

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS SEGMENTS

The business of the Group consists mainly of Manufacture and Retail of Jewellery, Precious Metals Wholesale and Securities and Commodities Broking.

The jewellery business is chiefly conducted by Chow Sang Sang Jewellery Company Limited in Hong Kong, and Taiwan and on the Chinese mainland by other subsidiaries. The mainland subsidiaries are either wholly-owned or majority-owned with controlling authority. As at 31 December 2003, under the name Chow Sang Sang there are 30 shops in Hong Kong and 26 shops in major cities on the mainland. There are 10 Emphasis shops in Hong Kong and 21 in Taiwan. Currently none of the shops anywhere is under franchise, and all merchandise are either manufactured in-house or sourced from contractors.

World Commercial Sales Company Limited deals with precious metals, mainly gold and platinum, wholesale. This is a specialised commodity business in which the Group is well placed to exploit, with its good reputation and standing, high liquidity and being a user in its own right. With an inherently low margin, the business calls for high volume and good risk-management. For the latter, policies are in place to ensure matching of buys and sells, and secure settlement with clients.

Securities and futures broking is conducted by Chow Sang Sang Securities Limited and Chow Sang Sang Futures Limited. Together they operate 8 offices in Hong Kong, and securities trading is also provided with a sophisticated Internet platform.

OVERALL GROUP RESULTS

In 2003, profit attributable to shareholders amounted to HK\$117 million, increasing by 75% from the HK\$67 million of 2002. The combined turnover of all sectors rose by 31% to HK\$6,328 million. Earnings per share was HK25.58 cents, compared to HK15.21 cents in 2002.

JEWELLERY RETAIL

Retail of jewellery accounted for 32% of the Group's turnover, down from 40% in 2002. Turnover decreased by 2% to HK\$1,826 million, but operating profit rose significantly by 44% to HK\$129 million.

業務分部

本集團主要業務包括珠寶製造及零售、貴金屬批發及證券期貨經紀。

珠寶業務由周生生珠寶金行有限公司在本港經營，另以其他附屬公司在台灣及內地經營。集團對內地全資或非全資擁有的附屬公司均有控制權，於2003年12月31日，以「周生生」經營的分店在本港有30家，內地主要城市則有26家分店。「點睛品」分店在本港有10家，在台灣有21家。目前沒有經營加盟店，而所有貨品均由集團本身或特約供應商製造。

世界批發行有限公司經營貴金屬批發，以黃白金為主。這是特殊的商品業務，本集團以其良好信譽，及行業地位，而本身亦是用家，足以經營得法。這項業務特性是利潤率微薄，故必需交易量及風險管理得宜。對於風險管理，集團有健全政策，確保買賣之完善對沖和安穩的客戶結算。

證券及期貨經紀業務由周生生證券有限公司及周生生期貨有限公司經營。除香港有8家分行外，亦提供先進之網上證券交易服務。

集團業績

2003年股東應佔溢利為117,000,000港元，較2002年67,000,000港元，上升75%。各業務綜合營業額上升31%至6,328,000,000港元，每股溢利25.58港仙，而2002年為15.21港仙。



珠寶零售

珠寶零售佔本集團營業額32%，2002年佔40%，今年相較為低。營業額雖下降2%至1,826,000,000港元，經營溢利則大幅上升44%至129,000,000港元。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Hong Kong

During March and April, along with the rest of the retail sector in Hong Kong, the jewellery business suffered a severe setback because of SARS. With the abatement of infections in May and June, business started to improve. Recovery began in earnest in the second half, thanks in large part to the facilitation of travel from the mainland to Hong Kong. Overall, we registered increased profits despite a slight drop in turnover of 2%.

Tourists from the mainland will play an increasing role in our business, especially at shops located in districts such as Causeway Bay and Mongkok. Our strategy is therefore to tune our retail network to enhance and increase our exposure to mainland tourists. To this end we have opened a shop in the restricted area of the airport, in addition to the one we already have in the arrival hall. We have moved one of our shops in Tsuen Wan into premises more than double in size. Stores in Mongkok and Causeway Bay are put on schedule for major refitting in 2004.

The year 2004 marks a major reformulation of our strategy: to branch out to operate shops under brand names other than our own. The aim of this expansion is several fold: to forge strategic alliance with international players, to broaden the tableau of merchandise under our umbrella and to enhance our position as a premier retailer.

An agreement has been signed with Hong Kong Disneyland whereby we shall be the operator of the jewellery store in the park. The store will carry general merchandise in addition to products of proprietary design, sourcing of which will be our responsibility. The park is planned to open in late 2005 or early 2006. Recruitment of new staff, development of merchandise and other preparatory work have already started.

香港

本港珠寶業務在3月及4月與其他零售業務同樣受到「沙士」嚴重打擊，5月及6月疫情消滅，業務開始改善。下半年開始復蘇，內地放寬遊客到港「自由行」亦給予很大助力。總括來說，營業額雖微降了2%，利潤錄得增幅。

前瞻內地旅客佔業務比例愈來愈大，尤以銅鑼灣區及旺角區分店為甚。所以，集團策略是調整零售網絡，以吸引內地旅客之效。因此，除在機場入境大堂內之分店外，亦在禁區以內離境大堂增設一家分店。同時在荃灣區，將一家分店遷往新址，營業面積倍增。旺角及銅鑼灣區分店也會計劃2004年重新裝修。



2004年集團重訂策略，除經營本身品牌之分店外，更拓展其他品牌之店舖。擴展有數個目的：與國際性企業聯盟，擴闊集團經營之商品層次，鞏固零售業之領導地位。



本集團與香港迪士尼樂園已簽署合約，在樂園內經營珠寶店。該店除專利產品外也有其他種類貨品，由集團負責貨源。樂園預計於2005年底或2006年初開幕。招聘新員工，備貨工作及各項籌備作業經已展開。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

In 2003 we managed to record a higher profit on slightly lower turnover. This is the combined effect of several factors. At the end of the year, the price of gold was 20% higher than it was at the beginning; the price of platinum 35% higher. The result is an increase of value of the company's inventory of the metals. During the year we made some one-off trimming of costs. And overall we have been turning over more high-margin items. Not all of these effects are likely to recur in 2004. The prices of gold and platinum are already at their highest in a decade and not likely to go much higher. (Higher prices might even have a dampening effect on sales.) Expenses, on the other hand, will rise because of the projects and initiatives mentioned earlier.

On the plus side, tourism on the mainland is seen to be on the rise. Local consumer spending is also improving amid signs of recovery of the property market. The refitting of shops generally results in improved sales. Our efforts in promoting branded merchandise and other higher-margin items are successful. Our outlook for 2004 is therefore upbeat, albeit with caution.

Mainland

In 2003, 10 shops were opened in various cities including Shenzhen and Changzhou. Contribution to profits from mainland operations has increased to 3%. In 2004, shops will be established in Changchun, Chongqing, Hangzhou and Xiamen. The main thrusts of our drive will be in the setting up of shops in more cities as well as in the broadening of the merchandise offered to consumers. However, renovation and relocation of existing shops to better space will continue apace.

Taiwan

Unsurprisingly the year 2003 turned out to be lackluster. The economy of the island had been in need of a direction even before SARS wreaked its havoc, and the jewellery trade had resorted to cut-throat pricing as a means of competition. The issue of the referendum and the buildup to the closely contested election and then the election itself preoccupied the populace during the second half and the first quarter. The outlook for the rest of the year shall depend on how the re-elected administration mends the political rift and sets its policies.

2003年集團營業額微降卻錄得較佳利潤，有主因數項：年底黃金價格較年初上升20%；鉑金價格上升35%，使本公司所存貴金屬價值提高。年內實施節約成本措施，也提高利潤率高貨品的流轉，均有助純利增長。預料2004年上述因素未必重現：黃金及鉑金價格是近十年之冠，估計不會有更高的升幅（價格再高還可能影響銷售），另一方面，前述之各項計劃，會導致開支增加。

此外，也不乏利好因素：內地旅客預計上升。本地消費情況也在改善，物業市道有復蘇跡象，分店重裝有利業務。集團成功推廣品牌貨品及利潤率高產品，故預料2004年將是審慎樂觀。

內地

2003年內在深圳、常州等城市開設10家分店。內地業務溢利貢獻上升至3%。計劃2004年在長春、重慶、杭州及廈門等地開設分店。策略是涵蓋更多城市，提供更多貨品予顧客選擇。同時繼續將現有分店重裝或遷往更佳位置經營。

台灣

2003年業務發展緩滯是意料中事，因為在爆發「沙士」前台灣經濟低迷，缺乏發展方向，而珠寶業者更以大力削價為競爭手段。2003年下半年及2004年首季因推行公民投票及舉行總統選舉使當地民眾關注而減低消費意欲。2004年整體情況，則視乎政府之補救措施及經濟政策。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

PRECIOUS METALS

Wholesale of precious metals accounted for 68% of the Group's turnover and 7% of operating profit in 2003. Turnover increased by 50% to HK\$4,292 million, and operating profit doubled up to HK\$10 million.

This line of business is expected to be stable, requiring comparatively little resources other than the goodwill and reputation of the Group.

SECURITIES AND COMMODITIES

In 2003 the securities and futures brokerage saw a 40% increase in turnover to HK\$31 million, and recorded a profit of HK\$6 million.

Following a bearish 2002, the stock market remained listless in 2003 until the third quarter. Market activities then picked up remarkably as anticipation of hordes of tourists from the mainland fuelled the interest on retail stocks, and IPO's from several mainland state-owned enterprises received attention of a magnitude unseen heretofore. Chow Sang Sang Securities was able to ride on the buoyant market to recover from losses in the first half and to report a profit.

In 2004 a modest investment will be made to establish a customer service centre in Yuen Long, with the aim of luring clients in higher asset brackets. Barring calamitous downturns in the market, this segment is expected to be able to hold its own.

INVESTMENTS

Most of the Group's properties are held for its own use as jewellery shops and factory premises. Rental revenue from investment properties amounted to HK\$6 million, which accounted for less than 1% of the Group's overall turnover.

Shares in Hong Kong Exchanges and Clearing Limited are being held by the Group as long term investment. As at 31 December 2003, the unrealised gain on the holding amounted to HK\$101 million (2002: HK\$59 million).

FINANCE

The liquidity management activities of the Group are centralised in the corporate treasury based in Hong Kong.

貴金屬

貴金屬批發業務佔本集團2003年度營業額68%，經營溢利佔7%。營業額上升50%至4,292,000,000港元，經營溢利倍升至10,000,000港元。

展望這項業務尚屬穩定，除了以本集團之信譽和行業地位為後盾以外，佔用資源相對較少。

證券及期貨

證券及期貨經紀業務2003年營業額為31,000,000港元，錄得40%升幅，今年獲得6,000,000港元利潤。

2002年熊市後，證券市場一直沉寂至2003年第三季。因預期大量內地旅客來港而利好零售業股份；而且數家內地國企來港上市遇到空前超額認購，證券市場明顯復蘇，周生生證券有限公司也得彌補上半年虧損，全年錄得利潤。

2004年計劃在元朗設立顧客服務中心，希望可吸納高資產之客戶。除卻市場發生重大逆轉，估計這項業務可以站穩。

投資

本集團所持物業大部分用於經營珠寶店及廠房。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%。

本集團持有香港交易及結算所有限公司之股份是長期投資項目。於2003年12月31日，未變現之投資持有收益為101,000,000港元（2002年：59,000,000港元）。

財務

流動資金之管理集中於香港財政部門統籌。

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2003, the Group had a net cash on hand of HK\$285 million. Most of the cash is deposited in the leading banks of Hong Kong in either HK dollar or US dollar. The Group's debt-to-equity ratio stood at 0.6%.

About HK\$140 million was raised in September 2003 with the placement of 61,600,000 new shares. As stated earlier, requirement for capital investment and expenditure will be comparatively higher in 2004 as we refit a number of key shops in Hong Kong, gear up for the opening of the Disneyland store and continue to expand the store network on the mainland. The net proceeds from the placement, together with funds already at hand will be utilised for such activities.

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

Financing from banks and other sources are obtained for short term purposes only. The Company guarantees banking and other facilities granted to its subsidiaries. The Group's banking facilities were secured by time deposits of HK\$16 million (2002: HK\$42 million), certain fixed assets and investment properties with a net carrying value of HK\$152 million (2002: HK\$218 million), and long term listed investment of HK\$45 million (2002: HK\$26 million). At 31 December 2003, the Group's total bank loan and gold loan amounted to HK\$10 million (2002: HK\$20 million) and nil (2002: HK\$12 million), respectively.

HUMAN RESOURCE

The Company and its subsidiaries employed 1,500 persons as at 31 December 2003. Remuneration of employees is merit based, with discretionary bonus as incentives. The Group has not adopted any share option scheme.

管理層討論及分析

於2003年12月31日本集團流動現金為285,000,000港元，大部分現金以港元或美元存於本港具領導地位的銀行。本集團之資本負債比率為0.6%。

集團於2003年9月配發61,600,000新股而獲得約140,000,000港元資金。如前文所述，2004年重裝幾家主要分店、籌備香港迪士尼樂園之珠寶店及繼續擴充內地分店網絡，均要進行較高資本投資及支出，所得資金將用於此等業務之擴展。

本集團外幣風險主要人民幣、台幣、歐羅及日元；管理方法是用外幣債務為手上同幣資產融資。相對於總資產而言，外匯所產生風險不大。

從銀行及其他來源之融資只作短期用途，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之抵押品包括定期存款16,000,000港元（2002年：42,000,000港元），賬面淨值達152,000,000港元（2002年：218,000,000港元）之部分固定資產及投資物業，及長期上市投資45,000,000港元（2002年：26,000,000港元）。於2003年12月31日，本集團之銀行貸款及黃金借貸總額分別為10,000,000港元（2002年：20,000,000港元）及零港元（2002年：12,000,000港元）。

人力資源

於2003年12月31日，本公司及其附屬公司之僱員有1,500人。員工之報酬以員工表現為評核標準，獎金由管理層按當年情況決定。本集團並未採用購股權計劃。