

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Group Results

Turnover decreased by 9% from the first half of 2001 to HK\$2,314 million, mainly due to the decrease in wholesale of gold bullion. The profit attributable to shareholders was HK\$40 million, increasing by 135% from the HK\$17 million for the same period in 2001. Earnings per share for the period were HK9.16 cents compared with HK3.9 cents in 2001.

Jewellery

Turnover of the Group's jewellery segment for the first six months of 2002 increased by 3% to HK\$968 million, representing 42% of the Group's total turnover. Profit contribution increased by 141% to HK\$53 million.

These are the results of our multi-prong strategy. We have reconfigured our product lineup. Whilst lower priced items now take up a larger proportion of our stock, we have also successfully launched *Love Diamond*, a branded high-end diamond collection. Our Star Shopper loyalty programme has been revamped, incorporating new Customer Relationship Management methodology. Costs have been tightly controlled as we trimmed the workforce by attrition and moved more production into the mainland.

We have negotiated a franchise from the renowned Japanese brand 4°C for Taiwan, where we now operate two shops under that name in addition to our own Emphasis shops. In the mainland, we are expanding our retail network in the major cities. Our shops there are operated by joint-venture subsidiaries.

It is not likely that there will be any significant improvement of the retail markets in both Hong Kong and Taiwan during the rest of the year. In the mainland we expect to open shops in Hangzhou and Dalian in addition to Beijing and Guangzhou.

Precious Metals

Turnover from wholesale of precious metals for the six months ended 30 June 2002 decreased by 16% to HK\$1,331 million, which is 57% of the Group's total turnover, whilst profit contribution increased by 39%. This continues to be a high-volume price-elastic business.

Securities and Commodities

The Hong Kong stock market was hard hit by the depression. The revenue from securities broking for the six months ended 30 June 2002 decreased by 17% to HK\$12 million and a loss was recorded.

With the continuing uncertainty in the global economy, the securities segment will continue to operate under very difficult conditions. We have been judiciously building up our Internet trading platform, www.338.net, which provides some rather unique trading capabilities for our clients.

管理層討論及分析

集團整體業績

營業額較2001年上半年下跌9%至2,314,000,000港元，主要是因為貴金屬批發業務下跌。股東應佔溢利為40,000,000港元，較2001年同期錄得之17,000,000港元增長135%。期內每股盈利9.16港仙，2001年每股盈利為3.90港仙。

珠寶

本集團2002年首六個月之珠寶業務營業額增長3%至968,000,000港元，佔本集團總營業額42%。溢利貢獻增長141%至53,000,000港元。

期內本集團採取複合策略，順應市場變化調節產品組合及市場定位；一方面在存貨增加中下價格貨品所佔的比例，另一面推出高檔次的鑽石產品 *Love Diamond* 品牌優質美鑽。周生生之友貴賓會運作融合新的客戶關係管理方式，大大提高其業務效應；本集團繼續嚴控人力及各項成本開支，也將更多生產力移放在內地。

在台灣除現有點睛品分店外，本集團已取得日本著名品牌 4°C 在台灣之特許經營權，現已經營兩家專門店。至於內地業務，正致力在各大城市擴展零售網絡，該等銷售點由附屬合資公司經營。

預料下半年香港及台灣兩地之零售市場不會有顯著增長。在中國內地，除北京及廣州現有銷售點外，計劃在杭州及大連開設銷售點。

貴金屬

截至2002年6月30日止六個月之貴金屬批發業務營業額下跌16%至1,331,000,000港元，佔本集團總營業額57%，溢利貢獻增長39%。此業務一貫是價格為主導而以量取勝。

證券及期貨

香港之股票市場交投因經濟衰退而受到嚴重打擊。截至2002年6月30日止六個月之股票經紀業務收入下跌17%至12,000,000港元，錄得虧損。

全球經濟持續不明朗，股票業務經營仍然十分困難。本集團已因應情況發展網上交易平台 www.338.net 功能，其特色令顧客買賣股票看價更多方便。

Investments

Rental revenue from investment properties amounted to HK\$3 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. Although the property market is weak the exposure of the Group is not significant.

The shares in Hong Kong Exchanges and Clearing Limited are held by the Group as long term investment. As at 30 June 2002, the unrealised holding gain amounted to HK\$78 million (31 December 2001: HK\$72 million).

Finance

The financing and cash management activities of the Group are centralised, resulting in better control 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.

Funding was mainly derived from internal resources. As at 30 June 2002, the Group's total cash on hand was HK\$177 million which together with undrawn facilities of HK\$452 million provides the Group ample financial resources.

It is the Group's policy 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 was secured by time deposits of HK\$16 million (31 December 2001: HK\$31 million), certain fixed assets and investment properties with a net carrying value of HK\$230 million (31 December 2001: HK\$233 million), and short term listed investment of HK\$45 million (31 December 2001: Nil). At 30 June 2002, the Group's total bank loan and gold loan amounted to HK\$8 million (31 December 2001: HK\$10 million) and HK\$24 million (31 December 2001: HK\$7 million) respectively.

Human Resources

As at 30 June 2002, the Company and its subsidiaries had 1,383 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.

投資

投資物業帶來之租金收入為3,000,000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。因此，物業市道雖然疲弱，本集團所承受的風險不大。

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6月30日，未變現之投資持有收益為78,000,000港元（2001年12月31日：72,000,000港元）。

財務

本集團集中統籌各項業務所需資金及現金管理，資金管控較為高效，並減低整體融資成本。

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，外幣風險水平不高。

本集團所需資金主要來自內部儲備。於2002年6月30日，本集團之流動現金為177,000,000港元，加上可動用之備用信貸達452,000,000港元，本集團資金充裕。

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16,000,000港元（2001年12月31日：31,000,000港元），部分賬面淨值達230,000,000港元（2001年12月31日：233,000,000港元）之固定資產及投資物業，以及短期上市投資45,000,000港元（2001年12月31日：零港元）。於2002年6月30日，本集團之銀行貸款及黃金借貸總額分別為8,000,000港元（2001年12月31日：10,000,000港元）及24,000,000港元（2001年12月31日：7,000,000港元）。

人力資源

於2002年6月30日，本公司及其附屬公司員工總數為1,383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。