



# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析

### REVIEW OF RESULTS

For the year ended 31 December 2005, the Group's revenue amounted to HK\$620,709,000, representing an increase of HK\$96,907,000 as compared with last year. Loss before tax amounted to HK\$22,130,000.

#### (1) Property Development Business

In 2005, Beijing Jing Guan Property Development Co. Ltd. ("Beijing Jing Guan"), a wholly-owned subsidiary of the Group, has achieved satisfactory operating results. During the year under review, affected by the "8.31" land policy introduced in 2004, Beijing property market also suffered from the impact of the PRC Government's macro control policies implemented in the beginning of the year. Even though there are no significant fluctuations in the market, yet the market had taken a conservative approach during the year. The property market became active subsequently and prices continued to surge, but the momentum of the rapid growth in the prices had been suppressed by the PRC Government's macro control policies. Nevertheless, this resulted in a more healthy, rational and steady development for Beijing property market.

### 業績回顧

截至二零零五年十二月三十一日止年度，本集團之收入為620,709,000港元，比去年增加96,907,000港元，除稅前虧損為22,130,000港元。

#### (1) 房地產開發業務

於二零零五年，本集團之全資附屬公司北京京冠房地產開發有限公司（「北京京冠」）取得了良好的經營業績。在回顧年內，北京房地產市場在經歷了二零零四年「8.31」土地政策影響之後，繼續承受了年初國家系列宏觀調控政策的影響，市場雖未出現大的波動，但年中房地產市場曾一度出現了觀望態度；雖然其後地產市場交投重歸活躍，樓房價格繼續攀升，但價格快速增長的勢頭已受到國家宏觀調控政策的遏制；然而這情況反而令北京房地產市場有著較健康、理性及穩定的發展。



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In light of the fluctuation in Beijing property market, Beijing Jing Guan further standardized its internal corporate management while deploying substantial efforts in team building and corporate culture development. In addition, it also actively extended efforts on its property development project, “Sunpalace Mercury Garden”, located in East Part of E Area, Taiyanggong New District Taiyanggong North Street, Beijing, the PRC, and aggressively promoted the sales of remaining property units. As at 31 December 2005, contracts with an aggregate value of RMB840,000,000 for the Sunpalace Mercury Garden Project has been completed, which generated capital amounting to RMB827,000,000 with a return rate of 98.07%. Block nos. 1, 2, 3 and 5 of the Sunpalace Mercury Garden were also completed and delivered for occupancy. In addition, Beijing Jing Guan adjusted the selling prices according to sales. Due to the fast absorption of the residential market, the company has adjusted the overall selling prices three times in 2005. According to statistics, the average selling price per square meter of the Sunpalace Mercury Garden in 2005 increased by 20.26% from 2004.

Meanwhile, with an aim of sustaining the well development of its property development business, the company also committed itself to speed up the works on its “Guangqumen Project”, redevelopment of old buildings situated on Guangqumen South Street, Chongwen District in Beijing. Significant progress has been achieved in the planning and design, preparation for demolition and relocation and fund raising.

面對北京房地產市場一度出現的波動，北京京冠在搞好團隊建設和企業文化發展的基礎上，進一步規範企業各項內部管理，加大發展位於中國北京市太陽宮北街太陽宮新區E區東部之房產開發項目－「太陽星城水星園」項目建設的開發力度，積極推進餘下樓盤銷售。截至二零零五年十二月三十一日，水星園項目共完成合同簽約額8.4億元人民幣，回籠資金8.27億元人民幣，回款率達到98.07%，並實現了水星園1、2、3及5號樓的順利交房入住。此外，北京京冠根據銷售情況對價格進行了調節。由於住宅消化較快，於二零零五年全面調價了三次；據統計，二零零五年水星園每建築平方米之銷售平均價比二零零四年的增長為20.26%。

與此同時，為確保公司地產開發業務的持續良好發展，還致力加快進行了位於北京市崇文區廣渠門南街舊建築物重建工程項目－「廣渠門項目」的運作，在規劃設計、拆遷準備和資金籌備等各項工作均取得了有效進展。

### (2) Watches and Timepieces Business

The revenue of EBOHR Luxuries International Company Limited (“EBOHR Luxuries”), a wholly-owned subsidiary of the Group, increased by approximately 18% in 2005 over the previous year, contributing a net profit of approximately RMB17,080,000 to the Group. The growth was mainly attributable to:

- (i) the firm implementation of strategies to promote the reputation and value of the brand;
- (ii) the constant introduction of innovative design, craftsmanship and materials, and the combined sales strategies of the brand operating centre and design development centre, which enhanced the success rate of new products launched;
- (iii) the calm reaction to the severe price war raised by its competitors on EBOHR watches, and insisted on its established pricing policy, moderately raised the retail mark-up, which increased the gross profit contribution of popular products. On the other hand, adopting scientific flexible strategy in raw material procurement to reduce procurement costs, which ultimately boosted the simultaneous growth of sales and selling gross profit; and
- (iv) constantly maintain its competitive edges and its leading position in the bulk purchases business, sales performance surpassed expectation.

### (2) 鐘錶業務

本集團之全資附屬公司依波精品(深圳)有限公司(「依波精品」)在二零零五年度之銷售收入比二零零四年度增長約18%，為本集團帶來淨利潤約17,080,000元人民幣，增長之主要原因為：

- (i) 堅定地實施提升品牌美譽度及品牌價值的戰略；
- (ii) 設計、工藝和材質不斷創新，實施了品牌營運中心和設計研發中心的整合營銷策略，新產品投放的成功率得以提升；
- (iii) 冷靜應對競爭對手針對依波錶的惡性價格戰，堅守公司既定的價格政策，適度調高了零售加價率，提高了暢銷產品的毛利貢獻；同時，在原材料採購方面，採用科學靈活的方式，減低採購成本，最終實現了銷售額和銷售毛利的同步增長；及
- (iv) 繼續保持了團購業務的競爭優勢和在競品中的領先地位，銷售業績超過了預期指標。

### (3) Timber Business

Timber business still experienced very tough condition in 2005. Under the PRC Government's macro control policies, rising prices of international crude oil and raw materials, together with the increasingly intense market competition, operating environment of Seti Timber Industry (Shenzhen) Company Limited ("Seti Timber"), a wholly-owned subsidiary of the Group, remained difficult. Given the changes in timber market, Seti Timber adopted timely measures in 2005 to adjust the manufacturing structure so as to minimize sales loss. However, due to fierce competition, the decreased production cost failed to catch up with the decreasing speed of market selling price. As a result, unsatisfactory performance with an operating loss was recorded during the year under review.

### (4) Enamelled Copper Wires Business

Fuzhou Dartong M&E Co., Ltd. ("Dartong"), a 49% owned joint venture of the Company, has commenced production of enamelled copper wires used in colour television panels, colour picture tubes, transducers and air conditioning compressors in September 2005. As the year under review was a trial-run stage for new equipments with only four months of production and sales, fixed cost was relatively high. Thus, a loss of approximately RMB640,000 was recorded. However, the Group believes that with the strong demand, the production scale of the enamelled copper wires will achieve its designed requirements and the performance of the sector is expected to improve in 2006.

### (3) 木材業務

二零零五年木材業務仍是非常艱難的一年。國家政府宏觀調控、國際原油價格及原材料價格持續高企及市場競爭日益激烈等因素，令本集團之全資附屬公司森帝木業(深圳)有限公司(「森帝木業」)之經營環境持續困難。根據木材市場情況的變化，森帝木業於二零零五年及時採取措施，調整生產結構，儘量減少市場銷售損失。然而，由於競爭激烈，造成生產成本的下降跟不上市場銷售價格下滑的速度。最終於回顧年內錄得經營虧損，表現未如理想。

### (4) 漆包線業務

由本公司持有49%權益的合營企業－福州大通機電有限公司(「福州大通」)於二零零五年九月正式開始投入適用於電視彩色顯示屏幕及彩色顯像管，以及變頻機及空調壓縮機之漆包銅線之生產。由於在回顧年內為新設備試行階段且生產銷售只有四個月的時間，固定成本相對偏高。最終錄得虧損約64萬元人民幣。然而，集團相信隨著漆包線需求持續龐大，二零零六年生產規模將達到設計要求，情況將會改善。



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### (5) Property Investment

The factory complex in Dongguang, Guangdong Province, the PRC; the property on 2nd Lower Ground Floor, Jin Hua Building, Yan He South Road, Luohu District, Shenzhen; and the office floor and three shop units on Xianghua Road, Zhuhai owned by the Group have all been used for leasing purposes, and generated stable rental returns to the Group for the year under review.

## FINANCIAL POSITION

### (1) Liquidity, Financial Resources and Capital Structure

As at 31 December 2005, the Group had non-pledged cash and bank balances of approximately HK\$370,909,000 (31 December 2004: HK\$186,826,000). Based on the bank loans of HK\$413,462,000 (31 December 2004: HK\$339,228,000) and shareholders' equity of HK\$459,018,000 (31 December 2004: HK\$498,893,000), the Group's gearing ratio (being loans divided by shareholders' equity) was 90% (31 December 2004: 68%).

The Group's bank loans were all denominated in Renminbi. As at 31 December 2005, the Group's bank loans amounting to HK\$96,154,000 (23% of all bank loans) were repayable within one year.

### (5) 物業投資

本集團擁有位於中國廣東省東莞市的工廠綜合大樓、深圳市羅湖區沿河南路錦花大廈底層中層及位於珠海市香華路一層辦公樓及三個舖位之物業均仍然用作出租用途，於回顧年共為本集團帶來穩定租金收入。

## 財務狀況

### (1) 流動資金、財務資源及資本結構

於二零零五年十二月三十一日，本集團無抵押現金及銀行結存約為370,909,000港元（二零零四年十二月三十一日：186,826,000港元）。根據銀行借貸413,462,000港元（二零零四年十二月三十一日：339,228,000港元）及股東權益459,018,000港元（二零零四年十二月三十一日：498,893,000港元）計算，本集團之資本負債率（借貸除以股東權益）為90%（二零零四年十二月三十一日：68%）。

本集團的銀行借貸均以人民幣計算。於二零零五年十二月三十一日，本集團23%（共96,154,000港元）之銀行借貸須於一年內償還。



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### (2) Charge on Assets

- (1) Bank loans of HK\$384,616,000 were granted to Beijing Jing Guan, of which HK\$317,308,000 is secured by the land use rights of the East Part of E Area, Taiyanggong New District, Chao Yang Qu, Beijing, the PRC. The remaining bank loans of HK\$67,308,000 are secured by the property of Guanchang Yuan Haidian District, Beijing, the PRC.
- (2) Bank loans of HK\$28,846,000 and other banking facilities of Seti Timber are secured by time deposits of approximately HK\$1,465,000 and land and buildings in Nanshan District, Shenzhen owned by the Group situated in PRC with a net book value amounting to approximately HK\$141,435,000 as at 31 December 2005.

### (2) 資產抵押

- (1) 銀行貸款384,616,000港元乃向北京京冠授出，當中317,308,000港元乃以集團位於中國北京朝陽區太陽宮北街太陽宮新區E區東部之土地使用權作抵押。其餘銀行貸款67,308,000港元乃以集團中國北京海澱區冠城園之物業作抵押。
- (2) 森帝木業之28,846,000港元銀行貸款及其他銀行信貸以定期存款約1,465,000港元及本集團所擁有位於深圳市南山區於二零零五年十二月三十一日賬面淨值約141,435,000港元之土地及樓宇作抵押。

### (3) Capital Commitments

As at 31 December 2005, the Group had capital commitments of approximately HK\$2,033,515,000 mainly related to the construction costs payable in respect of the Group's property development projects in Beijing, proposed acquisition of 21% equity interests in Beijing Haidian Science Park Development Co., Ltd. and the purchase of an investment property. The capital commitments will be satisfied by funds generated from the sales of properties and the Group's available cash.

### (4) Contingent Liabilities

During the year, the Group provided guarantees in favour of certain banks for mortgage loans granted by the banks to the buyers of the Group's properties under development to the extent of approximately HK\$242,000,000 in aggregate. As at the balance sheet date, mortgage loans in aggregate of approximately HK\$200,000,000 had been utilized by the buyers of the Group's properties under development.

The Company had no material contingent liabilities as at the balance sheet date.

### (3) 資本承擔

於二零零五年十二月三十一日，本集團之資本承擔約為2,033,515,000港元，主要涉及就本集團於中國北京市之物業發展項目所應付建築成本、建議收購北京海澱科技園建設股份有限公司21%股本權益及購買投資物業應付之代價。該資本承擔將由出售物業所得之資金與本集團可動用之現金支付。

### (4) 或然負債

年內，本集團就其發展中物業之多名買方獲若干銀行授予之按揭貸款合共約242,000,000港元，向該等銀行提供擔保。截至結算日，本集團發展中物業之該等買方已動用合共約200,000,000港元之按揭貸款。

截至結算日，本公司並無重大或然負債。



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### OUTLOOK

According to available statistics, there are signs revealing a continued growth of the economy of the PRC. The People's Bank of China advised that due to the existing moderate inflation, there will be no immediate plan to increase interest rate. The implementation of currency policy, rising growth in spending, rising national income and positive returns from fixed asset investments together result in an expected economic growth of 8%-9% for the year of 2006.

As the demand for Beijing property market is not only limited within the boundary of Beijing, coupled with the boost from favourable factors such as the 2008 Olympic Games, the market demand continued to grow. The impeding government policy on land management led to a shortage of land, resulting in undersupply in the Beijing property market. Despite the many developers in Beijing property market which resulted in intensifying competition, it is difficult to solve the supply-demand mismatch in the coming two or three years. It is believed that achieving steady growth will be the main direction for the Beijing property market in 2006. Therefore, it is crucial to grasp property development opportunity in the coming years.

### 展望

多項數據均指出二零零六年年初中國經濟再度增長的勢頭持續，人民銀行亦指出鑒於通脹仍然保持溫和，現階段並無加息必要。貨幣政策的配合、消費增長上升、國民收入的積累及固定資產投資回升均有利於中國經濟於二零零六年有持續8至9%的增長。

由於北京房地產市場的需求遠遠不局限於在北京，同時有2008年奧運會等利好因素帶動下，市場需求仍然在持續增長，而政府土地控制等政策干預又產生了緊缺效應，致使北京房地產市場的供應滿足不了相應的需求，雖然因眾多開發商逐鹿北京房地產而形成日益激烈的市場競爭，但未來二至三年內市場的供需矛盾問題難以解決，穩中有升相信是二零零六年北京房地產市場的主流方向。因此，抓緊未來數年的房地產發展商機是極為重要。





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For the watches and timepieces business, 2006 is the last year of its third Five-Year Plan of EBOHR Luxuries. The subject for the year is “Reaching the height”, laying down a solid foundation for the commencement of the fourth Five-Year Plan in 2007. On practical front, the company will devote more efforts in expanding sales network and agent and distribution business for “FILA” watches. In addition, the company will strive to establish cooperation with famous international brands. Leveraging on the company’s edge on its sales network and the awareness of the international brands, it will explore a win-win development model and seek for new heights for its business growth. At the same time, in order to enhance the efficiency and success of design, research and development, the company will introduce and execute the PLM synergetic design platform and technology management system, which is the most advanced system in international design sector. The system will help EBOHR Luxuries establish foundation for leading in watch design and technology as well as future development beyond its peers.

On 6 April 2006, the Company entered into a joint venture agreement with Citychamp Dartong Company Limited and 江蘇清江電機股份有限公司 (Jiangsu Qingjiang Electrical Holdings Company Limited) in respect of establishing a joint venture company – 江蘇大通機電有限公司 (Jiangsu Dartong M&E Co., Ltd.) (“Jiangsu Dartong”) in which the Company invested RMB25,000,000 and thus holds 25% of interest therein. Jiangsu Dartong is mainly engaged in the production and sales of electrical wires and cables, machinery with common usage, mechanical and electrical appliances, mechanical equipments, including the utilization of advanced technology with international standards in operations, production and sales and marketing of special enamelled copper wires products.

在鐘錶業務而言，二零零六年是依波精品第三個五年計劃的最後一年，全年的主題是「沖頂」，為二零零七年啟動的第四個五年計劃打下堅實的基礎。在實質業務上，將致力拓展「FILA」手錶的銷售網絡和代銷及經銷業務。此外，還將積極開發與國外知名品牌的合作關係，利用公司銷售網絡優勢和國外品牌的知名度，共同探索雙贏的發展模式，尋求新的業務增長點。同時，為提高設計研發的效率和成功率，公司將斥資引進並實施國際設計領域中最先進的PLM協同設計平臺和技術管理系統，為依波精品達到同行業設計領先、技術領先和未來跨行業的發展需要奠定基礎。

本公司已於二零零六年四月六日與冠城大通股份有限公司及江蘇清江電機股份有限公司簽訂合資經營合同，成立一合資公司—江蘇大通機電有限公司（「江蘇大通」）。由本公司注資2,500萬元人民幣，使其持有江蘇大通25%股權。江蘇大通主要於國內經營電線電纜、普通機械、電機、電工器材的生產製造及銷售（包括採用國際先進的技術和科學的經營管理辦法，生產和銷售特種漆包線等產品）。



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The operation strategy of Jiangsu Dartong ahead is to achieve growth internally and externally. The company will put emphasis on development of product mix and fund raising. The funds from strategic investors will strengthen the capital base, the financial capacity and development capability. Leveraging on the advancement in technology know-how, effective management and well-known brands, the company will implement various measures, including merger and acquisition, external expansion at low cost, enhancement of production scale, reduction of operating cost, improvement of operating efficiency and control. These measures are in line with the Group's diversification strategy and will strengthen the solid foundation for future business growth.

Moreover, in the past few years, the PRC enamelled copper wires industry developed rapidly. Such rapid growth was mainly attributable to the PRC accession to WTO and the gradual shift of world manufacturing base to the PRC. As a result, the PRC predominates in global production and sales of home appliances, automobiles, motors, electronic information and communication, turning China into the largest sales and production of enamelled copper wires in the world. In view of these, the Group will focus on the production and sales of enamelled copper wires business in 2006 and the coming years.

In 2006, the Group will continue to engage in existing property development business, production of watches and timepieces. For timber business, the priority is to adjust the production mix and to select the production base. In addition, the Group will capitalise business opportunities arising from enormous demand for enamelled copper wires in the PRC and continue to identify other potential opportunity, so as to diversify the Group's businesses, expand the Group's revenue source, and generate returns for shareholders.

江蘇大通今後的發展方向將會是採取內部擴張和外部擴張相結合的發展道路：專注發展產品組合及集資活動；通過引入戰略投資者的資金，增加公司的資本基礎，增強公司的經濟實力和發展後勁；充分應用公司技術、管理、品牌的優勢，實施收購兼併，低成本對外擴張；不斷擴大經營規模，降低經營成本，提高對市場的營運能力和控制力。這正好配合了本集團長遠發展多元化業務策略及加強其競爭實力提供了良好根基。

此外，漆包線行業於國內在過去數年間有著極速的發展。這種快速發展得益於中國加入世界貿易組織之後，世界製造中心逐步轉移到中國，使家電、汽車、電機電器、電子信息、通訊等行業成為世界的生產和銷售大國，也一舉帶動漆包線生產銷售量進入世界第一位。有鑒於此，生產及銷售漆包銅線將會是集團在二零零六年及未來數年重點發展業務之一。

在二零零六年，集團繼續致力於現有地產開發業務、鐘錶生產業務。於木材業務方面，則重點研究木材生產品種調整和細心挑選生產區域。此外，本集團將儘量把握國內漆包線龐大需求的契機，並不斷努力尋覓其他優質項目之商機，使集團業務更具多元化，從而擴闊集團的收益來源，為股東帶來理想回報。



# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析

### EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2005, the Group has approximately 2,000 full-time staff in Hong Kong and the PRC. The remuneration packages offered to the employees are determined and reviewed on an arm's length basis with reference to market condition and individual performance. The Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonus are offered with reference to the Group's operating results and employees' individual performance. All employees of the Group in Hong Kong have joined the provident fund scheme.

### APPRECIATION

The Directors would like to take this opportunity to express our gratitude to all shareholders, customers, bankers, professional consultants, the management as a whole and all staff for their dedication and contribution to the Group during the year under review.

**Shang Jianguang**  
*Chief Executive Officer*

Hong Kong, 26 April 2006

### 僱員及薪酬政策

本集團於二零零五年十二月三十一日擁有香港及中國內地全職員工約二千名。僱員之薪酬乃本著公平原則，參考市場情況及根據個別表現制定及檢討。本集團並為員工提供其他福利，包括：年終雙糧、醫療保險及退休福利，並視集團的經營業績及員工個人的工作表現給僱員發放獎金花紅。本集團在香港之全體僱員亦均已加入公積金計劃。

### 致意

本人謹代表董事會，衷心感謝所有股東、客戶、往來銀行、專業顧問、管理層和全體員工於回顧年內對本集團之竭誠服務及貢獻。

行政總裁  
**商建光**

香港，二零零六年四月二十六日