

MANAGEMENT DISCUSSION AND ANALYSIS

管理層之論述及分析

BUSINESS REVIEW

During the year, the Group recorded a turnover of HK\$866.24 million, representing an increase of 15.83%, compared with last year. The profit attributable to equity holders of the Company decreased by 13.98% to HK\$65.50 million.

The Hong Kong and Macau market

During the year, the economy of Hong Kong has been improving indicated by the soaring property and stock markets. With the further relaxation of the Individual Visit Scheme by the government of the Mainland China, the local retail market has been greatly boosted. Besides, drop in unemployment rate and reviving property and stock markets have improved the overall consumption sentiment in the local market. Compared with last year, the turnover increased by 8.16% to HK\$598.33 million and the gross profit margin maintained at the same level.

The management is constantly reviewing and evaluating the profitability, tactical planning and market share of our retail network. Although we put great effort to bargain with the landlords to minimize the rental costs, the unavoidable increase in rental costs gradually eroded our profit margin. In addition, the Group was also confronted with profit margin squeeze as a result of higher staff costs. Nonetheless, the increased gross profit coupled with the implementation of tight cost control policies, the operating profit slightly increased by 1.02% to HK\$36.42 million, compared with last year.

業務回顧

於回顧期內，本集團之營業額較去年同期增加15.83%至866,238,000港元；本公司權益持有人應佔溢利下跌13.98%至65,497,000港元。

香港及澳門市場

於回顧期內，受着本地樓市及股市表現暢旺，香港的經濟得以不斷改善。就中央政府繼續放寬個人遊計劃，對本地零售市場有着重大的鼓舞作用。此外，失業率下降及樓市、股市復甦均改善本地消費意欲。營業額較去年同期增加8.16%至598,326,000港元及毛利率保持穩定水平。

管理層定期不斷評估本集團整個銷售網絡的盈利狀況、策略優勢及市場佔有率。縱使我們致力與業主爭取及談判較低的租金，然而租金的攀升無可避免地逐步減低利潤水平。此外，本集團還要面對工資上漲的壓力。儘管如此，毛利額的增加以及管理層實行多項緊縮成本的控制政策，經營溢利較去年同期稍微增加1.02%至36,418,000港元。

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The development of wholesale business is a vital part of the Group's operating strategy. During the year, the wholesale business achieved a promising result. In addition to reducing purchasing costs and increasing gross profit, the wholesale operation could provide the Group with a synergy effect in terms of further strengthening the product mix, brand development and promotion. At present, we are the exclusive footwear distributor of the US brands of Caterpillar, Merrell, Royal Elastics and Sebago in Hong Kong, Macau and the Mainland China, and the Italian brand of Geox in Hong Kong and Macau; the exclusive footwear, bags and apparel distributor of the UK brand of Gola in Hong Kong, Macau and the Mainland China; the exclusive footwear distributor of the US brand of Harley-Davidson in Hong Kong as well as the exclusive footwear and apparel distributor of the US brand of K•Swiss in the Mainland China.

During the year, the Group achieved a satisfactory growth in the turnover and operating profit in the local market. At the end of May 2006, the Group operated 103 retail outlets in Hong Kong and Macau under the brands of Mirabell, Joy & Peace, Fiorucci, Inshoesnet and Geox.

The Mainland China market

The continuous economic growth in the Mainland China together with the improvement in living standards of residents boost a demand for trendy and high quality footwear products. In addition, the government of the Mainland China has adopted various policies to encourage and stimulate the local consumption, the management believes that the room for growth is enormous.

In the first half financial year, the Group dynamically explored the market by opening numerous retail outlets in the second tier cities of the Mainland China. Because our brand awareness and recognition was not strong enough in the second tier cities, operating costs particularly marketing, promotion and distribution correspondingly increased. In addition, most of the shop decoration costs for retail outlets located in department stores and shopping malls have been depreciated over one year. Consequently, the depreciation expenses for new shops were particularly high for the first year of operation.

開拓批發業務乃本集團經營策略的重要部份。於回顧期內，批發業務錄得理想的業績。批發業務不但能降低採購成本及增加毛利，並且能使產品組合、品牌開發及宣傳各方面取得協同效應。現時，我們是美國Caterpillar、Merrell、Royal Elastics及Sebago鞋類產品在香港、澳門及中國大陸的獨家總代理；意大利Geox鞋類產品在香港及澳門的獨家總代理；英國Gola鞋類、袋及服裝產品在香港、澳門及中國大陸的獨家總代理；美國Harley-Davidson鞋類產品在香港的獨家總代理；以及美國K•Swiss鞋類及服裝產品在中國大陸的獨家總代理。

於回顧期內，本集團在本地市場的營業額及經營溢利均錄得滿意的增長。於二零零六年五月底，本集團以Mirabell、Joy & Peace、Fiorucci、Inshoesnet及Geox品牌在香港及澳門經營103間零售店舖。

中國大陸市場

隨着中國大陸的經濟持續增長，人民生活水平提高，為市場帶來對時尚及優質產品的熱切需求，加上中國政府在政策上亦鼓勵提升內部消費，管理層深信市場仍有龐大的發展空間。

於回顧期上半年，本集團積極在國內二線城市開設零售店舖。由於我們的品牌在二線城市的知名度尚淺，因此在市場推廣、宣傳及分銷的經營成本支出上有所增加。另外，大部份在百貨公司及購物商場的店舖裝修需於一年內計算折舊費用，故此該等店舖於首年承擔所有折舊費用。

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After the rapid growth in the number of retail outlets, the Group slowed down slightly the expansion pace and focused on store performance improvement and cost controls to enhance operating profit advancement in the second half financial year. The Group implemented various policies in order to improve operational effectiveness and efficiency. The management ceased the operations of some non-performing retail outlets and opened more counters at well-positioned department stores where turnover rent shall be paid. In addition, the management further tightened cost controls. The overall performance of the Mainland China business had greatly improved in the second half financial year.

During the year, competition in the retail market of the Mainland China had become increasingly severe, forcing the department stores to introduce various types of promotion discounts, which had greatly affected our gross profit.

Compared with last year, the turnover increased by 31.55% to HK\$256.07 million whereas the operating profit decreased by 19.94% to HK\$23.23 million. At the end of May 2006, the Group operated 172 retail outlets in Shenzhen, Guangzhou, Shanghai, Beijing, Tianjin, Dalian, Chengdu, Chongqing, Zhuhai, Xi'an, Wuhan, Wuxi, Ningbo, Dongguan, Harbin, Shijiazhuang, Panyu and Shenyang under the brands of Mirabell, Joy & Peace, Fiorucci, Innet, Caterpillar, Merrell and K•Swiss. In addition, there were 72 franchised retail outlets under the brand of Joy & Peace.

於回顧期下半年，經過一連串的零售店舖急速增長後，本集團稍微放緩擴展步伐，並集中改善店舖表現及控制成本，因而令經營溢利逐漸回升。本集團已實行多項的政策以改善經營效率及效益。管理層關閉部份表現不理想的店舖，以及在百貨商場最佳位置開設更多以銷售金額提成計算租金的店舖。另外，管理層進一步嚴格控制成本。於回顧期下半年，整體中國大陸的業務表現已得到顯著改善。

於回顧期內，中國大陸的零售市場競爭已變得越來越激烈，多間百貨商場以不同形式推出折扣優惠的促銷活動，對經營毛利上有所影響。

營業額較去年同期增加31.55%至256,065,000港元；但經營溢利卻下跌19.94%至23,231,000港元。於二零零六年五月底，本集團以Mirabell、Joy & Peace、Fiorucci、Innet、Caterpillar、Merrell及K•Swiss品牌在深圳、廣州、上海、北京、天津、大連、成都、重慶、珠海、西安、武漢、無錫、寧波、東莞、哈爾濱、石家莊、番禺及瀋陽開設172間零售店舖。此外，本集團以特許經營模式經營72間Joy & Peace品牌的零售店舖。

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The Taiwan market

The first year operation in Taiwan incurred an operating loss of HK\$5.15 million. The management has grasped the local footwear market information and invaluable experience in doing retail business there. The management is cautiously planning future business strategies particularly brand awareness and recognition, marketing and promotion campaign, product development and network expansion. At the end of May 2006, the Group operated 13 retail outlets under the brand of Fiorucci.

Associate of the Group

Best Quality Investments Limited (“Best Quality”), a company incorporated in Samoa, is a Group’s associate in which the Group holds 30% interest. On 12 September 2005, Belle International Holdings Limited (“Belle International”) issued new redeemable ordinary shares to certain companies. As a result of the new issue, the equity interest of Best Quality in Belle International was diluted from 100% to approximately 20%. On the same day, Best Quality declared a dividend, which was paid on 13 September 2005. The Company paid a special dividend of HK10 cents per share on 26 October 2005 after consideration of, among other things, the dividend of HK\$54 million received from Best Quality. The Company provides guarantees in relation to general banking facilities granted to certain subsidiaries of Belle International (the “Belle Group”).

台灣市場

台灣首年度的經營錄得5,153,000港元的虧損，管理層已掌握當地鞋類市場的情況及經營零售業務的寶貴經驗。管理層將審慎計劃整合未來經營策略，尤其在品牌認知及知名度、市場推廣及宣傳活動、產品開發及網絡擴展。於二零零六年五月底，本集團以Fiorucci品牌經營13間零售店舖。

本集團之聯營公司

於薩摩亞註冊成立的Best Quality Investments Limited（「Best Quality」）是本集團佔30%權益之聯營公司。於二零零五年九月十二日Belle International Holdings Limited（「Belle International」）發行新的可贖回普通股股份予若干公司。由於此等新股份發行，Best Quality在Belle International之股份權益已從100%被攤薄至約20%。於同日，Best Quality宣布派發股息，並已於二零零五年九月十三日支付。本公司考慮到（其中包括）自Best Quality收取54,000,000港元之股息後，於二零零五年十月二十六日支付了特別股息每股普通股10港仙。本集團因就若干Belle International之附屬公司（「Belle集團」）之一般銀行信貸作出擔保。

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OUTLOOK

The year of 2006 has been designated as “Discovery Hong Kong Year” by the Hong Kong Tourist Board, which would devote substantial efforts to boosting tourism to Hong Kong. In addition, a number of tourism projects are coming in the local market in the near future including a new cable system on Lantau Island, several casino and hotel projects in Macau and Macau Fisherman’s Wharf. We believe that the increasing number of the Mainland China and oversea tourists visiting to the region will further stimulate the local consumption market.

Notwithstanding the keen competition in the retail market of the Mainland China in recent years, the management truly believes that there is still a huge potential for business development. The management will closely monitor the market response and take cautious steps in growing the business. Having laid down a solid foundation in the Mainland China, the management expects to enter a new stage of growth in the retail business in the coming year.

Looking ahead, the management will continue to reinforce the brand development, pursue continuous quality improvement of products as well as increase operational effectiveness and efficiency. The Group will focus on increasing market share in the Greater China and plan to strengthen the retail networks in the Mainland China and Taiwan as a major drive for business expansion. The Group will continue to strive for improvements in all business areas so as to further increase our competitive advantage in the marketplace. We will maintain a dynamic approach to the operation and development of the Group’s business to face the future challenge. In light of the positive economic outlook in the Greater China region, the management is cautiously optimistic about the business performance of the Group in the coming year.

展望

為促進香港的旅遊業，香港旅遊發展局以「精采香港旅遊年」作為二零零六年宣傳的口號。同時，在不久將來本地市場有大量的旅遊項目推出，例如：大嶼山昂坪纜車、澳門多間賭場及酒店項目及澳門漁人碼頭。我們相信該等旅遊項目能吸引更多的國內及海外遊客從而進一步刺激本地消費市場。

儘管近年在中國大陸零售市場競爭激烈，管理層深信國內仍有龐大的業務發展空間。管理層將緊貼市場步伐及審慎制定業務發展的方向。本集團已於中國大陸市場奠定良好的基礎，管理層預期在來年的中國大陸業務將進入新的里程。

展望未來，管理層將繼續加強品牌發展、改進產品質量及增加經營效率與效益。本集團將集中在大中華地區提高市場佔有率，計劃增強在中國大陸及台灣的零售銷售網絡，作為業務發展的主要動力。本集團將不斷在各業務範疇力求改進，從而進一步增強我們在市場的競爭優勢。為迎接未來的挑戰，我們將採用更靈活的經營方針。在大中華地區的光明經濟前景下，管理層對來年的業績抱審慎樂觀的態度。

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LIQUIDITY AND FINANCIAL RESOURCES

Working capital of the Group increased from HK\$168.51 million (restated) to HK\$214.05 million, and the current ratio and quick ratio remained at a steady level of 2.36 and 1.38 times, respectively.

The inventory balance as at 28 February 2006 amounted to HK\$154.15 million. Compared with the inventory balance of HK\$135.02 million as at 28 February 2005, an increase was recorded. As at 28 February 2006, the Group had bank balances and cash of HK\$114.89 million and outstanding bank borrowings of HK\$47.82 million. During the year, the Group raised new short-term bank loans of HK\$88.60 million for the financing of working capital and short-term bank loans of HK\$72.53 million were settled.

As at 28 February 2006, the gearing ratio of the Group was 0.11 (2005: 0.07) which was calculated on the Group's total borrowings of HK\$47.82 million (2005: HK\$31.08 million) and the total equity of HK\$438.06 million (2005: HK\$421.32 million (restated)).

TREASURY POLICIES

The Group continued to adopt a conservative approach to financial risk management. The Group's borrowings were in Hong Kong dollars and Renminbi and were arranged on a floating rate basis. As at 28 February 2006, the Group had a previously signed foreign exchange contract with an expiry date in September 2006 to hedge with potential revaluation of Renminbi. Except this foreign exchange contract, no other financial instrument has been employed. The Group's treasury management policy is not to engage in any highly leveraged or speculative derivative products. With low gearing ratio and sound financial position, the management believes that the Group is well placed to avail itself to future expansion and investment opportunities.

流動資金及財務資源

本集團之營運資金由168,512,000港元(重列)上升至214,047,000港元;而其流動比率及速動比率則維持於穩健水平,分別為2.36倍及1.38倍。

於二零零六年二月二十八日,本集團存貨為154,148,000港元,較於二零零五年二月二十八日之135,022,000港元相比,存貨水平上升。於二零零六年二月二十八日,本集團擁有114,891,000港元的銀行結餘及現金;以及47,817,000港元的未償還銀行借貸。於回顧年度內,本集團新增88,598,000港元的短期銀行借貸作為營運資金之用;並已償還72,532,000港元的短期銀行借貸。

於二零零六年二月二十八日,本集團之資本負債比率為0.11(二零零五年:0.07),乃以本集團總借貸47,817,000港元(二零零五年:31,084,000港元)以及總權益438,063,000港元(二零零五年:421,318,000港元(重列))計算。

庫務政策

本集團於財務風險管理方面繼續維持審慎態度。本集團的借貸分別為港元及人民幣,利息以浮動利率計算。於二零零六年二月二十八日,本集團有一份之前已簽訂於二零零六年九月到期的外匯合約以對沖人民幣的潛在升值。除該份外匯合約以外,本集團並無利用其他金融工具。本集團的理財政策是不參與高風險之投資或投機性的衍生工具。管理層深信,憑藉較低之資本負債水平及穩健之財政狀況,本集團具備優越條件,以助日後之擴展及掌握投資機會。

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CHARGE ON ASSETS

As at 28 February 2006, the net book values of fixed assets pledged as security for certain banking facilities available to the Group amounted to approximately HK\$10.86 million (2005: HK\$11.32 million (restated)).

CONTINGENT LIABILITIES

As at 28 February 2006, the Group had contingent liabilities amounting to HK\$31.33 million (2005: HK\$61.80 million) in respect of guarantees issued for general banking facilities, of which HK\$10.64 million (2005: HK\$8.21 million) were utilised, granted to the Belle Group. As at 28 February 2006, part of these guarantees was in proportion to the Group's then indirect percentage interest in the Belle Group, and the remaining guarantees, which mainly represented the Group's then indirect interest in the Belle Group prior to Belle International's issue of new redeemable ordinary shares on 12 September 2005, were being negotiated with banks for reduction. As of the report date, all guarantees provided are in proportion to the Group's indirect percentage interest in the Belle Group.

HUMAN RESOURCES

As at 28 February 2006, the Group had a total of 2,023 employees. The Group offers a competitive remuneration package to its employees, including insurance and medical benefits. In addition, discretionary bonus and share options may be granted to eligible employees based on the Group's performance and individual performance.

資產抵押

於二零零六年二月二十八日，用作本集團可動用之若干銀行信貸抵押之固定資產賬面淨值約為10,856,000港元（二零零五年：11,317,000港元（重列））。

或然負債

於二零零六年二月二十八日，本集團之或然負債為31,330,000港元（二零零五年：61,800,000港元）。此乃為Belle集團之一般銀行信貸作出的擔保，其中10,636,000港元（二零零五年：8,212,000港元）之銀行信貸已被動用。於二零零六年二月二十八日，部份該等擔保乃按本集團當時間接應佔Belle集團權益的百分比作出，而餘下主要為按本集團於二零零五年九月十二日Belle International發行新的可贖回普通股股份前間接應佔Belle集團權益而作出的擔保，此等擔保亦已與銀行協商予以降低。於本年報日，所有擔保乃按本集團間接應佔Belle集團權益的百分比分擔。

人力資源

於二零零六年二月二十八日，本集團之僱員總數為2,023名。本集團為僱員提供優厚薪酬組合，包括保險及醫療福利。此外，本集團亦會按業績及個別僱員表現給予合資格僱員酌情花紅及認股權。