

本集團經營業績

營業額

儘管本集團大部分市場年初天氣反常和暖，導致二零零六年上半年度營業額對比去年同期錄得百分之六點一之跌幅，但本集團全年營業額仍達港幣四十三億七千二百萬元，與二零零五年大致相若。本集團於下半年度收回失地，零售及分銷部門採取多項重要拓展業務措施，使下半年度銷售額明顯高於上半年度，而對比去年同期則增加百分之四。

RESULTS OF GROUP OPERATIONS

Turnover

The Group's full year turnover was HK\$4,372 million, essentially on par with that of 2005, despite a 6.1 percent year-on-year decrease recorded in the first half of 2006 brought about by unseasonably warm temperatures at the start of the year in most of our markets. The Group caught up during the second half with the implementation of several important growth initiatives within its Retail & Distribution Division, so that second half sales came in significantly higher than the first half, and registered a 4.0 percent year-on-year increase.

營業額 (港幣百萬元)	Turnover (HK\$ millions)	上半年度 First Half			下半年度 Second Half			全年 Full Year		
		2006	2005	變動 Change	2006	2005	變動 Change	2006	2005	變動 Change
零售及分銷	Retail & Distribution	1,869	1,953	(4.3%)	2,150	2,049	4.9%	4,019	4,002	0.4%
成衣貿易及 製造	Garment Trading & Manufacturing	480	520	(7.7%)	476	523	(9.0%)	956	1,043	(8.3%)
集團內公司間 銷售	Intra-group sales	(328)	(321)	2.2%	(275)	(311)	(11.6%)	(603)	(632)	(4.6%)
對外銷售	External sales	152	199	(23.6%)	201	212	(5.2%)	353	411	(14.1%)
本集團總計	Group total	2,021	2,152	(6.1%)	2,351	2,261	4.0%	4,372	4,413	(0.9%)

毛利

本集團二零零六年上半年度毛利對比去年同期下跌百分之六點八，惟下半年度零售銷售額及製造部門效率有所改善，推動毛利有所回升，將全年毛利下跌幅度止於百分之二點九。為應付冬季銷情呆滯，本集團技術性調高折扣以致毛利率暫時下跌，惟仍維持集團全年之毛利率於百分之四十九點八。

Gross Profit

After a 6.8 percent year-on-year decrease in the Group's gross profit in the first half of 2006, an upsurge in retail sales and efficiency improvements in the manufacturing side drove a recovery in the second half sufficient to limit the overall year-on-year decline in gross profit to 2.9 percent. Although gross margin took a temporary setback due to a tactical increase in discounting to tackle sluggish winter sales, we nevertheless managed to maintain the Group's gross margin at a respectable 49.8 percent for the year.

本集團	Group	上半年度 First Half			下半年度 Second Half			全年 Full Year		
		2006	2005	變動 Change	2006	2005	變動 Change	2006	2005	變動 Change
毛利 (港幣百萬元)	Gross profit (HK\$ millions)	1,021	1,096	(6.8%)	1,157	1,147	0.9%	2,178	2,243	(2.9%)
毛利率	Gross margin	50.5%	50.9%	(0.4)	49.2%	50.7%	(1.5)	49.8%	50.8%	(1.0)

管理層之論述及分析 MANAGEMENT'S DISCUSSION AND ANALYSIS

經營費用、經營溢利及未計利息、稅項、折舊及攤銷費用之盈利 (EBITDA)

由於租金成本仍然高企且持續上漲，以致本集團店舖成本於二零零六年上升百分之七點七。作為本集團另一主要開支之薪金，亦承受重大上調壓力，店舖員工成本增加百分之五點四，而本集團果斷地暫時將廣告及宣傳等酌情開支減少百分之十二點五，以抵銷部分上升成本。然而，經營費用於二零零六年下半年大幅增加百分之十點三，以致全年經營費用上升百分之五至港幣十九億一千六百萬元（二零零五年：港幣十八億二千五百萬元）。故此，經營溢利降至港幣三億七千六百萬元，較去年減少百分之二十七點四，而二零零六年經營溢利率亦由二零零五年之百分之十一點七下跌至二零零六年之百分之八點六。

Operating Expenses, Operating Profit and Earnings before Interest, Taxation, Depreciation and Amortization Expense (EBITDA)

Rental costs remained high and on the rise, causing the Group's shop occupancy costs to rise by 7.7 percent in 2006. Wages, our other major expense, also experienced significant upward pressure and shop staff cost rose by 5.4 percent. This was partially offset by judicious and temporary cutbacks in discretionary spending such as advertising and promotion which was reduced by 12.5 percent. Nevertheless, operating expenses took a sharp turn upwards to increase by 10.3 percent during the latter half of 2006 so that full year operating expenses increased by 5.0 percent to HK\$1,916 million (2005: HK\$1,825 million). As such, operating profit came to HK\$376 million, a decrease of 27.4 percent from the previous year. This works out to an operating margin of 8.6 percent in 2006, down from 11.7 percent in 2005.

本集團 Group	上半年度 First Half			下半年度 Second Half			全年 Full Year		
	2006	2005	變動 Change	2006	2005	變動 Change	2006	2005	變動 Change
經營溢利 (港幣百萬元) Operating profit (HK\$ millions)	184	246	(25.2%)	192	272	(29.4%)	376	518	(27.4%)
經營溢利率 Operating margin	9.1%	11.4%	(2.3)	8.2%	12.0%	(3.8)	8.6%	11.7%	(3.1)

本集團之 EBITDA 下跌百分之二十四點四至港幣五億一千三百萬元（二零零五年：港幣六億七千九百萬元），而二零零六年 EBITDA 之利潤率則為百分之十一點七（二零零五年：百分之十五點四）。

The Group's EBITDA decreased by 24.4 percent to HK\$513 million (2005: HK\$679 million) and its 2006 EBITDA margin was 11.7 percent (2005: 15.4 percent).

股東應佔溢利

競爭加劇加上消費者信心疲弱對本集團南韓及中東業務造成衝擊，使其除稅後溢利貢獻減少百分之七十二點五至港幣八百萬元。惟本集團合營製衣公司完成其首次全年營運並作出貢獻以抵銷部分溢利下跌。整體而言，本集團共同控制及聯營公司之除稅後溢利貢獻減少百分之四十八點四至港幣一千六百萬萬元（二零零五年：港幣三千一百萬元）。現時南韓及中東均積極進行重組以應付競爭問題。

Profit Attributable to Shareholders

Intensifying competition and weaker consumer confidence impacted the Group's South Korean and Middle East operations, reducing their after-tax profit contribution by 72.5 percent to HK\$8 million. However, this was partly offset by contribution from the Group's manufacturing joint venture which completed its first full year of operation. Overall, after-tax profit contribution from the Group's jointly controlled and associated companies declined by 48.4 percent to HK\$16 million (2005: HK\$31 million). Aggressive re-merchandising efforts are underway in both South Korea and the Middle East to address the competition issue.

於二零零六年下半年度，中華人民共和國廣州市國家稅務局（「廣州市國稅局」）對本集團於中國大陸之轉讓定價安排進行審核調查，主要集中於專利權收入。廣州市國稅局在裁決中指出，決定調增本集團在中國大陸零售及分銷業務過往數年之應納稅所得額，並因此重新評估本集團之額外外商投資企業和外國企業所得稅約港幣六千六百萬元，本集團已就該稅項於二零零六年作出撥備。管理層計劃向更高稅務機關申請覆核有關裁決。

基於上文所述，股東應佔溢利減少百分之四十九點五至港幣二億零五百萬元（二零零五年：港幣四億零六百萬元）。倘並無該項中國稅務裁決，股東應佔溢利將減少百分之三十三點三。

現金流量

經營業務之現金流入下降至港幣三億零六百萬元（二零零五年：港幣四億八千九百萬元），主要由於毛利減少及存貨增加港幣五千三百萬元所致，而年底之存貨對銷售流轉比率亦因此增至三十五日，惟於二零零七年二月底已回落至三十三日。

投資業務之現金流出額增加港幣六百萬元至港幣九千五百萬元（二零零五年：港幣八千九百萬元），由租賃按金、租賃土地及租金預付款項增加港幣一千七百萬元所致，但因本集團押後店舖翻新及開設新門市所減少之港幣九百萬元資本開支而部分抵銷。儘管資本開支減少港幣九百萬元，仍達至港幣一億一千一百萬元，佔二零零六年經營業務現金流入額百分之三十六點三，較二零零五年高出十一點八個百分點。

融資活動之現金流出額為港幣三億九千七百萬元，較二零零五年錄得之港幣二億五千五百萬元高出港幣一億四千二百萬元，主要由於來自管理層員工行使購股權之所得現金款項減少港幣一億零九百萬元所致。

In the second half of 2006, the Guangzhou Municipal Office of the State Administration of Taxation of the People's Republic of China (the "SAT Guangzhou Office") conducted a review of the Group's transfer pricing policy in Mainland China, concentrating primarily on royalties. In its ruling, the SAT Guangzhou Office contended that the taxable income of the Group's retail and distribution arm in Mainland China for prior years should be adjusted upwards and, as a result of such adjustment, it made a reassessment of approximately HK\$66 million in additional Foreign Enterprise Income Tax for which we have made the provision in 2006. Management plans to apply with the tax authority at the next higher level for a review of the ruling.

As a result of the above, profit attributable to shareholders decreased by 49.5 percent to HK\$205 million (2005: HK\$406 million). In the absence of the China tax ruling, profit attributable to shareholders would have decreased by 33.3 percent.

Cash Flow

Cash inflow from operating activities decreased to HK\$306 million (2005: HK\$489 million), mainly due to lower gross profit and an increase in inventories by HK\$53 million which caused inventory turnover on sales to rise to 35 days at the end of the year, but have since been reduced to 33 days as at end-February 2007.

Cash outflow from investing activities, increased by HK\$6 million to HK\$95 million (2005: HK\$89 million) due to a HK\$17 million increase in rental deposits, leasehold land and rental prepayments but this was partially offset by a HK\$9 million decrease in capital expenditure as we deferred store renovations and openings. Despite the HK\$9 million reduction, capital expenditure still amounted to HK\$111 million and accounted for 36.3 percent of cash inflow from operating activities in 2006, 11.8 percentage points higher than 2005.

At HK\$397 million, cash outflow from financing activities was HK\$142 million higher than the HK\$255 million recorded in 2005, attributable primarily to a HK\$109 million decrease in cash proceeds from exercise of share options by management staff.

管理層之論述及分析

MANAGEMENT'S DISCUSSION AND ANALYSIS

本集團之財務狀況

於二零零六年十二月三十一日，本集團之現金及銀行存款為港幣七億二千三百萬元（二零零五年：港幣九億零三百萬元）。

本集團之營運資金於二零零六年減少至港幣八億六千二百萬元（二零零五年：港幣十億二千九百萬元）。流動比率為二點一倍，低於二零零五年年底之二點六倍。

於年底，本集團之存貨總額由二零零五年錄得之港幣三億六千九百萬元增加至港幣四億二千二百萬元。存貨對銷售流轉比率為三十五日（二零零五年：三十一日）。二零零七年首兩個月此數字已降至三十三日。

於二零零六年十二月三十一日，總負債為港幣八億九千四百萬元（二零零五年：港幣七億五千五百萬元），升幅主要由於應付賬款及其他應付款增加港幣八千四百萬元以及稅項增加港幣六千二百萬元所致。股東權益為港幣十九億八千七百萬元（二零零五年：港幣二十一億二千二百萬元）。而按照股東權益計算之資本負債比率為百分之二點九（二零零五年：百分之三點六）。

年內之資本開支為港幣一億一千一百萬元（二零零五年：港幣一億二千萬元），佔經營業務現金流入淨額百分之三十六點三（二零零五年：百分之二十四點五）。由於本集團加快店舖翻新速度，並將店舖增長淨額提升至一百二十間門市，管理層估計二零零七年之資本開支將回升至介乎港幣一億二千萬元至港幣一億五千萬萬元之間。

於年底，本集團之融資信貸合共港幣四億零三百萬元（二零零五年：港幣三億八千九百萬元），當中港幣五千八百萬元之循環貸款已經提用而尚未償還。於二零零六年十二月三十一日，本集團之或然負債為港幣一千一百萬元（二零零五年：港幣九百萬元），該等款項乃於正常業務運作中產生。

GROUP FINANCIAL POSITION

At December 31, 2006, the Group had cash and bank deposits of HK\$723 million (2005: HK\$903 million).

During 2006 the Group's working capital decreased to HK\$862 million (2005: HK\$1,029 million). Its current ratio was 2.1 times, a decrease from the 2.6 times at the end of 2005.

At the end of the year, the Group's inventories totalled HK\$422 million, up from the HK\$369 million recorded in 2005 and inventory turnover on sales was 35 days (2005: 31 days). The first two months of 2007 have seen us bringing the figure down to 33 days.

At December 31, 2006, total liabilities were HK\$894 million (2005: HK\$755 million). The increase is mainly due to a HK\$84 million increase in trade and other payables and a HK\$62 million increase in tax. Shareholders' equity was HK\$1,987 million (2005: HK\$2,122 million). The Group's gearing was 2.9 percent (2005: 3.6 percent) based on shareholders' equity.

Capital expenditure during the year was HK\$111 million (2005: HK\$120 million), representing 36.3 percent (2005: 24.5 percent) of net cash inflow from operating activities. Management estimates 2007 capital expenditure to range higher between HK\$120 million and HK\$150 million as we pick up our pace on store refurbishments and increase net store growth to 120 outlets.

The Group had financing facilities totalling HK\$403 million at the end of the year (2005: HK\$389 million), of which HK\$58 million in revolving loan facilities had been drawn and were outstanding. As at December 31, 2006, the Group had contingent liabilities of HK\$11 million (2005: HK\$9 million) incurred in the normal course of business.

部門業務概況

成衣貿易及製造部門

於二零零六年，成衣貿易及製造部門之總營業額(包括集團內公司間銷售)減少百分之八點三至港幣九億五千六百萬元。對外銷售上半年度下跌百分之二十三點六後，於下半年度開始重回升軌，全年達港幣三億五千三百萬元，佔該部門二零零六年營業額百分之三十六點九。

DIVISIONAL OPERATIONS HIGHLIGHTS

Garment Trading and Manufacturing Division

In 2006 the Garment Trading & Manufacturing Division's total turnover including intra-group sales decreased 8.3 percent to HK\$956 million. After a decrease of 23.6 percent in the first half, external sales started on the track of recovery in the second half, amounting to HK\$353 million for the full year or 36.9 percent of the division's turnover in 2006.

		上半年度 First Half			下半年度 Second Half			全年 Full Year		
		2006	2005	變動 Change	2006	2005	變動 Change	2006	2005	變動 Change
(港幣百萬元)	(HK\$ millions)									
營業額	Turnover	480	520	(7.7%)	476	523	(9.0%)	956	1,043	(8.3%)
集團內公司間 銷售	Intra-group sales	(328)	(321)	2.2%	(275)	(311)	(11.6%)	(603)	(632)	(4.6%)
對外銷售	External sales	152	199	(23.6%)	201	212	(5.2%)	353	411	(14.1%)
經營溢利	Operating profit	20	32	(37.5%)	22	26	(15.4%)	42	58	(27.6%)
經營溢利率	Operating margin	4.2%	6.2%	(2.0)	4.6%	5.0%	(0.4)	4.4%	5.6%	(1.2)

該部門致力提升本身於價值鏈之地位(由過往之原設備製造(OEM)模式轉為原設計製造(ODM)模式)，以及其於成本較低之華北地區投資新製衣業務，於二零零六年下半年度開始取得成果。對外銷售及溢利均開始回升，將上半年度經營溢利百分之三十七點五之跌幅收窄。就全年而言，成衣貿易及製造部門之經營溢利減少百分之二十七點六至港幣四千二百萬元。隨著該部門之對外銷售於二零零七年首兩個月達致雙位數字增長，經營溢利繼續快速回升。

本集團之合營公司 Higrowth Ventures 見證其位於中國東莞之製衣廠完成首次全年營運。該公司於二零零六年錄得總銷售額港幣三億二千一百萬元，並向本集團作出除稅後溢利貢獻港幣八百萬元(二零零五年：港幣一百萬元)。於二零零六年十二月三十一日，本集團於 Higrowth 持有百分之四十九股權。

The division's efforts to move itself up the value chain from the OEM (Original Equipment Manufacturer) model of the past to an ODM (Original Design Manufacturer) model and its investment in new manufacturing capacity in the lower cost northern China region came to fruition in the second half of 2006. Both external sales and profits began to recover, narrowing the 37.5 percent decrease in operating profit in the first half. For the full year, operating profit at the Garment Trading & Manufacturing Division decreased by 27.6 percent to HK\$42 million. The recovery continued apace with the division achieving double-digit external sales growth in the first two months of 2007.

Higrowth Ventures, the Group's joint-venture, saw its garment factory in Dongguan, China, complete its first full year of operation. It recorded total sales of HK\$321 million in 2006 and made an after-tax profit contribution of HK\$8 million (2005: HK\$1 million) to the Group. The Group held a 49.0 percent shareholding in Higrowth as at December 31, 2006.

管理層之論述及分析 MANAGEMENT'S DISCUSSION AND ANALYSIS

零售及分銷部門 – 概覽

大中華地區之冬季較平時和暖，加上東南亞消費開支因利率及燃油價格高企而放緩，導致零售及分銷部門二零零六年上半年度之營業額對比去年同期下跌百分之四點三。然而，由於推出新產品，下半年度之銷售額強勁反彈，期內營業額對比去年同期上升百分之四點九。綜觀全年，零售及分銷部門之營業額維持於港幣四十億一千九百萬元之穩定水平。破紀錄之和暖冬季以及租金與員工成本高企使盈利率受壓。因此，全年經營溢利減少百分之二十七點四，而經營溢利率較二零零五年下跌三點二個百分點。本集團增設七十三間新店，將全球網絡擴展至二零零六年年底之一千七百六十七間門市。

Retail and Distribution Division – Overview

A warmer-than-usual winter in Greater China together with a slowdown in consumer spending in Southeast Asia from higher interest rates and fuel prices caused the Retail & Distribution Division's first half of 2006 turnover to decrease by 4.3 percent on a year-on-year basis. However, sales recovered strongly in the second half as a result of new product introductions, with turnover growing by 4.9 percent year-on-year during the period. Full year turnover at the Retail & Distribution Division held steady at HK\$4,019 million. Margins were pressurized by a record warm winter and higher rental and staff costs. As a result, full year operating profit decreased by 27.4 percent while operating margin came in 3.2 percentage points lower than 2005. The Group added 73 outlets to bring its global network to 1,767 outlets at the end of 2006.

		上半年度 First Half			下半年度 Second Half			全年 Full Year		
		2006	2005	變動 Change	2006	2005	變動 Change	2006	2005	變動 Change
(港幣百萬元)	(HK\$ millions)									
營業額	Turnover	1,869	1,953	(4.3%)	2,150	2,049	4.9%	4,019	4,002	0.4%
可比較門市之 銷售額	Comparable store sales	(5.3%)	(0.3%)	N/A	(0.4%)	(0.7%)	N/A	(3.0%)	(0.5%)	N/A
經營溢利	Operating profit	164	214	(23.4%)	170	246	(30.9%)	334	460	(27.4%)
經營溢利率	Operating margin	8.8%	11.0%	(2.2)	7.9%	12.0%	(4.1)	8.3%	11.5%	(3.2)

踏入二零零七年度後，業績持續改善，儘管本集團主要市場於農曆新年之重要銷售期間錄得破紀錄之高氣溫，該部門之營業額於二零零七年首兩個月仍達致雙位數字增長。

Performance continued to improve going into 2007, with the division achieving double-digit turnover growth in the first two months of 2007 despite record high temperatures during the crucial Chinese New Year sales period in our main markets.

零售及分銷部門 – 按品牌回顧

Giordano 及 *Giordano Junior* 於上半年度之營業額下跌百分之四點四，但於下半年度大幅回升，增長百分之五點三，使全年營業額達港幣三十五億零七百萬元，較二零零五年上升百分之零點六。可比較門市之銷售額年內跌幅亦收窄至百分之三點四。年內，本集團推出新品牌 *Giordano Concepts*，並於印度清奈開設首間 *Giordano* 店舖。整體而言，本集團於二零零六年增設六十間 *Giordano* 及 *Giordano Junior* 門市，使全球店舖總數增至一千五百八十七間。

Retail and Distribution Division – Review by Brand

Giordano and *Giordano Junior* saw first half turnover decreasing by 4.4 percent but staged a strong recovery to grow by 5.3 percent in the second half so that full year turnover was HK\$3,507 million, a 0.6 percent increase over 2005. Comparable store sales decrease also narrowed to 3.4 percent for the year. The year saw the launch of the new *Giordano Concepts* brand as well as the establishment of the first *Giordano* store in Chennai, India. Overall, the Group added 60 *Giordano* and *Giordano Junior* outlets in 2006, bringing the total store count to 1,587 worldwide.

	上半年度 First Half			下半年度 Second Half			全年 Full Year		
	2006	2005	變動 Change	2006	2005	變動 Change	2006	2005	變動 Change
<i>Giordano, Giordano Junior</i>									
營業額 (港幣百萬元) Turnover (HK\$ millions)	1,624	1,698	(4.4%)	1,883	1,789	5.3%	3,507	3,487	0.6%
可比較門市之 銷售額 Comparable store sales	(5.9%)	0.1%	N/A	(0.5%)	(1.0%)	N/A	(3.4%)	(0.5%)	N/A

Giordano Ladies 之總銷售額於二零零六年增長百分之十二點四，而可比較門市之銷售額則上升百分之八點一。除台灣外，所有市場之營業額於年內均錄得雙位數字增長。本集團於北京、上海、香港及新加坡各增設一間門市，將區內 *Giordano Ladies* 網絡增至三十一間門市。

Total sales at *Giordano Ladies* grew 12.4 percent in 2006 while comparable store sales were up 8.1 percent. All markets except Taiwan posted double-digit turnover growth during the year. The Group added one outlet each in Beijing, Shanghai, Hong Kong and Singapore to bring the *Giordano Ladies* network to 31 locations in the region.

	上半年度 First Half			下半年度 Second Half			全年 Full Year		
	2006	2005	變動 Change	2006	2005	變動 Change	2006	2005	變動 Change
<i>Giordano Ladies</i>									
營業額 (港幣百萬元) Turnover (HK\$ millions)	92	84	9.5%	116	101	14.9%	208	185	12.4%
可比較門市之 銷售額 Comparable store sales	6.4%	(2.1%)	N/A	9.6%	8.5%	N/A	8.1%	3.3%	N/A

管理層之論述及分析 MANAGEMENT'S DISCUSSION AND ANALYSIS

Bluestar Exchange 缺乏獨特品牌個性及多元化產品供應，在競爭激烈之低價市場中經營困難，其營業額及可比較門市之銷售額於二零零六年分別下跌百分之七點九及百分之六點八。本集團現正為 *Bluestar Exchange* 進行品牌重塑計劃，一洗其廉價形象，吸引較年青之顧客層。截至二零零六年年底，本集團增設九間 *Bluestar Exchange* 門市，將店舖數目增至一百四十九間。

Lacking a distinctive brand identity and differentiated product offering, *Bluestar Exchange* was squeezed in the overcrowded low cost segment and saw its turnover and comparable store sales decreasing by 7.9 percent and 6.8 percent respectively in 2006. Plans are underway to re-brand *Bluestar Exchange* to shed its budget image and to appeal to a younger demographic. The Group added nine *Bluestar Exchange* outlets to bring the total store count to 149 by the end of 2006.

	上半年度 First Half			下半年度 Second Half			全年 Full Year		
	2006	2005	變動 Change	2006	2005	變動 Change	2006	2005	變動 Change
<i>Bluestar Exchange</i>									
營業額 (港幣百萬元) Turnover (HK\$ millions)	153	171	(10.5%)	151	159	(5.0%)	304	330	(7.9%)
可比較門市之 銷售額 Comparable store sales	(6.1%)	(2.6%)	N/A	(7.7%)	(3.7%)	N/A	(6.8%)	(3.1%)	N/A

零售及分銷部門 – 按市場回顧

銷售額上半年度表現疲弱，至下半年度，中國大陸錄得最佳業績，其銷售額對比去年同期增長百分之十八點二。整體銷售額於下半年度增長百分之四點九，全年則增長百分之零點四。由於利潤率較高之冬季貨品銷售緩慢，加上策略性提高折扣，所有市場之毛利率均有所收縮。二零零七年首兩個月，中國大陸之銷售額繼續錄得雙位數字增長，本集團將繼續將其資源及注意力集中於此地區，以保持增長動力。

Retail and Distribution Division – Review by Market

After a weak first half, sales picked up strongly in the second half with Mainland China posting the best performance, increasing by 18.2 percent year-on-year. Overall sales grew by 4.9 percent in the second half and 0.4 percent for the year. All markets experienced gross margin contraction due to slower sales of higher margin winter items and a tactical increase in discounting. The first two months of 2007 saw Mainland China continue posting double-digit sales growth and the Group will continue to focus its resources and attention here to keep up the momentum.

中國大陸

Mainland China

		2006	2005	2004	2003	2002
銷售額 (港幣百萬元) ¹	Sales (HK\$ millions) ¹	1,090	987	952	815	856
每平方呎銷售額 (港元) ²	Sales per sq. ft. (HK\$) ²	2,400	2,400	2,400	3,000	4,000
可比較門市之銷售額 增加/(減少) ³	Comparable store sales increase/(decrease) ³	9%	6%	7%	(13%)	-
零售面積 (平方呎) ⁴	Retail floor area (sq. ft.) ⁴	605,100	585,600	557,800	484,300	434,800
門市數目 ⁴	Number of outlets ⁴	729	706	671	581	532

¹ 包括售予特許專賣商之銷售淨額

¹ Including net sales to authorized dealers

² 按加權平均基準計算之直接管理之門市

² On weighted-average basis for directly managed outlets

³ 指於兩個作比較之財政年度內經營滿十二個月之直接管理門市

³ For directly managed outlets which were open for the full 12 months in each of the two fiscal years under comparison

⁴ 於十二月三十一日直接管理及特許專賣商門市總數

⁴ Total directly managed and authorized dealer outlets as at December 31

農曆新年天氣反常和暖，以致上半年度銷售額增長放緩至百分之一點七，其後中國大陸之營業額增長顯著加快，儘管寒冷天氣遲來，但仍於下半年達百分之十八點二。整體而言，全年銷售額增長百分之十點四，而可比較門市之銷售額增長百分之八點五。每平方呎銷售額保持於港幣二千四百元之穩定水平。龐大加租壓力(尤其於一線城市)拖慢開設新店之步伐，本集團於二零零六年在中國大陸共增設二十三間門市，將本集團之網絡增至年底之七百二十九間。

After an unseasonably warm Chinese New Year which caused sales growth to slow down to 1.7 percent in the first half, turnover growth in Mainland China accelerated sharply to 18.2 percent in the second half despite the late arrival of cold weather. Overall, turnover grew by 10.4 percent for the year while comparable stores sales increased by 8.5 percent. Sales per square foot held steady at HK\$2,400. Significant upward rental pressure especially in the first-tier cities slowed the pace of new store roll-out and we added a total of 23 outlets in Mainland China in 2006 to bring our network to 729 locations at year-end.

中國大陸 Mainland China	上半年度 First Half			下半年度 Second Half			全年 Full Year		
	2006	2005	變動 Change	2006	2005	變動 Change	2006	2005	變動 Change
營業額 (港幣百萬元) Turnover (HK\$ millions)	472	464	1.7%	618	523	18.2%	1,090	987	10.4%
可比較門市之 銷售額 Comparable store sales	7.2%	2.0%	N/A	9.7%	9.3%	N/A	8.5%	5.5%	N/A

本集團於二零零六年加強其中國大陸之管理層，並將於二零零七年繼續投放更多資源以保持增長動力。本集團優先考慮在低成本二線城市及內陸省份透過增加特許經營而達致長期盈利增長。

In 2006 the Group has strengthened its management bench in Mainland China and will continue to invest more resources to keep up the growth momentum in 2007. We will give priority to driving profitable growth in lower cost second-tier cities and inland provinces mainly through increased franchising.

管理層之論述及分析
MANAGEMENT'S DISCUSSION AND ANALYSIS

香港

Hong Kong

		2006	2005	2004	2003	2002
銷售額 (港幣百萬元)	Sales (HK\$ millions)	873	867	810	697	776
每平方呎銷售額 (港元) ¹	Sales per sq. ft. (HK\$) ¹	7,600	7,400	7,100	6,200	6,800
可比較門市之銷售額 增加/(減少) ²	Comparable store sales increase/(decrease) ²	5%	4%	11%	(15%)	3%
零售面積 (平方呎) ³	Retail floor area (sq. ft.) ³	117,300	119,500	113,700	112,100	116,400
門市數目 ³	Number of outlets ³	98	101	92	75	73

¹ 按加權平均基準計算

¹ On weighted-average basis

² 指於兩個作比較之財政年度內經營滿十二個月之門市

² For outlets which were open for the full 12 months in each of the two fiscal years under comparison

³ 於十二月三十一日

³ As at December 31

向來表現強勁可靠之香港市場情況與中國大陸相似，由於天氣反常而導致年內表現較預期放緩。收益於上半年度錄得百分之一點九之增長，其後第四季破紀錄之高溫擾亂銷售情況，故下半年度及全年整體之營業額與二零零五年相若。然而，Giordano及Giordano Ladies增添活力之商品，有助將每平方呎銷售額提升百分之三至港幣七千六百元，並將可比較門市之銷售額提升百分之五點四。Giordano Ladies之業績最佳，銷售額增加百分之十三。

The normally strong and reliable Hong Kong market experienced similarly unusual weather conditions as Mainland China, resulting in a slower than expected year. After experiencing a 1.9 percent gain in the first half, record high temperatures disrupted sales in the fourth quarter so that turnover for the second half and the year as a whole came in about flat compared to 2005. However, revitalized merchandising at Giordano and Giordano Ladies helped boost sales per square foot by 3 percent to HK\$7,600 and comparable store sales by 5.4 percent. Giordano Ladies posted the best performance with sales increasing by 13 percent.

香港	Hong Kong	上半年度 First Half			下半年度 Second Half			全年 Full Year		
		2006	2005	變動 Change	2006	2005	變動 Change	2006	2005	變動 Change
營業額 (港幣百萬元)	Turnover (HK\$ millions)	420	412	1.9%	453	455	(0.4%)	873	867	0.7%
可比較門市之 銷售額	Comparable store sales	4.4%	3.8%	N/A	6.7%	4.9%	N/A	5.4%	4.4%	N/A

在成本方面，由於零售空間及人才競爭加劇，本集團承受租金及員工成本上漲之龐大壓力，年內淨減少了三間門市，以致香港門市總數於二零零六年年底為九十八間。

On the cost side, we experienced significant upward pressure in both rental and staff costs as competition for retail space and talent heated up. The year saw a net reduction of three outlets, bringing the total number of outlets in Hong Kong to 98 at the end of 2006.

台灣

Taiwan

		2006	2005	2004	2003	2002
銷售額 (港幣百萬元)	Sales (HK\$ millions)	658	732	707	604	677
每平方呎銷售額 (港元) ¹	Sales per sq. ft. (HK\$) ¹	2,800	3,000	2,900	2,600	2,900
可比較門市之銷售額 (減少)/增加 ²	Comparable store sales (decrease)/increase ²	(9%)	(6%)	1%	(13%)	(15%)
零售面積 (平方呎) ³	Retail floor area (sq. ft.) ³	235,800	243,900	245,800	241,500	232,900
門市數目 ³	Number of outlets ³	239	237	236	195	182

¹ 按加權平均基準計算

¹ On weighted-average basis

² 指於兩個作比較之財政年度內經營滿十二個月之門市

² For outlets which were open for the full 12 months in each of the two fiscal years under comparison

³ 於十二月三十一日

³ As at December 31

一月及二月天氣反常和暖，加上消費信貸大幅緊縮，導致台灣上半年度營業額減少百分之十七點六。受政治性領導危機及破紀錄之和暖冬季對消費開支造成負面影響，下半年度市場環境持續嚴峻。本集團就此推出新產品及以目標為本之宣傳，故本集團下半年度之銷售額跌幅收窄至百分之一點五，較上半年度顯著改善。整體而言，對比去年同期，零售銷售額下跌百分之十點一，而可比較門市之銷售額則下跌百分之九點一。本集團淨增加兩間零售門市，使台灣店舖總數達二百三十九間。

Abnormally warm weather in January and February combined with a sharp contraction in consumer credit caused Taiwan's first half turnover to decrease by 17.6 percent. Market conditions continued to be challenging in the second half, with the political leadership crisis and a record warm winter negatively impacting consumer spending. We countered with new product launches and targeted promotions so that our second half sales decrease narrowed to 1.5 percent, a significant improvement over the first half of the year. Overall, retail sales decreased by 10.1 percent and comparable store sales decreased by 9.1 percent year-on-year. There was a net addition of two retail outlets to bring the total store count in Taiwan to 239.

台灣	Taiwan	上半年度			下半年度			全年		
		First Half			Second Half			Full Year		
		2006	2005	變動	2006	2005	變動	2006	2005	變動
營業額 (港幣百萬元)	Turnover (HK\$ millions)	322	391	(17.6%)	336	341	(1.5%)	658	732	(10.1%)
可比較門市之 銷售額	Comparable store sales	(13.7%)	(3.8%)	N/A	(3.0%)	(8.4%)	N/A	(9.1%)	(5.8%)	N/A

管理層之論述及分析
MANAGEMENT'S DISCUSSION AND ANALYSIS

新加坡

Singapore

		2006	2005	2004	2003	2002
銷售額 (港幣百萬元)	Sales (HK\$ millions)	403	403	391	348	372
每平方呎銷售額 (港元) ¹	Sales per sq. ft. (HK\$) ¹	7,700	8,300	8,700	7,700	9,000
可比較門市之銷售額 (減少)/增加 ²	Comparable store sales (decrease)/increase ²	(12%)	(1%)	13%	(14%)	(7%)
零售面積 (平方呎) ³	Retail floor area (sq. ft.) ³	55,100	50,500	48,600	43,600	46,000
門市數目 ³	Number of outlets ³	53	48	47	43	49

¹ 按加權平均基準計算

¹ On weighted-average basis

² 指於兩個作比較之財政年度內經營滿十二個月之門市

² For outlets which were open for the full 12 months in each of the two fiscal years under comparison

³ 於十二月三十一日

³ As at December 31

中產階級收入增長停滯不前，加上來自國際及亞洲品牌之競爭加劇，使本集團於新加坡之業績面臨挑戰。上半年度銷售額錄得百分之七點三之跌幅，其後本集團推出新貨品，並更積極宣傳，下半年度之銷售額止跌回升，本集團年初之管理層變動亦開始穩定。因此，下半年銷售額增加百分之七點六，二零零六年之業績與二零零五年相若。

Stagnant middle class income growth coupled with increased competition from both international and Asian brands challenged our results in Singapore. After a 7.3 percent reduction in the first half, new merchandise launches and more aggressive promotions fuelled a comeback during the second half. Management changes we made in the beginning of the year had also begun to stabilize. As a result sales increased by 7.6 percent in the second half such that we managed to close 2006 on par with 2005 results.

新加坡	Singapore	上半年度			下半年度			全年		
		First Half			Second Half			Full Year		
		2006	2005	變動	2006	2005	變動	2006	2005	變動
營業額 (港幣百萬元)	Turnover (HK\$ millions)	190	205	(7.3%)	213	198	7.6%	403	403	-
可比較門市之 銷售額	Comparable store sales	(15.7%)	1.3%	N/A	(7.4%)	(3.7%)	N/A	(11.9%)	(1.2%)	N/A

本集團於二零零六年在新加坡增設五間門市，但一如大部分大城市之市場，鑒於租金及員工成本壓力上升，預期二零零七年將減慢擴充步伐。

We added five outlets in Singapore in 2006 but expect the pace to slow in 2007 in view of the rising rental and staff cost pressures common with most other metropolitan markets.

其他市場

年內，本集團其他市場之業績個別發展，其中泰國之業績最佳，銷售額上升百分之九點九，其次為印尼市場，升幅為百分之四點三。

Other Markets

During the year, the Group's other markets saw mixed performance with Thailand posting the best performance with sales up 9.9 percent, followed by Indonesia at 4.3 percent.

銷售額 (港幣百萬元)	Sales (HK\$ millions)	澳洲 Australia	馬來西亞 Malaysia	印尼 Indonesia	泰國 Thailand	日本 Japan	其他 Others
二零零六年	2006	227	120	145	100	59	344
二零零五年	2005	222	126	139	91	63	372
對比去年 增加/(減少)	Year-on-year increase/(decrease)	2.3%	(4.8%)	4.3%	9.9%	(6.3%)	(7.5%)

澳洲

由於利率攀升及燃油價格高企，澳洲消費信心疲弱，導致本集團於澳洲之銷售額於二零零六年輕微上升超過百分之二至港幣二億二千七百萬元。本集團增設七間門市，使本集團之網絡於二零零六年年底增至五十九間門市。

Australia

Australian consumer confidence weakened due to rising interest rates and higher petrol prices and as a result our sales in Australia grew by slightly over 2 percent in 2006 to HK\$227 million. We added seven outlets to bring our network to 59 outlets as at the end of 2006.

馬來西亞、印尼及泰國

該三個市場情況與澳洲相似，均受到利率攀升和燃料漲價導致消費信心下滑的負面影響。因此，本年度馬來西亞之營業額下跌百分之四點八，而印尼之營業額增長放緩至百分之四點三。泰國業績最佳，銷售額增長百分之九點九，增幅主要來自新開設之店舖。本集團於馬來西亞、印尼及泰國分別增設五間、十七間及六間店舖，因此，該三個市場於年底之店舖總數分別為五十八間、八十四間及六十三間。

Malaysia, Indonesia and Thailand

Like Australia, all three markets were negatively impacted by interest rate increases and fuel price hikes which took their toll on consumer confidence. As a result, Malaysia ended the year with turnover down 4.8 percent while Indonesia saw turnover growth slowing to 4.3 percent. Thailand posted the best performance with sales growing by 9.9 percent, mainly from new store openings. We added five stores in Malaysia, seventeen in Indonesia and six in Thailand so that at the end of the year the total store counts in these three markets stood at 58, 84 and 63 respectively.

日本

本集團繼續重組店舖組合，關閉業績欠佳之門市，因此，二零零六年淨減少一間門市，將店舖總數減至年底之二十間。雖然銷售額因此對比去年減少百分之六點三，但本集團之業務達致收支平衡，對此一向以來具挑戰性之市場而言，不啻為一個里程碑。

Japan

We continued to restructure our store portfolio to exit from under-performing locations and consequently 2006 saw a net reduction of one outlet, taking total store count down to 20 at the end of the year. Although sales decreased by 6.3 percent year-on-year as a result, our operations achieved a milestone by breaking even in what has been a challenging market for us.

管理層之論述及分析

MANAGEMENT'S DISCUSSION AND ANALYSIS

合營公司

南韓

北韓核危機加上破紀錄之冬季高溫對消費信心及開支造成不利影響，導致本集團於南韓之銷售額按當地幣值減少百分之五（銷售額兌換為港幣後則上升百分之一點九）。本集團為清貨提高折扣，毛利率受壓，故本集團於南韓之共同控制公司於年內僅收支平衡。由於本集團持續重組店舖網絡，店舖總數減少二十間至一百四十八間。於二零零六年十二月三十一日，本集團持有南韓之共同控制公司百分之四十九點四之股權。

JOINT VENTURES

South Korea

The North Korean nuclear crisis combined with record high winter temperatures adversely affected consumer confidence and spending, causing our sales in South Korea to decrease by 5.0 percent in local currency terms (sales grew by 1.9 percent after translation into Hong Kong dollars). Gross margin was pressurized due to an increase in discounting and as a result our South Korean jointly controlled company managed only to break even for the year. Total store count was reduced by 20 to 148 as we continued to reorganize our store network. At December 31, 2006, the Group held 49.4 percent in its South Korean jointly controlled company.

		上半年度 First Half			下半年度 Second Half			全年 Full Year		
		2006	2005	變動 Change	2006	2005	變動 Change	2006	2005	變動 Change
南韓	South Korea									
營業額	Turnover (港幣百萬元) (HK\$ millions)	474	478	(0.8%)	540	517	4.4%	1,014	995	1.9%
可比較門市之 銷售額	Comparable store sales	(9.6%)	(3.1%)	N/A	(2.1%)	(5.6%)	N/A	(6.5%)	(4.0%)	N/A

中東

中東過往數年經濟蓬勃，吸引多個國際品牌進駐該市場，大幅加劇競爭壓力。同時，下半年度當地股市重挫及地區性政治緊張局勢持續升溫，打擊消費信心。業務增長一開始表現強勁，其後則明顯放緩，因此，二零零六年營業額上升百分之八點一，而可比較門市之銷售額則上升百分之一點六。然而，在租金及員工成本大幅攀升之陰影下，本集團中東聯營公司之溢利貢獻減少百分之二十七點三至港幣八百萬元（二零零五年：港幣一千一百萬元）。本集團於該地區共增設二十二間門市，令店舖總數於年底達一百二十九間。於二零零六年十二月三十一日，本集團持有該中東聯營公司百分之二十之股權。

Middle East

The economic boom that the Middle East enjoyed in the last couple of years attracted many international brands to this market, significantly increasing competitive pressure. Meanwhile, consumer confidence was buffeted by the sharp downturn in the local stock markets and a continued escalation in regional political tensions in the second half. After a strong beginning, growth slowed sharply in the latter part of the year so that turnover grew by 8.1 percent while comparable store sales increased by 1.6 percent in 2006. However, this was overshadowed by a sharp escalation in rental and staff costs. Consequently, profit contribution from our Middle East associated company decreased by 27.3 percent to HK\$8 million (2005: HK\$11 million). We added a total of 22 outlets in the region to bring the store count to 129 at the end of the year. The Group held a 20.0 percent shareholding in its Middle East associated company at December 31, 2006.

		上半年度 First Half			下半年度 Second Half			全年 Full Year		
		2006	2005	變動 Change	2006	2005	變動 Change	2006	2005	變動 Change
中東	Middle East									
營業額	Turnover									
(港幣百萬元)	(HK\$ millions)	172	145	18.6%	187	187	-	359	332	8.1%
可比較門市之	Comparable store									
銷售額	sales	5.8%	1.8%	N/A	(5.5%)	3.0%	N/A	1.6%	2.4%	N/A

人力資源

於二零零六年十二月三十一日，本集團有約一萬一千四百名僱員。本集團大量投資於培訓及員工發展。此外，本集團向高級管理人員提供優厚之花紅計劃及購股權，作為獎勵及挽留優秀幹練管理層人才之方法。此外，本集團亦向各級員工提供優厚薪酬，更發放按目標為本計算之花紅。

HUMAN RESOURCES

On December 31, 2006, the Group had about 11,400 employees. The Group invests heavily in training and development of staff. In addition, generous incentive bonus schemes and share options are offered to senior managers as a means to reward and retain a high calibre management team. Competitive remuneration packages and goal-oriented bonuses are also paid to different levels of staff.

展望

國際品牌繼續尋求增長，顯著加強其亞洲業務，本地品牌則以展開更積極進取之擴充計劃反擊。因此，所有市場之競爭均迅速加劇，對銷售額增長造成壓力，亦提高了零售空間及員工成本。本集團將透過對品牌之有效調整，繼續執行追求盈利循序漸進地增長之策略，而非隨波逐流，盲目爭取短期增長而罔顧長期盈利。本集團於二零零七年之主要焦點為執行產品及品牌計劃。網絡增長以一百二十間店舖為目標，其中大部分位於中國大陸。本集團亦將於印度此一在策略上舉足輕重之市場擴大佔有率，並嘗試涉足北美洲市場。

OUTLOOK

International brands have significantly stepped up their activity in Asia as they continue their search for growth and local brands have responded by embarking on more aggressive expansion programs. Consequently competition has intensified rapidly in all markets, pressurizing sales growth while driving up the cost for both retail space and talent. Instead of following the herd and engaging in a scramble for short term growth at the expense of long term profit, we will continue to follow through on our strategy of pursuing measured, profitable growth through meaningful differentiation of our brands. Our primary focus in 2007 will be on executing our product and branding plans. Network growth is targeted at 120 stores, with most of them in Mainland China. We will also be pushing to grow our presence in India, a strategically important market for us, and to test the waters in North America.

本集團相信，在競爭日益激烈之市場中，有效調整對於建立及鞏固顧客關係來說極為重要，本集團將多方面加強實行品牌分工策略之力度。本集團將繼續投資於 *Giordano Ladies*。首兩個月 *Giordano Ladies* 之營業額達雙位數字增長，其強勁表現使本集團預期該品牌二零零七年之業績將表現卓越。本集團亦將繼續透過在馬來西亞等新興市場開設 *Giordano Ladies* 以擴展本集團之業務。

Acting on our conviction that meaningful differentiation is vital to establishing and deepening customer relationships in an increasingly overcrowded market, we will push ahead on multiple fronts with our brand differentiation strategy. We will continue investing in *Giordano Ladies*. The first two months saw *Giordano Ladies* achieving double-digit turnover growth and this strong performance causes us to expect the brand to deliver strong results in 2007. We will also continue our expansion by launching *Giordano Ladies* in emerging markets such as Malaysia.

管理層之論述及分析 MANAGEMENT'S DISCUSSION AND ANALYSIS

本集團於二零零六年推出全新 *Giordano Concepts* 品牌，並於十月在香港開設首間 *Giordano Concepts* 專門店，並重塑香港旗艦店品牌形象，藉此提高本集團之市場地位。本集團亦將 *Giordano Concepts* 與 *Giordano Ladies* 品牌之設計、發展、商品銷售及經營加以融合，目標為將 *Giordano Concepts* 定位為西歐風格的「dressed-up casual」品牌，在檔次、價格及利潤率方面接近 *Giordano Ladies*，與主系列 *Giordano* 品牌清楚區分開。本集團之品牌重塑焦點為本集團之主要旗艦店，故本集團於年底在香港有三間 *Giordano Concepts* 店舖，並計劃於二零零七年在香港、中國大陸及台灣增設七間 *Giordano Concepts* 門市。新品牌口碑載道，為加強知名度，本集團同意 *Giordano Concepts* 成為由二零零七年三月下旬至四月上旬舉行之第三十一屆香港國際電影節主要贊助商。

儘管焦點集中於 *Giordano Concepts*，惟本集團亦為主系列 *Giordano* 品牌重新注入活力，擴充並更新其產品系列，同時秉承傳統，為極重要之中間市場提供基本、功能性且物有所值之便服。新產品在市場上廣受好評，協助 *Giordano* 於二零零六年下半年度明顯復蘇，其勢頭並延續至二零零七年。本集團計劃在二零零七年於其全球網絡中增設一百間 *Giordano* 門市，其中約半數位於中國大陸。

地區天氣反常固然造成損失，惟管理層同時相信，缺乏別具特色之品牌個性及產品系列亦為 *Bluestar Exchange* 業績表現呆滯之原因。本集團為此將為 *Bluestar Exchange* 進行品牌重塑，一洗其廉價形象，並重新將其定位為以年青人為主之時尚品牌。品牌重塑計劃將分段進行，二零零七年春季率先在香港展開，並計劃於年內推展至大中華地區十至十五間店舖及澳洲等新市場。

We also intensified our push upmarket with the launch of the new *Giordano Concepts* brand in 2006, opening our first “total look” *Giordano Concepts* store in Hong Kong in October and re-branding our flagship locations in Hong Kong. We also consolidated the design, development, merchandising and operations of the *Giordano Concepts* brand with *Giordano Ladies*. Our goal is to position *Giordano Concepts* as a more upmarket, Western European-influenced “dressed-up casual” brand that would approach *Giordano Ladies* in sophistication, price point and margin and be clearly differentiated from the core *Giordano* brand. The focus of our re-branding launch had been our prime flagship locations in Hong Kong so that at year-end, we had a total of three *Giordano Concepts* stores there, and we plan to add about seven more in Hong Kong, Mainland China, Taiwan and Singapore in 2007. In order to leverage the positive word-of-mouth that the new brand has generated, we agreed to have *Giordano Concepts* be the main sponsor of the upcoming 31st Hong Kong International Film Festival to be held during the latter part of March through early part of April 2007.

Although the spotlight is on *Giordano Concepts*, we have also moved to re-energize the core *Giordano* brand by expanding and updating its range, while keeping true to its heritage of offering basic, functional and value-oriented casual wear for the all important middle market. The new products have been well received and helped drive *Giordano's* strong recovery in the second half of 2006 which has extended into 2007. We plan to add 100 *Giordano* outlets worldwide in 2007, about half of which will be in Mainland China.

While atypical weather in the region certainly took its toll, Management believes that the lack of a distinctive brand identity and product line also contributed to the lacklustre performance of *Bluestar Exchange*. As such we will re-brand *Bluestar Exchange* to play down its low cost image and to re-position it as a youth-oriented urban brand. The re-branding will proceed in phases, starting in Hong Kong in spring 2007, and will underpin a planned expansion by 10 to 15 locations in Greater China and new markets such as Australia this year.

中國大陸將繼續成為本集團之主要增長動力來源。銷售額增長於二零零六年下半年走勢凌厲，儘管農曆新年之重要銷售期間天氣和暖，惟增長動力仍持續至二零零七年首兩個月，營業額對比去年同期錄得雙位數字之增長。管理層以維持增長動力為目標，繼續專注於提升及更新其產品供應，並擴大零售及批發網絡。儘管租金上漲或會成為絆腳石，惟本集團仍計劃於二零零七年額外增設五十間門市。本集團之主要目標將集中於在成本較低之二線城市及內陸省份，主要透過增加特許經營取得利潤增長。本集團於二零零七年將進行大量投資，以增加人力資本，並提升其質素，以支持本集團於中國大陸之增長動力。

鑒於外地零售商不斷湧入，預期香港及新加坡之租金及員工成本仍會持續上漲。就此，本集團將集中提升可比較門市之銷售額及利潤率，同時預期該兩個重要之中心大城市之門市數目維持不變。該兩個市場首兩個月之營業額均輕微上升。

商品推銷改善，緩和了農曆新年之重要銷售期間破紀錄高溫之負面影響，故台灣於二零零七年首兩個月之銷售額保持穩定。然而，二零零八年選舉使政局愈趨不穩，對前景造成陰影。就此，本集團今年將專注於提升店舖生產力，並調整店舖組合以換取店舖有更佳表現，而非擴大店舖數目。

燃油價格下滑，澳洲、馬來西亞、印尼及泰國前景樂觀，該四個市場於二零零七年首兩個月均增長強勁。然而，反常和暖天氣拖慢日本之銷售。儘管如此，該等市場之整體經濟走勢及業務前景仍保持正面。

更多國際品牌於二零零七年打入南韓市場，預期競爭將進一步加劇。本集團已加強新產品渠道，以迎接競爭挑戰並重新達致增長，惟一月及二月之銷售額因破紀錄之和暖天氣而表現平平。本集團將會繼續重組店舖組合，並計劃於二零零七年在南韓網絡平穩地增添十間店舖。

Mainland China will remain the key growth engine for the Group. Sales growth picked up in the second half of 2006 and the momentum continued into the first two months of 2007 despite record high temperatures during the crucial Chinese New Year sales period, with turnover posting a double-digit increase year-on-year. Management aims to maintain the growth momentum by continuing to focus on upgrading and updating its product offering and growing its retail and wholesale networks. We are targeting an additional 50 outlets in 2007 though escalating rental costs may temper our ambitions slightly. We will focus our main thrust on driving profitable growth in lower cost second tier cities and inland provinces, mainly through increased franchising. The Group will invest heavily in 2007 to increase and upgrade its human capital to support its growth momentum in Mainland China.

In light of the continued influx of foreign retailers, rental and staff costs in both Hong Kong and Singapore are expected to remain on the rise. As such, we will focus on growing comparable store sales and margins while the number of stores is expected to stay about the same in these two important metropolitan centres. The first two months saw turnover growing slightly in both markets.

Improved merchandising mitigated the impact of record high temperatures during the crucial Chinese New Year sales period such that Taiwan saw turnover holding steady in the first two months of 2007. However, the outlook is clouded by the increasingly volatile political situation in the run up to the 2008 elections. As such, we will concentrate on improving store productivity and adjusting our store portfolio to trade up into better locations this year rather than expand the number of stores.

With fuel prices easing, the outlook has brightened for Australia, Malaysia, Indonesia and Thailand, and these four markets all saw solid top line growth in the first two months of 2007. However, unusually warm weather slowed sales in Japan. Nevertheless, overall economic trends and business prospects for these markets remain positive.

Competition is expected to further intensify from more international brands entering the South Korean market in 2007. We have strengthened the new product pipeline to meet the competitive challenge and rekindle growth, but January and February sales were essentially flat due to the record warm weather. We will continue to with the reorganization of our store portfolio and are planning a modest 10-store increase to our network in South Korea in 2007.

管理層之論述及分析

MANAGEMENT'S DISCUSSION AND ANALYSIS

雖然預期中東地區之增長步伐將有所減慢，無復過往數年之熾熱氣氛，惟本集團仍預期二零零七年有良好增長，而首兩個月之營業額對比去年同期有雙位數字增長。因此，儘管面對租金及員工成本壓力，本集團仍計劃於該地區增設約二十間門市。

本集團於二零零六年五月在印度開設 *Giordano*，第一間店舖位於清奈，目前在該市有兩間門市，均錄得強勁人流及銷售額增長，在當地廣受歡迎。本集團之目標為於二零零七年年底將印度之門市增至最少十間，惟建築工程延誤可能使店舖數目低於目標。

最後，本集團於二月在北美洲溫哥華開設首間 *Giordano* 店舖，並計劃於今年稍後在西岸其他地區成立更多試驗性質之店舖。該等特許經營業務可使本集團測試北美市場反應。

為執行積極進取之品牌建立措施，並加強拓展地區市場，本集團於二零零七年將就提升及鞏固其企業及業務人才庫投放大量資源。優質服務一直是本集團成功之基石，故本集團將加強在此方面之投資，以保持本集團之領導地位，並將之加強為品牌分工之原動力。本集團亦加強了對特許經營權受讓人及其他合作夥伴(尤其位於中國大陸者)之支援，以支持本集團之擴充計劃。

本集團亦將於產品設計及開發等範疇投入更多資源，尤其是人力資源，目標為提升本集團之設計質素及能力，以支持創新品牌及產品，並與供應商加強合作，縮短本集團產品從開發到進入市場之時間，使本集團可迅速且有效地回應瞬息萬變之時裝及市場潮流。

二零零六年下半年度開始之復蘇持續加快，本集團希望上述措施可使本集團之銷售額保持於二零零七年首兩個月達至之雙位數字增長。

Although growth in the Middle East region is expected to slow from the torrid pace it enjoyed in the last few years, we continue to expect good growth in 2007, and the first two months have seen turnover growing by double-digit year-on-year. As such, despite rental and staff cost pressures, we plan to add about 20 outlets in the region.

We launched *Giordano* in India in May 2006 with the first store in Chennai. There are now two outlets in the city and both stores have experienced strong customer traffic and sales growth, thus underscoring the excellent reception we are enjoying. However, construction delays will likely cause us to come in a few stores below our target of having at least ten stores in India by the end of 2007.

Finally, in February we opened our first *Giordano* store in North America in Vancouver, and we are looking to establish additional pilot stores elsewhere on the West Coast later this year. These franchised operations will allow the Group to test the waters of the North American market.

In order to execute on our ambitious branding initiatives and to reinforce our geographic expansion, the Group will invest heavily in upgrading and deepening its corporate and operations talent pool in 2007. Service excellence has long been a pillar of our success, and we will be stepping up our investment in this area in order to maintain our leading position and enhance it as a source of brand differentiation. We will also expand support for our franchisees and other business partners, particularly in Mainland China, to back up our growth plans.

The other area in which the Group will invest more resources, especially human resources, is product design and development. The aim is to boost our design quality and capacity to buttress our new branding and product initiatives, and to strengthen collaboration with our suppliers to shorten our time-to-market and enable us to respond swiftly and effectively to changing fashion and market trends.

The recovery that began in the second half of 2006 has continued to gain momentum, and we look to the above initiatives to enable us to sustain the double-digit turnover increase we have achieved in the first two months of 2007.