

TOP FORM

INTERNATIONAL LIMITED

INTERIM REPORT
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The Directors of Top Form International Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

	Notes	For the six months ended 31 December	
		2003 (Unaudited) HK\$'000	2002 (Unaudited and restated) HK\$'000
Turnover	3	534,684	551,573
Cost of sales		(366,742)	(389,929)
Gross profit		167,942	161,644
Other operating income	4	2,108	4,311
Selling and distribution expenses		(22,508)	(20,973)
General and administrative expenses		(66,311)	(62,988)
Profit from operations	5	81,231	81,994
Finance costs		(543)	(5,151)
Profit before taxation		80,688	76,843
Taxation	6	(15,367)	(11,388)
Profit before minority interests		65,321	65,455
Minority interests		98	(1,545)
Profit attributable to shareholders		65,419	63,910
Dividend	7	21,427	–
Earnings per share	8		
Basic		6.1 cents	7.9 cents
Diluted		6.1 cents	6.0 cents

(CONDENSED CONSOLIDATED BALANCE SHEET)

AT 31 DECEMBER 2003

	Notes	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited and restated) HK\$'000
Non-current assets			
Property, plant and equipment	9	128,742	116,111
Interests in associates	10	–	–
Interest in a jointly controlled entity		959	811
		<u>129,701</u>	<u>116,922</u>
Current assets			
Inventories		152,241	120,284
Debtors, deposits and prepayments	11	110,019	82,103
Bills receivable		624	3,765
Bank balances and cash		95,078	100,735
		<u>357,962</u>	<u>306,887</u>
Current liabilities			
Creditors and accrued charges	12	98,777	84,265
Taxation		28,809	20,692
Secured bank borrowings and other liabilities			
– due within one year	13	60,298	20,832
Obligations under finance leases			
– due within one year		2,063	1,821
		<u>189,947</u>	<u>127,610</u>
Net current assets		<u>168,015</u>	<u>179,277</u>
Total assets less current liabilities		<u>297,716</u>	<u>296,199</u>
Non-current liabilities			
Secured bank borrowings and other liabilities			
– due after one year	13	326	367
Obligations under finance leases			
– due after one year		1,206	1,683
Provision for long service payment		3,055	3,055
Deferred taxation		3,607	2,948
		<u>8,194</u>	<u>8,053</u>
		<u>289,522</u>	<u>288,146</u>
Capital and reserves			
Share capital	14	107,135	107,135
Reserves		161,535	160,061
		<u>268,670</u>	<u>267,196</u>
Minority interests		<u>20,852</u>	<u>20,950</u>
		<u>289,522</u>	<u>288,146</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**FOR THE SIX MONTHS ENDED 31 DECEMBER 2003**

	Share capital HK\$'000	Share premium HK\$'000	Legal reserve HK\$'000	Special reserve HK\$'000	Other distributable reserve HK\$'000	Revaluation reserve HK\$'000	Translation reserves HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
At 1 July 2002									
- as originally stated	77,052	249,546	323	7,139	-	5,511	(2,257)	(295,962)	41,352
- prior period adjustment in respect of deferred tax liabilities (note 2)	-	-	-	-	-	-	-	917	917
- as restated	77,052	249,546	323	7,139	-	5,511	(2,257)	(295,045)	42,269
Issue of shares upon the conversion of the convertible loan notes	15,516	32,829	-	-	-	-	-	-	48,345
Realised on disposal of investments in securities	-	-	-	-	-	(3,019)	-	-	(3,019)
Exchange difference arising on translation of overseas operations	-	-	-	-	-	-	(1,600)	-	(1,600)
Profit attributable to shareholders	-	-	-	-	-	-	-	63,910	63,910
At 31 December 2002	92,568	282,375	323	7,139	-	2,492	(3,857)	(231,135)	149,905
Net gains not recognised in the income statement during the period	-	-	-	-	-	-	(1,600)	-	(1,600)
At 1 July 2003									
- as originally stated	107,135	-	323	7,139	82,601	2,492	(450)	68,524	267,764
- prior period adjustment in respect of deferred tax liabilities (note 2)	-	-	-	-	-	-	-	(568)	(568)
- as restated	107,135	-	323	7,139	82,601	2,492	(450)	67,956	267,196
Dividend paid	-	-	-	-	(64,281)	-	-	-	(64,281)
Exchange difference arising on translation of overseas operations	-	-	-	-	-	-	336	-	336
Profit attributable to shareholders	-	-	-	-	-	-	-	65,419	65,419
At 31 December 2003	107,135	-	323	7,139	18,320	2,492	(114)	133,375	268,670
Net losses not recognised in the income statement during the period	-	-	-	-	-	-	336	-	336

Note: Other distributable reserve represents the net amount of surplus transferred from share premium accounts during the year ended 30 June 2003 pursuant to the special resolution passed on 4 April 2003 and 2003 final and special dividends paid in October 2003.

(CONDENSED CONSOLIDATED CASH FLOW STATEMENT)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

	For the six months ended 31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	43,336	71,374
Net cash used in investing activities	(22,462)	(22,128)
Net cash used in financing activities	(37,008)	(10,198)
Net (decrease) increase in cash and cash equivalents	(16,134)	39,048
Cash and cash equivalents at the beginning of the period	97,033	45,566
Effect of foreign exchange rate changes	(481)	88
Cash and cash equivalents at the end of the period	<u>80,418</u>	<u>84,702</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	95,078	113,555
Bank overdrafts	(14,660)	(28,853)
	<u>80,418</u>	<u>84,702</u>

(NOTES TO THE CONDENSED FINANCIAL STATEMENTS)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain leasehold properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2003, except as described below.

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes" issued by the HKSA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the condensed financial statements and the corresponding tax bases used in the computation of taxable profit with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the opening balance on retained earnings at 1 July 2003 has been decreased by HK\$568,000 (1 July 2002: increased by HK\$917,000). The profit for the six months ended 31 December 2003 has been decreased by HK\$659,000 (six months ended 31 December 2002: HK\$1,458,000).

3. SEGMENT INFORMATION

The business activities of the Group can be categorised into manufacturing business and branded business. Segment information in respect of these activities is as follows:

Business segments

Six months ended 31 December 2003

	Manufacturing business <i>HK\$'000</i>	Branded business <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
External sales	523,692	10,992	–	534,684
Inter-segment sales	2,111	–	(2,111)	–
Total sales	525,803	10,992	(2,111)	534,684
Results				
Segment results	89,339	(3,559)	–	85,780
Unallocated corporate expenses				(4,836)
Interest income				287
Profit from operations				81,231

Six months ended 31 December 2002

	Manufacturing business <i>HK\$'000</i>	Branded business <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
External sales	539,280	12,293	–	551,573
Inter-segment sales	3,173	–	(3,173)	–
Total sales	542,453	12,293	(3,173)	551,573
Results				
Segment results	92,179	(6,264)	–	85,915
Unallocated corporate expenses				(4,159)
Interest income				238
Profit from operations				81,994

Geographical segments

The following table provides an analysis of the Group's sales by geographical market:

Six months ended 31 December 2003

	Sales revenue by geographical market <i>HK\$'000</i>	Contribution to profit from operations <i>HK\$'000</i>
United States of America	407,646	76,311
Europe	83,312	6,900
Australia and New Zealand	19,145	3,585
Asia (excluding Hong Kong)	15,397	308
Hong Kong	9,184	(1,324)
	<u>534,684</u>	<u>85,780</u>
Unallocated corporate expenses		(4,836)
Interest income		<u>287</u>
Profit from operations		<u>81,231</u>

Six months ended 31 December 2002

	Sales revenue by geographical market <i>HK\$'000</i>	Contribution to profit from operations <i>HK\$'000</i>
United States of America	428,712	74,624
Europe	78,602	11,895
Australia and New Zealand	12,704	2,248
Asia (excluding Hong Kong)	21,030	475
Hong Kong	10,525	(3,327)
	<u>551,573</u>	<u>85,915</u>
Unallocated corporate expenses		(4,159)
Interest income		<u>238</u>
Profit from operations		<u>81,994</u>

4. OTHER OPERATING INCOME

Other operating income includes:

	For the six months ended 31 December	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Gain on disposal of investments in securities	–	3,108
Interest income	287	238
	<u>287</u>	<u>238</u>

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	For the six months ended 31 December	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Depreciation of property, plant and equipment	11,298	8,762
Cost of textile quota entitlements	8,661	3,922
	<u>19,959</u>	<u>12,684</u>

6. TAXATION

	For the six months ended 31 December	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax calculated at 17.5% (2002: 16%) on the estimated assessable profit for the period	11,295	8,636
Taxation in other jurisdictions calculated at the rates prevailing in the respective jurisdictions	3,413	1,294
	<u>14,708</u>	<u>9,930</u>
Deferred tax:		
Current year	448	1,458
Attributable to increase in tax rate	211	–
	<u>659</u>	<u>1,458</u>
	<u>15,367</u>	<u>11,388</u>

In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from 2003/04 year of assessment. The effect of this increase in tax rate has been reflected in the calculation of current and deferred tax balances as at 31 December 2003.

7. DIVIDEND

	For the six months ended	
	31 December	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
2003 final dividend paid:		
HK\$0.04 (year ended 30 June 2002: nil)		
per share on 1,071,349,957 shares	42,854	–
2003 special dividend paid:		
HK\$0.02 (year ended 30 June 2002: nil)		
per share on 1,071,349,957 shares	21,427	–
	64,281	–

An interim dividend of 2 HK cents (six months ended 31 December 2002: Nil) per share has been proposed by the Directors.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$65,419,000 (six months ended 31 December 2002: HK\$63,910,000) and on the 1,071,349,957 shares (six months ended 31 December 2002: weighted average of 813,230,541 shares) in issue during the period.

The computation of diluted earnings per share is as follows:

	For the six months ended	
	31 December	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Profit for the purpose of basic earnings		
per share	65,419	63,910
Interest on convertible loan notes	–	2,971
	65,419	66,881

	For the six months ended	
	31 December	
	2003	2002
	<i>Number of shares</i>	
Number of shares for the purpose of basic earnings per share	1,071,349,957	813,230,541
Effect of dilutive potential shares:		
Convertible loan notes	–	308,911,868
Share options	4,352,432	768,609
	<u>1,075,702,389</u>	<u>1,122,911,018</u>

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the additions and disposals of property, plant and equipment amounted to HK\$23,281,000 and HK\$169,000 (for the six months ended 31 December 2002: HK\$28,456,000 and HK\$955,000), respectively.

10. INTERESTS IN ASSOCIATES

Share of net assets of associates of HK\$15,422,000 by the Group were fully impaired in previous years.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance were trade debtors of HK\$81,982,000 (At 30 June 2003: HK\$55,773,000). The Group allows an average credit period of 30 days to its trade customers.

The aging analysis of trade debtors was as follows:

	31 December	30 June
	2003	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	76,039	50,890
Over 30 days and under 60 days	4,255	1,841
Over 60 days and under 90 days	469	576
Over 90 days	1,219	2,466
	<u>81,982</u>	<u>55,773</u>

12. CREDITORS AND ACCRUED CHARGES

Included in the balance were trade creditors of HK\$32,992,000 (At 30 June 2003: HK\$19,130,000).

The aging analysis of trade creditors were as follows:

	31 December 2003 <i>HK\$'000</i>	30 June 2003 <i>HK\$'000</i>
Within 30 days	24,365	16,785
Over 30 days and under 60 days	4,872	1,315
Over 60 days and under 90 days	2,458	676
Over 90 days	1,297	354
	<u>32,992</u>	<u>19,130</u>

13. SECURED BANK BORROWINGS AND OTHER LIABILITIES

	31 December 2003 <i>HK\$'000</i>	30 June 2003 <i>HK\$'000</i>
Secured bank borrowings	60,217	20,750
Other unsecured liabilities	407	449
	<u>60,624</u>	<u>21,199</u>
Less: Amount due within one year and shown as current liabilities	<u>(60,298)</u>	<u>(20,832)</u>
Amount due after one year	<u>326</u>	<u>367</u>

14. SHARE CAPITAL

	31 December 2003	30 June 2003	31 December 2003	30 June 2003
	<i>Number of shares</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.10 each				
Authorised:				
At beginning and end of period/year	1,500,000,000	1,500,000,000	150,000	150,000
Issued and fully paid:				
At beginning and end of period/year	1,071,349,957	770,521,462	107,135	77,052
Issue of shares upon the conversion of convertible loan notes ("CLNs")	–	300,828,495	–	30,083
At the end of period/year	1,071,349,957	1,071,349,957	107,135	107,135

15. CAPITAL COMMITMENTS

	31 December 2003	30 June 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	503	4,292
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	19,904	26,898
	<u>20,407</u>	<u>31,190</u>

16. PLEDGE OF ASSETS

As at 31 December 2003, the Group had pledged certain of its properties with an aggregate carrying value of approximately HK\$814,000 (30 June 2003: HK\$877,000), to secure credit facilities granted to the Group.

17. RELATED PARTY TRANSACTIONS

During the period, the Group had significant transactions with related parties and connected transactions as follows:

Name of related party	Nature of transactions	For the six months ended	
		31 December	
		2003	2002
		HK\$'000	HK\$'000
Van de Velde N.V. ("VdV") (note a)	Sales of finished products (note c)	14,084	9,186
	Interest payable on CLN	–	151
AIG Asia Direct Investment Fund Ltd. ("AIGA") (note b)	Interest payable on CLN	–	976
American International Assurance Co. (Bermuda) Ltd. ("AIA") (note b)	Interest payable on CLN	–	976

Notes:

- (a) On 9 September 2002, Messrs. Herman Van de Velde and Lucas A. M. Laureys, directors of VdV were appointed as Directors of the Company. Since then, VdV became a related party of the Company and it held an interest of 19.17% in the Company as at 31 December 2003. At 31 December 2003, the balance of trade receivable from VdV amounted to HK\$325,000 (At 30 June 2003: HK\$692,000).
- (b) During the period ended 31 December 2002, AIGA and AIA, each held US\$1.7 million of the CLNs issued by the Company. All of these CLNs were converted or redeemed during the year ended 30 June 2003.
- (c) The sales were carried out at market price or, where no market price was available, at cost plus a percentage of profit mark-up.

(MANAGEMENT DISCUSSION AND ANALYSIS)

Despite a slight decline in sales turnover for the six months ended 31 December, 2003, the Group achieved an increase in earnings. While sales turnover decreased 3% to HK\$534.7 million, earnings increased 2% to HK\$65.4 million. Basic earnings per share was 6.1 HK cents, comparing with 7.9 HK cents for the same period in the previous year before the conversion of the Convertible Loan Notes in January 2003.

The result, which was driven by our core business, was not totally unexpected. As reported in my Chairman's statement six months ago, most economies including the U.S., our major market, were clouded by the Middle East War in the first half of 2003 which resulted in soft markets and weakened consumer spending. In this pessimistic business climate, our OEM customers became extremely cautious in inventory management and began to cut back demand for production.

For the first quarter of the fiscal year, our plants were at 85% capacity, compared with virtually 100% in the corresponding period of the previous year. With the upturn in the U.S. economy two months after the War ended, our customers immediately rushed for inventory replenishment, resulting in a surge in demand for production in the second quarter. This increase in demand was particularly evident during the two months before Christmas. The Company was quick to respond to the market changes, and was able to recover most of the lost sales in the preceding quarter through overtime operations. It should be noted that, despite the market volatility and the additional costs associated with the excess capacity and overtime operations, we were able to improve our gross profit margin and maintain an operating profit in line with sales performance during the six month period. The management is also pleased with the additional capacity provided by the new manufacturing plant in Jiangxi province. The plant has contributed towards stabilizing operating costs because of its low cost structure.

The development of our Branded business is making progress, albeit at a slow pace. Sales turnover for the six month period decreased 11% to HK\$11 million, as a result of our decision to discontinue relationship with underperforming wholesale customers. The operating loss narrowed down by 43% to HK\$3.6 million. In December 2003, we successfully renegotiated our contract with the wholesale agent for the Yangtze River Delta. The new contract will provide not only more favorable business terms to the Company, but will also enable management to concentrate the resources in developing other regions in the China market. We have also begun launching more advertising programs to build brand recognition in the China market.

The improvement of the Group's overall profit performance was also attributed to the continued savings achieved in corporate spending over the past six months. Total corporate expenses decreased 44% to HK\$4.9 million, with the reduction in interest expenses accounting for most of the savings. The Company's gearing, which is measured by total bank borrowings to net worth, was at 22% and we were in a net cash position of HK\$35 million as at 31 December 2003, evidencing the stability of the Group's financial health. As the Group has successfully reduced its need for borrowed funds, we expect interest to become less of a cost factor in the future. The management will continue to focus on maintaining control over other elements in corporate spending.

Looking ahead towards the rest of the year, we are confident that the current positive economic trend will continue. Our OEM operations have successfully acquired new customers in the U.S., Europe and Japan markets and we are comfortable with the orders we have on hand for the next six months. We believe our growth driver going forward will come from the expansion of our clientele in the Europe market, in addition to the U.S.

Despite the positive outlook, however, there are some causes for concern. The fluctuation in the exchange rates of our trading currencies has had a mixed impact on our business. While on the one hand the growth of our non-U.S. exports has been stimulated by the strong Euro and the Yen, on the other hand our Thailand operations, which account for 38% of our total capacity, have been under mounting pressure for cost increases due to the appreciation of the Thai Baht. The Safeguard Quota recently imposed by the U.S. on China's export of bras, though not a real crisis for us under the new limit, remains an uncertainty because the Chinese Government has yet to finalize the quota allocation system.

As for our Branded business, most of the key issues have been addressed as part of the restructuring. While we are on track in terms of focusing efforts on rebuilding sales over the next few months, we do not expect this business unit at its foreseeable level of sales turnover to have a significant impact on the Group's performance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The following Directors of the Company were granted options to subscribe for shares in the Company on 9 September 2002 at an exercise price of HK\$0.343 in accordance with the share option scheme approved and adopted at a special meeting of the Company held on 22 November 2001. Details of the share option scheme are set out under the section "Share Options" below.

Name of Director	Number of shares
Fung Wai Yiu	770,521
Wong Chung Chong, Eddie	770,521
Chow Yu Chun, Alexander	770,521
Lam Ka Chung, William	770,521
Marvin Bienenfeld	770,521
Leung Churk Yin, Jeanny	770,521
Lin Sian Zu, John	770,521
Tse Koon Hang, Ada	770,521
	6,164,168

No options were exercised by the Directors during the period.

Save as disclosed above:

- (a) none of the Directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year; and
- (b) at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2003, the interests of the Directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Ordinary shares of HK\$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Fung Wai Yiu	Held by spouse and trust (note 1)	368,120,142	34.36%
Wong Chung Chong, Eddie	Held by trust (note 2)	367,904,142	34.34%
Chow Yu Chun, Alexander	Beneficial owner	1,930,000	0.18%
Lucas A.M. Laureys	Held by controlled corporation (note 3)	389,331,141	36.34%
Herman Van de Velde	Held by controlled corporation (note 3)	389,331,141	36.34%

Notes:

- 216,000 shares are held by the spouse of Mr. Fung Wai Yiu ("Mr. Fung"). 209,191,780 shares are registered in the name of Guliano Pte Limited ("Guliano"). 158,712,362 shares are registered in the name of HKSCC Nominees Limited ("HKSCC") and are beneficially owned by Guliano. Mr. Fung is deemed to be interested in the Company as he has beneficial interest in a family trust which held 9,590 shares of Guliano.
- 209,191,780 shares are registered in the name of Guliano. 158,712,362 shares are registered in the name of HKSCC and are beneficially owned by Guliano. Wong Chung Chong, Eddie ("Mr. Wong") is deemed to be interested in the Company as he is the founder of a family trust which held 40,411 shares of Guliano.
- 209,191,780 shares are registered in the name of Guliano. 158,712,362 shares are registered in the name of HKSCC and are beneficially owned by Guliano. 49,999 shares of Guliano are held by VdV. 21,426,999 shares are registered in the name of VdV of which Mr. Lucas A. M. Laureys and Mr. Herman Van de Velde are beneficial owners.

(SUBSTANTIAL SHAREHOLDERS)

As at 31 December 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Guliano	Beneficial owner	367,904,142	34.34%
VF Intimates	Beneficial owner	106,000,000	9.89%

(SHARE OPTIONS)

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 22 November 2001 for the primary purpose of providing incentives or rewards for the contribution by the directors, employees or any other persons in the discretion of the Board and will expire on 21 November 2012. Under the Scheme, the Board of Directors of the Company may grant options to any employees or executives or officers of the Company and its subsidiaries and any other persons, who in the discretion of the Board have contributed to the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 December 2003, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 6,164,168 (2002: 6,164,168), representing 0.6% (2002: 0.7%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 14 days of the date of grant, upon payment of HK\$1 per grant. Options may generally be exercised at any time from the second anniversary of the date of acceptance to the tenth anniversary of the date of grant. In each grant of options, the Board of Directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's shares on the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the shares.

The following table discloses details of the Company's share options held by directors under the Scheme and movements in such holdings during the period:

Date of grant	Vesting period	Exercise period	Exercise price HK\$	Number of share options		
				Outstanding at 1.7.2003	Granted during the period	Outstanding at 31.12.2003
9 September 2002	9 September 2002 to 8 September 2004	9 September 2004 to 8 September 2012	0.343	6,164,168	-	6,164,168

During the six months ended 31 December 2003, no option were exercised or cancelled under the Scheme.

(EMPLOYMENT AND REMUNERATION POLICY)

As at 31 December 2003, the Group had a total number of approximately 9,200 employees.

The remuneration policy and package of the Group's employees are structured by reference to market terms and statutory requirements as appropriate. In addition, the Group also provide other staff benefits such as medical insurance, mandatory provident fund and a share option scheme to its employees.

(AUDIT COMMITTEE)

On 11 December 1998, the Company formed an Audit Committee comprising Mr. Chow Yu Chun, Alexander, Mr. Lam Ka Chung, William, Mr. Lin Sian Zu, John and Ms. Tse Koon Hang, Ada, all of whom are independent non-executive Directors of the Company. In establishing the terms of reference of the Audit Committee, the Directors have made reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

The unaudited interim report for the six months ended 31 December 2003 has been reviewed by the Audit Committee.

(PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES)

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

(INTERIM DIVIDEND)

The Board of Directors has resolved to declare an interim dividend of 2 HK cents per share be paid for this six months period (2002: nil) to members whose name appear on the register of members on 12 March 2004.

(CLOSURE OF REGISTER OF MEMBERS)

The register of members of the Company will be closed from 8 March 2004 to 12 March 2004, both days inclusive, for the purpose of establishing entitlement of shareholders to receive the dividend. During this period, no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Secretaries Limited at G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 5 March 2004.

(CORPORATE GOVERNANCE)

The Company has complied throughout the period with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By Order of the Board
Fung Wai Yiu
Chairman

Hong Kong, 17 February 2004