

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The board of directors (the “Board”) of **Bossini International Holdings Limited** (the “Company”) is pleased to announce the results of the Company and its subsidiaries (the “Group” or “Bossini”) for the six months ended 30 September 2005.

During the six months under review, the retail market in Asian regions faced an unfavourable operating environment marked by price-driven promotions, intensified market competition from new market entrants, unseasonably poor weather condition and rising rental expenses. Despite considerable distribution network expansion and development, the Group has recorded a negative growth in profit attributable to shareholders.

Continual double-digit turnover growth

The Group continued to deliver double-digit turnover growth during the period under review. Its pragmatic network expansion strategy remained on track. The export franchise business continued to show outstanding performance in terms of both sales and market expansion.

The Group’s consolidated turnover for the six months ended 30 September 2005 surged 13% to HK\$997 million (2004: HK\$879 million). This increase was accompanied by a 7% increase in gross profit which rose to HK\$479 million (2004: HK\$448 million). Gross profit margin was decreased to 48% (2004: 51%).

In general, the business environment across the Asian region, particularly in the Group’s core markets including Hong Kong, Mainland China and Taiwan, was not favourable to apparel retailers. The Group’s operating profit decreased 24% to HK\$61 million (2004: HK\$80 million). Operating profit margin was reduced to 6% (2004: 9%).

管理層討論及分析

財務表現

堡獅龍國際集團有限公司（「本公司」）之董事局（「董事局」）欣然宣佈本公司及其附屬公司（「本集團」或「堡獅龍」）截至二零零五年九月三十日止六個月之業績。

於回顧期內，亞洲區內零售業的經營環境欠佳，降價促銷活動及新品牌的加入令市場競爭越趨激烈，加上天氣反覆不合時令及租金上升，影響區內零售業的表現。因此，儘管本集團的銷售網絡擴張及發展進度良好，其股東應佔溢利仍錄得負增長。

營業額持續取得雙位數增長

本集團的營業額繼續取得雙位數字增長。在務實之擴展策略推動下，本集團的網絡按預期拓展。而出口特許經營業務的表現突出，其銷售及市場擴展均非常理想。

截至二零零五年九月三十日止六個月，本集團之綜合營業額上升13%至港幣9.97億元（二零零四年：港幣8.79億元），毛利上升7%至港幣4.79億元（二零零四年：港幣4.48億元），毛利率下降至48%（二零零四年：51%）。

總括而言，亞洲地區各市場的經營環境均不利於服裝零售業，尤其以本集團的核心市場包括香港、中國大陸及台灣市場為甚。期內本集團之營運溢利下降24%至港幣6.1千萬元（二零零四年：港幣8千萬元），營運溢利率亦降低至6%（二零零四年：9%）。

FINANCIAL PERFORMANCE

Continual double-digit turnover growth (continued)

During the first half of the fiscal year, the Group recorded a negative growth of 27% in profit attributable to shareholders amounting to HK\$45 million (2004: HK\$62 million, which has been restated in line with the adoption of new Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants). The 5% profit margin was 2 percentage points below that of the prior period.

Promising dividend policy

The Group is committed to rewarding its shareholders with a promising dividend policy. The Board has declared an interim dividend of HK1.8 cents per share for the six months ended 30 September 2005 (2004: HK1.8 cents), the same amount as that for the prior period, which is equivalent to a payout ratio of 62% (2004: 45%).

High operating efficiencies

Rental and staff costs rose during the first half of the year, leading to increase in operating expenses. With a proven track record in maximising operating efficiencies, the Group continued to contain operating expenses within 42% of its turnover during the period under review, which is the same level as that recorded in the same period last year.

The management will continue striving to achieve greater cost effectiveness in all areas of operations in the second half of the year.

財務表現

營業額持續取得雙位數增長(續)

於本財政年度的上半年，本集團的股東應佔溢利下降27%至港幣4.5千萬元（二零零四年：港幣6.2千萬元，上年度的數字已按香港會計師公會頒佈的新香港財務匯報準則重新編列）。溢利率較去年同期下降兩個百分點至5%。

具吸引力之派息政策

本集團矢志以可觀的派息政策回饋股東。董事局宣佈派發截至二零零五年九月三十日止六個月的中期股息每股1.8港仙（二零零四年：1.8港仙），等同去年同期金額，相當於62%的派息比率（二零零四年：45%）。

高營運效益

上半年的租金及員工成本上升，令營運開支增加。本集團秉承營運效益提升的良好往績，繼續將期內的營運開支控制在營業額42%的水平之內，與去年同期之水平相同。

管理層將於下半年繼續努力，全力於各個營運層面達至最佳的成本效益。

FINANCIAL PERFORMANCE**Operating Cost Analysis**

For the six months ended 30 September

財務表現**營運成本分析**

截至九月三十日止六個月

	2005		2004		Change
	二零零五年		二零零四年		
	HK\$	% of total	HK\$	% of total	
	million	turnover	million	turnover	
	港幣	佔總營業額	港幣	佔總營業額	
	百萬元	百份比	百萬元	百份比	轉變
Turnover					
營業額	997	100%	879	100%	+13%
Selling and distribution costs					
銷售及分銷成本	306	30%	266	30%	+15%
Administrative expenses					
行政開支	99	10%	88	10%	+13%
Other operating expenses					
其他營運開支	18	2%	19	2%	-6%
Total operating expenses					
總營運開支	423	42%	373	42%	+13%

BUSINESS REVIEW

Outlet expansion well on track

Having laid a solid foundation during the past two years, the Group has entered a new stage of steady growth.

The Group's flagship "bossini" label remains a much beloved casual wear brand in many markets. "bossini" branded apparel is now available in about 20 countries spanning from Asia, the Middle East to Central America and Europe.

The Group added a total of 132 new outlets in the period under review, with the addition of some 58 directly managed and 31 franchised outlets in Mainland China; 24 directly managed outlets in Taiwan; 1 directly managed outlet in Hong Kong; 1 directly managed outlet in Malaysia which is our newest emerging market; and 17 franchised outlets in other countries.

As at 30 September 2005, the Group's total number of outlets worldwide reached 959 (2004: 710), 249 more than that in the corresponding period in the previous year. Of these, 493 were directly managed outlets (2004: 352) and 466 were franchised outlets (2004: 358). Some 492 of the Group's directly managed outlets were located in the core markets of Hong Kong, Mainland China, Taiwan and Singapore; and 1 was the newly opened outlet in Malaysia.

The new outlets resulted in a 22% increase in total retail floor area to 613,800 sq. ft. (2004: 504,700 sq. ft.).

業務回顧

店舖擴展符合預期

本集團過去兩年建立了穩固的根基後，現已步入穩步發展的新階段。

本集團的主要品牌「bossini」是在多個市場廣受歡迎的休閒服裝品牌。「bossini」品牌服裝於全球約20個國家有售，市場覆蓋亞洲、中東、中美洲以至歐洲等。

本集團於回顧期內增設了132間店舖，當中包括中國大陸新增設的58間直接管理店舖及31間特許經營店舖、台灣及香港分別新增設的24間與1間直接管理店舖，1間於新興市場馬來西亞新開設的直接管理店舖，以及17間設於其他國家之特許經營店舖。

於二零零五年九月三十日，本集團全球店舖總數增加至959間(二零零四年：710間)，較去年同期增加249間。其中493間為直接管理店舖(二零零四年：352間)及466間為特許經營店舖(二零零四年：358間)。492間直接管理店舖分佈於香港、中國大陸、台灣及新加坡之主要市場，及1間位於馬來西亞的新店。

新增店舖令總零售樓面面積上升22%至613,800平方呎(二零零四年：504,700平方呎)。

BUSINESS REVIEW

Outlet expansion well on track (continued)

As at 30 September 2005, Mainland China operated 234 franchised outlets (2004: 182), 52 more than that in the same period in prior year. 56 export franchised outlets were added in other countries, bringing its total to 232 outlets (2004: 176).

Strengthening brand development

Continued marketing activities and joint promotions aimed at strengthening Bossini's market position and brand awareness were launched in Hong Kong and other core markets.

As a responsible corporate citizen, the Group is constantly joining hands with different organisations to launch a range of activities that not only help boost sales but also promote social well being. During the period under review, a cross regional promotion event titled “**bossini** – Surprises around the World” aimed at promoting tourism in Hong Kong and exchanges within the Asian regions was launched in the Group's core markets. A percentage of sales was donated to UNICEF for charitable purposes.

In addition to promoting the “**bossini**” brand internationally, the Group also implemented marketing campaigns for the mass market targeted “**sparkle**” brand and the mid- to high-end market targeted “**bossini style**” product line in order to penetrate different market segments in Mainland China.

業務回顧

店鋪擴展符合預期(續)

於二零零五年九月三十日，本集團於中國大陸經營234間特許經營店鋪(二零零四年：182間)，較去年同期增加52間。此外，本集團在其他國家增設56間出口特許經營店鋪，令其店鋪總數達232間(二零零四年：176間)。

加強品牌拓展

本集團於香港及其他核心市場推出市場推廣及聯合宣傳活動，以加強堡獅龍的市場地位及品牌知名度。

作為一個負責任的企業公民，本集團定期與不同機構聯手推出一系列活動，不但有效刺激銷售，更造福社會。回顧期內，本集團於核心市場推出一項名為「**bossini**獎賞滿世界」的跨地域推廣活動，旨在推動香港旅遊業及促進亞洲地區內的交流。作為活動的一部份，本集團將是項活動中之部份收益，捐贈予聯合國兒童基金會作慈善用途。

除了於國際市場推廣「**bossini**」品牌外，本集團亦同時推廣價格大眾化的「**sparkle**」品牌產品，及為中高檔市場而新推出的「**bossini style**」產品系列，藉以加強其在中國大陸不同市場層面的滲透力。

BUSINESS REVIEW

Key operations breakdown and analysis

Hong Kong, the Group's primary market, accounted for 52% (2004: 52%) of consolidated turnover, with sales amounting to HK\$524 million (2004: HK\$460 million) during the six months under review. Mainland China was the second largest revenue contributor, generating HK\$215 million (2004: HK\$186 million) in sales which was about 22% (2004: 21%) of the consolidated turnover. Taiwan and Singapore, which contributed turnover of HK\$166 million (2004: HK\$150 million) and HK\$92 million (2004: HK\$83 million), accounted for 17% (2004: 17%) and 9% (2004: 10%) of the total turnover respectively.

Owing to the unfavourable market and weather conditions, the overall same store sales growth of the Group was flat (2004: 16%).

業務回顧

主要業務細分及分析

香港仍然是本集團的主要市場，於回顧期內其銷售額達港幣5.24億元(二零零四年：港幣4.60億元)，佔總營業額52%(二零零四年：52%)。中國大陸為本集團的第二大收入來源，銷售額達港幣2.15億元(二零零四年：港幣1.86億元)，佔總營業額22%(二零零四年：21%)。台灣及新加坡的銷售額為港幣1.66億元(二零零四年：港幣1.50億元)及港幣9.2千萬元(二零零四年：港幣8.3千萬元)，分別佔總營業額17%(二零零四年：17%)及9%(二零零四年：10%)。

在不利的市場及天氣因素影響下，本集團的整體同店銷售額並未錄得增長(二零零四年：16%)。

BUSINESS REVIEW

Regional performance analyses

業務回顧

按地區表現之分析

For the six months ended 30 September
截至九月三十日止六個月

		2005 二零零五年	Hong Kong 香港 2004 二零零四年	Change 轉變	2005 二零零五年	Mainland China 中國大陸 2004 二零零四年	Change 轉變
Retail	零售						
Net retail sales (in HK\$ million)	零售淨銷售額 (港幣百萬元)	371	348	+7%	147	132	+11%
Operating profit/(loss) (in HK\$ million)	營運溢利/(虧損) (港幣百萬元)	29	34	-15%	(10)	(3)	-233%
Operating margin (%)	營運溢利率(%)	8%	10%	-2%pts個百分點	-7%	-2%	-5%pts個百分點
Retail floor area (sq. ft.) ⁽¹⁾	零售樓面面積 (平方呎) ⁽¹⁾	112,300	106,100	+6%	312,400	249,100	+25%
Same store sales growth ⁽²⁾	同店銷售額 增長 ⁽²⁾	-3%	+19%	-22%pts個百分點	+3%	+11%	-8%pts個百分點
No. of outlets	店舖數目	33	30	+3	332	224	+108
Franchise	特許經營						
Sales (in HK\$ million)	銷售額(港幣百萬元)						
- Export franchise	- 出口特許經營	142	106	+34%	-	-	-
- Mainland China franchise	- 中國大陸 特許經營	-	-	-	52	45	+16%
Operating profit (in HK\$ million)	營運溢利 (港幣百萬元)	42	33	+27%	11	10	+10%
Operating margin (%)	營運溢利率(%)	30%	31%	-1%pt個百分點	21%	22%	-1%pt個百分點
No. of outlets	店舖數目	232	176	+56	234	182	+52
Regional total	區域總計						
Sales (in HK\$ million)	銷售額(港幣百萬元)	524	460	+14%	215	186	+16%
Operating profit/(loss) (in HK\$ million)	營運溢利/(虧損) (港幣百萬元)	59	57	+4%	1	6	-83%
Operating margin (%)	營運溢利率(%)	11%	12%	-1%pt個百分點	0%	3%	-3%pts個百分點
No. of outlets	店舖數目	33 ⁽³⁾	30 ⁽³⁾	+3	566 ⁽⁴⁾	406 ⁽⁴⁾	+160

Notes:

- (1) As at 30 September
(2) Same store sales growth is the comparison of sales of the same stores during full month operations in comparable periods

附註：

- (1) 於九月三十日
(2) 同店銷售額增長為相同店舖於比較期內完整月份之銷售額比較

	Taiwan 台灣			Singapore 新加坡			Consolidated ⁽⁵⁾ 綜合 ⁽⁵⁾		
2005 二零零五年	2004 二零零四年	Change 轉變	2005 二零零五年	2004 二零零四年	Change 轉變	2005 二零零五年	2004 二零零四年	Change 轉變	
166	150	+11%	92	83	+11%	776	713	+9%	
(6)	10	n/a不適用	7	7	0%	20	48	-58%	
-4%	7%	-11%pts個百分點	8%	8%	0%pt個百分點	3%	7%	-4%pts個百分點	
156,600	121,400	+29%	31,400	28,100	+12%	613,800	504,700	+22%	
-6%	+14%	-20%pts個百分點	+8%	+12%	-4%pts個百分點	0%	+16%	-16%pts個百分點	
99	72	+27	28	26	+2	493	352	+141	
n/a不適用	n/a不適用	n/a不適用	n/a不適用	n/a不適用	n/a不適用	194	151	+28%	
n/a不適用	n/a不適用	n/a不適用	n/a不適用	n/a不適用	n/a不適用				
n/a不適用	n/a不適用	n/a不適用	n/a不適用	n/a不適用	n/a不適用	53	43	+23%	
n/a不適用	n/a不適用	n/a不適用	n/a不適用	n/a不適用	n/a不適用	27%	28%	-1%pt個百分點	
n/a不適用	n/a不適用	n/a不適用	n/a不適用	n/a不適用	n/a不適用	466	358	+108	
166	150	+11%	92	83	+11%	997	879	+13%	
(6)	10	n/a不適用	7	7	0%	61	80	-24%	
-4%	7%	-11%pts個百分點	8%	8%	0%pt個百分點	6%	9%	-3%pts個百分點	
99	72	+27	28	26	+2	959 ⁽⁴⁾	710 ⁽⁴⁾	+249	

(3) No. of export franchised outlets is not included

(4) Including directly managed and franchised outlets

(5) The information included a new outlet in Malaysia with retail floor area of 1,100 sq. ft.

(3) 不包括出口特許經營店舖數目

(4) 包括直接管理及特許經營店舖

(5) 資料包括位於馬來西亞的新店舖，其零售樓面面積為1,100平方呎

BUSINESS REVIEW

Hong Kong – Unseasonably poor weather prevailed

Revenue generated from the Hong Kong market rose by 14% to HK\$524 million (2004: HK\$460 million). Retail and export franchise sales accounted for 71% and 27% of the sales from Hong Kong respectively (2004: 76% and 23% respectively).

Competition in the Hong Kong apparel retail market was keener than ever in the first half of 2005. The overall economy was weaker than expected, and the impact of the opening of Hong Kong Disneyland was not as obvious as anticipated. In addition, new market entrants, rising rental costs and sluggish consumer spending due to unseasonably poor spring and summer weather conditions necessitated the running of increased number of price-driven promotions.

業務回顧

香港—不合時令的天氣

來自香港市場的收入增加14%至港幣5.24億元(二零零四年：港幣4.60億元)，其中來自零售銷售及出口特許經營業務的銷售額分別佔香港總銷售額71%及27%(二零零四年：分別為76%及23%)。

二零零五年上半年香港服裝零售市場出現前所未有的激烈競爭，整體經濟環境比預期疲弱，香港迪士尼樂園開幕的效應未如預期理想，加上新競爭者的加入、租金支出不斷上升及因不合時令的春夏季天氣而降低了消費意慾，使市場上出現更多的減價促銷活動。

BUSINESS REVIEW***Hong Kong – Unseasonably poor weather prevailed
(continued)***

Faced with this macro backdrop, the Group adopted a pragmatic expansion strategy and opened 1 new directly managed retail outlet in the past six months, bringing its total number of outlets to 33. Its total retail floor area increased to 112,300 sq. ft. (2004: 106,100 sq. ft.). Retail sales grew in line with this increase in retail floor area and recorded an increase of 7% to HK\$371 million (2004: HK\$348 million). Nevertheless, same store sales recorded negative growth of 3% (2004: 19% growth). Operating profit declined by 15% to HK\$29 million (2004: HK\$34 million), equivalent to an operating profit margin of 8% (2004: 10%).

Hong Kong's export franchise business remained very strong, generating HK\$142 million worth of sales, a 34% increase (2004: HK\$106 million). Operating profit grew 27% to HK\$42 million (2004: HK\$33 million) with a 30% operating profit margin (2004: 31%). This solid growth provided partial compensation for the disappointing retail sales.

As such, the overall operating profit for the Hong Kong region slightly increased by 4% to HK\$59 million (2004: HK\$57 million), but operating profit margin slightly declined to 11% (2004: 12%).

業務回顧**香港—不合時令的天氣(續)**

於這個趨勢下，本集團採取務實的擴展策略，在過去六個月增設了一間直接管理店舖，使店舖數目增加至33間，總零售樓面面積上升至112,300平方呎(二零零四年：106,100平方呎)。零售銷售額隨著零售樓面面積增加而上升7%至港幣3.71億元(二零零四年：港幣3.48億元)。然而，同店銷售額錄得3%的負增長(二零零四年：19%增長)。營運溢利下降15%至港幣2.9千萬元(二零零四年：港幣3.4千萬元)，相等於營運溢利率8%(二零零四年：10%)。

本集團的出口特許經營業務持續強勁，營業額上升34%至港幣1.42億元(二零零四年：港幣1.06億元)，營運溢利上升27%至港幣4.2千萬元(二零零四年：港幣3.3千萬元)，營運溢利率為30%(二零零四年：31%)。出口業務的良好增長彌補了部份因零售業務未如理想帶來的影響。

因此，整體營運溢利輕微上升4%至港幣5.9千萬元(二零零四年：港幣5.7千萬元)。營運溢利率微降至11%(二零零四年：12%)。

BUSINESS REVIEW

Mainland China – Triple product lines to tap opportunities

The Mainland China market is a cornerstone of the Group's continued success. To date, the Group has opened directly managed outlets in 9 first-tier cities and franchised outlets selling the “**bossini**” and “**sparkle**” brands in more than 100 second- and third-tier cities. In addition to these two brands, the Group has launched a higher-end “**bossini style**” product line to tap opportunities in the mid-upper market segment in Mainland China.

The Group's network in Mainland China comprises 332 directly managed outlets (2004: 224) and 234 franchised outlets (2004: 182) bringing the total number to 566 (2004: 406). Total retail floor area as at 30 September 2005 reached 312,400 sq. ft. (2004: 249,100 sq. ft).

Of the total 332 directly managed outlets, 212 are “**bossini**” outlets and 120 are “**sparkle**” outlets (2004: 147 and 77 respectively). As for the franchise network, 184 are “**bossini**” outlets and 50 are “**sparkle**” outlets (2004: 146 and 36 respectively).

業務回顧

中國大陸—三個產品系列開拓市場機遇

中國大陸市場為本集團視作持續發展的重要基石。目前，本集團於9個一線城市開設直接管理店舖，並於超過100個二及三線城市開設特許經營店舖，銷售「**bossini**」及「**sparkle**」品牌產品。此外，本集團推出較高檔次之「**bossini style**」系列，開拓中國大陸中上層市場。

本集團目前於中國大陸設有332間直接管理店舖（二零零四年：224間），及234間特許經營店舖（二零零四年：182間），令店舖總數達到566間（二零零四年：406間）。於二零零五年九月三十日，總零售樓面面積達到312,400平方呎（二零零四年：249,100平方呎）。

於332間直接管理店舖中，212間為「**bossini**」店舖，120間為「**sparkle**」店舖（二零零四年：分別為147間及77間）。而特許經營網絡方面，184間為「**bossini**」店舖及50間為「**sparkle**」店舖（二零零四年：分別為146間及36間）。

BUSINESS REVIEW

Mainland China – Triple product lines to tap opportunities (continued)

The Group's top line performance in the Mainland China market was in line with the network expansion. Sales rose 16% to reach HK\$215 million (2004: HK\$186 million), of which sales from directly managed outlets and franchised outlets surged 11% and 16% respectively to HK\$147 million (2004: HK\$132 million) and HK\$52 million (2004: HK\$45 million). The percentage to total turnover for directly managed and franchised outlets are 68% and 24%, respectively (2004: 71% and 24% respectively).

Same store sales of the retail business in Mainland China increased by 3% (2004: 11%).

While sales of the “**bossini**” and the newly introduced “**bossini style**” lines increased steadily, the encouraging growth was offset by the unsatisfactory sales of the “**sparkle**” brand. Offering competitively priced apparel for the mass market, “**sparkle**” sales were adversely affected by increased apparel supply due to the rapidly growing number of new local entrants. This led to intensified competition in the mass casual wear sector in which “**sparkle**” is positioned.

As such, the Group recorded an operating profit of just HK\$1 million for the six months ended 30 September 2005 (2004: HK\$6 million) in the Mainland China. Operating profit margin was reduced to 0% (2004: 3%).

業務回顧

中國大陸—三個產品系列開拓市場機遇(續)

本集團於中國大陸市場的銷售表現與店舖擴展同步，營業額上升16%至港幣2.15億元(二零零四年：港幣1.86億元)，來自直接管理店舖及特許經營店舖的銷售額分別上升11%及16%至港幣1.47億元(二零零四年：港幣1.32億元)及港幣5.2千萬元(二零零四年：港幣4.5千萬元)。直接管理店舖及特許經營店舖分別佔整體銷售額之68%及24%(二零零四年：分別佔71%及24%)。

中國大陸零售業務之同店銷售額增長3%(二零零四年：11%)。

正當「**bossini**」及新系列「**bossini style**」的銷售成績持續向上，其令人鼓舞的增長卻受「**sparkle**」品牌未如理想的銷售表現所拖累。「**sparkle**」品牌產品為消費者提供價格大眾化的產品，由於市場上新加入的競爭者數量迅速上升，市場競爭趨向白熱化，令其銷量受到負面影響。

因此，截至二零零五年九月三十日止六個月，本集團於中國大陸僅錄得港幣1百萬元的營運溢利(二零零四年：港幣6百萬元)，營運溢利率減少至0%(二零零四年：3%)。

BUSINESS REVIEW

Taiwan – Contribution from new outlets to emerge

The Group's Taiwan operation underwent more aggressive expansion in the second quarter of 2005/06, adding 24 new outlets in the past six months. The network now comprises 99 directly managed outlets (2004: 72) with a total retail floor area of 156,600 sq. ft. (2004: 121,400 sq. ft.), a year-on-year increase of 29%.

Sales in Taiwan rose 11% to reach HK\$166 million (2004: HK\$150 million). However, keen market competition, unseasonable weather and weaker than expected economy which dampened consumer spending have hampered the region's profit level. As a result, same store sales level experienced a fall of around 6% (2004: 14% growth). Operating profit turned into a loss of HK\$6 million for the period under review (2004: HK\$10 million profit) while the operating profit margin was -4% (2004: 7%).

Despite such temporary setbacks, the management expects Taiwan to achieve a turnaround in the second half of the fiscal year.

Singapore – Stable growth

There has been consistent and stable performance in Singapore during the six months under review. As at 30 September 2005, there were 28 directly managed outlets in Singapore (2004: 26). Total retail floor area increased by 12% to 31,400 sq. ft. (2004: 28,100 sq. ft.).

業務回顧

台灣—新開店舖的貢獻有待反映

本集團的台灣業務於二零零五／零六年第二季積極拓展，於期內六個月增加24間店舖。目前共有99間直接管理店舖（二零零四年：72間），總零售樓面面積較去年增加29%至156,600平方呎（二零零四年：121,400平方呎）。

台灣業務的銷售額上升11%至港幣1.66億元（二零零四年：港幣1.50億元）。然而，市場競爭激烈，惡劣天氣的影響，加上比預期疲弱的經濟環境令消費意慾下降，影響該區的盈利能力，因此，同店銷售額錄得6%的負增長（二零零四年：14%增長）。期內之營運虧損為港幣6百萬元（二零零四年：港幣1千萬元溢利），營運溢利率為-4%（二零零四年：7%）。

儘管如此，管理層預期台灣市場於二零零五／零六年下半年將轉虧為盈。

新加坡—穩定增長

新加坡市場於回顧期六個月內的表現平穩。於二零零五年九月三十日在新加坡共有直接管理店舖28間（二零零四年：26間），總零售樓面面積增加12%至31,400平方呎（二零零四年：28,100平方呎）。

BUSINESS REVIEW

Singapore – Stable growth (continued)

During the six months under review, Singapore retail sales surged 11% to reach HK\$92 million (2004: HK\$83 million). Same store sales level in Singapore experienced an increase of 8% (2004: 12%). Operating profit maintained at HK\$7 million (2004: HK\$7 million), while operating profit margin remained at 8% (2004: 8%).

Other Markets

The most recent addition to the Group's network is the Malaysian market. Leveraging the Group's successful experience in Singapore, we opened a directly managed outlet in Kuala Lumpur in September 2005.

The Group continued to explore the potential of new markets via franchise business. A new outlet was opened in Nepal, a new market to the Group, in the first half of 2005/06. 5 new outlets were also added in Indonesia which the Group considered to have high potential.

OUTLOOK

The Group is continuing to adopt a pragmatic expansion strategy with a strong emphasis on profitability and efficiency. Our ultimate goal is to deliver sustainable and consistent growth and to achieve profitability across all core markets.

業務回顧

新加坡—穩定增長(續)

於回顧期的六個月內，新加坡的零售銷售額增加11%至港幣9.2千萬元(二零零四年：港幣8.3千萬元)，同店銷售額增長8%(二零零四年：12%)。期內之營運溢利維持在港幣7百萬元(二零零四年：港幣7百萬元)，營運溢利率亦保持在8%(二零零四年：8%)。

其他市場

本集團最近將業務擴展至馬來西亞市場。憑藉於新加坡市場累積的成功經驗，本集團於二零零五年九月於吉隆坡開設了1間直接管理店舖。

本集團繼續通過特許經營業務形式，開拓新市場。本集團於二零零五／零六年上半年在尼泊爾開設了1間新店，並在增長潛力優厚的印尼市場增加了5間新店。

展望

本集團採取務實的擴展策略，將重點放於盈利能力及營運效率上，本集團的目標是取得持續而穩定的增長，並在所有核心市場錄得盈利。

OUTLOOK

The outlook for the Hong Kong retail sector in the second half of the year looks mixed with both opportunities and challenges. Interest rate hikes, rental cost increases, oil price surges and fears over avian flu have all cast shadows over the local economy and consumption power. On the other hand, the continual revival of economy plus the improved unemployment rate and salary increment help enhance peoples' confidence in the domestic economy. The management will watch closely the development of the Hong Kong retail market. 1 or 2 additional outlets were planned to open in Hong Kong in the second half of the year as scheduled in order to further penetrate the mass market.

With consistent year-on-year GDP growth and recent 2005 third quarter retail sales increment of 12.1%, Mainland China continues to be the world's fastest growing economy. The management remains optimistic that Mainland China's economic growth will remain buoyant during the second half of the current financial year.

Intense competition is expected to continue in Mainland China. However, the Group will take proactive measures to mitigate its impact on "sparkle" sales by introducing new designs and product ranges to attract customers. The management remains positive about its medium- to long-term prospects in this fast growing market.

展望

下半年香港零售市場之機遇與挑戰並存。利率高企、租金增加、油價上升以及在禽流感的威脅下，為本地經濟發展及消費能力帶來陰霾。另一方面，經濟持續好轉，加上失業率的改善及薪酬的上調，將提升市民對本土經濟環境的信心。管理層將密切留意本地零售市場的發展，並計劃按原定時間表在香港增設1至2間新店舖，進一步滲透大眾市場。

隨著中國大陸國民生產總值不斷上升，加上本年第三季零售業銷售增長12.1%，預料中國大陸仍然是全世界經濟增長最快的市場。管理層對中國大陸下半年之經濟保持高速增長表示樂觀。

預期中國大陸市場的競爭環境仍然持續激烈，儘管如此，本集團將積極推行適當的措施，透過推出新設計及新產品系列吸引客戶，減少市場環境對「sparkle」銷售的影響。管理層對這個高速發展市場的中長期前景仍然持正面看法。

OUTLOOK

Taiwan's economic environment is expected to be stable in the short- to medium-term. After adding 24 outlets in the first half of this year, the Group has almost achieved its outlet expansion target for the whole year with only a few more outlets to be opened in the second half of the year. Contribution from the newly added outlets will start to emerge in the second half of the year. The management holds a positive view of bringing back this market to become profitable.

In the short term, the management believes that Singapore's economy will continue to be strong. It is also anticipated that the Group will maintain its steady progress in Singapore during the second half of the financial year.

The management is also optimistic about the progressive growth in the Malaysian market which will look set to be a profitable long-term addition to the Group's operational portfolio.

Having delivered solid performance levels during the six months under review, our export franchise business will continue to perform well during the second half of the year. The Group is continuing to explore new territories via which to bolster its already strong presence.

展望

中短期而言，台灣的經濟環境預期將維持平穩。隨著今年上半年新增24間新店舖，本集團已大致達到全年店舖擴張的目標，於下半年只會增設少量店舖。新店將於下半年開始作出盈利貢獻，而管理層對該市場轉虧為盈表示樂觀。

短期而言，管理層相信新加坡市場的經濟將持續強勁，並預期本集團之新加坡業務可於下半年的財政年度保持穩定增長。

管理層對馬來西亞市場可按步就班的增長亦表示樂觀，長遠而言該地區將會成為一個具盈利能力的市場。

出口特許經營業務已於回顧期的六個月內取得穩健的表現，預期出口業務於下半年將繼續有出色的表現。本集團將繼續開拓更多市場，令業務更穩固。

OUTLOOK

Given the prevailing market conditions, the management remains cautiously optimistic regarding its medium- to long-term development prospects and plans to strengthen its product offerings during the second half of the year. The export franchise business will continue to be a catalyst for the Group's expansion, whilst the Mainland China market will be a key area of growth in the years ahead. The management team will continue to strive to fulfill its corporate objectives in order to reward shareholders with sustainable results and promising dividend payout.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2005, the Group's cash on hand was HK\$167 million (31 March 2005: HK\$326 million). This figure is subsequent to the payment of a final dividend of HK\$61 million for the previous fiscal year and the purchase of inventory for the upcoming season's collection. The Group had net cash of HK\$167 million (31 March 2005: HK\$311 million) with no bank borrowings (31 March 2005: HK\$15 million).

The Group's current ratio was maintained at 2.09 (31 March 2005: 2.53) and the total liabilities to equity ratio was 62% (31 March 2005: 47%). The inventory turnover period was 72 days (31 March 2005: 39 days) due to the higher cost of winter stock.

展望

預期現時的市道環境將延續，管理層對本集團的中長線發展前景審慎樂觀。本集團將於下半年進一步加強推出新產品，出口特許經營業務將繼續成為本集團擴展的動力，而中國大陸市場將會是未來的主要增長點。管理層將一如既往，繼續全力達至其企業目標，致力為股東締創豐碩的回報及可觀的派息比率。

流動資金及財務資源

於二零零五年九月三十日，本集團的手持現金為港幣1.67億元（二零零五年三月三十一日：港幣3.26億元）。數額下降主要為派付上一財政年度之末期股息港幣6.1千萬元及購買下一季度存貨所致。本集團的現金淨額為港幣1.67億元（二零零五年三月三十一日：港幣3.11億元）及無銀行貸款（二零零五年三月三十一日：港幣1.5千萬元）。

本集團的流動比率維持於2.09倍的水平（二零零五年三月三十一日：2.53倍）。總負債對股東權益比率為62%（二零零五年三月三十一日：47%）。由於冬季存貨價值較高，使存貨周轉期增加至72天（二零零五年三月三十一日：39天）。

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2005, the Group's total assets and liabilities were HK\$878 million (31 March 2005: HK\$824 million) and HK\$336 million (31 March 2005: HK\$263 million) respectively. Equity was HK\$542 million (31 March 2005: HK\$561 million). The Group's capital expenditure was HK\$43 million (31 March 2005: HK\$50 million), this figure was mainly attributed to the expansion of directly managed outlets in the core markets.

CONTINGENT LIABILITIES

During the period under review, the Group had no material changes in contingent liabilities since 31 March 2005.

HUMAN CAPITAL

As at 30 September 2005, the Group employed 4,279 (2004: 3,704) full time equivalent employees, who were remunerated in accordance with their performance. The Group also offers insurance, retirement plans, share option scheme, and discretionary performance bonuses for its staff members.

流動資金及財務資源

於二零零五年九月三十日，本集團的總資產及總負債分別為港幣8.78億元（二零零五年三月三十一日：港幣8.24億元）及港幣3.36億元（二零零五年三月三十一日：港幣2.63億元）。股東權益總額為港幣5.42億元（二零零五年三月三十一日：港幣5.61億元）。而資本開支則為港幣4.3千萬元（二零零五年三月三十一日：港幣5.0千萬元），主要用作於核心市場擴展直接管理店舖。

或然負債

於回顧期間，本集團自二零零五年三月三十一日起之或然負債並無重大變動。

人力資源

於二零零五年九月三十日，本集團共聘用相等於4,279名（二零零四年：3,704名）全職員工。本集團按員工的工作表現釐定其薪酬，並為員工提供保險、退休計劃、購股權計劃和按表現發放花紅等福利。