團整體策略、投資及減少投資之政策。本年度曾合共舉行十七次全體董事出席之董事會會議，並獲各董事一致通過所有提案。

獨立非執行董事負責獨立評估執行董事呈交之財務及運作報告及業務建議。獨立非執行董事於本公司或其附屬公司之業務均無擁有任何財務上或其他方面之權益。

Management's Discussion and Analysis (Continued)

管理層討論及分析 (續)

The Board has one standing committee, the Audit Committee.

The Audit Committee consists of three independent non-executive directors, namely, Mr. Chui Chi Yun, Robert (the Chairman), Mr. Hong Po Kui, Martin and Mr. Gerald Clive Dobby (appointed on 31st August, 2000 with Mr. Lui Pui Kee, Francis as alternate). During the year, the Audit Committee met 3 times with all members in attendance since their appointment. None of the members of the Committee has any personal financial interests or conflicts of interests arising from cross-directorships or day-to-day involvement in the running of the business. The Audit Committee oversees the financial reporting process and internal control of the Company. The Committee reviewed the interim and annual financial statements of the Company during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The Group is principally involved in retail business. The five largest customers of the Group are mainly overseas customers and the percentage of sales attributable are less than 30% of the Group's turnover.

The Group mainly sourced its gold supplies from the world commodity market through one dealer (2000: one). These amounted to HK\$99.4 million for 2001 (2000: HK\$195.0 million). Other than this dealer, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 30% in 2001.

None of the directors, their associates or any shareholder (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

董事會屬下設有一個常務委員會，亦即審核委員會。

審核委員會之成員包括三位獨立非執行董事：崔志仁先生(主席)、康寶駒先生及Gerald Clive Dobby先生(於二零零零年八月三十一日委任，並由呂培基先生擔任候補成員)。審核委員會於本年度曾舉行三次會議而全體成員自獲委任以來每次均有出席。委員會之成員並無擁有任何與個人財務利益或擁有交互董事身份或參與日常業務運作而產生之利益衝突。審核委員會負責監察本公司之財務匯報程序及內部監控。委員會在本年度曾審閱本公司之中期會計帳目及年度帳項。

主要客戶及供應商

本集團主要從事零售業務，最大之五名客戶主要為海外客戶，所佔之銷售額低於本集團營業額之30%。

本集團主要透過一名(二零零零年：一名)供應商在世界商品市場物色黃金供應，二零零一年之採購額為港幣99,400,000元(二零零零年：港幣195,000,000元)。除此供應商外，二零零一年本集團最大之五名供應商佔本集團採購額之百分比不足30%。

董事、彼等之聯繫人士或股東(據董事所知擁有本公司股本超過5%者)概無擁有上述主要客戶或供應商之任何權益。