

CHAIRMAN'S STATEMENT

主席報告

Dear Shareholders,

I am pleased to present this annual report for the year ended 28 February 2006.

RESULTS AND DIVIDENDS

The turnover of the Group for the year ended 28 February 2006 was HK\$866,238,000 whereas the profit attributable to equity holders of the Company was HK\$65,497,000.

The board of directors has resolved to recommend a final dividend of HK5.5 cents per share which, subject to the approval of shareholders, will be paid on 4 August 2006 to shareholders whose names appear on the Register of Members of the Company on 28 July 2006. This together with the special dividend of HK10 cents per share paid on 26 October 2005 and the interim dividend of HK3 cents per share paid on 16 December 2005 will make a total dividend of HK18.5 cents per share for the year.

A YEAR FULL OF CHALLENGES

During the year, consumer confidence in Hong Kong continued to improve in line with the soaring property and stock markets. The opening of Hong Kong Disneyland in September 2005 has attracted more tourists and stimulated the entire economy of Hong Kong particularly the tourism and retail sectors. Despite the rises in interest rate and oil price, the economy of Hong Kong has been improving progressively. On the other hand, the fierce market competition as well as the increases in rental and staff costs in Hong Kong and Macau posed high pressure and great challenge to us. The Group took full advantage of strengths and market recognition of our brands, Mirabell, Joy & Peace, Fiorucci, Inshoesnet and Geox, to provide customers with high quality services from our hearts. In the meantime, the management actively explored business opportunities for our wholesale business. As a result, the Group achieved a satisfactory growth in the turnover and operating profit in the local market.

各位股東

本人欣然向各位提呈截至二零零六年二月二十八日止年度年報。

業績及股息

本集團截至二零零六年二月二十八日止年度的營業額為866,238,000港元；而本公司權益持有人應佔溢利為65,497,000港元。

董事會決議建議派發末期股息每股5.5港仙。待股東批准後，末期股息將於二零零六年八月四日支付予於二零零六年七月二十八日名列本公司股東名冊上之股東。連同於二零零五年十月二十六日支付的特別股息每股10港仙及於二零零五年十二月十六日支付的中期股息每股3港仙，本年度之派息總額為每股18.5港仙。

充滿挑戰的一年

於回顧期內，香港受着本地樓市及股市表現暢旺，消費信心得以不斷改善。於二零零五年九月開幕的香港迪士尼樂園，吸引更多遊客訪港，從而帶動旅遊及零售業。儘管受到利率及石油價格上升的影響，香港的經濟環境持續改善。另一方面，香港及澳門市場的激烈競爭及租金與員工成本增加，對我們帶來龐大壓力及挑戰。本集團全面發揮本身的優勢，以及市場對我們的品牌Mirabell、Joy & Peace、Fiorucci、Inshoesnet及Geox的認知度，全心全意為我們的顧客提供優質服務。與此同時，管理層積極開拓批發業務的商機。總括而言，本集團在本地市場的營業額及經營溢利方面取得理想的增長。

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In recent years, the Mainland China has recorded a continuous growth in GDP and consumer spending power. The demand for high quality footwear products is high. During the year, the Group actively expanded the Mainland China business by opening additional retail outlets and strived for increasing the market share. To capture the huge business opportunities, the Group opened numerous retail outlets in the second tier cities of the Mainland China. During the year, a steady growth in turnover was achieved. However, the sales growth in the Mainland China had not pushed up the operating profit as a whole. It is because our brand awareness and recognition was not strong enough in the second tier cities, the marketing, promotion and distribution costs correspondingly increased. However, the management believes that the investments on exploration and establishment of sales outlets have laid down a solid foundation to drive future business growth in the foreseeable future.

In April 2005, the Group opened the first Fiorucci retail outlet in Taiwan. Our retail business in Taiwan is still in the stage of investment period. The Group has established a network of retail stores in prime locations. The brand awareness was greatly enhanced by marketing promotion and a distinct brand image. We will continue to build upon and solidify the market position of the brand of Fiorucci in Taiwan.

隨着近年中國大陸的國民生產總值及顧客消費力均持續增長，市場對高質素鞋類產品的需求大幅增加。於回顧期內，本集團新開設了多間零售店舖，務求擴大中國大陸的業務及增加市場的佔有率。為捕捉龐大的商機，本集團在國內的二線城市新開設了多間零售店舖。於回顧期內，營業額錄得平穩的增幅，但該銷售增長並未能提高整體的經營溢利。主要原因是本集團的品牌在二線城市的知名度尚淺，因此在市場推廣、宣傳及分銷方面等成本支出有所增加。雖然如此，管理層深信開拓新零售店舖上的投資為未來之業務增長奠下良好基礎。

於二零零五年四月，本集團在台灣開設首間Fiorucci品牌零售店舖。台灣的零售業務仍處於投資期。本集團已在優越位置建立了零售店舖的網絡。通過市場推廣及鮮明的品牌形象，品牌的知名度已大大提高。我們將不斷加強及鞏固Fiorucci品牌在台灣市場的開發。

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FUTURE BUSINESS STRATEGIES

To meet the challenges ahead, the Group will adopt the following business strategies:

1. To adopt multi-brand business model by providing customers with a broader selection of fashionable products

The Group will continue to increase market competitiveness through building brand awareness, broadening the range of high quality products, introducing more exclusive international well-known products and bolstering promotion efforts.

2. To renovate our retail stores to provide customers with a comfortable shopping environment

The management believes that the primary objective of customer service is to increase customer satisfaction. To this end, the Group has provided a comfortable shopping environment for our customers. To solidify and further promote the image and brands of the Group, we will invest resources on shop renovation by creating a new design concept for our retail outlets. The new shops will feature magnificent, luxurious and modern design.

3. To provide customers with high quality service provided by frontline staff member

For the purposes of providing customers with high quality service, the Group places strong emphasis on the quality of staff members. All newly recruited frontline staff members are required to undergo a comprehensive training programme before reporting to duty. The training provided includes the corporate culture, operation system, selling and customer service techniques. The management believes that the constant improvement of the quality of staff members is the key element for maintaining a high level of customer service.

未來業務策略

為迎接未來的挑戰，本集團將採取下列的業務策略：

1. 採用多品牌業務模式為顧客提供廣泛及時尚產品選擇

本集團不斷通過增加品牌知名度、擴闊高質素產品、引入多個國際名牌產品及提高宣傳效應以增加市場競爭力。

2. 重新裝修零售店舖以提供更舒適的購物環境

管理層相信要提供優質顧客服務，主要是提高顧客的滿意度。為要達到此目標，本集團為顧客們提供更舒適的購物環境。為鞏固及進一步推廣本集團的形象及品牌，我們將投放更多資源引入全新的店舖設計概念，通過形象翻新，令店舖煥然一新。新的店舖將特顯出高貴、華麗及時尚的設計。

3. 要求前線員工為顧客提供卓越服務

為顧客提供卓越服務，本集團非常重視員工的質素。在正式履職前，所有前線員工均需要接受全面的培訓課程，培訓內容主要包括企業文化、經營系統、銷售及顧客服務技巧。管理層相信持續的員工質素提升是維持高水平之顧客服務水平的重要原素。

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4. To expand the distribution networks in the Mainland China and Taiwan

The Group will cautiously expand the distribution networks in the Mainland China and Taiwan to further boost sales and strengthen the market position of our brands.

5. To control the increase in operating costs

The Group expects that the operating costs particularly rental and staff costs will increase. The management will strictly control the increase in operating costs.

6. To increase operational effectiveness and efficiency

The Group will continue to actively review the operating strategies from time to time to encounter the changing economic conditions as well as market competition.

ACKNOWLEDGEMENT

On behalf of the board of directors, I would like to take this opportunity to express my gratitude to all shareholders and business partners for their support and to all employees for their hard work.

Tang Wai Lam

Chairman

Hong Kong, 26 June 2006

4. 擴大中國大陸及台灣的銷售網絡

本集團將審慎擴大在中國大陸及台灣的銷售網絡。進一步加強各品牌的銷售及市場地位。

5. 控制經營成本的增加

本集團預期經營成本將會增加，尤其租金及員工成本方面。管理層將嚴格控制經營成本的增加。

6. 增加經營效率與效益

本集團將定期檢討經營策略，以應付經濟環境及市場競爭情況的轉變。

致謝

本人謹代表董事會全人，藉此機會向全體股東及商業夥伴給予之支持及全體員工之努力工作，深表謝意！

主席

鄧偉林

香港，二零零六年六月二十六日