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## Management's Discussion and Analysis

### 管理層之討論及分析

## Business Review and Prospects

During the financial year ended 28 February 2006, the Group achieved an overall increase of 3.8% in its consolidated turnover as compared to the same period last year. Consolidated turnover for the year was HK\$1,324 million (2005: HK\$1,276 million).

The Group experienced a slow start to the year due to a marked slowdown that occurred in the retail jewellery market in Hong Kong between April and November 2005 as compared to the same period last year. This slowdown was mainly attributable to lower spending by tourists from the Mainland which trend appears to be more specific to the retail jewellery sector in Hong Kong than to the overall retail market in general. However, due to (i) the Group taking immediate action to address this slowdown when it become evident (ii) a pick up occurring in jewellery market in Hong Kong in December 2005 and (iii) a better performance by our other businesses, the Group was able to claw back some of these lost sales in the second half of the year.

Unfortunately, notwithstanding the improvements made in the second half, the Group was not able to fully recover from the

### 業務回顧及前景

截至2006年2月28日止財政年度，本集團之綜合營業額較去年同期整體增加3.8%。年內之綜合營業額為港幣1,324,000,000元（2005年：港幣1,276,000,000元）。

由於香港珠寶市場於2005年4月及11月較去年同期明顯放緩，本集團於本年度起步較為緩慢。市場放緩主要歸因於內地旅客消費減少。較之整體零售市場，此趨勢在香港零售珠寶業界更為明顯。然而，由於(i)本集團於出現市場放緩跡象時即時採取針對措施；(ii)香港珠寶市場於2005年12月出現反彈；及(iii)本集團其他業務表現較佳，故本集團於下半年仍能彌補該等銷售額之部分損失。

然而，儘管下半年表現有所改善，惟本集團未能完全自下列影響中復蘇：(i) 2005年4月至11月香港之銷售額減少，本集團於香港之租金及員工成本上升（與去年同







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effect of (i) the decrease in sales that it experienced in Hong Kong between April and November 2005 (whose adverse effect was further compounded by the increased rents and staff costs (versus the same time in the previous year) being incurred by the Group in Hong Kong) (ii) increased overheads arising out of the continuing reinvestment program being conducted by the Group into its businesses and core infrastructure during the year and (iii) lastly, but more importantly, the issuance of further protective assessments by the IRD in respect to two disputed prior year tax cases that are in the process of investigation by the IRD, the Group reported an overall loss attributable to equity holders of the Company for the year of HK\$48 million (2005: Profit of HK\$36 million after adjusting for changes in accounting policies). Of this loss, HK\$51 million relates to provisions that have been made by the Group in respect of the assessments issued by IRD during the period relating to prior years.

### **Retail Operations in Hong Kong, Mainland and Overseas**

During the period under review, the Group opened three new stores in Hong Kong comprising (i) two new stores in Mongkok

期比較)進一步加深有關不利影響;(ii)本集團業務及核心基礎設施持續進行之再投資計劃今年內經常性開支增加;及(iii)最後及更重要的是,稅務局就過往年度兩項具爭議性且正在調查中的稅務個案,發出保障性利得稅評稅,故本集團於年內錄得整體本公司股東應佔虧損港幣48,000,000元(2005年:就會計政策變動作出調整後之盈利港幣36,000,000元)。在上述虧損中,其中港幣51,000,000元是本集團就稅務局於期內就過往年度發出的所得稅評稅所作撥備。

### **香港、內地及海外零售業務**

於回顧期內,本集團在香港開設了3間新店舖,包括(i)2間分別於2005年4月及2005年7月在旺角開設的新店舖;及(ii)於2005年7月底在尖沙咀開設的新旗艦店。





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which were opened in April 2005 and July 2005 and (ii) a new flagship store in Tsim Sha Tsui which was opened in late July 2005. This new flagship store launches the next generation of the Group's store image which will be applied to future store opening by the Group both in Hong Kong and the Mainland. These new stores and image have been very well received by our customers.

Overall, the retail environment in Hong Kong remains very competitive and very patchy as (i) the competition for customers continues to increase amongst the various major jewellery brands in Hong Kong given the current lack of growth occurring in the overall market (ii) and demands for rent and staff salary increases continuing which, as yet, have not been matched by a corresponding increase in sales and (iii) the absence of any real "Disney effect" on the retail market to date.

上述新增旗艦店展示本集團新一代店舖形象，而集團於未來在中港兩地開設的新店舖亦會沿用此形象。我們的客戶對上述新店舖及其形象非常受落。

整體而言，本港零售市場的競爭仍然非常激烈，且挑戰重重，當中原因包括(i)在整體市場目前欠缺增長的困局下，香港各大主要珠寶品牌繼續爭相招徠客戶；(ii)租金與僱員薪酬不斷上升，惟銷售額卻未見同步增長；及(iii)截至目前為止，零售市場仍未出現真正的「迪士尼效應」。



We believe that (i) our commitment to provide quality services and products to our customers (ii) the benefits emerging from the brand building and positioning exercises undertaken by the Group in Hong Kong and the Mainland during the year and planned for next year (iii) our new product lineup and releases during the year and planned for next year (iv) the benefits that are emerging (and are yet to emerge) from our reinvestment program and (v) the increasing strength and growth of our other businesses outside Hong Kong can lead us through this less favourable retail environment in Hong Kong.

The Group also opened a net 6 new stores in the Mainland. Sales from our business in the Mainland have remained steady with growth being achieved from the new store openings. About 90% of the mainland outlets have now been upgraded to the new brand image and we expect the balance to be completed this

本集團相信，(i)集團致力為客戶提供優質服務與產品的決心(ii)本集團年內及來年計劃在香港及內地進行之品牌建立及定位活動所產生收入；(iii)本集團年內及來年計劃之新產品組合籌備及推出；(iv)本集團再投資計劃所產生及未產生之收入；及(v)本集團其他業務於香港以外地區日漸強大及增長，當可引領集團順利過渡這個利淡的零售環境。

此外，本集團亦於內地開設了淨數6間新店舖。內地業務的銷售額保持平穩，並受惠於新店舖開業而錄得增長。約90%的內地銷售點已換上新的品牌形象。我們預





year. The outlook for the Mainland remains positive for next financial year.

The Group's Showroom business continues to trade well with a pleasing increase in the overall number of non-Mainland tourists visiting its showrooms during the period which has helped to offset a reduction in the overall spending by Mainland tourists during the first half of the year. The Group expects that this business will continue to prosper albeit that competition for Mainland Tourists remains fierce.

Our Malaysian business remained stable in the period under review. The Group's export business has continued to grow steadily and become one of the major sources of growth of the Group during the period under review.

### **Infrastructure reinvestment**

The Group is now well advanced with its project to update its overall IT infrastructure ranging from its office to manufacturing to retail operations which it expects to complete next year. We believe that this project, after completion, will result in cost

期餘下的銷售點將於本年完成有關改裝。於下一個財政年度，內地的發展前景將繼續向好。

本集團的陳列室業務繼續錄得佳績。期內，由於光臨陳列室的非內地旅客整體數字錄得理想增幅，有助抵銷上半年內地旅客整體消費減少構成的影響。本集團預期，儘管內地旅客方面競爭仍然激烈，陳列室業務將繼續錄得增長。

馬來西亞業務於回顧期內保持平穩，而出口業務則繼續穩步增長，並成為本集團於回顧期內主要增長來源之一。

### **基礎設施再投資**

本集團正積極進行其資訊科技系統提升計劃，把其辦公室運作以至製造業務及零售業務的整體資訊科技系統更新及預計在來年完成。本集團深信，此項計劃



savings and better information for serving our customers and improving profitability.

Also, during the year, the Group continued to heavily invest in the upgrade of its manufacturing capabilities, its store network and image, its stock and merchandise and embarked on a new promotional campaign in April 2005 aimed at strengthening its brand in the Greater China region. This investment by the Group in its underlying infrastructure and future capabilities has led to a temporary increase in its overhead costs which will continue to be a drag on its profits until these various projects are all completed over the next 12 to 18 months.

## Finance

The Group has adopted certain new and revised Hong Kong Financial Reporting Standards ("HKFRS") in the current period. The impact of these HKFRS's on the financial statements has been fully set out in note 1 to the financial statements.

Capital expenditure including store renovation and expansion, information technology investment and machinery made during the period was approximately HK\$36 million. This was mainly financed from bank borrowings and internal resources.

於完成後，將有助節省成本，使資訊傳達更方便快捷，從而提升顧客服務及改善盈利能力。

此外，於年內，本集團繼續作出大量投資，以提升製造能力、店舖網絡與形象、存貨商品及採購能力，並於2005年4月推出新的宣傳活動，旨在鞏固其於大中華地區的品牌地位。本集團在基礎設施及提升未來實力方面所作的投資導致經營成本暫時上升，其將繼續影響集團盈利，直至上述各項計劃於未來12至18個月內全面完成為止。

## 財務

本集團於本期間採納若干新訂及經修訂香港財務報告準則（「香港財務報告準則」）。此等香港財務報告準則對財務報表的影響已詳載於賬目附註1。

期內，店舖裝修及擴張、資訊科技投資及機器的資本開支約為港幣36,000,000元，主要由銀行貸款及內部資源提供資金。



## Liquidity, Capital Structure and Gearing

At 28 February 2006, the Group's total borrowings were HK\$149.2 million, an increase of HK\$54.7 million since 28 February, 2005 following new facilities of HK\$77 million being made available and being drawn down by the Group in November 2005. Our debt to equity ratio (ratio of net borrowings to net assets) has increased from 5.1% to 23.2% mainly because of the decrease in net assets value resulting from the loss incurred during the year and the increase in bank borrowings.

As at 28 February 2006, the Group had cash balances of HK\$101.2 million which is sufficient for the present working capital requirements.

## Charges on Group Assets

- (a) At 28 February 2006, debentures were executed by the Group in favour of its bankers and financial creditors charging, by way of fixed and floating charges, all of the undertakings, properties and assets of the Company and 17 of its subsidiaries as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the bankers and financial creditors.

## 流動資金、資本結構及負債比率

由於本集團於2005年11月取得港幣77,000,000元之新融資，故本集團的貸款總額比2005年2月28日上升了港幣54,700,000元至2006年2月28日的港幣149,200,000元。本公司的負債比率（貸款淨額除以資產淨值）則由5.1%上升至23.2%，主要因年內產生之虧損令資產淨值減少及銀行貸款增加所致。

於2006年2月28日，本集團的現金結餘為港幣101,200,000元，足以應付目前的營運資金需求。

## 本集團資產抵押

- (a) 於2006年2月28日，本集團已訂立債權證，以本公司及其17間附屬公司之所有業務、物業及資產透過固定及浮動抵押付予往來銀行及財務債權人作為抵押，以作為（其中包括）本集團不時結欠往來銀行及財務債權人的所有實際或或有負債及債務的抵押品。





- (b) At 28 February 2006, the Group pledged the capital contribution to a subsidiary of the Group amounting to US\$235,000 and all the benefits accruing to the pledged equity interest of 11.625% of the subsidiary to the Group's bankers and financial creditors as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the bankers and financial creditors.
- (c) At 28 February 2006, the Group pledged all rights, titles and interest in 56.46% of the entire share capital of Infinite Assets Corp. and Tse Sui Luen Investment (China) Limited and all benefits accruing to the pledged equity interest to the Group's bankers and financial creditors as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the bankers and financial creditors.

### Exchange Rates

During the year, the transactions of the Group were mainly denominated in local currencies, Renminbi and US dollars. The impact of the fluctuation of foreign exchange rates of these currencies is insignificant to the Group.

- (b) 於2006年2月28日，本集團將其於一間附屬公司的235,000美元出資額及其於該附屬公司的11.625%已抵押股本權益所累計的一切利益抵押予本集團的往來銀行及財務債權人，以作為（其中包括）本集團不時結欠往來銀行及財務債權人的所有實際或或有負債及債務的抵押品。
- (c) 於2006年2月28日，本集團將其於Infinite Assets Corp.和謝瑞麟投資（中國）有限公司總資本額的56.46%的一切權利、所有權和權益，及已抵押股本權益所累計的一切利益抵押予本集團的往來銀行及財務債權人，以作為（其中包括）本集團不時結欠往來銀行及財務債權人的所有實際或或有負債及債務的抵押品。

### 匯率

年內，本集團的交易主要以本地貨幣、人民幣及美金為單位，此等貨幣的匯率波動對本集團並無重大影響。

## Contingent Liabilities

1. As set out in the announcements of the Company dated 1 February 2006 and 20 April 2006, the Company was informed that two directors, a consultant and an employee (collectively “the Officers”) were charged by the Independent Commission Against Corruption (“ICAC”) relating to alleged offences under the Prevention of Bribery Ordinance, the Crime Ordinance and the Theft Ordinance (“the ICAC Charges”). It is alleged that the Officers were involved in a scheme to offer illegal commissions to employees of a number of travel agencies and to help them to evade tax.

Under the Company’s Bye-Laws, the Company may be required to indemnify its directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur in execution of their duty, provided that such indemnity shall not be extended to any matter in respect of, among other things, fraud and dishonesty.

## 或有負債

1. 誠如本公司日期為2006年2月1日及2006年4月20日之公佈所載，本公司得悉兩名董事、一名顧問及一名僱員（統稱「有關主管人員」）被廉政公署（「廉署」）檢控，涉及觸犯防止賄賂條例、刑事罪行條例及盜竊罪條例中多項罪行（「廉署檢控」）。有關主管人員被指涉及一宗向多間旅行社員工提供非法佣金及協助其逃稅之計劃。

根據本公司之公司細則，本公司可能須就其董事因履行職務而產生之所有訴訟、成本、支出、損失、賠償及開支向彼等或彼等當中任何人士作出彌償，惟有關彌償並不包括（其中包括）欺詐及不誠實行為。




The Directors have consulted with the Company's legal advisers as to what legal implication the ICAC Charges may have, if any, for the Group as a whole. In view of the discussions with the legal advisers, the Directors are of the views that they are not in a position to conclude that whether and/or to what extent the Company may be required to indemnify the directors involved in relation to the ICAC Charges.

2. As explained in note 5(a)(ii) to the financial statements, the outcome of the challenges by the IRD on the tax treatments adopted by the Group relating to certain offshore income and agent commission payments and promoter fees arising in prior years is undetermined as at 28 February 2006. The Group has established a provision of approximately HK\$91,000,000 in respect of such disputes. In the event that the Group is not successful in defending the tax treatments adopted, the Group may be subject to significant additional tax liabilities and possibly penalties which, under the provisions of the current tax legislation, may be up to three times any tax under-reported as assessed by the IRD. Furthermore, the ICAC's allegations as

董事已諮詢本公司法律顧問有關廉署檢控可能(如有)對本集團整體構成之法律影響。基於與法律顧問所進行之討論，董事認為，彼等未能就是否需要向涉及廉署檢控之董事作出彌償及／或本公司作出彌償之程度作出定論。

2. 誠如財務報表附註5(a)(ii)所述，稅務局對本集團就以往年度的若干離岸收入及代理佣金支出與業務推廣費用所採納稅務處理方法之質疑於2006年2月28日尚未得出結論。本集團已就該事件作出約港幣91,000,000元之撥備。倘本集團未能就所採納稅務處理方法成功辯護，本集團或須承擔額外稅務責任，且可能須繳交罰款，根據現行稅法，罰款或會多達稅務局評估任何漏報稅項之三倍。此外，上文(1)項所述廉署之指控及持續調查可能對稅務局就本集團有關以往年度代理佣金支出與業務推廣費用所採納稅





mentioned in (1) above and the ongoing investigation may or may not have impact on the IRD's challenges on the tax treatments adopted by the Group relating to agents commission payments and promoter fees arising in prior years. The Directors consider that it is impractical to estimate the potential amount of additional tax liabilities arising if the IRD's challenge in respect of the agent commission payments and promoter fees is successful.

## Employees

As at 28 February 2006, the total number of employees of the Group was approximately 2,500. The increase in head count was mainly in sales and marketing in the Mainland. Employees are rewarded on a performance basis with reference to market rates. Other employee benefits include medical cover and subsidies for job-related continuing education. The Group also has a share option scheme. 8,825,000 options were granted pursuant to the scheme during the year

Retail front line staff are provided with formal on-the-job training by internal seniors and external professional trainers. Experience sharing with seniors at in-house seminars and discussion groups enhance intra-departmental communications.

務處理方法之質疑構成影響。董事認為，評估倘稅務局就本集團有關以往年度代理佣金支出與業務推廣費用所採納稅務處理方法之質疑落實，所產生之潛在額外稅務負債並不切實可行。

## 僱員

截至2006年2月28日，本集團共聘用約2,500名僱員。增加主要在內地的銷售及市場推廣方面。本公司按僱員表現及參考市場水平向僱員發放薪酬。其他僱員福利包括醫療津貼及與工作相關之持續進修資助。本集團亦採納一項購股權計劃，年內根據該計劃授出8,825,000份購股權。

內部高級職員及外聘專業導師會向前線零售員工提供正式在職培訓。員工亦可於公司內部舉辦之講座及小組討論與高級職員分享經驗，以增加部門間之溝通。





Photo Caption 圖片說明

"The TSL Estrella Diamond was developed over a 3-year period in an exclusive partnership with Rosy Blue, one of the world's leading designers, manufacturers and distributors of fine diamonds - a dynamic corporation built on expertise, excellence and the highest integrity.

Through a combination of the immense talents of TSL and Rosy Blue and, after much painstaking research and countless experimental cuts in a relentless pursuit of a one-of-a-kind excellence, the TSL Estrella Diamond was created.

TSL Estrella 鑽石是集團連同合作伙伴藍玫瑰集團(Rosy Blue) 經過三年的獨家研發而誕生。作為世界首屈一指的鑽石供應商，藍玫瑰在優質鑽石的设计、生產及分銷具有舉足輕重的地位，也是一家建基於專業知識、優秀技術及高尚誠信的權威機構。

結集 TSL | 謝瑞麟及 Rosy Blue 精深廣博的經驗材幹，經歷過具細無遺的研究及無數的切割測試，及對追求舉世無雙極品的堅持，一個代表著最完美的典範 --- TSL Estrella 鑽石終於誕生。這顆非凡的鑽石，透過她 100 瓣裏每一對完美對稱的切割面，煥發其令人驚嘆的天然光彩，迸發著獨一無二而又無可媲美的「9 心 1 花」圖案，綻放著前所未有的光芒、閃亮及璀璨，是一件創新的巧世傑作。





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