

CHAIRMAN'S STATEMENT

吾等對本集團於一九九七年會計年度首六個月之表現甚感滿意。本集團管理層與售貨員等所採取及實施之策略，與一九九六年會計年度比較，獲得十分可觀之成效。然而，一九九七年下半年，即七月至十二月期間，本集團遭受到自成為上市公司以來，前所未遇之挑戰，去年襲擊亞洲之經濟危機使之陷入困境。貨幣暴跌，消費者信心減弱，顧客重新釐定開支之優先次序，及整個區域之旅遊業亦蒙受影響。大部份行業均因此而遭受損失，而零售業所受之打擊尤甚。

本集團因其廣泛區域化而受到亞洲貨幣貶值之影響，故深受打擊。一九九七年股東應佔溢利減少74%至68,000,000港元。雖然本集團可算是全無負債，且其現金狀況比上年更為雄厚，但鑒於現時之商業環境，董事會不建議派發末期股息。

一本地區性商業雜誌於一九九七年六月將佐丹奴列為亞洲第14名最具競爭力之公司。一九九七年之情況足以證明本集團應獲此殊榮，本集團雖屢經考驗，但透過管理層之努力——迅速採取成本遏制策略及立即實施嚴格之存貨控制，最終仍能獲取利潤。關於策略及經營之更詳細論述可參閱「管理層之論述及分析」一節。

本集團繼續將零售視為一種全年性業務，故此本集團部份產品不受時間限制，及於多年來祇需輕微改良。本集團在服務態度及了解顧客方面之熱誠，惟少數公司真正能做到的。本集團之靈活管理方式乃本集團其中一項主要優勢，此優勢使本集團可迅速成長，並在未來數年內為本集團作出良好貢獻。

本集團將繼續致力在服務及經營方面建立零售實務標準。本集團有決心改善存貨效率，在一九九七年底，本集團之存貨可供銷售日數減至48天，而一九九六年為58天。

We were pleased with our performance for the first six months of fiscal 1997. The strategy put forth by our management and sales associates and its implementation paid off handsomely when compared to fiscal 1996. However, the second half of the year, from July to December 1997, presented a challenge that we had not encountered since we became a listed company. The economic crisis that gripped Asia this past year threw her into turmoil. Currencies crashed, consumer confidence waned, customers reprioritised their spending and tourism suffered throughout the region. This took its toll on most industries, hitting the retail sector especially hard.

The Group was hard hit due to its extensive regionalisation and thus exposure to Asian currencies devaluation. The profit attributable to shareholders in 1997 was decreased by 74% to HK\$68.0 million. Although the Group is virtually debt-free and is in a stronger cash position than last year, the Board does not recommend the payment of a final dividend in view of the present business environment.

A regional business magazine in June 1997 ranked Giordano the 14th most competitive company in Asia. What happened in 1997 was ample demonstration of why we deserve such ranking. We were tested at every turn and emerged profitably through the efforts of management who moved swiftly to adopt cost control strategies and implemented immediate, stringent inventory controls. A more detailed discussion of strategies and operations can be found in the "Management's Discussion and Analysis" section.

We continue to see retailing as a 365 day business and therefore we have products that are timeless and only require subtle improvements over the years. It is here in our attitude and our understanding of the customers that our passion exists and allows us to do something few companies have honestly achieved. Our management flexibility is one of our key strengths. This has allowed us to grow rapidly and will serve us well in the coming years.

We will continue to strive to establish retail practice standards in service and operations. We are committed to improving our inventory efficiency. By the end of 1997 our inventory turnover on sales was reduced to 48 days, compared to 58 days for 1996.

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進入一九九八年，本集團維持穩健財政狀況，有能力安然渡過此次經濟風暴。本人確信，並預期本集團將於緊隨之十二個月內處於優越地位，能夠進一步擴大市場佔有率及拉遠佐丹奴與其競爭對手之距離。本集團之市場地位在過去三年內受到同業模仿及跟風之重大挑戰。然而該等競爭對手並不具備佐丹奴所擁有之同樣價值觀與熱誠，及為顧客提供物有所值之服務與解決問題之承諾及經驗。本集團在長期艱苦經營中建立上述優點。本集團現時作出之決定及積極之行動將進一步提高其商標價值。

本公司將繼續履行其歷經考驗之公司價值：簡單化、超卓服務，反應迅速及物有所值。本公司之基本概念仍然堅定：在物有所值之前提下，於方便、親切、服務為本之環境中，提供一系列色彩突出之簡單便服。本集團堅持上述概念，並堅信其可帶來之前景。

當閣下購入一股佐丹奴股份時，即購入上述經管概念。本集團相信充滿工作熱情、誠意為顧客解決問題及提供具實際價值解決方法之公司，均可經歷時間之考驗。

本集團未來將繼續致力於把市場分散至更多地區，着重發展主要類別，並專注於產品為本之市場宣傳，利用已建立之基礎進一步提高佐丹奴牌子在該等地區之知名度，並在全球新興市場建立新立足點。本集團計劃於未來數年內在國際市場不斷成長，成為真正之世界品牌。

本人謹代表董事會，就股東之體諒，本集團員工之不懈精神及供應商之忠誠，分別向彼等致以謝意。

劉國權
主席

一九九八年五月十四日

We have entered 1998 in sound financial health with the ability to weather this economic storm. I am confident and expect that we will emerge in the next twelve months to be in an excellent position to take additional market share and further the distance between Giordano and its competitors. Our position in the market has been fiercely challenged over the last three years by "me-too" and "also-ran" concepts. These competitors, however, do not share the same value propositions, passion, commitment and experience to deliver value and problem solving for customers that we possess at Giordano. We are in it for the long haul. The decisions and initiatives that we are embarking on now will further our brand equity.

The Company will continue to implement its long tested corporate values of simplicity, service, speed and value for money. The fundamental concept of the Company remains strong; to deliver casual basics with an outstanding range of colour in a convenient, friendly, service-oriented environment on a value for money premise. We are committed to this and its future.

When you buy a share of Giordano this is what you are buying into. The belief that companies that work passionately and with integrity to solve customers' problems and deliver solutions with true value will stand the test of time.

Going forward we will continue to work towards geographic diversification of markets, focusing on our core categories and concentrating on product oriented marketing advertisements, taking advantage of footholds we have established to further the Giordano brand awareness in these regions and establishing new footholds in emerging markets around the globe. It is our intent to grow internationally in the years to come and become a true global brand.

On behalf of the Board, I extend my gratitude to our shareholders for their understanding, to our staff for their perseverance and to our suppliers for their loyalty.

LAU KWOK KUEN, PETER
Chairman

14th May, 1998