

The Group will continue to undertake prudent property development projects in China. There are high demands for street stores and comfortable housing in China's second-tier cities. Subsequent to the successful sale of the first small-sized property in Zhangzhou City of Fujian, the Group is constructing another piece of land with a gross floor area of 15,800 square metres in the same city. We believe that these property development projects will provide substantial revenue to the Group in addition to those from our core business on garment manufacturing and retailing.

## LIQUIDITY AND FINANCIAL RESOURCES

As a result of stronger brand positioning and effective product management, the Group has maintained a high percentage of sales at full price during the period. The gross profit percentage of sales in self-operated stores was slightly increased to approximately 44 %, while that of sales to franchise stores was 23%.

Inventory level under apparel manufacturing segment was maintained at HK\$ 18.9 million as at 31 December 2005. Average stock turnover for the period was kept at 1.4 months only.

The Group maintained a rather healthy net cash position during the period under review. Net cash outflow from operating activities was HK\$7.7 million, compared with a net cash inflow of HK\$3.5 million for the same period last year. The bank loan was fully repaid during the period under review, compared with a balance of HK\$8.9 million outstanding at 30 June 2005. Cash balance at the period end was HK\$21.2 million, compared with a balance of HK\$41.4 million at 30 June 2005.

The Group derives its revenue and incurs its expenditure mainly in the same currency. Its exposure to currency exchange rate fluctuation is therefore not significant.

Capital commitment contracted for but not provided in the financial statement at 31 December 2005 was approximately HK\$39.7 million (at 30 June 2005: HK\$21.7 million).

The debt equity ratio at 31 December 2005 was zero, compared with 0.09 at 30 June 2005.

The Group's current ratio at 31 December 2005 was further improved to 2.08, as compared with 1.68 at 30 June 2005. Quick ratio was also improved to 1.51, as compared with 1.23 at 30 June 2005.

## **HUMAN RESOURCES**

At 31 December 2005, the Group had 2,437 employees of which 2,430 were employed in the PRC for the Group's retailing and manufacturing business.

The Group offers competitive remuneration packages to its employees, such as staff insurance, retirement scheme, discretionary bonus and option scheme, and provides both in-house and external relevant training programs to strengthen the Group's human resources and keep high quality personnel at all levels.

## **DIRECTORS' INTERESTS IN SHARES**

The Directors and chief executive of the Company who held office at 31 December 2005 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) at that date as recorded in the register of Directors' and chief executive's interests and short positions required to be kept under section 352 of the SFO: