

管理層之論述及分析

本集團經營業績

營業額

二零零六年上半年錄得總營業額港幣二十億二千一百萬元(二零零五年：港幣二十一億五千二百萬元)，對比去年同期減少百分之六點一。

在一月及二月，大中華地區氣溫較正常和暖，天氣反常，拖累農曆新年期間之銷售，同時息率及燃油價格攀升亦打擊本集團東南亞市場之消費者信心及消費；可幸的是隨著春季新貨推出，第二季表現較為強勁，舒緩了冬季業績未如理想之影響。整體而言，上半年零售及分銷部門錄得營業額港幣十八億六千九百萬元(二零零五年：港幣十九億五千三百萬元)，對比去年同期下降百分之四點三，而首季則錄得跌幅百分之六點四。

同時，成衣業產能過剩令價格競爭異常激烈，令成衣貿易及製造部門之銷售額較去年同期下降百分之七點七至港幣四億八千萬(二零零五年：港幣五億二千萬元)。

毛利

本集團首季毛利率下跌至百分之四十八點一(二零零五年：百分之四十九點九)，但第二季大幅回升至百分之五十三，對比去年同期上升一個百分點。因此，本集團上半年整體毛利率為百分之五十點五(二零零五年：百分之五十點九)，而毛利亦下降百分之六點八至港幣十億二千一百萬元(二零零五年：港幣十億九千六百萬元)。零售及分銷部門和成衣貿易及製造部門均錄得較去年同期為低之毛利率；前者是由於和暖之冬季導致累積存貨，致令季末冬季服裝清貨之折扣有所增加，後者則是由於持續價格下調壓力。

經營費用

儘管租金成本仍然高企且持續上漲，不過所帶來之影響透過良好有效費用管理得以抵銷，本集團致力保持上半年經營費用處於穩定水平，為港幣八億九千萬元(二零零五年：港幣八億九千五百萬元)。

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF GROUP OPERATIONS

Turnover

Total first half 2006 turnover was HK\$2,021 million (2005: HK\$2,152 million), a 6.1 percent year-on-year decrease.

Warmer than normal temperatures and erratic weather patterns in Greater China in January and February slowed Chinese New Year sales while higher interest rates and fuel prices affected consumer confidence and spending in our Southeast Asian markets. However, stronger performance in the second quarter with new spring merchandise allayed the effects of a disappointing winter. For the first half as a whole, the Retail & Distribution Division recorded a turnover of HK\$1,869 million (2005: HK\$1,953 million), or a 4.3 percent year-on-year decrease compared to the 6.4 percent decline recorded in the first quarter.

Meanwhile, severe price competition arising from over capacity in the garment industry resulted in sales of the Garment Trading & Manufacturing Division decreasing by 7.7 percent year-on-year to HK\$480 million (2005: HK\$520 million).

Gross Profit

The Group's gross margins decreased to 48.1 percent in the first quarter (2005: 49.9 percent) but staged a strong recovery in the second quarter, coming in at 53.0 percent, up 1.0 percentage point compared to the same period last year. As a result, the Group's first half gross margins were 50.5 percent (2005: 50.9 percent), while gross profits saw a 6.8 percent reduction to HK\$1,021 million (2005: HK\$1,096 million). Both the Retail & Distribution Division and the Garment Trading & Manufacturing Division posted lower gross margins compared to the same period last year, the former as a result of an increase in season-end clearance discounts on inventories built up from a warmer winter while the latter because of continuing downward pricing pressure.

Operating Expenses

Although rental cost remained high and on the rise, the effect was offset by good, disciplined expense management and we managed to keep first half operating expenses steady at HK\$890 million (2005: HK\$895 million).

經營溢利及未計利息、稅項、折舊及攤銷費用之盈利 (EBITDA)

二零零六年上半年經營溢利較去年同期下跌百分之二十五點二至港幣一億八千四百萬元(二零零五年：港幣二億四千六百萬元)，而EBITDA下跌百分之二十二點九至港幣二億五千三百萬元(二零零五年：港幣三億二千八百萬元)。銷售額及毛利率於第二季上升，使經營溢利率由首季百分之五點六上升至上半年百分之九點一(二零零五年：百分之十一點四)。同樣，EBITDA之利潤率由首季百分之八點四上升至上半年百分之十二點五(二零零五年：百分之十五點二)。

股東應佔溢利

股東應佔溢利為港幣一億五千一百萬元，較二零零五年同期呈報之港幣一億八千七百萬元下跌百分之十九點三。由於韓國業務表現放緩，本集團應佔共同控制公司之溢利下跌百分之六十至港幣四百萬元(二零零五年：港幣一千萬元)。上半年中東聯營公司之溢利貢獻穩定，維持在港幣五百萬元之水平。

由於具較高企業所得稅率之市場對本集團溢利之貢獻下降，實際稅率下跌至百分之二十點八(二零零五年：百分之二十三點六)。

現金流量

上半年經營業務所得之現金淨額減少港幣四千二百萬元至港幣一億零六百萬元(二零零五年：港幣一億四千八百萬元)。投資業務支出之現金淨額為港幣三千六百萬元，較二零零五年同期增加港幣九百萬元。源自銀行之利息及自共同控制公司和聯營公司收取之股息共港幣二千三百萬元。於期內，資本開支為港幣四千五百萬元(二零零五年：港幣四千八百萬元)。

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

First half 2006 operating profit decreased 25.2 percent year-on-year to HK\$184 million (2005: HK\$246 million) while EBITDA decreased by 22.9 percent to HK\$253 million (2005: HK\$328 million). Sales and gross margin improvements in the second quarter resulted in operating margin improving from the 5.6 percent recorded in the first quarter to 9.1 percent for the first half (2005: 11.4 percent). Similarly, EBITDA margin improved from the 8.4 percent recorded in the first quarter to 12.5 percent recorded in the first half (2005: 15.2 percent).

Profit Attributable to Shareholders

Profit attributable to shareholders amounted to HK\$151 million, down 19.3 percent from the HK\$187 million reported for the same period in 2005. Due to the weaker performance of our Korean operations, our share of profits of jointly controlled companies was 60.0 percent lower at HK\$4 million (2005: HK\$10 million). First half profits contribution from our Middle East associated company remained steady at HK\$5 million.

The effective tax rate decreased to 20.8 percent (2005: 23.6 percent), a result of lower profit contribution from markets with higher corporate tax rates.

Cash Flows

Net cash generated from operating activities in the first half was HK\$42 million lower at HK\$106 million (2005: HK\$148 million). Net cash used for investing activities was HK\$36 million, an increase of HK\$9 million over the same period in 2005. Interest received from banks and dividends received from jointly controlled and associated companies amounted to HK\$23 million. Capital expenditure during the period was HK\$45 million (2005: HK\$48 million).

上半年融資業務支用之現金淨額為港幣三億零一百萬元(二零零五年：港幣一億六千萬)，較去年同期增加是由於向股東派付之股息上升了百分之十四點六至港幣二億九千八百萬元(二零零五年：港幣二億六千萬)，以及管理層行使購股權減少，致使因行使購股權而發行股份所集得之款項減少至港幣二百萬元(二零零五年：港幣一億一千萬元)。

流動現金及資金來源

於二零零六年六月三十日，現金及銀行結餘達港幣六億七千八百萬元(二零零五年十二月三十一日：港幣九億零三百萬元)，總負債為港幣六億五千四百萬元(二零零五年十二月三十一日：港幣七億五千五百萬元)，而股東應佔權益為港幣二十億零一百萬元(二零零五年十二月三十一日：港幣二十一億二千二百萬元)。

於二零零六年六月三十日，本集團之貿易融資及循環貸款額從二零零五年十二月三十一日之港幣三億八千九百萬元增加至港幣四億零四百萬元，其中港幣七千二百萬元之循環貸款已提取而尚未償還。本集團亦有銀行擔保之或然負債為港幣一千萬元(二零零五年十二月三十一日：港幣九百萬元)，所有或然負債乃於日常業務運作中產生。

業務回顧

零售及分銷部門

大中華地區天氣反常加上東南亞消費意欲疲弱，拖累首季銷售額。*Giordano* 主系列及 *Giordano Junior* 首季之營業額較去年同期下跌百分之七點三，但情況已於第二季有所改善，故上半年整體銷售額僅下跌百分之四點四至港幣十六億二千四百萬元(二零零五年：港幣十六億九千八百萬元)。第二季可比較門市之銷售額亦見好轉，對比首季百分之十點四之跌幅，上半年可比較門市之銷售額僅減少至百分之五點九。*Bluestar Exchange* 上半年之營業額亦相若下跌至港幣一億五千三百萬元，對比二零零五年同期之港幣一億七千一百萬元下跌百分之十點五，可比較門市之銷售額則下

In the first half, net cash used for financing activities was HK\$301 million (2005: HK\$160 million). The increase is attributable to dividends paid to shareholders increasing by 14.6 percent to HK\$298 million (2005: HK\$260 million) and a reduction in the exercise of management share options which caused the proceeds from the issue of shares arising from such exercise decreasing to HK\$2 million (2005: HK\$110 million).

Liquidity and Capital Resources

As at June 30, 2006, total cash and bank balances amounted to HK\$678 million (December 31, 2005: HK\$903 million), total liabilities were HK\$654 million (December 31, 2005: HK\$755 million) and shareholders' equity was HK\$2,001 million (December 31, 2005: HK\$2,122 million).

As at June 30, 2006, the Group had trade finance and revolving loan facilities amounting to HK\$404 million, up from HK\$389 million as at December 31, 2005, of which HK\$72 million under revolving loan facility had been drawn and was outstanding. The Group also had contingent liabilities on bank guarantees in the amount of HK\$10 million (December 31, 2005: HK\$9 million), incurred in the normal course of business.

OPERATIONS REVIEW

Retail & Distribution Division

Erratic weather patterns in Greater China and weak consumer sentiment in Southeast Asia slowed sales in the first quarter. Turnover of *Giordano core line* and *Giordano Junior* decreased 7.3 percent year-on-year in the first quarter but conditions improved in the second quarter so that sales for the first half as a whole only decreased by 4.4 percent to HK\$1,624 million (2005: HK\$1,698 million). Comparable store sales also improved in the second quarter so that first half comparable store sales decreased by 5.9 percent as compared to the 10.4 percent decrease experienced in the first quarter. *Bluestar Exchange* saw a similar decrease with first half turnover of HK\$153 million, 10.5 percent lower than the HK\$171 million recorded in the same period in 2005, while comparable store sales were down 6.1 percent. *Giordano Ladies* performed the best with turnover growing by 9.5 percent to HK\$92 million (2005: HK\$84 million) and comparable store sales up 6.4 percent in the

跌百分之六點一。*Giordano Ladies* 表現最為特出，於上半年營業額增長百分之九點五至港幣九千二百萬元（二零零五年：港幣八千四百萬元），可比較門市之銷售額則較去年同期增長百分之六點四。整體而言，二零零六年上半年零售及分銷部門之營業額較去年同期下跌百分之四點三至港幣十八億六千九百萬元（二零零五年：港幣十九億五千三百萬元），可比較門市之銷售額則較去年同期減少百分之五點三。上半年毛利率較去年同期減少零點七個百分點。經營溢利下降百分之二十三點四至港幣一億六千四百萬元（二零零五年：港幣二億一千四百萬元），而經營溢利率亦下跌二點二個百分點。

下表顯示本集團按地區劃分之零售及分銷營業額：

first half. Overall, first half 2006 Retail & Distribution Division turnover was 4.3 percent lower at HK\$1,869 million (2005: HK\$1,953 million) and comparable store sales were down 5.3 percent year-on-year. First half gross margins decreased by 0.7 percentage point year-on-year. Operating profit decreased 23.4 percent to HK\$164 million (2005: HK\$214 million) and operating margins were down 2.2 percentage points.

The following table shows the Group's Retail & Distribution turnover by region:

營業額 (以港幣百萬元為單位)	Turnover (in HK\$ millions)	截至六月三十日止六個月 Six months ended June 30		變動 Change
		二零零六年 2006	二零零五年 2005	
中國大陸	Mainland China	472	464	+1.7%
香港	Hong Kong	420	412	+1.9%
台灣	Taiwan	322	391	-17.6%
新加坡	Singapore	190	205	-7.3%
其他市場及分銷銷售額	Other Markets & Distribution Sales	465	481	-3.3%
合計	Total	1,869	1,953	-4.3%

中國大陸首季營業額下跌百分之二；第二季則躍升，較去年同期上升百分之六點一。整體而言，上半年營業額較去年同期增長百分之一點七至港幣四億七千二百萬元（二零零五年：港幣四億六千四百萬元），可比較門市之銷售額則增長百分之七點二。本集團繼續奉行一貫定價及減價原則，因而上半年錄得毛利率微升零點五個百分點。本集團不論於上海及北京等一線城市、或在二線城市均承受龐大加租壓力。本集團時刻審慎行事，不會盲目追求增長而損害利潤，因此暫緩了開店計劃，故期內僅在中國大陸增設八間門市。管理層預期市況將會穩定下來，待市況好轉時，即採取積極進取之擴充計劃，以下半年新增約二十間門市為目標。

After decreasing by 2.0 percent in the first quarter, turnover in Mainland China staged a strong recovery and grew by 6.1 percent year-on-year in the second quarter. Overall, first half turnover increased 1.7 percent year-on-year to HK\$472 million (2005: HK\$464 million) and comparable store sales increased by 7.2 percent. We maintained discipline on pricing and discounts and as a result achieved a 0.5 percentage point expansion in gross margin in the first half. We experienced significant upward rental pressure not just in first tier cities like Shanghai and Beijing but also in second tier cities as well. Always mindful not to sacrifice margins in pursuit of growth, we initiated a temporary slowdown of our store opening program and added a total of eight outlets in Mainland China during the period. We expect market conditions to stabilize and we will resume a more aggressive growth plan, as and when conditions improve, with a view to adding about 20 outlets in the second half.

香港首季表現比預期疲弱，營業額只較去年同期增長百分之一點四。不過第二季業績有所改善，營業額較去年同期上升百分之二點五。二零零六年首六個月整體而言，營業額較去年同期增長百分之一點九至港幣四億二千萬元（二零零五年：港幣四億一千二百萬元），而可比較門市之銷售額則增長百分之四點四。儘管租金升幅不如二零零五年同期般令人擔憂，情況仍然值得關注，本集團預計下半年租金升幅將會放緩，有助經營環境改善。

台灣市場首季營業額較去年同期收縮百分之二十五點六，是由於一月及二月天氣不穩，加上家庭入息增長停滯不前，及消費信貸緊縮加劇。經濟沉寂，加上出現政治性領導危機，繼續在第二季挑戰消費者信心和消費；尤幸台灣業務表現開始好轉，雖然改善幅度仍不及中港兩地市場顯著。二零零六年上半年整體而言，台灣零售銷售額下跌百分之十七點六至港幣三億二千二百萬元（二零零五年：港幣三億九千一百萬元），可比較門市之銷售額則較去年同期減少百分之十三點七。在嚴峻之市場環境下，部分實力較弱之競爭對手被迫縮減業務。本集團認為此乃未來增長之投資良機，並且著手擴充業務網絡，目標為於二零零六年下半年新增約十至二十間門市。

新加坡方面，不論是外地或亞洲品牌均紛紛進駐擴充，令市場競爭加劇；同時周邊國家消費意欲疲弱，拖累旅客消費。因此，上半年銷售額較去年同期下跌百分之七點三至港幣一億九千萬元（二零零五年：港幣二億零五百萬元），可比較門市之銷售額則減少百分之十五點七。本集團已加快在新加坡成立Giordano概念店，以義安城、濱海廣場及新達城之門市為主。本集團預計，Giordano之品牌形象及市場地位將可因此提升，增加復蘇之動力。

Hong Kong also had a weaker than expected first quarter, with turnover increasing by 1.4 percent year-on-year. However, our performance improved in the second quarter with turnover increasing by 2.5 percent year-on-year. Overall for the first six months of 2006, turnover increased by 1.9 percent year-on-year to HK\$420 million (2005: HK\$412 million) while comparable store sales increased by 4.4 percent. Though still a concern, rentals have been increasing at a less alarming rate compared to 2005 and we expect rental increases to begin easing in the second half, thus improving the operating environment.

Irregular weather patterns in January and February together with stagnant household income growth and a sharp consumer credit crunch caused Taiwan's first quarter turnover to shrink by 25.6 percent year on year. Lackluster economic performance combined with the political leadership crisis continued to challenge consumer confidence and spending in the second quarter. Nevertheless our performance began to improve though at a slower rate compared to that achieved by Mainland China and Hong Kong. For first half 2006 as a whole, Taiwan's retail sales decreased 17.6 percent to HK\$322 million (2005: HK\$391 million) and comparable store sales decreased 13.7 percent year-on-year. The tough market conditions have forced some of our weaker competitors to retrench their operations. We view this as a good opportunity to invest for future growth and have been pushing to expand our network, with plans to add about 10 to 20 outlets in the second half of 2006.

The proliferation of both foreign and Asian brands in Singapore intensified competition while weaker consumer sentiment in neighboring countries slowed tourist spending. As a result, first half sales decreased 7.3 percent year-on-year to HK\$190 million (2005: HK\$205 million) while comparable store sales were down 15.7 percent. We have accelerated the launch of Giordano Concept Stores in Singapore, targeting our key Ngee Ann City, Marina Square and Suntec City locations. We expect the initiative to enhance the Giordano's image and market position and give momentum to the nascent recovery.

息率及油價攀升削弱了消費者信心，影響本集團其他東南亞市場之銷售額。在馬來西亞，上半年銷售額下滑百分之十三點八至港幣五千六百萬元（二零零五年：港幣六千五百萬元）。同時，泰國上半年營業額亦告下跌，減少百分之二點三至港幣四千三百萬元（二零零五年：港幣四千四百萬元）。至於印尼，上半年銷售額受惠於新店開幕，對比去年同期有百分之十一點五之增長。本集團預計，下半年東南亞市場將會漸漸地復蘇。

澳洲上半年營業額較去年同期增長百分之五至港幣一億零五百萬元（二零零五年：港幣一億元）。日本方面，以當地幣值計算，上半年營業額較去年同期增長百分之五點五，但換算為港幣後則下跌百分之三點四至港幣二千八百萬元（二零零五年：港幣二千九百萬元）。不過更重要的是，上半年日本業務錄得輕微經營溢利。

鑑於韓國天氣反覆不穩，令首季銷售額較去年同期下跌百分之七點六，隨著第二季情況好轉，銷售額回升百分之五點八。整體而言，上半年南韓共同控制公司營業額大致平穩，為港幣四億七千四百萬元（二零零五年：港幣四億七千八百萬元），可比較門市之銷售額則下降百分之九點六。由於季末冬季服裝清貨之折扣增加，其對本集團之溢利貢獻由二零零五年上半年之港幣八百五十萬元下降至二零零六年上半年之港幣四十萬元。本集團結束了若干表現未如理想之門市，令門市數目於上半年減少十八間；但計劃於下半年增設約十至十五間新店。於二零零六年六月三十日，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。

油價高企不下，令中東地區消費者信心繼續增強。因此，本集團聯營公司之營業額上升百分之十八點六至港幣一億七千二百萬元（二零零五年：港幣一億四千五百萬元）。本集團亦增設四間門市，令區內於二零零六年六月三十日之店舖總數達一百一十一間。然而，油價高企促使經濟蓬勃，但也令租金及員工成本大幅攀升，減低了本集團之經營及淨邊際利潤。因此，該中東聯營公司上半年對本集團之溢利貢獻只維持港幣五百萬元。在二零零六年六月三十日，本集團持有該中東聯營公司百分之二十之股權。

Weaker consumer confidence brought on by higher interest rates and fuel prices affected our sales in other Southeast Asian markets. In Malaysia, first half sales decreased 13.8 percent to HK\$56 million (2005: HK\$65 million). Meanwhile, Thailand saw first half turnover declining by 2.3 percent to HK\$43 million (2005: HK\$44 million). Only Indonesia posted first half sales increase by 11.5 percent year-on-year on the back of new store openings. We expect market conditions in Southeast Asia to slowly improve in the second half.

First half turnover in Australia grew by 5.0 percent year-on-year to HK\$105 million (2005: HK\$100 million). In Japan, first half turnover increased 5.5 percent year-on-year in local currency terms but turned into a 3.4 percent decrease upon translation to Hong Kong Dollars, coming in at HK\$28 million (2005: HK\$29 million). More significantly, our Japanese operations turned a small operating profit in the first half.

Unseasonable weather in Korea led to a 7.6 percent year-on-year decrease in first quarter sales. Conditions improved in the second quarter and sales saw a rebound, increasing by 5.8 percent. Overall, first half turnover of our South Korean jointly controlled company was essentially flat at HK\$474 million (2005: HK\$478 million) while comparable store sales were down 9.6 percent. As a result of higher season-end discounts to clear winter stocks, its contribution to Group profits decreased from HK\$8.5 million in the first half of 2005 to HK\$0.4 million in the first half of 2006. We closed a number of under-performing outlets and as a result the number of stores decreased by 18 in the first half. However, we are planning to step up new store openings to add about 10 to 15 outlets in the second half. At June 30, 2006, the Group held 49.4 percent in its South Korean jointly controlled company.

With the continued strength of oil prices, consumer confidence in the Middle East remained buoyant. As a result, turnover of our associated company grew by 18.6 percent to HK\$172 million (2005: HK\$145 million). We added four outlets to bring the total store count in the region to 111 as at June 30, 2006. However, high oil prices have also fueled an economic boom that resulted in a significant escalation in rental and staff costs, reducing our operating and net margins. As such, first half profits contribution from our Middle East associated company remained steady at HK\$5 million. At June 30, 2006, the Group held 20.0 percent in its Middle East associated company.

成衣貿易及製造部門

成衣貿易及製造部門之營業額(包括集團內部銷售)下降百分之七點七至港幣四億八千萬(二零零五年:港幣五億二千萬元)。成衣製造產能持續過剩,使價格競爭異常激烈,對第三者之銷售額亦相應下跌至港幣一億五千二百萬元(二零零五年:港幣一億九千九百萬元),對比去年同期減少百分之二十三點六。因此,對第三者之銷售額佔該部門銷售額之比例減少至百分之三十一點七(二零零五年:百分之三十八點三)。成衣貿易及製造部門佔本集團上半年商品訂單百分之三十一點二,與去年同期百分之三十一點三大致相若。毛利率下跌二點五個百分點,而經營溢利率亦較去年同期下跌二個百分點。因此,二零零六年上半年之經營溢利下跌百分之三十七點五至港幣二千萬元(二零零五年:港幣三千二百萬元)。該部門之溢利貢獻下降後佔本集團綜合經營溢利百分之十點九(二零零五年:百分之十三)。本集團已著手將部分製造業務從成本較高之廣東省搬遷至華北地區成本較低之山東省,預計將於二零零六年第四季完成搬遷,所節省成本將有助提升本集團競爭力。

人力資源

於二零零六年六月三十日,本集團約有一萬一千三百名僱員(二零零五年十二月三十一日:一萬一千名僱員)。為獎勵及保留優秀幹練管理層人才,本集團向若干高級行政人員提供優厚之花紅獎勵計劃;同時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。本集團亦會按本集團業績及個別僱員表現,向合資格僱員授予酌情花紅及購股權。

Garment Trading & Manufacturing Division

Turnover of the Garment Trading & Manufacturing Division, including intra-group sales, decreased 7.7 percent to HK\$480 million (2005: HK\$520 million). Severe price competition arising from persistent over capacity in garment manufacturing has led third-party sales to decrease by 23.6 percent year-on-year to HK\$152 million (2005: HK\$199 million). As a result, the proportion of third party sales decreased to 31.7 percent of divisional sales (2005: 38.3 percent). The Garment Trading & Manufacturing Division accounted for 31.2 percent of the Group's first half merchandise purchases, essentially unchanged from the 31.3 percent for the same period last year. Gross margin decreased by 2.5 percentage points while operating margin decreased by 2.0 percentage points compared to the same period last year. As a result, first half 2006 operating profit decreased 37.5 percent to HK\$20 million (2005: HK\$32 million). The reduced profit contribution from the division accounted for 10.9 percent of the Group's consolidated operating profit (2005: 13.0 percent). We have taken steps to relocate part of our manufacturing operations from high-cost Guangdong to lower cost Shandong in northern China. The relocation is expected to be completed in the fourth quarter of 2006 and the resultant cost savings will help enhance our competitiveness.

HUMAN RESOURCES

As at June 30, 2006, the Group had about 11,300 employees (December 31, 2005: 11,000 employees). Besides offering incentive bonus schemes to certain senior executives as a means to reward and retain a high calibre management team, the Group also provides competitive remuneration packages and goal-oriented bonuses to staff at various levels. Discretionary bonuses and share options may also be awarded to the eligible employees based on the Group's and the individual's performance.

展望

二零零六年初，本集團銳意進一步實行品牌分工策略，使第二季營業額及毛利率回升。店舖風格及商品推銷策略之有效調整、變改，對於建立及鞏固顧客關係來說極為重要。本集團對於本年度開拓了印度市場亦極感欣喜。

Giordano概念店計劃乃針對顧客群日趨多元化之需求而推出，致力使旗下品牌在競爭激烈之服裝市場中脫穎而出。概念店與其他Giordano店舖及*Bluestar Exchange*不同之處，在於挑選人流量高、引人注目之市區地段作為選址，櫥窗設計及店內面貌更為奪目，產品系列亦更具吸引力，並發售獨家設計及限量產品，展現Giordano最新「dressed-up casual」風格。

本集團目前在香港及中國大陸分別有五間及兩間概念店。鑑於表現超乎預期令人鼓舞，本集團決定加快開設概念店之步伐，並已在台灣及新加坡分別增設四間及三間概念店。管理層相信到了二零零八年，百分之十五之門市將轉成全新概念店之模式。傳統Giordano門市亦將革新產品推銷策略，在推銷簡約、輕便及物有所值之產品時令顧客更滿意。管理層相信在產品推銷上之努力革新將會提升品牌於市場之地位，並有助本集團更積極擴展Giordano全球網絡，每年增加至少一百間門市。

本集團旗下*Bluestar Exchange*正展開重塑品牌形象計劃，令色彩更簡約，為年青顧客創造更鮮明時尚之形象。這樣定位使*Bluestar Exchange*加快於大中華地區和其他新市場之發展，例如澳洲和印尼，以每年加添四十間門市之速度增長。

OUTLOOK

We intensified execution of our brand differentiation strategy to a higher level in early 2006 and this has been instrumental in the turnover and gross margin recovery achieved in the second quarter. Meaningful differentiation in both store ambience and merchandising is vital in establishing and deepening customer relationships. We are also extremely pleased at the inroads we have made in India this year.

The Giordano Concept Store program aims to satisfy the demands of an increasingly complex customer base and to differentiate our brand in an overcrowded apparel market. Our Concept Stores are also distinguished from our other Giordano stores and *Bluestar Exchange* by their location in high traffic, highly visible downtown sites and their more striking window displays and in-store presentations. The merchandise offering is also more appealing, featuring exclusive designs and limited editions that epitomize Giordano's updated "dressed-up casual" attitude.

We currently have five Concept Stores in Hong Kong and two in Mainland China. Better than expected performance has encouraged us to accelerate our roll-out plan and we have added four Concept Stores in Taiwan and three in Singapore. Management believes that 15 percent of all stores can be converted to the new Concept Store format by 2008. Regular Giordano stores are also being re-merchandised to spice up their basic, easy casual and value-oriented offerings. Management believes that the merchandising efforts will enhance the brand's market position and enable us to grow the Giordano global network more aggressively by at least 100 outlets a year.

Our *Bluestar Exchange* stores are undergoing a re-branding program as we pare down the color palette and create an edgier and more urban image for younger customers. This will position *Bluestar Exchange* for quicker growth going forward, both in Greater China and new markets such as Australia and Indonesia, at a rate of about 40 outlets a year.

本集團旗下 *Giordano Ladies* 建立穩固根基後，目前正積極在區內增設更多店舖。本集團上半年率先在上海新天地及新加坡萊佛士城開設新店，下半年將於北京、香港及台灣高雄合共增設四間門市，令二零零六年底 *Giordano Ladies* 店舖總數逾三十間。展望將來，本集團預計將加快擴展 *Giordano Ladies* 之網絡，每年開設約十間門市，其中半數開設於中國，尤其是在杭州等先進繁榮之二線城市，以及馬來西亞及泰國等新市場。

本集團深信各商品推銷及品牌建立措施將有助本集團旗下品牌在市場脫穎而出，鞏固競爭優勢。同時，本集團亦注意到不少競爭對手面對不同程度之困難，部分更不得不縮減業務。本集團預計情況於下半年仍會持續，並相信此乃未來增長之投資良機。因此，本集團計劃於下半年大幅加快開設新店之步伐，目標是將本集團網絡之店舖數目增加約五十至六十間，大部分將位於中國大陸。

本集團亦在印度成立首間店舖作為橋頭堡，新店位於清奈新建之 Chennai City Center 購物中心，自五月開業以來店面人流暢旺，銷售額強勁增長。初步取得之成功標誌著 *Giordano* 於印度之增長潛力無窮，本集團亦已加倍努力物色店址增設門市。本集團將於二零零六年底前在孟買開設兩間新店，並已確認另外九間新店之選址，新店將位於班加羅爾、清奈、海德拉巴、孟買及普納等大城市，將於二零零七年及二零零八年開業。本集團正向分別於二零零七年及二零零八年在印度開設最少十間店舖及二十間店舖之目標邁進。

本公司於二零零六年八月四日宣布，日本連鎖集團 Uniqlo 母公司 Fast Retailing Co., Ltd. 曾接觸本集團，洽談業務合併之可能性；惟至今並無提出要約，亦無表示作出要約之確實意圖，故董事會認為現階段不宜作出任何評論。

After having established a solid foundation for *Giordano Ladies*, we are now embarking on a more aggressive roll-out of new stores in the region. The first half saw new stores opening in Shanghai's Xintiandi and Singapore's Raffles City. The second half will see a total of four additional outlets in Beijing, Hong Kong and Kaohsiung in Taiwan, bringing the total number of *Giordano Ladies* stores to over 30 by the end of 2006. Going forward, we expect to grow the *Giordano Ladies* network at a faster rate of about ten outlets a year, with about half of the growth coming from China, especially prosperous and sophisticated second tier cities like Hangzhou, and new markets like Malaysia and Thailand.

We are confident that our various merchandising and branding initiatives will help differentiate our brands in the marketplace and strengthen our competitive position. Meanwhile, we note that many of our competitors have run into varying levels of difficulties, with some of them having to retrench their operations. We expect this retrenchment to continue apace in the second half and view this as an excellent opportunity to invest for future growth. As such, we plan to significantly increase the pace of new store openings in the second half, with a view to adding about 50 to 60 outlets to our network, with most of them in Mainland China.

We have also established a bridgehead in India and our first store, located in the new Chennai City Center shopping mall in Chennai, has seen strong traffic and sales growth since opening in May. The initial success highlights the excellent growth prospects that *Giordano* enjoys in India and we have intensified our efforts to secure additional store sites. We will open two stores in Mumbai before the end of 2006 and we have confirmed another nine locations in major cities such as Bangalore, Chennai, Hyderabad, Mumbai and Pune for opening in 2007 and 2008. We are on track of achieving our target of having at least ten stores in 2007 and 20 in 2008 in India.

As we announced on August 4, 2006, the Company received an approach from Fast Retailing Co., Ltd., parent of the Uniqlo chain in Japan, about the possibility of a business combination. However, as no offer has been made and no firm intention to make an offer has been indicated, the Board feels that it is inappropriate to give any comment at this time.