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## Managing Director's Message

### Reinforce our leading position in the market

The year 2005 enjoyed a robust beginning with high consumer confidence and strong overall economic sentiment in Hong Kong. A sense of optimism was pervasive among the retail sector in anticipation of the influx of tourists and the potential economic infusion. While the forecast of this development never fully came to fruition, the economy provided mixed messages and created a challenging environment for the sector as the year progressed. Recent economic changes such as the increase in interest rates, softening of the residential property market and higher energy costs were at odds with the positive labor market and stock market performance. Inconsistent conditions contributed to fluctuating consumer confidence during the second half of 2005 and created an interesting challenge for most retailers who also encountered increasing costs in rental, utilities and labor.

The Group's management utilized its expertise in cooperation with our concessionaire counters to overcome the mixed market landscape and outperform the sector as a whole. Our ingenuity and ability to navigate such conditions and adjustments in consumer sentiment is a testament to the quality of management and staff of Lifestyle International. The result is also an affirmation of the leadership position of SOGO Hong Kong and the overall satisfaction of our customers.

## 董事總經理報告

### 鞏固市場領導地位

在高消費者信心和強勁市場氣氛的配合下，香港整體經濟在二零零五年以強勢起步。在預期有大批旅客訪港及其將帶來經濟效益的憧憬下，市場對零售業前景普遍看好。然而，年內經濟發展不但未能締造預期的豐碩成果，更由於市場訊息不一，為零售業帶來重重挑戰。近期利率上調、住宅物業市道放緩及能源成本持續高企等經濟轉變，與勞動市場及股票市場之正面表現並不吻合。市場環境反覆，導致二零零五年下半年消費信心變得波動，令大部分零售業要面對除租金、能源及勞工成本不斷上升問題以外另一重市場挑戰。

本集團管理層善用其專業知識及在得到特許專櫃租戶緊密配合下，成功克服市場環境所帶來的挑戰，並取得理想業績，傲視同儕。本集團的管理人員以靈活的手法，雄厚的實力，順利克服經營環境以及消費意慾的轉變。此舉反映了利福國際管理層及全體員工之卓越質素，亦彰顯了崇光(香港)之市場領導地位，以及客戶的整體滿意度。

The Group achieved significant progress for the year ended 31st December, 2005. Sales proceeds, turnover and net profits increased 28.7%, 30.2% and 30.2% respectively. We are pleased by these results and in order to share the benefits of the Group's success, the Board has recommended the payment of a final dividend of HK14.4 cents. In addition, to celebrate with our shareholders the 20th Anniversary of SOGO Hong Kong, the Board has also recommended the payment of a special dividend of 3.6 cents.

While able to produce strong financial results in 2005, the Group has also expanded its presence to Tsimshatsui, Kowloon with the new 115,000 square foot SOGO store and its grand opening on the 30th September, 2005. This expansion reinforces our aptitude and capacity to foster growth within the Hong Kong market. The new store has been well received and we believe it will further solidify our leading position as a lifestyle business operator, gain market share, expand our visibility, reinforce our brand image, and generate additional revenue and profits.

Positioning ourselves as lifestyle department stores, the Group will continue to execute innovative renovation and localized marketing campaigns to support the offering of differentiated products and enjoyable in-store experiences. For example, in the beginning of 2005 we opened the SOGO CLUB and SOGO BOOK CLUB at our Causeway Bay flagship store that provides a unique experience for shoppers unrivaled in the Hong Kong market. In our Shanghai Jiuguang Store, we have recently renovated the 2nd floor balcony into a garden terrace that provides an atrium for the discriminating consumer and provides a unique yet warm, welcoming environment for holding sales and promotional activities. The glass dome design of our SOGO TST stores distinguishes itself as an alternative upscale retail format that focuses on younger generation customers.

The Shanghai Jiuguang store has now been in operation for over a year and has gradually developed as a significant contributor to the Group's operations. We are comfortable that its business will continue to improve in the coming year. We also believe that our Jiuguang Store has already established itself as a premium lifestyle department store in Shanghai and is gaining popularity among customers.

截至二零零五年十二月三十一日止年度，本集團業務進展理想。銷售所得款、營業額及純利分別增加28.7%、30.2%及30.2%。能夠取得卓然佳績，本集團深感欣喜，並期望與股東共同分享本集團成功的喜悅。因此，董事局建議派付末期股息每股14.4港仙。此外，為與股東一同慶祝崇光（香港）二十週年誌慶，董事局亦建議派付特別股息每股3.6仙。

本集團於二零零五年除了錄得驕人的財務業績外，亦成功將香港的業務網絡進一步延伸至九龍尖沙咀。佔地115,000平方呎的崇光新店於二零零五年九月三十日隆重開幕，加強了本集團推動香港業務增長的實力。新店備受市場歡迎，我們相信尖沙咀店將進一步鞏固本集團作為生活時尚業務營運商之領先地位，在擴大市場份額、增加知名度及提高品牌形象的同時，亦為本集團帶來新的收入及利潤。

作為生活時尚百貨店，本集團將繼續在店舖裝潢加入創意元素及推行切合本地市場之推廣活動，為客戶提供與眾不同的產品及舒適的購物體驗。本集團於二零零五年初在銅鑼灣旗艦店開設SOGO CLUB及SOGO BOOK CLUB，為香港顧客帶來前所未有的購物體驗。至於上海久光百貨店，本集團最近將二樓陽台改建成設計風格獨特、舒適怡人的花園平台，為高品味消費者提供別樹一格的舒適休憩場地，亦可用作舉辦銷售及宣傳活動。尖沙咀崇光店



則採用玻璃圓頂設計，突顯其另類高層次零售模式之特點，吸引年輕一代的顧客。

The Group will continue to pursue its expansion plan into the China market. With the economic growth momentum in China likely to continue coupled with an improvement in the standard of living, the Group will continue to review new opportunities in other cities in order to meet the increasing demand for premier shopping in the PRC. We believe the Group is in the position to replicate the success of our Hong Kong and Shanghai stores.

Despite the mixed signals regarding consumer confidence, the current overall economy remains positive and consumer spending should allow retail sales to grow at a respectable pace in Hong Kong and the PRC in 2006. Consumers should see an increase in their personal disposable income and job vacancies are also expected to continue to grow. Although uncertain, interest rate increases are widely expected to taper off in 2006, providing favorable conditions for both the property and retail market. We are confident that the Group can maintain positive momentum and growth. Our strong financial and cash position should also provide the Group with flexibility to capitalize on expansion opportunities when the circumstances arise.

The Board believes that people are the key to determining the future of the Group and therefore, we are pleased to report that a group of management staff have been granted share options during the year. We believe that the granting of share options will provide an additional incentive to the management team as it aligns their interests with those of the shareholders.

We are extremely proud of our people and their efforts which have positioned us where we are today. Our strength in embracing positive change is derived from the people who work together at every level within the Group, as well as from the encouragement and support we received from our customers, shareholders and business partners in 2005. We are ready to meet any new challenges in the year to come.

**LAU Luen-hung, Thomas**

Managing Director

28th February, 2006

上海久光百貨營運已逾一年，並已逐步發展成爲本集團業務貢獻的重要來源。本集團對上海久光百貨的業務於來年將持續改善充滿信心。我們更相信久光百貨已建立其作爲上海優質生活時尚百貨店的市場定位，並獲得越來越多顧客的支持和愛戴。

本集團將繼續於中國市場拓展業務擴充計劃，預期中國經濟的強勁增長勢頭將持續，加上生活水平改善，本集團將於其他具潛力的城市開拓新的業務商機，滿足中國市場對優質購物體驗的殷切需求。我們相信，本集團已蓄勢待發，將香港及上海店成功的經營模式發揚光大，再創佳績。

儘管反映消費信心的訊息反覆不定，然而現時整體經濟仍維持正面發展，消費者的開支足以推動中港兩地於二零零六年之零售銷售有可觀增長。預期消費者個人可支配收入將有所提升，而職位空缺亦將繼續增加。市場普遍預期利率的上調趨勢將於二零零六年逐步放緩，這將爲物業及零售市場帶來利好的環境。我們有信心集團業務能保持理想增長的勢頭，而本集團雄厚的財務及現金狀況將有助於其於合適時機靈活抓緊業務擴展機遇。

董事局深信人才是本集團未來發展之重要關鍵。因此，我們欣然報告，於年內向集團部分管理層員工授出購股權，此舉將使管理層員工與股東的利益掛鉤，進一步激勵員工士氣，推動本集團業務的長遠增長。

本集團的成功有賴旗下全體員工的努力，我們引此爲傲。憑藉上下員工的緊密合作，以及顧客、股東和業務夥伴的鼎力支持和鼓勵，我們於二零零五年靈活應變，把握機遇，取得斐然成就。本集團已作好準備，迎接來年的挑戰，昂然邁向光輝新里程。

董事總經理

**劉鑾鴻**

二零零六年二月二十八日



*Intellectually stimulating  
atmosphere*