

管理層討論及分析

業務回顧

本集團回顧

截至二零零六年六月三十日止六個月期間，本集團錄得營業額531,400,000港元（二零零五年：496,100,000港元），較去年同期上升7.1%。本期間之虧損為18,500,000港元，而去年同期則為溢利24,000,000港元。租金高企仍為令本集團表現欠佳之主要因素，這從零售專門店租金對營業額之比率飆升至15.4%（二零零五年：12.7%）可見一斑。另一方面，毛利率較去年同期之43.0%下降至36.9%。

零售及批發部

截至二零零六年六月三十日止六個月，零售及批發部之營業額錄得8.6%之溫和增長，上升至495,200,000港元（二零零五年：456,000,000港元）。本期間內，零售專門店數目維持於31間，其中有兩間結業，而另外兩間則為新開業。隨著經濟穩步增長，零售市場之整體氣氛稍為好轉。

競爭激烈令零售之毛利率於二零零五年下半年大幅下滑。本集團已即時針對採購及營業等各個主要範疇採取補救措施，以扭轉劣勢。因此，零售毛利率已由二零零五年年底之29.5%上升至二零零六年六月之35.0%。期內之平均毛利率為32.3%。

由於市值租金於期內轉趨穩定，故本公司之租金成本並未有如二零零五年般大幅上升。一間美容院已搬遷至原為零售專門店之位置。由於該零售專門店原本無利可圖，故此舉使本集團整體租金之成本效益得以提升。

來自中國之旅客人數持續穩定增加。儘管增幅未如過往年度般顯著，惟該市場層分仍為香港整體零售市場增長之重要支柱。事實上，不少中國旅客於年內多次訪港，而並非集中於長假期來港。

總括而言，儘管零售及批發部於該六個月期間錄得虧損12,900,000港元，惟該分部之盈利能力已於期內逐漸回復正常，其中，大部分虧損乃於第一季出現。

Management's Discussion and Analysis

Operation Review

Group Review

For the six months period ended 30 June 2006, our Group recorded a turnover of HK\$531.4 million (2005: HK\$496.1 million), representing an increase of 7.1% compared to the corresponding period last year. The loss for the current period was HK\$18.5 million while there was a profit of HK\$24.0 million for the corresponding period last year. High rental cost was still the major factor contributed to the poor performance of the Group and it can be reflected by the sharp increase in ratio of shop rentals to turnover 15.4% (2005: 12.7%). On the other hand, gross profit margin dropped to 36.9% compared to 43.0% of the corresponding period last year.

Retail and Wholesale Division

For the six months period ended 30 June 2006, the retail and wholesale division recorded a moderate turnover growth of 8.6% to HK\$495.2 million (2005: HK\$456.0 million). The number of retail outlets was maintained at 31, while two retail outlets were closed and two new ones were opened during the period. As the economy has been steadily growing, the overall sentiment of retail market is slightly improved.

The retail gross margin deteriorated drastically in the second half of 2005 because of severe competition. We have taken immediate remedy actions in all key aspects including the procurement as well as the operation in order to reverse the trend. As a result, the retail gross margin has increased from 29.5% in late 2005 to 35.0% in June 2006. The average gross margin for the period was 32.3%.

As the market rental has become rather stable in the period, the rental cost of the Company has not increased sharply as in 2005. One beauty salon was relocated to a location which originally was a retail outlet. As this retail outlet originally was not profitable, the group's overall rental cost effectiveness has increased.

The number of visitors from China continues to grow steadily. Though the growth will not be as significant as in previous years, this market segment still constitutes a key support to the growth of overall retail market in Hong Kong. In fact, a lot of the visitors from China visit Hong Kong frequently throughout the year, instead of coming mainly in long holidays.

In summary, the retail and wholesale division profitability was gradually back to normal during the period, despite the fact that the retail and wholesale division recorded a loss of HK\$12.9 million for the six months period. Most of the loss was actually occurred in the first quarter.

管理層討論及分析 (續)

業務回顧 (續)

電子零售店回顧

期內，網上銷售以合理比率增長，進度令人鼓舞。銷售較上一個半年度增加120%。有關網頁瀏覽次數之數據顯示，每月增長率為30%。三分之一營業額來自中國內地客戶，另外三分之一由本地客戶產生，而餘下之三分之一營業額則源自海外國家，如美國、加拿大、澳洲、德國、芬蘭、新加坡、馬來西亞、台灣、英國、新西蘭及韓國。革新版面，連同招募新VIP會員之新一輪VIP活動一併於六月登場。已有超過30,000人於網上登記成為新VIP會員。

美容服務部回顧

美容服務部之營業額(服務贖回)減少9.7%至36,200,000港元(二零零五年：40,100,000港元)。為了提升長遠盈利能力，一間美容中心已重新裝潢，成為第二間「水云莊」足部按摩中心。另一間美容中心則搬遷至原為零售專門店之位置。有關轉變難免導致要暫停營業，令營業額出現下滑。期內之服務計劃銷售額亦按相同比例減少。此外，有關轉變亦產生出售固定資產虧損。然而，該等策略性步驟長遠而言可增加盈利能力。本集團將每年節省超過3,000,000港元之租金成本。

該間新搬遷之美容中心以全新品牌主題形象開業，名為「悅榕莊」，並配備最先進設備與配套設施對準高檔市場。該新開幕之美容中心與其他現有美容中心亦全新推出全面之指甲護理服務，進一步擴闊美容服務範圍。市場對本集團之全新形象及指甲護理服務之反應異常良好。於本期間結束時，服務計劃之營業額及銷售均回復至翻新前之水平。

一間全新美容中心於六月開幕，為客戶呈獻全新主題系列。根據會計準則，本集團於翻新期內仍需為租金開支撥款，令行政開支亦有所增加，而日常業務收益之增加並未能彌補有關增幅。

Management's Discussion and Analysis (continued)

Operation Review (continued)

E-Shop Review

It was a period with encouraging progress and the online sales had been growing at a reasonable rate. There was a 120% increase of sales comparing previous half year. The page viewed data showed a 30% monthly growth. One third of the turnover came from Mainland Chinese customers while local customers generated another one third of turnover. The remaining one third of turnover derived from overseas countries, such as U.S.A., Canada, Australia, Germany, Finland, Singapore, Malaysia, Taiwan, U.K., New Zealand and Korea. The revamp version together with a new VIP program for another round of new VIP member enrolment was launched in June. There had been more than 30,000 new VIP members registered online.

Beauty Services Division Review

The beauty service division's turnover (service redemption) decreased 9.7% to HK\$36.2 million (2005: HK\$40.1 million). In order to increase the long-term profitability, one beauty salon was renovated to become the second foot massage center "Top Comfort". Another beauty salon was relocated to a location which originally was a retail outlet. These changes inevitably required temporary shutdown of operation and led to a drop in turnover. The sale of packages also decreased in the same proportion during the period. In addition, there was a loss on disposal of fixed assets as a result of the changes. However, such strategic moves have increased the profitability in the long run. The Group will save more than HK\$3 million a year on rental cost.

The newly relocated beauty salon was launched with a brand new thematic look named "About Beauty" and equipped with the most advanced equipment and accessories targeting the high-end market. A comprehensive nail bar service was also introduced in this new salon as well as other existing salons to let our beauty service range wider than ever. The market response to our new look and nail bar services was very positive. By the end of the period, the turnover and sale of package has gone back to the level before renovation.

One new beauty salon was opened in June presenting the new thematic line. As we had to apportion rental expense even in the renovation period based on accounting standards, this has caused an increase in administration expenses, which could not be matched by an increase in revenue as in normal operation.

管理層討論及分析 (續)

業務回顧 (續)

美容服務部回顧 (續)

過去數年，由於越來越多市場參與者加入市場，故美容服務之市場競爭亦日益劇烈。一方面美容服務之需求上升未能配合供應之增幅，同時若干市場參與者更被市場淘汰。隨著此趨勢持續，市場較過往年度變得較為理性。相對過去一兩年間各方爭相在廣告媒體中進行廣告宣傳，現時已顯見較少競爭者願意花費巨額資源在此方面，令期內之廣告開支已大幅減少。

「水云莊」之品牌名稱已在市場上確立。首間水云莊美容中心之營業額按月穩步上揚。第二間水云莊所吸納之客戶及所產生之收入亦足以令其自開業第一個月起即產生溢利。

展望

零售及批發部

本集團已即時採取多方面行動，以應付所面臨之種種挑戰與困境。儘管零售及批發部於整個六個月期間錄得虧損，惟該分部於本期間結束時轉虧為盈，足證有關行動確實有效。毛利率自年初起已增加超過5%。經濟看來將維持現有步伐繼續穩定增長，故本集團相信下半年之營業額並不會與去年有太大差異。本集團預期，下半年之營業額將如上半年般錄得溫和增長。零售及批發部在維持六月之毛利率之餘，亦將於下半年取得盈利。

本集團將繼續檢討有關情況，並採取一切可行措施，務求在毋須花費額外經營成本下，進一步改善盈利能力。為使毛利率進一步改善，本集團將推出更多邊際利潤較高之產品，以取代利潤較低之產品。本集團之採購隊伍將繼續與供應商進行磋商，務求減低採購成本或轉用成本較低之新供應商。正如本集團於首六個月取得成果，上述措施將在日後漸見影響。

Management's Discussion and Analysis (continued)

Operation Review (continued)

Beauty Services Division Review (continued)

The market competition for beauty services has become very severe as more and more market players entered the market in the past several years. While the increase in demand of beauty service could not match the increase in supply, some market players were driven out of the market. As this trend continues, the market has become comparatively more rational than previous years. This has been noticeable in the advertising media as fewer competitors are willing to put huge amount of resources on advertising, while this was a very common phenomenon one or two years ago. Consequently, the advertising expense was reduced significantly during the period.

The "Top Comfort" brand name is well established in the market. The turnover of the first Top Comfort salon gradually increased month by month. Even for the second Top Comfort salon, we were able to attract enough customers and generate sufficient income to make the new salon profitable starting from the first month operation.

Outlook

Retail and Wholesale Division

The Group has taken immediate actions in many aspects in order to meet the challenges and difficulties that we are now facing. These actions were shown to be effective as the retail and wholesale division's profitability has turned around by the end of the period, even though we recorded a loss for the whole six-month period. The gross margin has increased by more than 5% since the beginning of the year. As the economy is likely to stay at its present course with steady growth, we can be quite confident that the turnover for the second half of the year will not deviate much from that of last year. We expect there will be a moderate growth in turnover in the second half, as it was in the first half of the year. While maintaining the gross margin in June, the retail and wholesale division will be profitable in the second half.

The Group will continuously review the situation and take whatever actions feasible to further improve the profitability without committing extra operating costs. To improve the gross margin further, more and more higher margin products will be introduced to replace lower margin products. Our procurement team constantly negotiates with suppliers to lower the purchase costs or simply shifts to new suppliers with lower costs. As what we achieved in the first six months, the effect of these actions will gradually emerge later on.

管理層討論及分析 (續)

展望 (續)

零售及批發部 (續)

就租金成本而言，本集團將繼續採取行動，減省其主要成本部分。零售專門店之多餘面積將會出租，或將其多元化至零售以外之其他業務用途。未能獲利之專門店將於租約期滿後結業。由於本集團僅於機會出現或租約期滿時方能採取有關行動，故該等行動之影響將需時一至兩年方見奏效。現時，租金市場將由高處回落，變得較為理性，故本集團預期租金成本將不會於中期大幅飆升，亦不會如過往兩年般削弱本集團之溢利。

電子零售店

英文版將於下半年準備就緒，可登載於網站內。本集團繼續致力於網上市場推廣活動，可涵蓋大部分海外國家之市場。透過密集式網上推廣活動，如電子訊息市場推廣、網上推廣優惠、尋求電子業務夥伴、搜尋器服務等，網上銷售可望於來年有所增加。本集團將確保為客戶維持最具競爭力之定價政策。除上述各項外，本集團將引入更多物流夥伴，以期減低運貨成本及縮短付運交貨期。全球運貨網絡將由35個國家擴展至47個。本集團會將更多獨有產品放置上網，以配合全球之龐大購買潛力。本集團之目標為將電子零售店發展為網上化粧品百貨公司，為客戶提供全面之化粧品產品。

美容服務部

與零售及批發部相似，美容服務部亦曾進入重整期。儘管有關過程導致營業額暫時滑落，惟美容服務部之表現已於完成重整後有所改善。本集團預期有關表現將於下半年持續改善。

Management's Discussion and Analysis (continued)

Outlook (continued)

Retail and Wholesale Division (continued)

For rental cost, we continue to take actions to cut down this main cost component. Extra shop space will be leased out, or diversified for other business use other than retail. Shops which are unprofitable will be closed down when the leases are expired. As these actions can be taken only when opportunities available or when the leases are expired, the effect of these actions will be noticeable in one to two years' time. Currently, the rental market has come down from the peak and become much more rational. So we expect that the rental cost will not increase sharply in the medium term and erode our profit as what had happened in these two years.

E-Shop

The English version is ready for online in second half of the year. The Group will continuously focus on online marketing activities covering the market of most overseas countries. It is expected that the online sales will elevate in coming year by intensive online promotional activities, such as e-news marketing, online promotional offers, seeking e-business partners, searching engine services. The Group would assure customers to maintain the most competitive pricing policy. Apart from the aforementioned, the Group will introduce more logistics partners for the purpose of lowering the delivery cost and shortening the lead time of delivery. The worldwide delivery network will be expanded from 35 to 47 countries. More unique products will be online in order to cater for the huge buying potential worldwide. It is our target to develop the E-Shop to be an online cosmetics department store with full range of cosmetics products.

Beauty Services Division

Like the retail and wholesale division, the beauty services division also went through a period of consolidation. Although the process has induced a temporary drop of turnover, the performance of the beauty services division has improved after the process was completed. We expect the improvement will continue in the second half of the year.

管理層討論及分析 (續)

展望 (續)

美容服務部 (續)

有關改善基本上主要因本集團所提供之服務範圍日益廣泛所致，上述服務包括去年開幕之足部按摩中心「水云莊」及今年四月推出之全新指甲護理服務。有見於首間「水云莊」之成功經驗，本集團已將一間表現未如理想之美容中心轉型為第二間「水云莊」。與此同時，全新指甲護理服務廣受市場歡迎。因此，本集團將於未來數月尋求拓展該全新服務線之商機。除該兩條全新業務線外，本集團會繼續將其服務拓展至具市場潛力之新範疇。此舉絕對可在競爭熾熱之市場中，為本集團倍添競爭優勢。

財務回顧

流動資金及財務資源

於二零零六年六月三十日，本集團之現金及銀行存款為17,200,000港元（二零零五年十二月三十一日：38,400,000港元）。本集團於二零零六年六月三十日之銀行借款為15,900,000港元（二零零五年十二月三十一日：10,800,000港元），其中15,300,000港元（二零零五年十二月三十一日：10,100,000港元）須於12個月內償還。

本集團於二零零六年六月三十日之流動比率為0.87（二零零五年十二月三十一日：0.99）。本集團於二零零六年六月三十日之資產負債比率為0.29（二零零五年十二月三十一日：0.15），該比率乃根據本集團之銀行借款及股東資金54,900,000港元（二零零五年十二月三十一日：73,100,000港元）計算。

本集團主要透過營運所得現金履行其債務，而董事會相信本集團為其營運及未來擴展備有充裕營運資金。

Management's Discussion and Analysis (continued)

Outlook (continued)

Beauty Services Division (continued)

Basically, the improvement mainly comes from our broader range of services provided, including the foot massage centre "Top Comfort" which opened last year and the new nail bar services introduced in April this year. Given the successful experience of the first "Top Comfort", we transformed one under-performed beauty salon to become the second "Top Comfort". Likewise, the new nail bar service is well received by the market. Therefore, we will also seek opportunity to expand this new line of service in the coming months. Apart from these two new lines of business, we will continue to expand our services to new areas that with market potential. This certainly will give us additional advantages for competing in this highly competitive market.

Financial Review

Liquidity and Financial Resources

As at 30 June 2006, the Group's cash and bank deposits amounted to HK\$17.2 million (31 December 2005: HK\$38.4 million). The Group's bank borrowings as at 30 June 2006 were HK\$15.9 million (31 December 2005: HK\$10.8 million), out of which, HK\$15.3 million (31 December 2005: HK\$10.1 million) were repayable within 12 months.

The current ratio of the Group as at 30 June 2006 was 0.87 (31 December 2005: 0.99). The Group's gearing ratio as at 30 June 2006 date was 0.29 (31 December 2005: 0.15), and was calculated based on the Group's bank borrowings and shareholders' fund of HK\$54.9 million (31 December 2005: HK\$73.1 million).

The Group services its debt primarily through the cash earned from its operation and the Board believes that the Group has maintained sufficient working capital for its operation and future expansion.

管理層討論及分析 (續)

財務回顧 (續)

股本架構

期內股本並無變動，而於二零零六年六月三十日，本公司之已發行普通股為225,608,000股。

外匯波動風險

由於本集團大部份資產、收款及付款均主要以港元、人民幣及美元為單位，故外匯波動風險輕微。於二零零六年六月三十日，本集團並無外幣銀行借款。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。

或然負債

於二零零六年六月三十日，本集團之或然負債合共為2,200,000港元（二零零五年十二月三十一日：1,000,000港元），即銀行就應付業主之租金作出之擔保。

銀行信貸

於二零零六年六月三十日，本集團之銀行信貸合共約87,000,000港元（二零零五年十二月三十一日：103,400,000港元），以本公司之公司擔保及本集團所持租賃土地及樓宇之第一法定押記作擔保。

集團資產抵押

於二零零六年六月三十日，本集團若干賬面淨值約2,100,000港元（二零零五年十二月三十一日：2,100,000港元）之資產經已抵押，以取得授予本集團之銀行信貸。

Management's Discussion and Analysis (continued)

Financial Review (continued)

Capital Structure

There was no movement of share capital during the period and the Company had in issue 225,608,000 ordinary shares as at 30 June 2006.

Exposure to Fluctuation in Foreign Exchange

The Group has little exposure to foreign fluctuations as most of its assets, receipts and payments are principally denominated in Hong Kong dollar, Chinese Renminbi and US dollar. As at 30 June 2006, none of the Group's bank borrowings was in foreign currency. 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.

Contingent Liabilities

As at 30 June 2006, the Group's had contingent liabilities totaling HK\$2.2 million (31 December 2005: HK\$1.0 million) which represent guarantee given by bank for rental payment to landlord.

Banking Facilities

As at 30 June 2006, the Group's banking facilities totalling approximately HK\$87.0 million (31 December 2005: HK\$103.4 million) were secured by corporate guarantee of the Company and a first legal charge over leasehold land and buildings held by the Group.

Charge on Group Assets

As at 30 June 2006, certain of the Group's assets with a net book value of approximately HK\$2.1 million (31 December 2005: HK\$2.1 million) were pledged to secure banking facilities granted to the Group.

管理層討論及分析 (續)

Management's Discussion and Analysis (continued)

財務回顧 (續)

Financial Review (continued)

重大投資

Significant Investments

截至二零零六年六月三十日止六個月，本集團並無任何重大投資。

During the six months period ended 30 June 2006, the Group did not have any significant investments.

重大收購或出售附屬公司及聯營公司

Material Acquisition or Disposal of Subsidiaries and Associated Companies

截至二零零六年六月三十日止六個月，本集團概無重大之收購或出售附屬公司及聯營公司。

There was no material acquisition or disposal of subsidiaries and associated companies during the six months period ended 30 June 2006.

現金流量

Cash Flow

本期間營運所產生現金流出淨額為15,300,000港元(二零零五年：12,300,000港元)。現金流出主要由除稅前虧損22,100,000港元所致。非現金項目總額為13,500,000港元(主要為物業、廠房及設備之折舊支出)。該項目受營運資金增加淨額4,100,000港元所抵銷。

Net cash outflow from operations for the period was HK\$15.3 million (2005: HK\$12.3 million). The cash outflow was mainly due to HK\$22.1 million loss before taxation. The total amount of non-cash items amounting to HK\$13.5 million (mainly depreciation charges on property, plant and equipment) was net off with a net increase in working capital of HK\$4.1 million.

本期間投資活動所產生現金流出淨額為13,200,000港元(二零零五年：16,700,000港元)，主要為期內開業之零售專門店及纖體美容中心之資本開支。

Net cash outflow from investing activities for the period was HK\$13.2 million (2005: HK\$16.7 million) which mainly represented capital expenditures on retail shops and beauty salons opened in the period.

本期間融資活動所產生現金流出淨額為12,000,000港元(二零零五年：12,100,000港元)，主要為期內償還銀行借款淨額。

Net cash outflow from financing activities for the period was HK\$1.2 million (2005: HK\$12.1 million) which mainly represented a net repayment on bank borrowings in the period.

人力資源

Human Resources

於二零零六年六月三十日，本集團於香港及澳門兩地共聘有約970名(二零零五年：920名)全職及兼職員工。本回顧期間之員工成本(包括董事酬金)為81,700,000港元(二零零五年：72,300,000港元)。本集團十分重視其人力資源，並認為其如要繼續獲得成功，必須吸引及挽留合資格員工。薪酬方案一般參考市場條款及個人資歷而制定。此外，本集團亦根據合資格僱員個人表現向其授出購股權及酌情花紅。本集團亦為其僱員提供強制性公積金計劃、醫療保險計劃、員工購物折扣及培訓計劃。

As at 30 June 2006, the Group had approximately 970 (2005: 920) full-time and part-time employees in both Hong Kong and Macau. Staff costs for the period under review were HK\$81.7 million (2005: HK\$72.3 million). The Group values its human resources and recognizes the importance of attracting and retaining qualified staff for its continuing success. Remuneration packages are generally structured by reference to market terms and individual qualifications. In addition, share options and discretionary bonuses are also granted to eligible employees based on individuals' performances. The Group also provides mandatory provident fund schemes, medical insurance schemes, staff purchases discounts and training programs for our employees.