

致列位股東：

儘管大部分市場冬季天氣反常和暖，本集團於二零零六年之營業額及毛利仍保持與去年相若之水平，惟大幅攀升之成本對本集團之經營溢利造成打擊，導致其較去年下跌百分之二十七點四。由於重新評估本集團於中國大陸過往年度之稅項，使本集團之除稅後溢利減少至僅港幣二億一千八百萬元，較二零零五年下跌百分之四十九點四，實在令人關注。

服裝零售無可避免須承擔多重風險，其中一項獨有風險正是天氣。本集團管理此風險之策略，乃持續不懈地優化其供應鏈及增加比較不容易受天氣影響之產品供應種類，成功減輕二零零六年不利天氣狀況之重大影響。

成本攀升乃本集團最大之憂慮，尤其是香港之租金開支高企。本集團就此採取務實態度，評估每間門市之經濟效益。區內其他地方之經營成本則受到控制。

董事會建議維持全年股息與二零零五年相同，即末期股息每股港幣五仙及特別末期股息每股港幣一角五仙，符合本集團保持每股股息穩定之理念。連同中期股息每股港幣四點五仙及特別中期股息每股港幣二仙，全年股息達每股港幣二角六仙半（二零零五年：每股港幣二角六仙半），派息率佔年度溢利百分之一百九十二點七。

誠如本集團二零零五年年報所述，對本集團門市網絡之全面性檢討完成後，本集團已清楚界定其品牌。首先，*Giordano Ladies* 繼續以生活階層及要求均較高之女士為服務對象；其次，*Giordano Concepts* 將與*Giordano* 主系列品牌區分，以滿足顧客講究服飾外觀之要求。第三，*Giordano* 將順應服裝零售大眾市場之變化而作出轉型。最後，相對較新之品牌 *Bluestar Exchange* 繼獲得短期之巨大成功後，將會進行品牌重塑，提供高品味、基本且物有所值之日常服裝。

Dear Shareholders:

Although the Group maintained similar levels of turnover and gross profit in 2006 despite an unseasonably warm winter in most of its markets, inexorably rising costs dealt a blow to the Group's operating profit causing it to fall by 27.4 percent from the year before. A re-assessment of prior years' taxes in Mainland China brought the Group's profit after tax to only HK\$218 million, an alarming 49.4 percent drop from 2005.

Apparel retailing inevitably entails multiple risks. A unique risk is weather. The Group manages this risk by relentlessly optimizing its supply chain and diversifying into product offerings less susceptible to weather. This strategy successfully mitigated the full impact of unfavorable weather conditions in 2006.

Rising costs, particularly Hong Kong's staggering rental expenses, are of the utmost concern to the Group. The Group takes a pragmatic approach in evaluating the economic merits of each location. Elsewhere in the region, operating costs are controllable.

Consistent with our stable dividend per share philosophy, the Board has recommended keeping the full year dividend the same as 2005, that is, a final dividend of 5.0 HK cents per share and a special final dividend of 15.0 HK cents per share. Total dividend, including the 4.5 HK cents regular interim dividend, and 2.0 HK cents special interim dividend, amounts to 26.5 HK cents per share (2005: 26.5 HK cents per share), representing a 192.7 percent payout of our annual profit.

As stated in our 2005 annual report, upon completion of a comprehensive review of our store network the Group has clearly defined its brands. First, *Giordano Ladies* will continue to serve a higher echelon of discerning women. Second, *Giordano Concepts* will grow out of the *Giordano* main brand to fulfil the wants of aesthetically demanding consumers. Third, *Giordano* will transform itself in tune with the changing apparel retail mass market. Finally, *Bluestar Exchange*, a relatively new brand which had a brief period of great success, will be re-branded to provide tasteful, basic and value-for-money apparel for everyday wear.

主席報告書

CHAIRMAN'S STATEMENT

在核心競爭力方面，本集團於過往數年大量投資於客戶關係管理及供應鏈管理系統。該兩個系統之功能不僅屬世界級，其設計亦易於使用，讓本集團於世界各地之所有合作夥伴只需稍為學習即可採用。於未來數年，本集團將投資於設計等額外核心競爭力。

本集團之整體策略十分簡明，乃於多市場之環境因應情況靈活運用多品牌策略。本集團選擇此策略乃基於兩個原因。首先，現時本集團並無單一市場之規模足以提供可靠之擴展空間；其次，由於市場分散，本集團必須準確分辨適合各市場顧客之品牌，以將經營風險減至最低。本集團相信，此一簡單策略必然有效。

本集團緊記此策略，集中發展兩個亞洲市場。由於改善商品營銷及加強管理，中國大陸之業務加速增長，而本集團於印度清奈開設之門市亦好評如潮。印度之長遠前景潛力無限，本集團將於清奈以外之其他主要市中心增設門市。然而，中國大陸仍是主要發展市場，本集團將專注於提升並更新產品供應，並擴大本集團之零售及批發網絡。

二零零七年，本集團首要目標為加強執行品牌建立及業務擴充措施。因此，本集團在設計、營銷及市場推廣方面投放資源，並致力培育人才。

本人藉此感謝本集團之股東、供應商、合作夥伴、員工及顧客於過去和將來對本集團之信心，其中多位更是自本集團創立便一直與本集團同行。

劉國權
主席

二零零七年三月二十二日

In the core competence arena, the Group has invested heavily in its customer relationship management and supply chain management systems in the past few years. Not only are these two systems world-class functionally, they are designed to be user-friendly so that they can be adopted by all of our partners globally with minimum orientation. The Group will invest in additional core competencies such as design in the next few years.

The Group's grand strategy is simple. It is a controlled multi-brand strategy applied discriminately in a multi-market environment. The Group has opted for this strategy for two reasons. First, no single market of the Group is today large enough to provide reliable growth space. Second, due to the diversity of its markets, the Group must accurately identify customer-brand fits in each market to minimize operational risks. We believe this strategy is so simple that it must work.

With this in mind, we are keen on two Asian markets. Mainland China has seen growth accelerating on the strength of improved merchandising and strengthened management while our launch in Chennai in India has met excellent reception. India offers superb long term prospects and we will be establishing our presence in other key urban centres in addition to Chennai. The key growth market, however, remains Mainland China and we will focus on upgrading and updating our product offerings and growing our retail and wholesale networks.

In 2007 our priority will be to strengthen execution on our branding and growth initiatives. Therefore, our resources will be invested in design, merchandising and marketing and the good shepherding of our talent pool.

I would like to extend my sincere thanks and appreciation to our shareholders, suppliers and business partners, our employees, and our customers – many of whom have been with us since the beginning – for their past and continuing confidence.

LAU Kwok Kuen, Peter
Chairman

March 22, 2007