

**業務回顧****本集團回顧**

截至二零零五年十二月三十一日止年度，本集團錄得營業額1,033,800,000港元，較去年之977,300,000港元上升5.8%，主要由於本地經濟整體出現好轉及訪港旅客人數持續增加所致。然而，由於本地零售市場氣氛突然變得積極令營商環境變得更困難，導致本集團首次錄得股東應佔虧損淨額44,000,000港元。虧損主要來自零售及批發之營商環境轉變，該部分佔本集團二零零五年之營業額92.9%（二零零四年：92.1%）。虧損亦可見於零售專門店租金佔營業額比例急升至13.5%（二零零四年：9.9%）及本集團毛利率下降35.9%（二零零四年：39.4%）。

**零售及批發部回顧**

截至二零零五年十二月三十一日止年度，零售及批發部帶來960,000,000港元（二零零四年：899,800,000港元），按年增長6.7%，然而營業額之增長為租金飆升所抵銷。

本集團每次重訂零售專門店租約時，亦會檢討現有零售網絡，並按盈利能力、策略性計劃、知名度及市場佔有率之基準評估續租之利弊。本集團努力與現有業主商討並物色可選用零售專門店之機會，務求降低租金。然而，現有零售專門店之租金出現重大升幅，逐漸蠶蝕本集團之溢利率。零售專門店租金對營業額之比率大幅飆升之另一原因為部分於二零零五年新開幕之零售專門店業績不濟。由於樂觀展望香港迪士尼樂園開幕後會令旅客人數增長，本集團於二零零五年新開設七間零售專門店。由於該等零售專門店於租金高企之期間租下，加上高估營業額，出現營運虧損在所難免。

**Operations Review****Group Review**

For the year ended 31 December 2005, our Group recorded a turnover of HK\$1,033.8 million, representing an increase of 5.8% compared to HK\$977.3 million in the previous year. The increase in turnover was attributed to the overall improvement in local economy and the steady increase in the number of tourists visiting Hong Kong. However, the dramatic change of sentiment to highly positive towards the domestic retail market has caused the business environments tougher than ever. As such, the Group first time recorded a net loss attributable to shareholders of HK\$44.0 million. The loss principally came from the change of the business environment of the retail and wholesale division, which accounted for 92.9% (2004: 92.1%) of the Group's turnover in 2005. The loss were reflected by a sharp increase in the ratio of shop rentals to turnover to 13.5% (2004: 9.9%) and a drop in the Group's gross margin, which was 35.9% (2004: 39.4%).

**Retail and Wholesale Division Review**

For the year ended 31 December 2005, the retail and wholesale business contributed a turnover of HK\$960.0 million (2004: HK\$899.8 million), representing an annual increase of 6.7%. The increase in turnover was far outweighed by the sharp increase in rental cost.

Every time when we renew the lease for our shops, we constantly review the existing retail network and evaluate the pros and cons for the renewal, which based on the profitability, tactical planning, the importance of maintaining visibility and market share. We put great effort to bargain with the existing landlords and seek opportunities to relocate to minimize the rentals. Still, the increase in rentals for existing shops was substantial and gradually eroded our profit margin. The other reason contributed to the sharp increase in shop rentals to turnover ratio was the poor performance of some new outlets opened in 2005. As we forecasted optimistically on the growth of tourists after the opening of HK Disneyland, we opened seven shops in 2005. Since these shops were leased in a high rental period and the turnover forecast was turned out to be overstated, operating loss inevitably emerged.

## 管理層討論及分析 (續)

### 業務回顧 (續)

#### 零售及批發部回顧 (續)

無論既有及新加入同業均大部分抱有相同過份樂觀之態度，因而令租金以超出原應速度上升，亦令市場供應迅速增加。由於供應增加超乎需求增加，出現「供過於求」而導致極為激烈之市場競爭。在這情況下，為維持競爭力及市場佔有率，本集團多次推出價格優惠，令毛利率下降，尤其在二零零五年下半年尤甚。

儘管本集團在此艱困時刻以價格優惠之短期策略刺激銷量及維持市場佔有率，但本集團在開發其獨家品牌時仍會緊守其長期策略。年內，進行一系列市場推廣活動，推銷「品牌」及新開發產品，成功建立優質品牌之形象。

儘管業績未如理想，存貨週期仍維持於45日(二零零四年：52日)。管理層相信存貨管理為零售業務取得成功之要素，本集團致力維持適當存貨水平。

#### 美容服務部回顧

美容服務部錄得分類虧損17,700,000港元。此乃主要由於年內美容服務計劃之贖回率較二零零四年減少所致。實際上，美容服務部之服務計劃銷售額出現4.8%增幅。有關虧損並不表示業務之長遠盈利能力出現任何問題。直至現時，業務營業一直維持運作順利、有效。期內之經濟及市場狀況為業務刺激需求，成績令人鼓舞。

## Management's Discussion and Analysis (continued)

### Operations Review (continued)

#### Retail and Wholesale Division Review (continued)

Over optimistic sentiment was shared by most of the existing market players as well as new comers. As a result, the rental cost was increased at a rate faster than it should be, and at the same time, the supply in the market also increased rapidly. Since the increase in supply could not be fully matched by the increase in demand, it led to "over-supply", and in turn, led to severe market competition. Under severe market competitions, price promotions were launched frequently to maintain the competitiveness and the market share. As a consequence, the Group's gross margin has deteriorated especially in the second half of the year.

Despite price promotions were used as the short-term strategy to maximize sales and market share during this tough period, our Group adhered to its long-term strategy in developing its private labels and brands with exclusivity. After a series of marketing campaigns were launched during the year to market the "brands" and newly developed products, high quality brand image was well established.

Despite the unfavourable results, the inventory turnover period was kept at 45 days (2004: 52 days). We were very conscious to maintain an appropriate level of the inventory, as our management believed the inventory control is the essence of a successful retail business model.

#### Beauty Services Division Review

The beauty services division recorded a segment loss of HK\$17.7 million. This was largely due to the decrease in the redemption rate of beauty packages during the year as comparing to 2004. Actually, the division's package sales has shown an increase of 4.8%. Such loss does not indicate any deficiency in the long-term profitability of this division. The business operation had been running smoothly and effectively so far. The economic and market condition had created an encouraging demand for the business in the year.

**管理層討論及分析 (續)**

**業務回顧 (續)**

**美容服務部回顧 (續)**

水云莊業務在年內漸趨穩定、成熟。為進一步優化品牌知名度，已設立全新頭／肩按摩部，針對有需要之客戶提供更優越服務。

**展望**

**零售及批發部**

除亞太地區面對禽流感之威脅外，經濟大致不會改變二零零三年末沙士影響消退以來之正面增長軌道。自此以來，租金成本已見大幅增升，致令零售業開始減熱。在二零零五年第三季香港迪士尼樂園開幕時租金成本攀至頂點後，在二零零五年末，租賃市場之上升趨勢已幾乎告終甚至出現輕微倒退。本集團預期我們的零售業務在未來數年仍會於租金高昂之環境下經營，然而，上升幅度將會大大減慢。另一方面，租金上升已將規模較小或經營不良之同業淘汰，或逼使該等同業縮小其零售網絡，在某程度上令「供過於求」之情況有所緩和，因而有助減輕本集團毛利率所受壓力。

為迎接面前之挑戰，本集團已採取以下措施：

1. 整頓零售網絡，透過(i)出租若干零售專門店之部分多餘面積及(ii)在租約期滿時結束現時或在新租約下無利可圖之專門店，以降低租金及提升效率；
2. 調整佣金計劃，激勵銷售隊伍更有效創造銷售；
3. 訂定經營措施，將銷售組合推向更有利可圖之產品；
4. 針對顧客在經濟大為好轉後已由價格轉而更重視品牌因素之心態，為優質、形象良好之高檔次產品及品牌採取更積極之訂價政策；及

**Management's Discussion and Analysis (continued)**

**Operations Review (continued)**

**Beauty Services Division Review (continued)**

Top Comfort business was becoming stable and mature during the year. To further enhance the brand name, the new shoulder-and-head massage section was set up to better serve customers who have such needs.

**Outlook**

**Retail and Wholesale Division**

Apart from the fact that there is a risk of avian flu across the Asia-Pacific region, the economy is unlikely to change its course, which has continued to grow positively since late 2003 after the SARS effects fading out. The rental cost had risen sharply since then, and it reached to a level so high that the retail market sector was retreating. After the rental cost peaked in the third quarter of 2005 before the opening of HK Disneyland, the increasing trend of rental market in late 2005 was nearly stopped and actually reversed slightly. We anticipate that our retail business will have to operate in a high rental environment in the next few years, but we expect the rate of increase is going to be much smaller. Ironically, the high rental environment has driven out some smaller or inefficient market players, or at least pushed them to scale down their retail network. As a consequence, the "over-supply" market situation is somehow less intense, which in turn will help to ease the pressure on the Group's gross margin.

To meet the challenges ahead, the Group has taken the following actions:

1. Restructure the retail network to lower the rental cost and increase the effectiveness of floor space by (i) leasing out part of the area of some shops with extra shop space and (ii) closing down shops which are unprofitable or will not be profitable with new rentals when leases expired;
2. Re-engineer the commission scheme to motivate the sales team to generate sales more effectively;
3. Impose operational measures to shift the sales mix towards higher margin products;
4. Adopt a more aggressive pricing strategy for high end products and brands with good quality and image, given the fact that more and more consumers shift from price conscious to brand conscious after the economy is much improved; and

## 管理層討論及分析 (續)

### 展望 (續)

#### 零售及批發部 (續)

5. 更進一步推行現有之嚴謹成本控制措施，將租金以外之經營成本保持與本集團之營業額水平一致。

本集團雖然在去年錄得虧損，然而有跡象顯示在採取上述措施後，可預期業績將可轉虧為盈。另一方面，整體經濟及零售市場穩步增長，而香港迪士尼樂園雖未有預期想像般吸引，但仍成功（尤其在中國各黃金周假期）為香港帶來額外內地旅客。因此，只要租金及其他成本因素合理反映增長，而不再無理性飆升，本集團深信業績將會在未來數月逐步有所改善。

新開發之電子零售店方面，本集團將致力投入中國網上購物市場。該市場是繼美國之後全球第二大市場，擁有無限發展潛力。本集團將投放更多資源進行網上市場推廣活動，包括電子消息推廣、搜尋引擎推廣及網上廣告等，以增加知名度。現有網站正進行重整，預期新網站將於二零零六年第二季啟用。優化網站之目的為提供更多資訊及實現更方便使用之介面。在營運方面，Bonjour E-shop將繼續專注價格之競爭力與優化服務。

#### 美容服務部

為進一步滲入市場，本集團將透過全新業務吸引高檔次客戶，目前正計劃設立一至兩間主題式美容服務店，並於二零零六年開幕。在擴大業務組合後，預期本集團將可獲取更高利潤並分佔更高市場佔有率。本集團相信，創新技術為美容服務部銷售額增長之重要推動力，因此，將為該等全新美容服務店引入先進設備及配套。新業務線將加入高貴、優雅之修甲部，標誌業務邁進新里程。本集團深信，市場對包羅全面服務之主題式美容服務店之需求仍然殷切。另一方面，卓悅纖體美容之新一任代言人將為品牌帶來清新氣象，為來年揭開新一頁。

## Management's Discussion and Analysis (continued)

### Outlook (continued)

#### Retail and Wholesale Division (continued)

5. To strengthen the existing stringent cost control measures to keep the operating cost other than the rentals aligned with the Group's turnover.

Though the Group recorded a loss for the past year, there are signs showing that positive results are expected after the above actions taken. Moreover, the whole economy as well as the retail market is steadily growing. HK Disneyland did not turn out to be that exciting as we originally foresaw, but still it has attracted additional inbound tourists coming to Hong Kong, especially during the PRC golden week holidays. As long as the cost factors, the rental in particular, reasonably reflected the growth instead of escalating irrationally, we are confident that the Group's performance will improve gradually in the coming months.

For our newly developed e-shop business, we will focus on China online shopping market, as this market, which is the second largest market over the world next to the U.S.A, has the greatest growth potential. The Group will spend more on online marketing activities, i.e. e-news marketing, search engine marketing and online advertising, to maximize the exposure. A revamp project on existing website is under way and the new website is scheduled to be launched in the second quarter of 2006. The enhancement of the website is intended to provide customers with more information and introduce a user-friendly navigation. Operation wise, Bonjour E-Shop will continue to focus on competitive price and upgrading service performance.

#### Beauty Service Division

With a view of further penetrating into market, there will be a brand new business line for capturing high-end customers. One or two thematic salons currently under planning will be launched in 2006. The broadened business profile is expected to reap higher margin and increase the market share. The Group believes that technological innovation is one of the primary drivers of sales growth in the beauty service division. As such, advanced equipment and accessories will be introduced for these new salons. A grand and elegant nail bar will be added to the new business line to signify the new milestone. The Group is confident that a thematic salon with full range of beauty services will remain of high demand in the market. In addition, the upcoming spokesperson for Bonjour Beauty is appointed with an aim of refreshing the brand name and turning a new page in coming year.

## 管理層討論及分析 (續)

### 展望 (續)

#### 美容服務部 (續)

水云莊方面，本集團已著手物色合適地點開設新分店。鑑於成本效益之考慮，管理層有意購入寬敞之服務中心容納更多按摩床及設備，以便以固定成本在同一時間服務更多顧客。來年將推出獨立網站以進一步塑造水云莊成為獨立鮮明之品牌。

### 財務回顧

#### 流動資金及財務資源

本集團繼續採取審慎管理財務資源之方針，流動資金及財務資源水平仍然保持穩健。於二零零五年十二月三十一日，本集團之現金及銀行存款為38,400,000港元（二零零四年：65,500,000港元）。於二零零五年十二月三十一日，本集團之銀行借款為7,600,000港元（二零零四年：3,400,000港元），當中6,600,000港元（二零零四年：2,500,000港元）須於未來12個月內償還。因此，本集團於二零零五年十二月三十一日之淨現金結餘（手頭現金減總銀行借款及銀行透支）為27,200,000港元。

於二零零五年十二月三十一日，本集團之資產負債比率為0.10（二零零四年：0.03），該比率乃根據本集團之銀行借款及股東資金73,100,000港元（二零零四年：135,900,000港元（重列））計算。總負債比對股東資金比率為294.5%，較去年之120.1%（重列）有所改善。二零零五年之流動比率為0.99（二零零四年：1.44（重列））。

## Management's Discussion and Analysis (continued)

### Outlook (continued)

#### Beauty Service Division (continued)

For Top Comfort, the Group has been undergoing a search of suitable location for opening a new branch. From the point of view of cost efficiency, the management intends to acquire a spacious service center which can house more massage beds and equipment in order to accommodate more customers at a time with the same fixed cost. A separate website will be launched in coming year to further establish Top Comfort as a distinct brand name.

### Financial Review

#### Liquidity and Financial Resources

Liquidity and financial resources position remain strong as the Group continues to adopt a prudent approach in managing its financial resources. As at 31 December 2005, the Group's cash and bank deposits amounted to HK\$38.4 million (2004: HK\$65.5 million). The Group's bank borrowings as at 31 December 2005 were HK\$7.6 million (2004: HK\$3.4 million), out of which HK\$6.6 million (2004: HK\$2.5 million) were repayable within the next 12 months. Therefore, the Group had a net cash balance (total cash on hand minus total bank borrowings and bank overdrafts) of HK\$27.2 million as at 31 December 2005.

As at 31 December 2005, the Group's gearing ratio was 0.10 (2004: 0.03), and was calculated based on the Group's bank borrowings and shareholders' funds of HK\$73.1 million (2004: HK\$135.9 million (restated)). Total liability to shareholders' fund improved to 294.5% as compared to 120.1% (restated) in the last year. The current ratio is 0.99 in 2005 (2004: 1.44 (restated)).

## 管理層討論及分析 (續)

### 現金流量

經營業務現金流入由二零零四年之62,600,000港元減少至二零零五年之24,400,000港元。減少乃主要由於除稅前虧損44,200,000港元所致。非現金項目總額為33,400,000港元(主要為物業、廠房及設備之折舊及減值)。該項目受營運資金增加44,700,000港元(主要因遞延收益、應付貿易賬款、其他應收賬款、已收按金及應計費用增加所致)所抵銷。

投資活動所產生現金流出由二零零四年之21,100,000港元增加至二零零五年之34,900,000港元。增加之原因大致上為增加購買物業、廠房及設備。

融資活動之現金流出由二零零四年之32,900,000港元減少至18,900,000港元。減少主要由於發行新股籌得資金11,200,000港元及新增有抵押銀行貸款8,400,000港元所致。

### 或然負債

本集團於結算日之或然負債詳情載於財務報表附註35。

## Management's Discussion and Analysis (continued)

### Cash Flow

Cash inflow from operating activities decreased to HK\$24.4 million in 2005 from HK\$62.6 million in 2004. The drop was mainly due to HK\$44.2 million of loss before taxation. The total amount of non-cash items amounting to HK\$33.4 million (mainly the depreciation and impairment of property, plant and equipment) was net off with the increase in working capital of HK\$44.7 million resulting mainly from increase in deferred revenue, trade payables, other payables, deposit received and accruals.

Cash outflow from investing activities increased to HK\$34.9 million in 2005 from HK\$21.1 million in 2004. The increase was largely due to an increase in purchase of property, plant and equipment.

Cash outflow from financing activities amounted to HK\$18.9 million decreased from HK\$32.9 million in 2004. The decrease was mainly due to the fund raised from issuance of new shares for HK\$11.2 million and new secured bank loan for HK\$8.4 million during the year.

### Contingent Liabilities

Details of contingent liabilities of the Group at the balance sheet date are set out in note 35 to the financial statement.

**外匯風險**

由於本集團大部份資產、收款及付款均以港元、美元及日元計算，故外匯波動風險很低。於二零零五年十二月三十一日，本集團所有銀行借款均以港元為單位。本集團之銀行借款按浮動息率計息，息率為銀行最優惠利率或短期銀行同業拆息利率。本集團將繼續監察其外匯狀況，如有需要將訂立遠期外匯合約對沖外匯風險。

**股本架構**

於回顧年度，根據本公司購股權持有人按行使價每股1.65港元行使購股權，合共發行6,808,000股股份。因此，於本年報日，本公司之已發行及繳足股份總數為225,608,000股。

**本集團資產抵押**

於二零零五年十二月三十一日，本集團若干賬面值約2,081,000港元(二零零四年：2,118,000港元(重列))之土地及樓宇經已抵押，作為本集團若干銀行借款之擔保。

**持有之重大投資以及重大之收購及出售投資及附屬公司**

截至二零零五年十二月三十一日止年度，概無重大之收購或出售投資及附屬公司。

**Foreign Exchange Exposure**

The Group has minimum exposure to foreign exchange fluctuations as most of its assets, receipts and payments are in Hong Kong dollar, US dollar and Japanese Yen. As at 31 December 2005, all of the Group's bank borrowings were in Hong Kong dollar. The Group's bank borrowings were on floating rate basis at either bank prime rate or short-term inter-bank offer rates. The Group will continue to monitor its foreign exchange position and, if necessary, will hedge its foreign exchange exposure by forward foreign exchange contracts.

**Capital Structure**

During the year under review, a total of 6,808,000 shares were issued pursuant to the exercise of the share options by the option holders of the Company at an exercise price of HK\$1.65 per share. As a result, the total number of issued and fully paid shares of the Company as at the date of this annual report is 225,608,000 shares.

**Charges on Group Assets**

As at 31 December 2005, certain lease premium for land and buildings of the Group with carrying amount of approximately HK\$2,081,000 (2004: HK\$2,118,000 (restated)) was pledged as security for certain bank borrowings of the Group.

**Significant Investments Held and Material Acquisitions and Disposals of Investments and Subsidiaries**

There were no material acquisitions or disposals of investments and subsidiaries for the year ended 31 December 2005.

## 管理層討論及分析 (續)

### 人力資源

本集團深信，對於任何企業而言，員工皆為最寶貴的資產之一。在回顧年度內，本集團為加強全體前綫員工之客戶服務技巧，特別提供了一系列培訓課程，並邀請專業顧問擔任講員，豐富培訓內容。本集團又向高級行政人員及一般僱員授予購股權，藉以獎勵及挽留管理團隊中之優秀人才。同時，本集團亦為各級員工制訂可觀之薪酬方案及業績達標花紅。此等獎勵計劃有助於加強員工士氣，提高工作效率，令董事會更加相信，採納此一策略方針乃明智決定。

於二零零五年十二月三十一日，本集團在香港及澳門約有962名全職及兼職僱員（二零零四年：820名）。高級管理人員團隊共有19人，其中約半數已在本集團任職超過5年。本集團視人才為寶貴之人力資源，並認為本集團如要繼續獲得成功，必須吸引優秀人才留任。

## Management's Discussion and Analysis (continued)

### Human Resources

The Group adheres to a strong belief that one of the most valuable assets of a corporation is its employees. During the year under review, the Group provided a series of training courses to enhance the customer service skills of all our frontline staff by inviting professional consultants as lecturers to enrich the scope of this program. The Group also offers share options to the senior executives and general staff, as a means to reward and retain high caliber of the management team. In the meantime, competitive remuneration packages and goal-oriented bonuses are paid to different levels of staff. These rewarding packages strengthen the morale among the staff and led to high efficiencies, which further reinforced the confidence of the Board's decision to have adopted this strategic direction.

As at 31 December 2005, the Group had approximately 962 full-time and part-time employees (2004: 820 employees) in both Hong Kong and Macau. The senior management team consisted of 19 people, in which about half of them had been with the Group for over 5 years. The Group treasures people as valuable human resources and recognizes the importance of attracting and retaining high quality staff for the Group's continuous success.