





Management Discussion and Analysis

Results

Turnover for the year of 2005 was HK\$259 million, representing an increase of 28% when compared to HK\$201 million for 2004.

Loss attributable to shareholders was decreased to HK\$4 million for the year, compared to a loss attributable to shareholders of HK\$8.2 million for the last year.

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Review of Operations

The segmental operating profit and loss is as follows:

	Turnover		Contribution	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
By geographical area & principal activity:				
Retail				
Hong Kong & Macau	22,297	19,742	(1,326)	(556)
Taiwan	127,758	103,299	4,560	6,750
People's Republic of China	81,422	65,322	(190)	(133)
Singapore	6,229	7,268	(183)	(156)
	<u>237,706</u>	<u>195,631</u>	<u>2,861</u>	<u>5,905</u>
Uniform				
Hong Kong & export	13,777	5,634	(3,356)	(6,866)
People's Republic of China	7,057	–	(289)	(5,352)
	<u>20,834</u>	<u>5,634</u>	<u>(3,645)</u>	<u>(12,218)</u>
Total	<u>258,540</u>	<u>201,265</u>	<u>(784)</u>	<u>(6,313)</u>



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A loss of HK\$3.6 million was recorded for the uniform section for the year, the loss situation was contained.

Retail turnover was increased by 21.5% when compared with last year. A profit contribution was recorded for 2005 despite a small loss was recorded in the first half year.

The retail market in Hong Kong remained tough. We have maintained 5 retail shops in 2005.

In Taiwan, we continued to strengthen our retail shop network by increasing our shop number from 53 of last year to 57.

In the PRC, we have enhanced our own shop network in prime cities. Turnover was increased by about 25% in 2005. At the end of December 2005, there were 77 shops in the PRC, including 38 franchise shops.

Liquidity and Financial Resources

At 31 December 2005, the aggregate loan amount due to High Fashion International Limited was HK\$49 million, after the repayment of HK\$6 million during the year.

As of the balance sheet date, a total of about HK\$60 million banking facilities were granted to the Group, of which about HK\$1.7 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 borrowings and other borrowings were either denominated in Hong Kong dollars or United States Dollars. The Group considers that its foreign exchange risk is not material.

As at 31 December 2005, the current ratio was 1.3. 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 2005, the total number of employees of the Group including factory workers was about 1,500. 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 year.

General

The Group had no material contingent liabilities as of the balance sheet date. There was no material capital expenditure during the year.