

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Turnover for the year of 2004 was HK\$201 million, representing an increase of 17% when compared to HK\$172 million for 2003. Loss attributable to shareholders was HK\$8.2 million for the year, compared to a loss attributable to shareholders of HK\$19.9 million for the last year.

REVIEW OF OPERATIONS

The segmental operating profit and loss is as follows:

	Turnover		Contribution			
	1/1/04 to 30/6/04 HK\$'000 (Unaudited)	1/7/04 to 31/12/04 HK\$'000 (Unaudited)	1/1/04 to 30/6/04 HK\$'000 (Unaudited)	1/7/04 to 31/12/04 HK\$'000 (Unaudited)	2004 HK\$'000 (Audited)	2003 HK\$'000 (Audited)
By geographical area & principal activity:						
Retail						
Hong Kong	10,226	9,516	(1,231)	675	(556)	(8,695)
Taiwan	47,776	55,523	1,520	5,230	6,750	(2,780)
People's Republic of China	29,901	35,421	(1,076)	943	(133)	(2,769)
Singapore	4,061	3,207	(11)	(145)	(156)	(1,362)
	91,964	103,667	(798)	6,703	5,905	(15,606)
Uniform						
Hong Kong & export	-	5,634	-	(6,866)	(6,866)	-
People's Republic of China	-	-	-	(5,352)	(5,352)	-
	-	5,634	-	(12,218)	(12,218)	-
Total	91,964	109,301	(798)	(5,515)	(6,313)	(15,606)

During the year, a loss of HK\$12 million was recorded for the uniform business after a special provision of HK\$8 million.

A profit contribution of the retail business was recorded for 2004 despite a small loss was recorded in the first half year, a good sign of turnaround of the retail business is shown.



With the stringent control over the cost of sales, the gross profit margin of retail business increased from 60% of last year to 66%.

The retail market in Hong Kong remained tough. We have further downsized our retail shops from 5 in December 2003 to 4 in December 2004. It achieved break even for the second half.

In Taiwan, the result was substantially improved with good profit contribution. We continued to strengthen our retail shop network, and our shop number increased to 53.

In Singapore, the loss situation was contained.

In the PRC, we have spent efforts on restructuring our franchised network by closing non-performing shops.

At end December 2004, there were 88 shops in the PRC, including 57 franchised shops.

Trendy and Exquisite Image

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2004, the aggregate loan amount due to High Fashion International Limited ("High Fashion") was HK\$55 million, after High Fashion waived the repayment of HK\$45 million out of the loan. In November 2004, the Company issued 2.5 billion shares at HK\$0.03 per share under an open offer to shareholders, raised approximately HK\$73 million, after shares issuing expenses, for working capital purposes.

As of the balance sheet date, a total of about HK\$60 million banking facilities were granted to the Group, of which about HK\$6.4 million were utilized. Apart from the aforesaid, there are no other material borrowings as of the balance sheet date. There are no charges on the Group's assets. The Group also has no borrowings at fixed interest rates.

The Group's receivables were mainly denominated in Hong Kong dollars, Renminbi and New Taiwan dollars. The entire bank borrowing and other borrowing were either denominated in Hong Kong dollars or United States Dollars. The Group considers that its foreign exchange risk is not significant.

As at 31 December 2004, the current ratio was 2. Based on the current cash position and the available banking facilities, the Group should have sufficient liquidity to meet its operational needs.



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HUMAN RESOURCE

As of 31 December 2004, the total number of employees of the Group including factory workers was about 2,500. Other than the competitive remuneration package offered to the employees, share options may also be granted to selected employees based on the Group's performance. The Group has granted no options during the period.

GENERAL

The Group had no material contingent liabilities as of the balance sheet date. During the year, our fixed assets increased by 10 million as a result of our own shops increased by 25 and a new factory formed in Shenzhen.