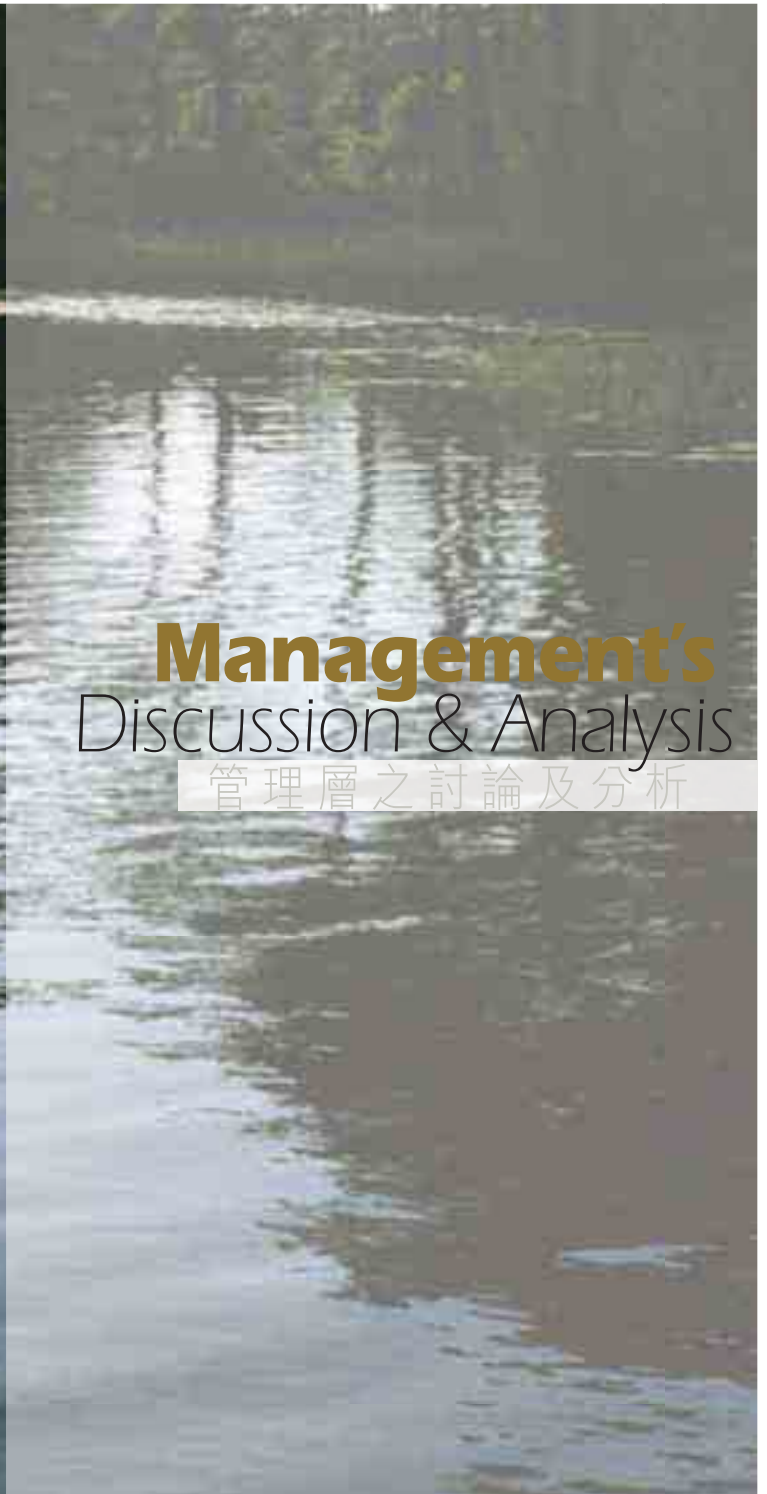
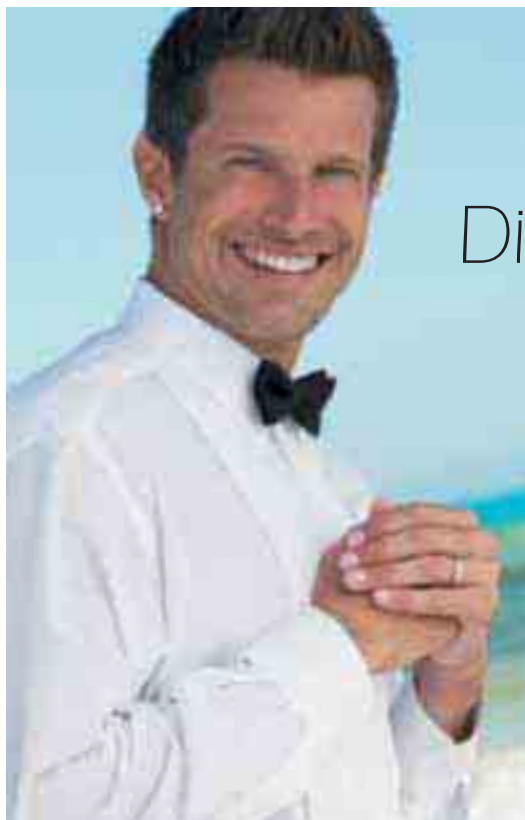






**Management's**  
Discussion & Analysis  
管理層之討論及分析





# Management's Discussion & Analysis

管理層之討論及分析

## Group Results

For the financial year ended 28 February 2007 the Group achieved (i) a consolidated turnover of HK\$1,510 million (2006: HK\$1,324 million), an increase of 14% on that achieved last financial year and (ii) an overall profit attributable to equity holders of the Company of HK\$55.6 million (2006: Loss of HK\$47.98 million). Earnings per share were HK26.8 cents. (2006: loss per share: HK23.2 cents)

This is a major turn around on the result reported last financial year; however, it needs to be noted that last year's result was adversely affected by a provision of HK\$51 million made by the Group in that year relating to prior year tax disputes with the Hong Kong Inland Revenue Department ("IRD").

## 集團業績

截至2007年2月28日止財政年度，本集團錄得(i)綜合營業額港幣1,510,000,000元(2006年：港幣1,324,000,000元)，較上個財政年度增長14%及(ii)本公司股東應佔整體溢利港幣55,600,000元(2006年：虧損港幣47,980,000元)。每股盈利為港幣26.8仙(2006年：每股虧損港幣23.2仙)。

較上個財政年度的業績，此為一重大改進，然而，須注意過往年度的業務乃嚴重地受到本集團於該年為與香港稅務局(「稅務局」)的往年稅項爭議而作出撥備港幣51,000,000元所影響。

Creating Desire for Affordable Indulg

Men's Collection 2007/08



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## Business Review and Prospects

### Retail Operations in Hong Kong, Mainland and Overseas

During the period under review, the Group opened two new stores in Hong Kong in Tuen Mun and Shatin. Overall, the retail environment in Hong Kong showed a marked improvement in the second half of the year which coincided with the Group's peak sales period. Overall, our Hong Kong retail business achieved an 8.3% increase in sales over that achieved last year – a trend that we hope will continue/carry into next financial year. The retail environment in Hong Kong still remains competitive and, at times, patchy and so we are still maintaining our cautious approach to our investment in this area.

The Group opened and/or renovated 27 stores in the Mainland. Sales from our business in the Mainland have increased with growth being achieved from the strength of the market generally, improved merchandising and our new store openings. In September and November 2006, the Group successfully acquired a further 24% stake in its Mainland business from its joint venture partner increasing its interest from 56.46% to 80.46%. The Group sees its Mainland business as being one of its major growth engines going forward and it will continue to invest in this business to capitalize on the current market opportunities in the Mainland.

The Group's showroom business continues to trade well with a pleasing increase in the overall number of both Mainland and non-Mainland tourists visiting its showrooms during the period. The Group expects that this business will continue to prosper and grow in line with the continuing increase in tourists visiting Hong Kong and notwithstanding the recent negative publicity in both Hong Kong and the Mainland arising from some unscrupulous operators that were identified in the market. We believe that the steps being taken by the Travel Industry Council, the Hong Kong Tourism Board and the Mainland authorities to address this issue will be successful and that the market and opportunities for long standing and reputable operators like the Group will be further enhanced.

The Group's export business grew by 42% during the period under review. We will continue to expand this business by identifying and entering new and emerging markets and by expanding our product offering to the market next financial year. The Group's export business is set to become one of the two major sources of growth for the Group over the next 3-4 years.

Our Malaysian business saw good growth during the period under review due to a buoyant economy in that region and improved merchandising.



# Extraordinary & Unique Retail Experience

## 業務回顧及前景

### 香港、內地及海外零售業務

於回顧期間，本集團於香港屯門及沙田開設了兩家新店舖。整體而言，香港的零售環境於本年度下半年顯著改善，並與本集團的銷售額高峰期重疊。整體而言，與去年比較，香港零售業務的銷售額錄得8.3%增長，本集團期望此趨勢將持續／帶動至下個財政年度。香港的零售環境仍存在激烈競爭，有時更反覆無常，故本集團仍持審慎態度以處理區內的投資。

本集團於內地開設及／或翻新了27家店舖。內地業務的銷售額因市況整體強勁、改良商品及本集團新店舖開張而有所增加。於2006年9月及11月，本集團成功進一步向其合營夥伴收購其內地業務24%的股權，使其於該業務的權益由56.46%增至80.46%。本集團認為其內地業務為將來帶動增長的其中一個主要動力，並將持續投資在此業務上，以在目前內地市場商機中發展。

本集團的陳列室業務繼續錄得佳績，期內，光臨陳列室的內地及非內地旅客整體數字錄得理想增幅。儘管近期香港及內地傳媒廣泛地負面佈道於市場上發現若干不擇手段的營運商，本集團預期此業務將在到訪香港的旅客持續增加下繼續蓬勃發展及增長。本集團相信，香港旅遊業議會、香港旅遊發展局及內地之機構就此事宜所作出的跟進工作將取得成效，而歷史悠久及信譽良好的營運商如本集團的市場及商機將進一步增加。

本集團於回顧期間的出口業務增長42%。本集團將透過識別及進軍新興市場及於下個財政年度增加向該市場提供的產品，繼續擴展此業務。本集團致力使出口業務於未來3至4年成為本集團兩個主要增長來源之其中一個。

基於馬來西亞的經濟活躍及改良商品，本集團於該地區的業務於回顧期間錄得良好增長。



## Infrastructure Reinvestment Program

The Group has now completed the majority of the projects undertaken by it in respect of this program with only the IT project still remaining to be completed. The first and second phases of the IT project were successfully launched in our Hong Kong retail operations in September 2006 and in the Mainland retail operations and our Hong Kong head office in January/February 2007. The remaining (and final) phase of the project will be rolled out across the Group over the next 6 months. The update of the Group's overall IT infrastructure, ranging from its office to manufacturing to retail operations, will be completed by August 2007. We believe that this project, after completion, will result in cost savings and better information for serving our customers and improving profitability.

Overall, projects undertaken under this program have led to an increase in the Group's overhead costs over the last 3 years. This increase in overhead costs will continue for a little longer (albeit at a lesser rate to that incurred by the Group in the past) until the completion of the IT project.

## Enhance Customer Service



### 基礎設施再投資計劃

除了資訊科技工程尚未完成外，目前，本集團已完成此計劃項下的大部分工程。第一期及第二期資訊科技工程已於2006年9月成功在香港零售業務推行，並於2007年1月／2月在內地零售業務及本集團的香港總辦事處推行。該工程餘下（及最後）階段將於未來6個月內於本集團全面推行。本集團將於2007年8月前完成更新本集團整體資訊科技基礎設施（範圍包括辦公室以至製造業務及零售業務）。本集團深信，完成是項工程後，將有助節省成本及為顧客提供更豐富的資訊並能改善盈利能力。

整體而言，按是項計劃進行的各項工程引致本集團過去3年的經營成本增加。經營成本增加的情況在短期內將仍會持續（儘管增加速度將較過往低），直至資訊科技工程完成為止。



# es & Relationship





## Finance

The Group has adopted certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") in the current period. The impact of these HKFRSs on the financial statements has been fully set out in note 1 to these accounts.

Capital expenditure including store renovation and expansion, information technology investment and machinery made during the period was approximately HK\$42 million. This was mainly financed from bank borrowings and internal resources.

## Liquidity, Capital Structure and Gearing

At 28 February 2007, the Group's total borrowings were HK\$149.6 million, an increase of HK\$0.4 million since 28 February 2006. Despite the increase in borrowing, our debt to equity ratio (ratio of net borrowings to net assets) has decreased from 23.2% to 18.3% mainly because of the increase in net assets value resulting from the profit during the year.

At 28 February 2007, the Group had cash balance of HK\$99.2 million which is sufficient for the present working capital requirements.

## Pledge of Assets

- (1) At 28 February 2007, the Group had granted debentures in favour of its bankers and financial creditors charging, by way of fixed and floating charges, all of the undertakings, properties and assets of the Company and of its 18 subsidiaries as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the bankers and financial creditors. Rental revenue of the Group is also charged in favour of the Group's bankers.
- (2) At 28 February 2007, the Group had pledged the capital contribution to a subsidiary of the Group amounting to US\$232,500 and all the benefits accruing to the pledged equity interest of 11.625% of the subsidiary to the Group's bankers and financial creditors as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the bankers and financial creditors.
- (3) At 28 February 2007, the Group had pledged all rights, title and interest in 80.46% of the entire share capital of Infinite Assets Corp. and Tse Sui Luen Investment (China) Limited ("TSL China") and all benefits accruing to the pledged equity interest to the Group's bankers and financial creditors as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the bankers and financial creditors.
- (4) At 28 February 2007, the Group had pledged the entire issued share capital of a subsidiary as an equitable mortgage to secure the loan of US\$2,100,000 for acquiring the additional 24% interest in TSL China.

## Exchange Rates

During the year, the transactions of the Group were mainly denominated in local currencies and US dollars. The impact of the fluctuation of foreign exchange rates of these currencies is insignificant to the Group.

# Progressive, Trust

## 財務

本集團於本期間已採納若干新及經修訂香港財務報告準則（「香港財務報告準則」）。此等香港財務報告準則對財務報表的影響已詳載於賬目附註1。

期內，店舖翻新及擴張、資訊科技投資及機器的資本開支約為港幣42,000,000元，主要由銀行貸款及內部資源提供資金。

## 流動資金、資本結構及負債比率

本集團於2007年2月28日的貸款總額為港幣149,600,000元，較2006年2月28日的上升了港幣400,000元。儘管借貸增加，本公司的負債比率（貸款淨額除以資產淨值）則由23.2%下調至18.3%，主要因年內溢利產生的資產淨值增加所致。

於2007年2月28日，本集團的現金結餘為港幣99,200,000元，足以應付目前的營運資金需求。

## 資產抵押

- (1) 於2007年2月28日，本集團訂立債權證，以本公司及其18間附屬公司之所有業務、物業及資產透過固定及浮動抵押付予銀行及財務債權人作為抵押，以作為（其中包括）本集團不時結欠往來銀行及財務債權人之實際或或有負債及債務之抵押品。本集團的租金收入亦已抵押予本集團的往來銀行。
- (2) 於2007年2月28日，本集團把其於一間附屬公司的232,500美元出資額及其於該附屬公司的11.625%已抵押股本權益所累計的一切利益抵押予本集團的往來銀行及財務債權人，以作為（其中包括）本集團不時欠往來銀行及財務債權人的所有實際或或有負債和債務的抵押品。
- (3) 於2007年2月28日，本集團把其於Infinite Assets Corp. 和謝瑞麟投資（中國）有限公司（「謝瑞麟中國」）總資本額的80.46%內的一切權利、所有權和權益，及已抵押股本權益所累計的一切利益抵押予本集團的往來銀行及財務債權人，以作為（其中包括）本集團不時欠往來銀行及財務債權人的所有實際或或有負債和債務的抵押品。
- (4) 於2007年2月28日，本公司將一間附屬公司之全部股本，以衡平法之形式抵押，為一筆2,100,000美元之貸款作擔保，以收購謝瑞麟中國額外24%之權益。

## 匯率

於本年度內，本集團的交易主要以本地貨幣及美金為單位，此等貨幣的匯率浮動對本集團並無重大影響。



worthy & Authentic Brand



## Contingent Liabilities

(1) At 28 February 2007, the Company has issued guarantees to banks and financial creditors in respect of general banking and other credit facilities extended to certain subsidiaries of the Company amounting to HK\$ 129,298,000 (2006: HK\$ 150,096,000).

(2) As set out in the announcements of the Company dated 1 February 2006 and 20 April 2006, the Company was informed that two directors, a consultant and an employee were charged by the Independent Commission Against Corruption ("ICAC") relating to the alleged offences under the Prevention of Bribery Ordinance, the Crime Ordinance and the Theft Ordinance ("the ICAC Charges").

Under the Company's Bye-Laws, the Company may be required to indemnify its directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur in execution of their duty, provided that such indemnity shall not be extended to any matter in respect of, among other things, fraud and dishonesty.

The directors have consulted with the Company's legal advisers as to what legal implication the ICAC Charges may have, if any, for the Group as a whole. In view of the discussions with the legal advisers, the directors are of the view that they are not in a position to conclude that whether and/or to what extent the Company may be required to indemnify the directors involved in relation to the ICAC Charges. As a result, the directors will, in conjunction with the Company's legal advisers, consider any such claims as and when they are received and the Company will make such a provision or adjustment in the accounts as deemed necessary at that time.



## 或有負債

- (1) 於2007年2月28日，本公司就銀行及財務債權人給予部分附屬公司一般銀行及其他貸款融資信貸，向銀行及財務債權人作出合共港幣129,298,000元（2006：港幣150,096,000元）的擔保。
- (2) 誠如本公司2006年2月1日及2006年4月20日之公佈所載，本公司得悉兩名董事、一名顧問及一名僱員被廉政公署（「廉署」）檢控，涉及觸犯防止賄賂條例、刑事罪行條例及盜竊罪條例中多項控罪（「廉署檢控」）。

根據本公司之公司細則，本公司可能須就其董事因履行職務而產生之所有訴訟、成本、支出、損失、賠償及開支向彼等或彼等當中任何人士作出彌償，惟有關彌償並不包括（其中包括）欺詐及不誠實行為。

董事已向本公司法律顧問諮詢有關廉署檢控可能（如有）對本集團整體構成之法律影響。基於與法律顧問所進行之討論，董事認為，彼等未能就是否需要向涉及廉署檢控之董事作出彌償及／或本公司作出彌償之程度作出定論。故此，董事將聯同本公司法律顧問於收到任何該些指控時作出考慮及到時，本公司將於會計賬目上作出一些被視為必須之撥備或修訂。

(3) As at the balance sheet date, the disputes of certain subsidiaries with Inland Revenue Department ("IRD") regarding the tax treatment of certain offshore income and agent commission payments and promoter fees arising in prior years is undetermined. The Group has established a provision of approximately HK\$91,000,000 in respect of such disputes. In the event that the Group is not successful in defending the tax treatments adopted, the Group may be subject to significant additional tax liabilities and possibly penalties which, under the provisions of the current tax legislation, may be up to three times any tax under-reported as assessed by the IRD. Furthermore, the ICAC's allegations as mentioned in (2) above and the ongoing investigation may or may not have impact on the IRD's challenges on the tax treatments adopted by the Group relating to agent commission payments and promoter fees arising in prior years. The directors consider that it is impractical to estimate the potential amount of additional tax liabilities arising if the IRD's challenge in respect of the agent commission payments and promoter fees is successful.

## Employees

As at 28 February 2007, the total number of employees of the Group was approximately 2,700 (as compared to 2,500 as at 28 February 2006). The increase in headcount was mainly in sales and marketing in Mainland China. Employees are rewarded on a performance basis with reference to market rates. Other employee benefits include medical cover and subsidies for job-related continuing education. The Group also has an employee share option scheme. No options were granted pursuant to the scheme during the year.

Retail front line staff are provided with formal on-the-job training by internal seniors and external professional trainers. Experience sharing with seniors at in-house seminars and discussion groups enhance intra-departmental communications.

# Living the TSL Legacy of Style &

(3) 於資產負債表日期，稅務局與若干附屬公司就以往年度的若干離岸收入及代理佣金支出與業務推廣費用所採納稅務處理方法之質疑尚未得出結論。本集團已就該事件作出約港幣91,000,000元之撥備。倘本集團未能就所採納稅務處理方法成功辯護，本集團或須承擔額外稅務責任，且可能須繳交罰款。根據現行稅法，罰款或會多達稅務局評估任何漏報稅項之三倍。此外，上文(2)項所述廉署之指控及持續調查可能對稅務局就本集團有關以往年度代理佣金支出與業務推廣費用所採納稅務處理方法之質疑構成影響。董事認為，倘稅務局就本集團有關以往年度代理佣金支出與業務推廣費用所採納稅務處理方法之質疑落實，評估所產生之潛在額外稅務負債並不切實可行。

## 僱員

截至2007年2月28日，本集團共聘用約2,700名僱員，對比截至2006年2月28日時共2,500名僱員。增加主要在內地的銷售及市場推廣方面。本公司按僱員表現及參考市場水平向僱員發放薪酬。其他僱員福利包括醫療津貼及與工作相關之持續進修資助。本集團亦採納一項僱員購股計劃，年內並無根據該計劃授出購股權。

內部高級職員及外聘專業導師會向前線零售員工提供正式在職培訓。員工亦可於公司內部舉辦之講座及小組討論與高級職員分享經驗，以增加部門間之溝通。



Romance