

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL GROUP RESULTS

The results of the Group for the year ended 31 December 2002 and the state of affairs of the Company and of the Group are set out on pages 20 to 79.

Turnover rose by 3% to HK\$4,818 million, mainly due to an increase in sales of jewellery. The Group reported profit attributable to shareholders of HK\$64 million, or HK14.46 cents per share for the year ended 31 December 2002, compared to HK\$20 million or HK4.63 cents respectively in 2001.

JEWELLERY

Turnover increased by 5% to HK\$1,931 million, representing 40% of the Group's total. Profit contribution increased fourfold to HK\$90 million.

Because of the worsening economic climate, the year under review was one of cost control and product fine-tuning. We were able to realise significant savings in shop rental, personnel emolument as well as other expenses. At the same time, we took advantage of the shift in the market towards gem-set jewellery, away from pure gold ornaments. By introducing brand-name diamond such as *Love Diamond* and jewellery collections imported from Europe, we were able to increase our profit margin to offset the effect of the decline in the turnover of pure gold ornaments.

In the Mainland, while continuing to strengthen our presence in Beijing, we have extended our operation to Guangzhou, Xian, Dalian and Suzhou.

In Taiwan, under a franchise from the renowned Japanese brand 4°C we have now four boutique counters. Their product line and our own are different, and the two complement each other nicely.

Any faint hopes for some recovery in 2003 soon evaporated. In Hong Kong the increase in taxation will further dampen local spending and cut into profits. The threat of Severe Acute Respiratory Syndrome will take a heavy toll on tourist spending. The uncertainties brought on by the war in Iraq are likely to haunt the world for a long time. In Hong Kong and Taiwan our expectation is to maintain last year's level. In the mainland we shall continue to expand our retail network to major cities like Shenzhen, Chongqing and Chengdu. We shall continue to seek improvement in operating efficiency through effective cost controls, and to raise our profit margin through judicious merchandising.

管理層討論及分析

集團整體業績

本集團截至2002年12月31日止年度之業績及本公司與本集團之財務狀況載於第20頁至第79頁之財務報告內。

本集團本年度之營業額增長3%至4,818,000,000港元，主要來自珠寶銷售之增長。截至2002年12月31日止年度之股東應佔溢利為64,000,000港元，每股盈利14.46港仙，2001年股東應佔溢利為20,000,000港元，每股盈利為4.63港仙。

珠寶

珠寶業務營業額增長5%至1,931,000,000港元，佔本集團總營業額40%。溢利貢獻增長四倍至90,000,000港元。

經濟環境持續不景，年內集中控制成本及調節產品，有效節省分行租金、人事費用及其他開支。同時把握足金飾品市場轉移為珠寶首飾市場的趨勢，引入美鑽品牌如 *Love Diamond* 及歐洲進口首飾系列，增加利潤，從而抵銷足金飾品營業額下降的影響。

在中國內地，除繼續致力拓展北京市場，業務已擴展至廣州、西安、大連及蘇州。

在台灣，年內取得日本著名品牌4°C特許經營權，現已有四家專門店，其產品路線與本公司各具特色，相輔相成。

2003年經濟仍然未許樂觀。香港增加稅項，將進一步打擊本地消費及削減利潤。嚴重急性呼吸道症候群的威脅，將對旅遊業影響甚大。伊拉克戰爭帶來之不明朗因素，預料對全球造成長遠影響。預料香港及台灣業務仍能維持去年水平。至於中國內地業務，將致力在各大城市如深圳、重慶及成都擴展零售網絡。本集團將繼續透過有效成本控制提高營運效益，及明智的採購策略提高利潤。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

PRECIOUS METALS

Turnover from wholesale of precious metals increased by 2% to HK\$2,858 million, which is 59% of the Group's total turnover. Profit increased by 53% to HK\$5 million. As always this continues to be a high-volume low-margin business. The large flow of gold, platinum and revenue it generates benefits the Group's operations in jewellery.

SECURITIES AND COMMODITIES

Revenue from securities broking declined by 13% to HK\$22 million and a loss was recorded. Revenue was considerably reduced because of drastically lower trading volumes and pressure on the pricing of commission.

With a rather gloomy outlook in the world's leading economies and severe local competition, we expect another difficult year. By relocating our back office and some sales offices we will be able to cut our costs further, and with increased marketing effort, we hope to meet our expenses.

INVESTMENTS

Rental revenue from investment properties amounted to HK\$6 million, which accounted for less than 1% of the Group's overall turnover. Most of the Group's properties are held for our own use as jewellery shops and factory premises. A HK\$9 million valuation deficit arising from revaluation of the investment properties was charged to the current year's operating results. The valuation deficit was caused by rental contraction and we expect that the property market to remain under pressure.

The shares in Hong Kong Exchanges and Clearing Limited are held by the Group as long term investment. As at 31 December 2002, the unrealised holding gain amounted to HK\$59 million (2001: HK\$72 million).

貴金屬

貴金屬批發業務營業額增長2%至2,858,000,000港元，佔本集團總營業額59%，溢利貢獻增長53%至5,000,000港元。此項業務一貫是利潤偏低，以量取勝。黃、鉑金之高流量及帶來之收益有利於本集團珠寶業務。

證券及期貨

股票經紀業務收入下跌13%至22,000,000港元，引致虧損。由於交投量急劇下跌及經紀佣金競爭壓力，收入明顯減少。

全球經濟持續不明朗，加上本地競爭激烈，預料來年仍然困難。隨著後勤及部分分店之重新部署，將可進一步減低成本，加上提昇市場競爭力，以求達致平衡。

投資

投資物業帶來之租金收入為6,000,000港元，佔本集團總營業額不足1%。本集團所持大部分物業用於經營珠寶店及廠房。重估投資物業出現之估價虧損9,000,000港元已計入本年業績。該估價虧損因租金收縮造成，預期物業市道仍然淡靜。

本集團以長期投資方式持有香港交易及結算所有限公司之股份。於2002年12月31日，未變現之投資持有收益為59,000,000港元（2001年：72,000,000港元）。

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE

Financial risk management is the responsibility of its treasury function at Group level, which is controlled by policies approved by top management. This can achieve a better control in cashflow operations and lower overall cost of funds.

The Group has foreign currency exposure in Renminbi, Taiwanese dollars and Japanese Yen. Currency risks are managed by partly financing non-Hong Kong dollar assets with loans denominated in the relevant currency. The risk of foreign exchange exposure is small compared to the total asset base.

The Group follows a policy of prudence in managing its cash balance, and maintains a high level of liquidity. Funding was mainly derived from internal resources. As at 31 December 2002, the Group's total cash on hand was HK\$246 million, with undrawn facilities of HK\$374 million.

The Group will continue to obtain financing on an unsecured basis whenever possible. The Company guarantees banking and other facilities granted to its subsidiaries. The Group's banking facilities were secured by time deposits of HK\$42 million (2001: HK\$31 million), certain fixed assets and investment properties with a net carrying value of HK\$218 million (2001: HK\$233 million), and long term listed investment of HK\$26 million (2001: Nil). At 31 December 2002, the Group's total bank loan and gold loan amounted to HK\$20 million (2001: HK\$10 million) and HK\$12 million (2001: HK\$7 million), respectively.

HUMAN RESOURCE

As at 31 December 2002, the Company and its subsidiaries had 1,467 employees. Employees are rewarded on a performance basis and bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover and subsidies for continuing education. The Group has not adopted any share option scheme.

管理層討論及分析

財務

財務風險管理由集團層面根據核定政策，集中管控，令各項業務現金流量得到較佳監控，減少整體融資成本。

本集團外幣風險主要在人民幣、台幣及日元；管理方法是用外幣債務為同幣資產部分融資。相對於總資產基礎而言，外匯風險甚小。

本集團採用審慎的資金管控政策，確保資金流暢。所需資金主要來自內部資源。於2002年12月31日，本集團之流動現金為246,000,000港元，可動用之備用信貸達374,000,000港元。

本集團政策乃盡量以無抵押方式取得所需融資。本公司為其附屬公司取得銀行及其他信貸提供擔保。本集團為銀行融資提供的抵押品包括定期存款42,000,000港元（2001年：31,000,000港元），部分賬面淨值達218,000,000港元（2001年：233,000,000港元）之固定資產及投資物業，及長期上市投資26,000,000港元（2001年：零港元）。於2002年12月31日，本集團之銀行貸款及黃金借貸總額分別為20,000,000港元（2001年：10,000,000港元）及12,000,000港元（2001年：7,000,000港元）。

人力資源

於2002年12月31日，本公司及其附屬公司員工總數為1,467人。員工的報酬以員工表現為評核標準，獎金酌情發放。其他員工福利包括公積金、保險、醫療保障及進修補助。本集團並未採用購股權計劃。

MANAGEMENT DISCUSSION AND ANALYSIS

RECOGNITIONS

We are pleased to report that Chow Sang Sang was recently named as a Superbrand in Hong Kong by Superbrands, an internationally recognised UK-based independent authority on branding. The award is a recognition of the excellent performance of Chow Sang Sang in the jewellery industry.

In addition, Emphasis was named “Service Industry Leader” and “Service Category Leader of Watch & Jewellery Category” by the Hong Kong Retail Management Association.

管理層討論及分析

專業認可

周生生最近榮獲英國成立的國際獨立品牌評審機構「超級品牌」頒發「香港超級品牌榮譽獎」。該項殊榮足以印證周生生在珠寶首飾業的卓越成就。

此外，點睛品獲香港零售管理協會頒發「行業服務領袖獎」及「鐘錶及珠寶店組別服務領袖獎」。