

## MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析

### The Group's results

In 2005, Chow Sang Sang as a Group recorded a turnover of HK\$5,761 million, the decrease of 18% from the HK\$7,017 million of 2004 being caused by a fall in the volume of wholesale of gold bullion. Profit attributable to shareholders amounted to HK\$187 million, decreasing by 7% from the HK\$201 million (restated) of 2004. Earnings per share dropped to HK31.12 cents from HK33.37 cents (restated).

### Overview

The Group is engaged in three businesses: jewellery retail, wholesale of precious metals, and brokerage of stock and futures.

Retail of jewellery is conducted by Chow Sang Sang Jewellery Company Limited and several of its fellow subsidiaries. At the end of 2005, they together operated 34 shops in Hong Kong and 61 shops in Mainland China, bearing the name "Chow Sang Sang". They also operated another chain called "Emphasis Jewellery", which had 6 shops in Hong Kong, 22 shops in Taiwan and one shop in Macau. Chow Sang Sang also owns and manages the operation of the jewellery shop in Hong Kong Disneyland whose moniker is "Midtown Jewelry".

Chow Sang Sang positions itself as a brand of international calibre operating in Greater China. Its medium term goal is to become the top-notch jeweller in the Mainland market, a position similar to those it already occupies in Hong Kong and Taiwan.

The Mainland retail network now covers 35 cities, including Beijing, Shanghai, Tianjin, Chongqing, Guangzhou and other provincial capitals and major towns. More shops are planned at the rate of about 15 per year.

All the shops in all of Greater China are owned and operated by the Group. None has been franchised or licensed. This strategy requires more intensive use of capital and human resources and may result in a slower pace of expansion than that achieved by its competitors, but it affords better and more effective brand management.

The Group has its own jewellery manufacturing facilities in Shunde and Qingdao, Mainland China and in Hong Kong. It purchases finished goods from other suppliers in Mainland China and Hong Kong, as well as items made to its design and specifications.

### 本集團業績

於2005年，周生生集團的營業額為5,761,000,000港元，較2004年度7,017,000,000港元下跌18%。下跌主要受貴金屬批發業務量下跌影響。股東應佔溢利為187,000,000港元，較2004年度201,000,000港元（重列）下跌7%。每股溢利由33.37港仙（重列）下跌至31.12港仙。

### 綜觀

本集團經營三方面業務：珠寶零售、貴金屬批發及證券與期貨經紀業務。

珠寶零售業務由周生生珠寶金行有限公司及其若干聯屬公司經營。於2005年底，在香港以「周生生」經營的分店有34家，在中國內地有61家。以「點睛品」經營的分店在香港有6家，在台灣有22家，在澳門有1家。此外，周生生擁有香港迪士尼樂園「小鎮珠寶店」的經營權。

周生生在大中華地區的定位為國際級品牌，中期定位目標乃成為內地市場之高端珠寶零售商，即現時香港及台灣市場已達至的定位。

內地零售網絡目前分佈於35個城市，包括北京、上海、天津、重慶、廣州及其他省會及主要城市。預計每年增設約15家分店。

集團在大中華的分店均屬自營，不設特許經營或授權經營。此經營策略需運用較多的資金及人力資源，發展速度較同業慢，但可達致更佳和更有效益的品牌管理。

本集團在內地順德及青島與香港均自設工場，亦有從中國內地及香港的供應商採購成貨，以及根據集團設計及既定規格生產的成品。

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Besides jewellery designed in-house, the Group offers customers a wide selection of international brands, such as Stefan Hafner, The Love Diamond, Elara, DTC Forevermark, Marco Bicego and Calgaro. Teams of merchandisers regularly visit Europe and Japan to search the market for new additions.

Although jewellery items made of gold and platinum remain a staple in the Group's array of merchandise, diamond-set jewellery has been taking on increasingly dominant significance. This has prompted the Group to move into buying rough diamonds and have them polished to order. The Group is already vertically integrated in that it buys gold and platinum for jewellery manufacture, and going upstream in diamond supply is a logical extension.

Chow Sang Sang is one of the 93 worldwide "Sightholders" of the Diamond Trading Company ("DTC") in London, which controls some 50% of the global diamond mine output. As such it is able to buy rough diamonds on a regular basis from the DTC. Rough diamonds so purchased are sorted according to criteria set for its own jewellery manufacture. Those falling within the specifications will be sent to be polished and the remainder will be sold off. The Group does not plan to develop a diamond polishing or wholesale business. The purpose of purchasing rough diamonds is to gain better control of part of the supply chain of polished diamonds. The Group continues to buy polished diamonds from other suppliers.

The chain Emphasis Jewellery has successfully transformed itself into a purveyor of highly fashionable jewellery in an intimate setting, thus complementing Chow Sang Sang's broad-platform approach. It also operates in Taiwan (22 shops) and Macau (1 shop), offering in all a wider selection of merchandise, including items from Chow Sang Sang.

World Commercial Sales Company Limited is a member of the Group that is engaged in the wholesale of gold, platinum and palladium in Hong Kong. This is a high turnover-value low-margin business that nonetheless is a useful adjunct to the Group because the Group is a major user of gold and platinum. The company minimises risk by not taking any positions in gold, only a small one in platinum, and by matching sells and buys meticulously.

## 管理層討論及分析

本集團除自行設計珠寶飾品外，亦有為顧客提供多個國際名牌以供選擇，包括：Stefan Hafner, The Love Diamond, Elara, DTC Forevermark, Marco Bicego 及 Calgaro。採購隊伍定時會到歐洲及日本搜羅最時尚的首飾。

雖然本集團一向以銷售黃金及鉑金飾品為主，但是鑽石鑲嵌飾品銷售的比重逐漸增加亦不容忽視，促使本集團直接採購鑽石毛坯及將其打磨備用。本集團一向有購入黃、鉑金原料製造飾品，故擴闊購入鑽石原料供應也理所當然。

周生生現為倫敦國際鑽石商貿公司（「DTC」）全球93家「鑽石配貨商」之一。DTC目前控制全球鑽石產量約50%。周生生成為鑽石配貨商後，可定期向DTC購入鑽石毛坯，購入後按珠寶製造標準進行評級和分類，將合用者打磨自用，其餘出售。本集團並無計劃發展鑽石打磨或批發業務，購入鑽石毛坯旨在對部份鑽石原料的供應有更佳的掌控。本集團亦繼續從其他供應商採購已打磨鑽石。

點睛品已成功轉型為高檔時尚珠寶店，與周生生的多樣化相輔相成。點睛品目前亦在台灣（22家分店）及澳門（1家分店）經營，提供更豐富的產品選擇，包括來自周生生的產品。

世界批發行有限公司為本集團成員，在本港經營黃金、鉑金及鈹金批發業務。雖然這是一項高營業額低利潤業務，惟本集團為黃、鉑金的主要用家，故維持此業務對集團整體有利。此公司黃金不作空倉，鉑金只存少量倉盤，買賣完全對沖，以減少風險。

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Chow Sang Sang Securities Limited and Chow Sang Sang Futures Limited together operate 8 sales offices in Hong Kong, as well as Internet trading platforms for stock and futures. The companies service a small niche market of retail clients, providing professional personalised service while leveraging on the Group's branding and network. The businesses are conducted in a conservative manner with emphasis on controls and risk management.

### Jewellery retail

Retail of jewellery accounted for 41% of the Group's turnover, rising from the 32% in 2004. Despite an increase of 6% in turnover to HK\$2,381 million, operating profit decreased by 7% to HK\$173 million.

#### *Hong Kong & Macau*

Turnover recorded an increase of 2% to HK\$1,999 million during 2005 (2004: HK\$1,966 million (restated)), accounting for 84% of the total turnover in jewellery.

During the year, 7 new shops were opened. Seven shops were closed, due either to landlords' untenable rental demands or to the locations having become unattractive. The street-level shop in Tuen Mun was relocated to a shopping mall. The shop in Hong Kong Disneyland was opened in August and the Emphasis Jewellery shop in Macau was opened in December.

Turnover was higher than that of 2004, but the increase was not as high as might have been expected with the new shops, and a number of existing shops registered declines from 2004.

With the price of gold at historic heights, the turnover fell below their prior year levels. Gross profit was about par, however, thanks to a sharp increase in the trade-in of gold in December that was spurred on by a hike in the price of gold.

After the festive months of January and February, the sale of gem-set jewellery drifted along until the fourth quarter, and in December it started to climb and more than made up lost ground.

周生生證券有限公司及周生生期貨有限公司在香港共有8個營業點，亦提供證券及期貨互聯網交易平台。此兩家公司服務的是一個細小而合適的零售客戶市場。此等業務以穩當方式經營，故十分注重監控及風險管理。

### 珠寶零售

珠寶零售佔本集團總營業額由2004年之32%上升至41%。營業額雖上升6%至2,381,000,000港元，經營溢利則下跌7%至173,000,000港元。

#### *香港及澳門*

2005年度營業額錄得增長2%至1,999,000,000港元（2004年：1,966,000,000港元（重列）），佔珠寶總營業額84%。

年內共增設7家分店，另有7家分店因租金費用大幅增加或經營位置欠理想而結業。屯門分店已由地舖搬遷往商場營業。位於香港迪士尼樂園的分店於8月開業，而位於澳門的點睛品分店於12月開業。

營業額雖較2004年度為高，但連同新店在內實際升幅則未及預期，部分原有分店表現較2004年度遜色。

隨著金價上升至歷史性新高，黃金飾品營業額低於去年水平，幸12月的黃金回購因金價攀升而激增，令毛利仍能維持平穩。

1月及2月份的節慶過後，珠寶鑲嵌飾品的銷售一直維持平穩至第四季度，12月開始上升至稍勝去年。

## MANAGEMENT DISCUSSION AND ANALYSIS

Because of the erratic attendance at the park, the turnover at Midtown Jewelry in Hong Kong Disneyland has been far below expectation. From our experience, turnover at the shop is very much dependent on the visitors volume in the park, as well as the mode of travel of such visitors. Large groups that are bound by preset timetables are not likely to have the time and leisure to shop seriously at Midtown Jewelry. Nonetheless we believe contribution from the shop should improve, once the park overcomes its difficulties with attendance and starts to attract more affluent independent to visits from the Mainland.

Despite a higher turnover, net profits fell because of higher expenses in shop rents and salaries. On average, rental expenses have gone up 11% upon renewal of leases. However, total rental expenses have gone up 30%. In order to keep rental expenses under control, we assess every rental proposition, be it for a new lease or a renewal, carefully with respect to the expected return and the strategic value of the shop concerned.

We have signed a lease for space in Skyl plaza, the new addition to the terminal facilities at Hong Kong International Airport. The shop is scheduled to open in the second half of 2006. With the excellent traffic flow attained by the Airport, our current presence there in the form of two relatively small shops is inadequate.

Salaries had gone up because we have strengthened our brand management team at senior level and we have expanded our workforce in preparation for the new shops. However, staffing for the new shops has been fine-tuned since the opening, in line with actual requirements.

In order to hold down costs, the programme to refurbish the older shops to the brand-image standard has been drawn out, to be completed in 2007.

We continue to put heavy emphasis on diamonds, especially branded diamonds such as The Love Diamond. Since the beginning of the year, we have been buying rough diamonds from the DTC in London under their "sightholder" arrangement. Buying and processing rough diamonds to feed our diamond usage in jewellery manufacturing has enabled us to expand our supply of The Love Diamond and other goods.

Emphasis Jewellery has completed its positioning as a "fashion jewellery trend-setter". Its new look and shop image have drawn admiration from shopping mall managements and it is building up its new clientele successfully. During the year, 3 shops were refitted. A new shop is slated to open in Taikoo Shing in 2006.

## 管理層討論及分析

由於香港迪士尼樂園入場人數不穩定，位於樂園的小鎮珠寶店營業額遠低於預期。根據經驗，此店業務直接受遊園人數及遊客的旅遊模式影響。由於參加旅行團的遊客受行程限制，故沒有足夠時間到小鎮珠寶店瀏覽及選購貨品。集團相信當樂園克服入場人數問題後，並吸引更多內地遊客到訪，樂園店業務將得以改善。

營業額雖然較去年為高，由於租金及薪金開支增加，令淨溢利下降。續租平均加幅為11%，總租金開支則上升30%。為控制租金支出，不論新租約或續租，集團均以店舖的預期回報及策略價值為考慮，審慎評估。

集團已簽訂位於香港國際機場擴建新翼翔天廊新店租約。該店計劃在2006年下半年開業。相對於機場的高客運流量，集團目前只以兩間規模較小的分店在該處經營並未足夠。

薪金支出增加，是由於為了加強品牌管理隊伍而增聘高層管理人員，及為籌備新店而擴大工作隊伍班子。新店開業後，已按實際情況調整人力編制。

為節省開支，將較早期的分店以新品牌形象重裝的計劃將延至2007年完成。

本集團繼續十分著重經營鑽石，尤其名牌鑽石如The Love Diamond。本集團由年初開始向DTC依據其「鑽石配貨商」協定購入及打磨鑽石毛坯，為集團的珠寶製造提供穩定的原料供應，從而增加The Love Diamond及其他貨品的供應。

點睛品已重新定位為「時尚潮流首飾的先導」。煥然一新的形象得到購物商場管理層的欣賞，更成功建立新客層。年內已將3家分店重裝，並計劃於2006年在太古城開店。

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Mainland China*

During the year turnover from the Mainland shops increased by 61% to HK\$285 million (2004: HK\$177 million), representing 12% of the total turnover in jewellery.

New shops opened in the year numbered 21, bringing the total at the year end to 61. We have established our presence in cities such as Jinan, Nanjing, Wuxi, Liuzhou, Wuhan and Dongguan; we have also expanded the number of shops in other key cities in which we already have shops.

We expect to open 15 shops in 2006 and 6 were already opened at the time of this report. With the current total of 67 shops, we expect to increase our spending on advertising and promotion, with particular focus on our proprietary product lines, licensed products and exclusive brands such as The Love Diamond, Lady Hearts, Hello Kitty and Disney. At the same time, our training and development programmes for mainland staff will be geared up in order to keep pace with our network expansion.

### *Taiwan*

During 2005, turnover from Emphasis Jewellery shops dropped by 7% to HK\$97 million (2004: HK\$104 million), or 4% of the total turnover in jewellery.

The economy continued to be slow, the unsettled political climate likely a dominant cause. Department stores, in which most of our stores are located, frequently resorted to price competition, as did our major competitors. As a result, turnover decreased and profit margin dropped.

We have ceased to be the distributor for 4°C of Japan in Taiwan; three shops had been closed but the amount written off as a result is not significant.

In line with the new positioning of Emphasis Jewellery, we shall focus on gem-set jewellery in higher price brackets.

### **Wholesale of precious metals**

The wholesale business recorded a turnover of HK\$2,932 million, dropping 35% from the HK\$4,503 million in 2004. Operating profit dropped by 29% to HK\$7 million. The turnover was 51% of the Group's total, and the profit 3% of the Group's profit.

## 管理層討論及分析

### *中國內地*

年內內地分店營業額上升61%至285,000,000港元(2004年:177,000,000港元)，佔珠寶總營業額12%。

年內共有21家新店開業，至年底之分店總數達61家。除在濟南、南京、無錫、柳州、武漢及東莞等城市設立據點外，集團亦繼續在其他已設點的主要城市拓展分店數目。

集團預計在2006年增設15家分店，其中6家於本報告日已開業。為配合現有合共67家分店經營，廣告及宣傳將會加強，並特別專注於專利產品系列、版權貨品及獨家經營的品牌如The Love Diamond、Lady Hearts、Hello Kitty及迪士尼。與此同時，集團亦準備提升內地員工的培訓發展項目，以切合零售網絡發展的需要。

### *台灣*

2005年點睛品的營業額下跌7%至97,000,000港元(2004年:104,000,000港元)，佔珠寶總營業額4%。

由於政局不明朗，區內經濟持續呆滯。集團銷售點大多設於百貨公司，由於百貨公司經常依賴削價促銷，而同業也響應，致使營業額減少及利潤下降。

本集團已不再在台灣經銷日本品牌4°C；3家專門店已經結束，當中並無重大撇值。

為配合點睛品重新定位，集團將專注於高檔次珠寶飾品。

### **貴金屬批發**

貴金屬批發業務營業額為2,932,000,000港元，較2004年4,503,000,000港元下跌35%。經營溢利下跌29%至7,000,000港元。此項業務佔本集團總營業額51%，溢利佔本集團總溢利3%。

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In an effort to develop the business, we are setting our sight on palladium, rhodium and their solutions used in electroplating. We will also explore the possibility of getting into the mainland market.

### Securities and Commodities broking

For 2005, the transaction volume was HK\$12 billion, as compared to HK\$14 billion in 2004. Commission income and operating profit decreased 20% and 37% to HK\$31 million and HK\$13 million, respectively.

During the year, trading volume in the stock market increased as the economy improved. However, Group C brokers continued to underperform the market, with aggregate market share shrinking from 17% as of December 2004 to a new low of 13% in 2005. Our business volume was similarly affected, despite the launch of the new Internet futures trading service during the year. This is caused by increased competition from banks with their near predatory pricing tactics.

Looking forward, our strategy continues to place heavy emphasis on service and branding, with specific focus on key customer segments.

### Investments

#### Properties

Most of the Group's properties are held for its own use as jewellery shops and factory premises. Rental revenue from investment properties increased to HK\$8 million (2004: HK\$7 million (restated)), which accounted for less than 1% of the Group's overall turnover.

In September 2005, the premises known as G/F and M/F, 22-26 Heung Sze Wui Road, Tuen Mun, was sold to an independent third party. The property was originally acquired in 1985 to serve as the premises for our jewellery shop, but its location had in recent years become unattractive for the purpose.

#### Shares in Hong Kong Exchanges and Clearing Limited

Shares in Hong Kong Exchanges and Clearing Limited ("HKEC"), received as distribution from the merger of the stock and futures exchanges in 2000, are being held by the Group as available-for-sale investment. At 1 January 2005, the Group had 5,653,500 shares.

During the year, 700,000 shares were sold at a gain of HK\$16 million. As at 31 December 2005, the Group held 4,953,500 shares of HKEC and the unrealised gain on the holding amounted to HK\$159 million (2004: HK\$117 million).

## 管理層討論及分析

為發展此項業務，集團將集中鈀金、銻金及其在電鍍方面之應用，並留意於內地發展之可行性。

### 證券及期貨經紀

2005年交投量總額為12,000,000,000港元，2004年交投量總額為14,000,000,000港元。佣金收入及經營溢利分別下跌20%至31,000,000港元及37%至13,000,000港元。

由於經濟好轉，年內證券市場交投暢旺。惟C組經紀繼續失守，市場總佔有率從2004年12月之17%下挫至2005年之13%新低點。縱然集團於年內推出網上期貨交易服務，但在銀行的封殺式競爭策略下，集團亦同樣受影響，令市場佔有率縮減。

日後之經營策略將繼續提升對顧客之服務質素及品牌形象。

### 投資

#### 物業

本集團所持物業大部分自用為珠寶店及廠房。投資物業帶來之租金收入增加至8,000,000港元（2004年：7,000,000港元（重列）），佔本集團總營業額少於1%。

於2005年9月，位於屯門鄉事會路22-26號地下及閣樓之物業出售予一獨立第三者。該物業在1985年購入，並用作經營珠寶分店，但此物業位置於近年已不再適合用作零售店舖。

#### 香港交易及結算所有限公司股份

於2000年證券及期貨交易所合併而獲分配之香港交易及結算所有限公司（「港交所」）股份，本集團持有可供出售投資。於2005年1月1日，本集團持有5,653,500股股份。

年內售出700,000股，變現收益16,000,000港元。於2005年12月31日，本集團持有4,953,500股港交所股份，未變現之收益為159,000,000港元（2004年：117,000,000港元）。

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### Finance

#### *Financial Position and Liquidity*

The Group centralises funding for all its operations through the corporate treasury based in Hong Kong. This policy achieves better control of treasury operations and lower average cost of funds.

As at 31 December 2005, the Group had net cash and cash equivalents of HK\$175 million, and total undrawn bank and other credit facilities of approximately HK\$528 million. The Group generates strong recurring cash flows from its core jewellery business.

Total borrowings for the Group as at 31 December 2005 amounted to HK\$98 million, which is repayable in one year. The Group's policy is to obtain financing on an unsecured basis whenever possible, and unsecured debt accounted for 100% of total borrowings as at 31 December 2005. The Group has a low gearing ratio of 5%, based on net debts of HK\$98 million and shareholders' equity of HK\$2,092 million. At 31 December 2005, the current ratio was 4.1, based on current assets of HK\$1,995 million and current liabilities of HK\$485 million. Most of the cash is deposited in the leading banks of Hong Kong in either HK dollar or US dollar.

#### *Foreign Exchange Risk Management*

The Group considers its foreign exchange exposure insignificant. The Group has foreign currency exposure in Renminbi ("RMB"), 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. As at 31 December 2005, total foreign currency borrowings excluding RMB borrowings amounted to approximately HK\$5 million. RMB loans at the year end amounted to RMB76 million (2004: RMB61 million) and are used for the operations in Mainland China.

Most of the Group's assets and liabilities, revenues and payments are in Hong Kong dollars and US dollars.

### 財務

#### *財務狀況及流動資金*

本集團營運資金集中由香港財政部統籌，此政策令各項營運現金流量得到較佳監控，減低平均融資成本。

於2005年12月31日，本集團之現金及等同現金為175,000,000港元，未動用之銀行及其他信貸額約為528,000,000港元。本集團之核心珠寶業務將繼續提供龐大的經常性現金流量。

本集團於2005年12月31日之借貸總額為98,000,000港元，須於一年內償還。本集團盡量以無抵押方式取得融資，於2005年12月31日之無抵押債項為借貸總額100%。本集團維持低水平的負債比率5%，是以淨借貸98,000,000港元及股東權益2,092,000,000港元為基礎計算。於2005年12月31日，以流動資產1,995,000,000港元及流動負債485,000,000港元為基礎計算，流動比率為4.1。大部分現金以港元或美元存於本港主要銀行。

#### *外匯風險管理*

本集團外匯風險很小。本集團的外幣風險主要在人民幣、新台幣、歐羅及日元；管理方法是用外幣債務為手上同幣資產融資。於2005年12月31日，不計人民幣之外幣借款約為5,000,000港元。年底之人民幣借款為76,000,000人民幣（2004年：61,000,000人民幣），作為中國內地營運資金。

集團大部分資產及負債、收入及付款均以港元及美元結算。

## MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析

### *Charges on assets*

The Company guarantees banking and other facilities granted to its subsidiaries. The Group's banking facilities are secured by certain items of property, plant and equipment and investment properties with a net carrying value of HK\$142 million (2004: HK\$152 million (restated)), and available-for-sale investments of HK\$87 million (2004: HK\$56 million). At 31 December 2005, the Group's total bank loans and gold loans amounted to HK\$98 million (2004: HK\$62 million) and HK\$116 million (2004: HK\$11 million), respectively.

### **Significant impact of changes in accounting standards**

The Group has adopted certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) in the current year. The impacts of these HKFRSs are set out below.

According to HKAS 17 "Leases" and HK-Int 4 "Lease — Determination of the Length of Lease Term in respect of Hong Kong Land Leases", where the lease payments of land and buildings cannot be split reliably in proportion to their fair value at inception, the entire lease is treated as a finance lease and the two elements are stated collectively at cost or valuation less accumulated depreciation, depreciated over the shorter of its estimated useful life and the lease term of the entire lease. The change in accounting policy has been adopted retrospectively. The result of this has been to increase both the land and buildings revaluation reserve as at 1 January 2005 and 1 January 2004 by HK\$21,387,000, and to reduce both the retained profits as at 1 January 2005 and 1 January 2004 by HK\$23,416,000 and HK\$22,016,000, respectively.

In accordance with HKASs 32 and 39 "Financial Instruments", the Group's long term investments and short term investments were reclassified as available-for-sale investments and investments at fair value through profit or loss, respectively.

According to HKAS 40 "Investment Property", changes in fair value are recognised in the profit and loss account and there should be no revaluation reserve available for offsetting against revaluation deficits. The change in accounting policy has been adopted retrospectively. The result of this has been to increase both the retained profits and decrease both the investment property revaluation reserve previously reported as at 1 January 2005 and 1 January 2004 by HK\$5,213,000 and HK\$3,125,000, respectively.

### *資產抵押*

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賬面淨值達142,000,000港元（2004年：152,000,000港元（重列））之物業、機器及設備及投資物業，與可供出售投資87,000,000港元（2004年：56,000,000港元）。於2005年12月31日，本集團之銀行貸款及黃金借貸總額分別為98,000,000港元（2004年：62,000,000港元）及116,000,000港元（2004年：11,000,000港元）。

### **會計準則變更之主要影響**

本集團已於本年內採納若干新訂及經修訂的香港財務報告準則（包括香港會計準則及詮釋）。採納此等香港財務報告準則之影響如下。

根據香港會計準則第17號「租賃」及詮釋第4號「租賃—釐定香港土地租賃之租賃年期」，若土地及樓宇租賃付款無法依據租約開始時之公平價值按比例劃分，整項租賃將當作融資租賃，該兩項元素會一併以成本或估價扣除累計折舊列賬，折舊乃按估計可用年期與整項租賃年期兩者中之較短者為依據攤分。此會計政策之變更已追溯應用，於2005年1月1日及2004年1月1日之土地及樓宇重估儲備因而增加21,387,000港元；於2005年1月1日及2004年1月1日之保留溢利則分別減少23,416,000港元及22,016,000港元。

根據香港會計準則第32號及39號「財務工具」，本集團之長期投資及短期投資已分別重新分類為可供出售投資及按盈虧訂定公平價值投資。

根據香港會計準則第40號「投資物業」，重估儲備不再存在作抵銷重估損失之用，公平價值之改變需於損益賬確認。此會計政策之變更已追溯應用，因而使保留溢利期初結餘增加及投資物業重估儲備減少，於2005年1月1日及2004年1月1日分別調整5,213,000港元及3,125,000港元。



## MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析

According to HK(SIC)-Int 21 "Income Taxes — Recovery of Revalued Non-depreciable Assets", deferred tax arising from the revaluation of investment properties is measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use and is calculated at the profits tax rate. The change in accounting policy has been adopted retrospectively. The result of this has been to increase both the deferred tax liabilities and decrease both the investment property revaluation reserve previously reported as at 1 January 2005 and 1 January 2004 by HK\$5,012,000.

### Human resources

As at 31 December 2005, the Group, excluding its associates, had 2,194 employees all over Greater China. This is a 17.5% increase over 2004, but more than three quarters of the increase was attributable to the operations in Mainland China.

The Group does not have any option plans.

As a rule the Group, in Mainland China, Hong Kong or Taiwan, recruits locally unless there is an overriding need otherwise. Remuneration is performance based. In general, awards are given to sales staff based on the performance of the individual shops, and discretionary bonuses may be granted to all classes of staff based on overall performance of the Group.

The Company organises staff training and development in a systematic manner. Both in-house and external programmes are made available to staff of all ranks. Front line staff are also provided with incentive to improve their language skills. During the year, as many as 951 employees took part in external or in-house training and development programmes.

### Contribution to the Community

The Group believes in good corporate citizenship. We are committed to: delivering quality products and service to our customers, strong and sustained financial performance to investors, and creating a positive impact in the communities where we conduct business.

The Group contributed to various educational, cultural and charitable organisations in Hong Kong, Shunde and Shanghai. Directors and senior members of management have contributed their time and expertise to various public service and activities.

根據香港會計準則詮釋第21號「所得稅—收回經重估之非折舊資產」，重估投資物業所產生的遞延稅項乃按照物業通過使用而取回其賬面價值而釐定並以利得稅率來計算。此會計政策之變更已追溯應用，因而使遞延稅項負債增加及投資物業重估儲備減少，於2005年1月1日及2004年1月1日分別調整5,012,000港元。

### 人力資源

於2005年12月31日，本集團除聯營公司外在大中華地區共有2,194位僱員，較2004年增加17.5%，其中四分之三以上的增幅在內地營運。

本集團沒有任何認購股權計劃。

除非有特別需要，本集團的原則是在中港台各地招聘當地員工。釐定報酬以員工表現為基準。一般來說，銷售人員的業績獎乃根據個別店舖的表現，年終獎金則按集團整體表現發放予所有員工。

本公司有系統地組織員工發展培訓。各階層員工均可參與內部及外界舉辦的培訓計劃。本公司亦提供鼓勵予前線人員以改善語言技巧。年內共有951名員工參加內部及外部的培訓計劃。

### 回饋社會

本集團深信良好的企業應承擔公民職責，並承諾為顧客提供具質素的产品及服務，向投資者承諾持續強健的財務表現，以及為經營業務所在的社區帶來正面的影響。

本集團在香港、順德及上海向不同的教育、文化及慈善機構作出捐獻。董事及高級管理人員付出時間及將其專業知識貢獻於不同的公職及社會活動。

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2005, the Group was acknowledged as a Caring Company by the Hong Kong Council of Social Services in recognition of its active involvement in various social services and charity actions.

This annual report has been designed to be printed with minimum ink on paper bearing the Forest Stewardship Council certification for containing recycled material.

### Outlook

The jewellery operation in Mainland China will take on increasing importance as a contributor of revenue and profit. To meet the demand for goods, the manufacturing plant in Shunde and Qingdao will be strengthened. A new die-stamping facility has been added at Shunde, which will increase the output of popular-priced items, with better quality of finish, and at lower cost.

The Group obtained approval from the Ministry of Commerce, in January 2006, for the setting up of a “wholly foreign-invested commercial enterprise” in Guangzhou, under the *Administration Measure for Foreign Investment in Commercial Sector* issued in 2004. By means of this new and wholly-owned subsidiary, Chow Sang Sang (China) Company Limited, we will be able to ease the situation of tight capital currently faced by the operating subsidiaries, and to enhance our performance in Mainland China by realigning assets between the subsidiaries.

We shall continue to refine our operation at Hong Kong Disneyland in order to maximise our return under the circumstances.

## 管理層討論及分析

於2005年，本集團獲「香港社會服務聯會」頒贈「商界展關懷」標誌，象徵集團積極參與社會服務及公益事務獲得認同。

本年報以最少的印墨並以循環再造物料的紙張印刷，此等紙張由林業管理公會認可。

### 前瞻

中國內地珠寶業務收益及溢利對集團之貢獻愈來愈重要，為應付貨品的需求，將增強位於順德及青島之生產工場，其中順德工場已新增一套壓模設施，可以較低成本較佳質量增加大眾化貨品之產量。

本集團已於2006年1月獲商務部批准在廣州成立「全外商投資商業企業」，此乃按商務部於2004年發出之《外商投資商業領域管理辦法》而成立。透過此新成立全資附屬公司「周生生(中國)商業有限公司」，可舒緩目前各營運附屬公司資金緊絀之情況，並透過將附屬公司之資產重新調配，從而提升集團在內地的表現。

集團將致力改進香港迪士尼樂園內之分店營運，爭取更好的回報。