

## INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend (2005: Nil) for the six months ended 30 September 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review and Business Review

For the six months ended 30 September 2006, the Group recorded a turnover of approximately HK\$21,540,000, representing a decrease of approximately 43% as compared to the corresponding period last year. This was mainly attributable to the change in selling arrangement with the Group's franchisees from a trading basis to a consignment basis. Although the Group suffered a decrease in turnover, the Group was compensated by a much higher gross profit margin. Gross profit was approximately HK\$10,082,000, representing a decrease of approximately 4%. Gross profit margin, on the other hand, increased from 27.9% to 46.8%.

The Group suffered loss attributable to shareholders for the six months ended 30 September 2006 was approximately HK\$1,081,000 (30 September 2005: approximately HK\$2,196,000). The Group's performance for the Period was affected by the decrease in turnover which was a result of, amongst other things, keen competition in the domestic fashion market in the PRC and unfavorable weather condition.

During the Period under review, the Group has a total of 62 distribution outlets comprising 50 franchisees, 1 authorised distributor and 11 counters in department stores across 7 provinces and 30 cities. Looking forward, the Group is aiming at increase further its own directly managed retail outlets.

Contribution from the female lingerie series remains insignificant during the Period under review. The Group has adopted a more conservative approach to invest further in this business.

The Company has entered into a Subscription Agreement on 27 January 2006 (announcement in respect of the details of the Subscription Agreement was published on 24 April 2006) pursuant to which the Company had agreed to issue and the Subscriber had agreed to subscribe for Convertible Notes to a maximum aggregate consideration of HK\$10,000,000. Long Stop Date for the completion of the Subscription Agreement has extended to 31 December 2006.

The Company was advised that on 27 January 2006, the Subscriber and Taco Holdings Limited ("Taco") (controlling shareholder of the Company) has entered into a Share Purchase Agreement pursuant to which the Subscriber had conditionally agreed to purchase from Taco the Company's Shares for a total consideration of HK\$37,500,000. Upon completion of the Share Purchase Agreement, the Subscriber will be interested in approximately 25.32% of the issued capital of the Company. Long Stop Date for the completion of the Share Purchase Agreement has also extended to 31 December 2006.