



Quality



Design,
Craftsmanship,
and Service
in Perfect
Convergence



Management's Discussion and Analysis

管理層之討論及分析



OPERATION REVIEW

Operating Results

Turnover for the year was HK\$983.5 million (2001: HK\$1,177.5 million), representing a decrease of 16%. Loss from operations was HK\$9.1 million (2001: profit of HK\$66.2 million). The loss from operations for the year included a provision for obsolete inventories of HK\$9.9 million (2001: HK\$40.4 million), a provision for other receivables of HK\$2.1 million (2001: HK\$1.8 million) and a provision for loss on leasing of property of HK\$4.3 million (2001: Nil). Loss for the year was HK\$36.3 million (2001: HK\$68.3 million), an improvement of HK\$32.0 million as a result of no further loss on disposal and revaluation of properties, lower finance costs and fewer restructuring costs. Loss per share was reduced from HK\$0.20 to HK\$0.12.

During the year under review, the retail market in Hong Kong was depressed by recurring news of redundancy, wage cuts and a rising unemployment rate. Consumer confidence was further undermined by the World Trade Center incident in September 2001. Our turnover and operating results were also temporarily affected as the Group took steps to reposition its business in Mainland China.

In response to this less favourable operating environment and to improve our operational efficiency in this competitive environment, major operating costs including staff costs and rentals have been critically reviewed during the year to a more competitive level. The more competitive cost structure will be fully reflected in the coming financial year.

營運回顧

營運業績

本年度之營業額為983,500,000港元(2001年：1,177,500,000港元)，比去年下跌16%，經營虧損為9,100,000港元(2001年：盈利66,200,000港元)，當中包括存貨準備9,900,000港元(2001年：40,400,000港元)，其他應收款準備2,100,000港元(2001年：1,800,000港元)及租出物業的虧損準備4,300,000港元(2001年：無)。本年度虧損為36,300,000港元(2001年：68,300,000港元)，因再無出售及重估物業產生的虧損、財務費用的減少及重組費用下降，虧損較去年減少32,000,000港元。每股虧損由0.20港元減少至0.12港元。

在本回顧年度內，香港零售業不斷受裁員、減薪及失業率上升等消息所影響。2001年9月世貿中心事件，更進一步削弱消費者的信心。另外，本集團正為中國大陸之業務從新定位，故營業額及營運業績亦因而暫時受到影響。

為要面對此不利的營運環境，及於競爭激烈的環境下改善營運效率，於本年度內，本集團嚴格地檢討了主要營運成本如員工成本及租金等開支，使其達至較具競爭力的水平。較具競爭力的成本結構將於來年全面地反映出來。

The Group has undertaken new initiatives in revamping its brand image. A new corporate identity has been created together with a contemporary new store image introduced at our Beijing and Kuala Lumpur retail stores. Our flagship store in Central, Hong Kong was opened in May 2002. The new store image is planned to be introduced across TSL's regional stores in strategic locations.

Continuous efforts have also been made in offering a wider range of contemporary and quality designs to our customers. During the year, we won 12 awards in various jewellery design competitions. We were the only Hong Kong designer to win the internationally-acclaimed award of "Gold Virtuosi 2" at the "International Jewellery Design Award" at Italy Vicenza Trade Fair in 2002. We will continue to closely monitor our inventory level and further strengthen our balance sheet.

Employees

At the end of the financial year, the Group had 920 employees. Employees are rewarded on a performance basis with reference to the market rate. Other employee benefits include medical cover and subsidies for job-related continuing education. The Group also has an employee share option scheme. No option was granted pursuant to the scheme during the year.

Staff are provided with formal on-the-job training by external professional trainers and by sharing of experience with seniors at in-house seminars and discussion groups to enhance communications.

本集團已着手積極革新公司的品牌形象，全新的公司定位及具時代感的店舖形象，已率先在北京及吉隆坡個別的店舖採用。而香港的旗艦店已於2002年5月在中環正式開幕，全新店舖形象亦計劃逐步擴展至本集團在亞洲區內的策略性銷售點。

本集團不斷致力提供廣泛時尚流行兼匠心獨運之產品。於年內，我們在不同的珠寶設計比賽中共取得12個獎項。在2002年的意大利維琴察(Vicenza)設計大賽中，我們的珠寶設計師更是香港唯一的得獎者，勇奪「2002黃金經典設計大獎」。我們將繼續嚴謹控制存貨量，進一步鞏固我們的財政狀況。

僱員

在財政年度完結時，本集團僱用約 920名員工，僱員之薪酬均參照員工各自之表現及市場標準而訂定。其他僱員之福利包括醫療及與工作有關之持續進修津貼，本集團亦有提供僱員優先認股權計劃。於本年度並無按此計劃授予認股權。

員工均會獲提供在職培訓，並透過與資深同事於內部研習班及研討小組互相交流工作經驗以增強溝通，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

As at 28 February 2002, non-current assets was HK\$74.9 million comprising mainly furniture and fixtures and properties used for office and showrooms. They are all financed by equity.

Interest in associates decreased by HK\$4.2 million after the Group disposed of an associate during the year to streamline the operational structure.

During the year, the Group continued to divest non-core properties with a carrying value of HK\$36.0 million and have applied the proceeds of HK\$39.8 million to reduce the Group's bank borrowings.

As at 28 February 2002, total interest-bearing bank borrowings amounted to HK\$281.7 million (2001: HK\$352.7 million), a reduction of HK\$71.0 million. All of the Group's borrowings are denominated in local currency. The bank borrowings are secured and the details are disclosed in note 29 on the financial statements. Interest is determined on the basis of inter-bank market rates. Pursuant to the Restructuring Agreement dated 3 August 2000 ("the Restructuring Agreement") as disclosed in details in note 1(b)(i) and note 21 on the financial statements, the Group is required to make minimum fixed repayments of HK\$24 million on an annual basis. As part of the Restructuring Agreement, the majority participating lenders may give 14 days' notice to terminate the Restructuring Agreement. Provided that the Group's bankers continue to support the Group, the directors believe that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future.

財務回顧

截至2002年2月28日止，非流動資產為74,900,000港元，主要包括珠寶展覽場及辦事處之傢俬及裝置，全部均以股本提供資金。

本集團於本年間精簡運作架構，出售一聯營公司權益後，於聯營公司權益減少約4,200,000港元。

於本年內，本集團繼續出售非核心物業約值36,000,000港元，並將收益約39,800,000港元用作減少銀行借貸。

於2002年2月28日，附息銀行貸款總額為281,700,000港元(2001年：352,700,000港元)較去年減少71,000,000港元。本集團之全部貸款均以本地貨幣定值。銀行貸款乃有抵押，有關詳情已列於財務報表第29項附註。利息則按銀行同業借貸之市場息率釐定。根據於2000年8月3日訂立的重組協議(「重組協議」)，(其詳情已詳列於財務報表附註第1(b)(i)項及第21項)，本集團須每年最少定額償還24,000,000港元。根據重組協議的部份條文，債務重組之大部份債權人，可發出14天通知而終止該重組協議。若本集團的往來銀行繼續支持本集團，董事相信本集團將有能力在可見未來解決所有財務承擔。

Net asset value decreased from HK\$113.3 million to HK\$62.9 million mainly attributed from the loss for the year. As a result, gearing (ratio of interest bearing bank borrowings less cash and bank balances to net asset value) increased from 2.7 times to 3.7 times.

Pursuant to the subscription agreement of the preference shares dated 31 December 1997, if the preference shares had not been converted into ordinary shares, the preference shares would be redeemed by the Company on 28 February 2002 ("the Maturity Date"). Negotiation with The China Retail Fund, LDC ("CRF"), the holder of preference shares, to redeem the preference shares without cash payment has been under way. The Company entered into four deeds dated 28 February 2002, 22 March 2002, 19 April 2002 and 31 May 2002 with CRF to postpone the Maturity Date to 24 March 2002, 21 April 2002, 2 June 2002 and 22 June 2002 respectively in order to provide more time for finalising the definitive agreements. On 17 June 2002, the Company reached conditional agreements with CRF to redeem and cancel the Company's preference shares for a consideration of 24% interest in the Company's subsidiaries which carry out its business in Mainland China. Upon satisfaction of the conditions precedent, CRF will become a strategic investor in our business in Mainland China. The directors believe that the closer relationship with CRF shall benefit its business development in long term.

淨資產值由113,300,000港元下降至62,900,000港元主要是由於本年度內虧損所致。負債比率(附息銀行貸款減現金及銀行結餘與淨資產值之比率)因此由2.7倍增加至3.7倍。

根據於1997年12月31日訂立之優先股認購協議，倘優先股在2002年2月28日(「到期日」)尚未被兌換為普通股，則須由本公司於該日贖回。本公司一直與優先股之持有人中國商業發展基金(The China Retail Fund, LDC「CRF」)進行商討，無須以現金的形式贖回優先股。為提供更多時間落實最終協議，本公司與CRF分別於2002年2月28日，2002年3月22日，2002年4月19日及2002年5月31日簽訂四份契約，分別延遲到期日至2002年3月24日，2002年4月21日，2002年6月2日及2002年6月22日。於2002年6月17日，本公司與CRF達成有條件協議，以經營本公司在中國大陸業務的附屬公司的24%股權贖回並取消本公司之優先股。在達成有關條件後，CRF將會成為我們於中國大陸業務上的策略性投資者，而董事相信與CRF的密切關係將有助公司的長遠業務發展。



CORPORATE GOVERNANCE

The Company has complied throughout the year with the Code of best practice as set out in Appendix 14 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited except that Messrs Hong Po Kui, Martin and Chui Chi Yun, Robert, independent non-executive directors of the Company, are not appointed for a specific term as they are subject to retirement in accordance with the Company's By-laws.

公司管治

本公司獨立非執行董事康寶駒先生及崔志仁先生之委任並無指定時限，惟依照本公司之章程告退。除上述外，本公司於整年內均遵守香港聯合交易所有限公司證券上市規則附錄14最佳應用守則之規則。