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Vincente  
Defining  
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## Letters to the Shareholders 致股東的函件

The financial year ended 28 February 2006 has proved to be a more challenging year for the Group than the previous financial year which saw a major turnaround in the Group's financial position and performance following the successful completion of its corporate re-organisation and the gains that it derived from the buoyant state of the general retail market in Hong Kong during that time. This placed the Group in a strong position to face the challenges that, unbeknown to it, lay ahead.

The current year has proved to be very different with the Group seeing a marked slowdown in the Hong Kong retail market between April 2005 and November 2005. This resulted in the Group experiencing an overall much slower start to the first half of the year than it had expected or prepared for. This slowdown in the first half caused the Group to make an early reassessment of its expansion plans for the year with the result that it revised downward its expansion plans for Hong Kong as, by this time, it (i) was obvious that the increases in rental and staff costs in Hong Kong that had occurred or were being demanded had outstripped the benefits of the sales growth that had been or could be achieved by the Group in the Hong Kong retail market and

截至2006年2月28日止財政年度對本集團而言較上一個財政年度更富挑戰。於上一個財政年度，本集團之財務狀況及業績隨著公司重組成功完成及當時香港整體零售市場市道暢旺帶來收益大幅改善，讓本集團處於更強位置，面對未來不可預見之挑戰。

本集團於本年度面對的環境則非常不同，香港零售市場於2005年4月至2005年11月間顯著放緩，以致本集團於上半年表現整體較預期或準備緩慢。上半年表現放緩，本集團因而提前重新評估本年度之擴展計劃，而基於直至目前為止(i)香港租金及僱員成本明顯已經出現或提出上調，超出本集團於香港零售市場已經或可能







Photo Caption 圖片說明  
TSL Saxx offers our customers extraordinary jewellery design targeting young & modern market segment in China. This is the Spirit Collection.  
謝瑞麟 | Saxx為國內一群追趕潮流的年輕一族，帶來設計精緻獨特的首飾。圖中為爵躍系列鑽飾。





Photo Caption 圖片說明  
The Fifth Season Collection is imported from Italy, designated for the Saxx brand.  
第五季節系列(The Fifth Season Collection)是專門為謝瑞麟 | Saxx品牌從意大利引入的。

(ii) that this planned investment could be better deployed by the Group elsewhere. As a result, the Group concentrated more of its efforts and resources on its Mainland China (“the Mainland”), Showroom and Export businesses. At this time, the trading conditions in Hong Kong remain uncertain and patchy and we continue to take a cautious approach to our future investment in this area.

Notwithstanding the above, through careful management and the remedial actions taken, the Group was able to recover from this slow start to the year and was ultimately able to achieve an increase in its overall turnover for the year and to claw back some of the losses that it reported in the first half of the year. However, notwithstanding a better second half, it has still reported an overall loss attributable to equity holders for the year of HK\$48 million mainly due to the provisions it made in the first half of the year with respect to prior years’ tax disputes. In this regard, of this loss, a total of HK\$51 million relates to provisions made by the Group in the first half of the year in respect to assessments issued by the Hong Kong Inland Revenue Department (“IRD”) during that period relating to prior years tax disputes.

取得之銷售增長及(ii)本集團可將是項計劃投資更善用於其他範疇，故本集團向下調整其香港擴展計劃。因此，本集團將其重心及資源集中於其中國內地（「內地」）、陳列室及出口業務。目前，香港之貿易環境尚未明朗，我們將繼續對此範疇之日後投資採取審慎態度。

儘管上述原因，憑藉謹慎管理及所採取補救方法，本集團成功自年初之緩慢起步恢復過來，本年度整體營業額最終更錄得升幅，抵銷其於上半年錄得之部分虧損。然而，儘管下半年市況好轉，本集團仍然錄得本年度整體股東應佔虧損港幣48,000,000元，主要歸因於本集團上半年就過往年度之稅務糾紛作出撥備。因此，虧損當中合共港幣51,000,000元與本集團於上半年就香港稅務局（「稅務局」）於出現稅務糾紛之過往年度期間之評稅所作出撥備有關。









Also, due to the Group's conscious decision in 2004 to embark upon a 3 year reinvestment program to rebuild its businesses and core infrastructure following many years of under investment, the Group's operating profit before tax for the year continued to be impacted by the increased overheads being incurred by it arising from this reinvestment program. The Group sees this reinvestment program as critical to its future competitiveness and success and expects to complete the same within 2007.

Notwithstanding the challenges noted above, the Group continued to make consistent and pleasing progress with its businesses and the rebuilding of its brand and core infrastructure. Highlights of achievements during the year include:

- The Group opened its new factory in Panyu in April 2006 following the completion of the fit out and setting up of the factory during the year. This factory is an addition to our existing manufacturing capability and will service the Group's requirements for general and specialized jewellery products in the greater China region as well as our growing export business going forward. The Group's manufacturing infrastructure is now all in place and the capacity available should be sufficient to meet the Group's needs for the next 3 to 4 years.

此外，由於本集團於2004年作出審慎考慮的決定，展開為期三年之再投資計劃，以於多年投資不足後重建其業務及核心基礎設施，本集團年內之除稅前經營盈利繼續受到該再投資計劃所產生經常開支增加之影響。本集團認為，是項再投資計劃對其日後競爭力及成就起關鍵作用，預期於2007年內完成有關計劃。

儘管上述挑戰，本集團之業務及其品牌與核心基礎設施重建工作均繼續持續取得理想進展。本年度之成果包括：

- 繼年內完成廠房之裝配及裝置後，本集團於2006年4月在番禺開設新廠房。此廠房提升本集團之現有生產力，並將滿足大中華區及本集團不斷增長之出口業務有關本集團普通及特製珠寶之需求。本集團之生產基礎設施現時已齊備，現行產能足以應付本集團於未來三至四年之需求。

Photo Caption 圖片說明

The group introduces the Italian Fifth Season Collection to the Saxx boutiques, bringing the international jewellery fashion to the China market.

集團率先為謝瑞麟 | Saxx引進意大利的第五季節系列(The Fifth Season Collection)，帶領國際珠寶時尚進入中國市場。





- The Group obtained HK\$77 million in new loan facilities in November 2005 to support the rebuilding and expansion of its business and infrastructure.
- Sales of the Group's Export, Showroom and the Mainland businesses grew by double digits during the year.
- The Group successfully launched a number of new products consistent with its image and brand position the most prominent of which was the "TSL Estrella Diamond" which is exclusive to the Group. This product is displayed in this report.
- Approximately 90% of the Group's outlets in the Mainland and 85% of the Group's outlets in Hong Kong have now been changed to the new image with the new corporate identity.
- The Group developed a new and substantially upgraded set of promotional material and image advertisements which it successfully launched in April 2005 in both Hong Kong and the Mainland. This Group's re-branding exercise will continue with a further set of upgraded materials planned to be launched by the Group later in the forthcoming financial year.

- 本集團於2005年11月取得港幣77,000,000元之新貸款融資，以支持重建及擴展其業務與基礎設施。
- 本集團出口、陳列室及內地業務之銷售額於年內錄得雙位數字增長。
- 本集團成功推出多款配合其形象及品牌地位之新產品，當中最注目的產品為本集團獨家產品「TSL Estrella Diamond」。此產品於本報告內展示。
- 配合本集團之新企業形象，本集團約90%之內地銷售點及85%之香港銷售點現已換上新形象。
- 本集團已開發一套全新改革的宣傳品與形象廣告，於2005年4月在香港及內地成功推出。本集團將繼續此項品牌重整工作，並計劃於下個財政年度較後時間進一步推出另一套經革新的宣傳品。





Photo Caption 圖片說明

TSL | Saxx opened a new image boutique in Shanghai in March, 2006 and extended to become a network of seven stylish jewellery boutiques in China.

2006年3月，謝瑞麟 | Saxx於上海匯金開設最新形象店，全國已開展了七間時尚的首飾專門店。

- The Group continued its store expansion program both in Hong Kong and the Mainland with 3 new stores (including one flagship store) being opened in Hong Kong. The new flagship store in Tsim Sha Tsui and the two new stores in Mong Kok have been well received by our customers. The number of outlets in Mainland was increased from 102 last year to 108 this year with a further 26 outlets in the Mainland being renovated to the new image during the year.
- As part of our continuing expansion in the Mainland, the new concept store created under the brand name, TSL | Saxx, was further expanded with the opening of 4 new stores this year. This brand is an extension of the Group's quality products and services to the young and trendy consumer segment in the Mainland.
- The service culture has been deeply implanted in the Group. In 2005, our Hong Kong Retail Division beat over 157 retail corporations and won the "2005 Service Retailer of the Year" and "The Service Retailer in Watch & Jewellery Category" of the Mystery Shoppers Programme run by Hong Kong Retail Management Association ("HKRMA"). Under the Mystery Shoppers Programme organized by HKRMA, TSL has achieved the highest average percentage of 96.76% over the year of 2005 and becomes the service leader in the retail industry.

- 本集團繼續其於香港及內地之店舖擴充計劃，於香港開設3家新店舖（包括一家旗艦店）。位於尖沙咀之新旗艦店及位於旺角之兩家新店舖大受客戶歡迎。於內地之銷售點數目由去年102家增至本年度108家，26家內地銷售點於年內重新裝修換上新形象。
- 作為本集團內地持續擴展一部分，以謝瑞麟 | Saxx品牌名稱創立之新概念店已進一步擴展，於本年度開設4家新店舖。此品牌乃本集團優質產品及服務對準內地年輕及追求時尚之消費者之延續。
- 服務文化於本集團根深蒂固。於2005年，本集團之香港零售部門擊敗超過157家零售公司，贏得香港零售管理協會（「HKRMA」）舉辦之神秘顧客計劃之「2005年行業服務領袖獎」及「組別服務領袖獎-手錶及珠寶組別」。HKRMA舉辦之神秘顧客計劃中，與2005年比較，謝瑞麟取得最高平均百分比96.76%，成為零售業之服務領導者。





In addition, two frontline staff of TSL, Mr. Lam Kin Ip and Mr. Liu Chi Shing were named as the winners of the “Supervisory Level Award” and “Junior Frontline Award” respectively in the Specialty Stores Category of the “2005 Service & Courtesy Award” run by HKRMA.

- The Group’s innovation in new product development is well recognized by the industry and the customers. During the year, our designers won design awards in a wide variety of jewellery products (including diamond, Chuk Kam and pearl) in Chuk Kam Jewellery Design Competition 2006, Tahitian Pearl Trophy Asia 2005, The 7th Hong Kong Jewellery Design Competition and The 7th Buyers’ Favourite Jewellery Design Competition.
- The implementation of our new information technology platform is continuing and which we expect to be completed within the forthcoming financial year. The new information technology system will enable the Group to serve our customers more effectively with timely and accurate information and more efficiently by streamlining the operation procedures.

此外，謝瑞麟兩名前線員工林建業先生及廖志誠先生於HKRMA舉辦之「2005年度傑出服務大獎」專門店組別分別成為「主管級別」及「基層級別」之優勝者。

- 本集團於新產品開發之創新獲得行內及客戶廣泛認同。年內，本集團設計師多款珠寶產品（包括鑽石、足金及珍珠）於2006年足金首飾設計比賽、2005年國際大溪地珍珠首飾設計比賽、第七屆香港珠寶設計比賽及第七屆最受買家歡迎首飾設計比賽贏得設計獎項。
- 本集團新資訊科技平台現繼續逐步推行，預期可於下個財政年度內完成。新資訊科技系統將讓本集團透過精簡運作流程，掌握更適時及準確之資訊，為顧客提供更高效率及更優質之服務。



There is still further work to be done in order to complete all the initiatives that the Group currently has in progress in relation to its reinvestment program and, as with this year, we expect that some of the above initiatives and/or expenditures will continue to have an impact on the Group's profitability in the short term. However, we believe that it is in the interests of shareholders in the longer term for us to ensure that the Group has a solid base and infrastructure from which to be able to continue to grow its business, competitiveness and profitability going forward.

We believe the above initiatives are important steps to lead the Group to growth and to our mission to become the leading, most innovative, efficient and profitable jewellery retailer in Asia and we are looking forward to substantially completing these within this financial year. We shall, with the support of shareholders, steadfastly and painstakingly work to continue with the above initiatives in order to achieve our mission.

On behalf of the Board, I would like to take this opportunity to express our thanks to our bankers, business partners, advisors, shareholders and staff for their continuing efforts and support in the past year and into the future.

**Tse Tat Fung, Tommy**  
*Chairman*

Hong Kong, 22 June 2006

就完成本集團現時就其再投資計劃推行之所有措施，本集團仍需繼續努力，於本年度，本集團預期上述部分措施及／或開支將繼續對本集團短期內之盈利能力構成影響。然而，本集團相信，確保本集團具穩健根基及基礎設施，以便未來業務、競爭力及盈利能力持續增長符合股東較長遠之利益。

本集團相信，上述措施乃帶領本集團繼續發展，實現成為亞洲最具創意、效率及盈利之珠寶零售商翹楚之目的之重要步驟，本集團期待可於本財政年度完成大部分有關工作。憑藉股東之支持，本集團將堅定不移，致力推行上述措施，從而達致本集團之目標。

本人謹代表董事會，藉此機會向本集團往來銀行、業務夥伴、顧問、股東及員工於過去一年及日後之持續努力及支持，致以衷心謝意。

主席  
謝達峰

香港，二零零六年六月二十二日

