



Management Discussion and Analysis

管理層討論及分析

OPERATION REVIEW AND OUTLOOK

Turnover for the year was HK\$954.1 million (2002: HK\$983.5 million), a slight decline of 3%. Loss from operations was HK\$29.3 million (2002: HK\$7.0 million) and the loss for the Group for the year was HK\$49.5 million (2002: HK\$36.3 million), an increase of HK\$13.2 million over last year. There was a reduction in interest expenses and other financial restructuring costs charged to the profit and loss account following the successful redemption of HK\$171.9 million in preference shares in August 2002. The net effect of the redemption of the preference shares (net of related expenses, the reversal of the accrued preference shares dividend and the loss on dilution of interest in subsidiaries) was that HK\$197.1 million has been directly credited to reserves.

During the year, uncertainty in the global and local economies continued to adversely affect consumer confidence and retail turnover generally in Hong Kong. Our showroom operations also operated in an environment of stiff competition. The operating results of our business in Mainland China has also been affected by repositioning efforts.

營運回顧及前瞻

本年度之營業額為954,100,000港元(2002年: 983,500,000港元), 稍微下降3%, 經營虧損為29,300,000港元(2002年: 7,000,000港元)及本集團於本年度之虧損為49,500,000港元(2002年: 36,300,000港元), 較去年上升13,200,000港元。隨着於2002年8月成功贖回171,900,000港元之優先股, 計入損益表內的財務重組成本及利息開支得以減少。贖回優先股的淨影響(包括除去有關支出、應付優先股股息回撥及附屬公司的權益攤薄的損失)為數197,100,000港元, 已直接計入儲備。

在本年度, 全球及本土經濟的不明朗前景持續負面影響本港普遍的消費信心與零售營業額。展覽場營運亦於競爭劇烈的環境下運作。中國大陸業務的營運業績同時受到重新定位的影響。

During the year, rental expenses and staff costs (excluding retirement costs) of the Group have been reduced by 12% and 3% respectively from last year. The Group will continue to streamline its operations, structures and processes so as to keep downward pressure on its operational costs. In order to better focus on its core jewellery retail businesses in Hong Kong and Mainland China, the Group plans to cease its non-profitable operations in Taiwan and Thailand in the coming year.

The Group has been striving to integrate its core values of progressiveness, quality and professionalism in every aspect of our operations. During the year, the Group won a number of awards in various local and international jewellery design competitions. The Group has also set up monitoring systems to provide immediate feedbacks on its operations so that we can continuously improve the services to our customers. In the coming year, the Group will invest in a new Point of Sales System ("POS").

在本年度，本集團的租金支出及員工成本（退休成本除外）較去年分別下降了12%及3%。本集團將繼續精簡其運作架構及流程，以致其營運成本的壓力得以減輕。為了更專心一意在香港及中國大陸發展核心珠寶零售業務，本集團計劃於來年終止在台灣和泰國無利可圖的營運。

本集團已努力將其核心文化－積極向前、追求卓越及專業精神－凝聚於日常營運的每一環節。於本年內，本集團在不同的本土及國際珠寶設計大賽上贏得多項殊榮。本集團已成立監察系統，在運作方面提出即時回應，以不斷提升對顧客的服務質素。本集團於來年將投資設置一套新的零售作業系統（「POS」），期望這套新POS將於下個財政年度終在整個集團內全面投入使用。因



It is expected that the new POS will be fully implemented across the Group by the end of next financial year. The availability of updated and accurate sales and inventory information will enable the Group to better serve our customers through improvements in merchandising and our supply chain. The new POS will also assist the Group to more closely monitor its inventory level so as to strengthen and better manage our balance sheet.

EMPLOYEES

At the end of the financial year, the Group had approximately 950 employees. Employees are rewarded on a performance basis with reference to market rates. Other employee benefits include medical cover and subsidies for job-related continuing education. The Group also has an employee share option scheme. No options were granted pursuant to the scheme during the year.

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

獲得更新及準確的銷售及存貨資料將可改善商品採購及供應流程，從而提升本集團對顧客的服務質素。此POS將協助本集團更緊密地監察其存貨水平，以便強化及改善財務狀況的管理。

僱員

在財政年度完結時，本集團僱用約950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 2003, non-current assets were HK\$66.3 million comprising mainly furniture and fixtures and properties used for office and showrooms. They are all financed by equity.

As at 28 February 2003, total bank borrowings amounted to HK\$253.7 million (2002: HK\$281.7 million), a reduction of HK\$28 million. All of the Group's borrowings are denominated in local currency. The secured bank overdrafts are secured by a property held by the Group and a minority shareholder. The Group's secured bank loans are secured by:

- (a) all of the undertakings, properties and assets of the Company and 28 of its subsidiaries by way of fixed and floating charges and rental revenue of the Group;
- (b) the capital contribution to a subsidiary of the Group and all the benefits accruing to the pledged equity interest; and
- (c) all rights, titles and interests in 56.46% of the entire share capital of Infinite Assets Corp. and Tse Sui Luen Investment (China) Limited and all benefits accruing to the pledged equity interest.

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 detail in note 1b(i) and note 20 on the financial statements, the Group is required to make a minimum fixed repayments of HK\$24 million on an annual basis. During the year, the Group repaid a total of HK\$28 million of bank loan under the Restructuring Agreement from the operating cash flow, pledged rental income and proceeds from disposal of non-core assets. Because of the adverse impact of SARS on the cash flow of the Group, the banks entering into the Restructuring Agreement have agreed to postpone two quarterly payments due by the Group on 7 May 2003 and 7 August 2003 under the Restructuring Agreement to 8 September 2003. 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2003年2月28日，非流動資產為66,300,000港元，主要包括傢俬及裝置及用作珠寶展覽場及辦事處之物業，全部均以股本提供資金。

截至2003年2月28日，銀行貸款總額為253,700,000港元（2002年：281,700,000港元），較去年減少28,000,000港元。本集團之全部貸款均以本地貨幣定值。有抵押銀行透支是由本集團及一少數股東之物業作為抵押品。本集團之抵押銀行貸款是以：

- (a) 本公司及其28間附屬公司之所有業務、物業及資產透過固定及浮動抵押及本集團之租金收入；
- (b) 向本集團一附屬公司之出資資本及其已抵押之資本權益所應佔之一切利益；及
- (c) Infinite Assets Corp.及謝瑞麟投資（中國）有限公司的全部股本的56.46%的所有權利，擁有權及權益及其已抵押之資本權益所應佔之一切利益。

利息則按銀行同業借貸之市場息率釐定。根據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1b(i)項及第20項），本集團須每年最少定額償還24,000,000港元。於本年內，本集團從營運現金，已抵押租金收入及出售非核心資產的收入中償還在重組協議下的28,000,000港元銀行貸款。由於本集團的現金流量因SARS而有不利之打擊，重組協議中之往來銀行已同意延遲在重組協議下本集團在2003年5月7日及2003年8月7日到期的季度還款至2003年9月8日。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。

During the year, preference shares totalling HK\$171.9 million were successfully redeemed by the Group on 31 August 2002. The loss for the year, net of expenses relating to redemption and the effect of dilution of interest in subsidiaries against reserves following the redemption of preference shares has decreased the net asset value for HK\$63.6 million which is partially offset by a write back of accrued dividend for preference shares. As a result, net asset value of the Group decreased from HK\$62.9 million as at 1 March 2002 to HK\$33.2 million. Gearing (ratio of interest bearing bank borrowings less cash and bank balances to net asset value) was increased to 6.0 times.

During the year, the transactions of the Group were mainly denominated in local currencies, Renminbi and US dollars. The impact of the fluctuation of foreign exchange rates of these currencies was insignificant to the Group.

於本年內，本集團於2002年8月31日成功贖回為數171,900,000港元之優先股。本年度虧損，儲備充抵有關贖回優先股的支出及贖回優先股而引至附屬公司權益被攤薄的影響共減少淨資產值63,600,000港元。因此，回撥應付優先股股息的部份抵銷下本集團的淨資產值由於2002年3月1日62,900,000港元下降至33,200,000港元。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）因此升至6.0倍。

於本年內，本集團的交易主要以本地貨幣、人民幣及美元為單位。此等貨幣的外匯匯率浮動對本集團並無重大影響。



CONTINGENT LIABILITIES

At 28 February 2003, the Group has disputes with the Inland Revenue Department ("IRD") over the taxability of certain income and deductibility of certain expenses. No provision has been made in respect of the amounts of tax in disputes, except for the provision of HK\$2,475,000 as set out in notes 5(a)(ii) on the financial statements. The disputes have yet to be determined by the IRD and the directors of the Company consider that there are reasonable grounds in defending the disputes. However, should the Group not be successful in defending the disputes, there would be additional exposures to the Hong Kong Profits Tax and the amounts will be subject to the additional assessments raised by the IRD.

Save as mentioned above, as at 28 February 2003, the Group did not have any other material contingent liabilities.

或有負債

於2003年2月28日，本集團就若干收入的計稅情況及若干支出的扣稅情況與稅務局出現稅務糾紛。除財務報表附註5(a)(ii)所載的2,475,000港元準備外，本集團並未就這些稅務糾紛涉及的金額提撥任何準備。稅務局仍未就上述稅務糾紛作出判決，而本公司董事認為提出抗辯是有合理理據支持的。然而，如果本集團在糾紛中敗訴，便須額外繳付香港利得稅，有關金額將按稅務局發出的補充評稅金額為準。

除上述外，截至2003年2月28日，本集團並無其他重大或有負債。