

CONTENTS

	<i>Page(s)</i>
CORPORATE INFORMATION	3
CHAIRMAN'S STATEMENT	4
MANAGEMENT DISCUSSION AND ANALYSIS	6
DIRECTORS' REPORT	8
AUDITORS' REPORT	19
CONSOLIDATED INCOME STATEMENT	20
CONSOLIDATED BALANCE SHEET	21
BALANCE SHEET	22
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	23
CONSOLIDATED CASH FLOW STATEMENT	24
NOTES TO THE FINANCIAL STATEMENTS	26
FIVE YEAR FINANCIAL SUMMARY	60

EXECUTIVE DIRECTORS

Mr. Fung Wai Yiu, *Chairman*
Mr. Wong Chung Chong, Eddie,
Group Managing Director
Mr. Leung Tat Yan ⁽¹⁾

NON-EXECUTIVE DIRECTORS

Ms. Leung Churk Yin, Jeanny
Mr. Lucas A.M. Laureys
Mr. Herman Van de Velde

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Marvin Bienenfeld ^{(3) (4)}
Mr. Chow Yu Chun, Alexander ^{(3) (4)}
Mr. Lam Ka Chung, William ^{(3) (4)}
Mr. Lin Sian Zu, John ^{(2) (3)}
Ms. Tse Koon Hang, Ada ^{(2) (3) (4)}

COMPANY SECRETARY

Mr. Michael Austin

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

- (1) Appointed on 18 September 2005
- (2) Resigned on 18 September 2005
- (3) Member of Audit Committee
- (4) Member of Compensation Committee

PRINCIPAL OFFICE

Room 1813, 18th Floor, Tower 1
Grand Century Place
193 Prince Edward Road West
Mongkok, Kowloon, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Fung Wai Yiu
Mr. Wong Chung Chong, Eddie

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

AUDITORS

Deloitte Touche Tohmatsu

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Secretaries Limited
G/F., Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

I am delighted to report another record year.

Group sales rose 20% to HK\$1.46 billion, after-tax earnings increased 17% to HK\$183.1 million, and earnings per share were up from 14.6 cents to 17.0 cents, all driven by the continuous expansion of our core business.

The Board of Directors has proposed a final dividend of HK\$0.06 per share for the year.

Our OEM business remains the largest supplier in the trade and we shipped in excess of 61 million units for the year. During that period, we completed the expansion project in Jiangxi; we built a 40,000 sq. ft. product development center in Shenzhen; and we went to Thailand and started yet another expansion project there. All these developments will ensure that we have the capacity and the necessary support to satisfy our needs as our core business continues to grow in the coming years. We are pleased that the new customers we developed a year ago have started to carry weight in our sales turnover.

Our brands business has not seen any breakthrough in sales but the operating loss was tapered to HK\$5.6 million, an improvement from the loss of HK\$8.8 million recorded in the previous year. In the implementation of our strategic plan to acquire a distribution platform for this business, discussions with several target companies took place during the year but none were consummated. It is increasingly challenging to pursue a quality company as valuations of marketing and distribution businesses have been on the rise in the China market. We will nevertheless continue our M&A effort on a cautious basis.

The quota system, which our industry had learnt to live with for over thirty years, has been abolished since the beginning of this year (and earlier, from 2002, in the case of the U.S. market). Unfortunately trade relationships, particularly those between China and its major markets, have yet to find an equilibrium between global free trade and the protectionism sentiments that still exist in the importing countries. The trade disputes we have repeatedly seen, the new Textile & Clothing Agreement China reached with the E.U. in the recent months, and the Safeguard measures being imposed by the U.S. on imports of bras from China, have not only clouded the outlook of our business, but presented immense challenges to operations. Top Form is less affected in this situation because almost half of our global capacity is located outside of China. However we are not totally immune from the problems. In order to circumvent the export constraints under the new E.U. Clothing Agreement and the U.S. Safeguard, we would need to reshuffle the production loadings from time to time among our plants in and outside of China. The exercise is costly, but it helps us to maintain our reliable service to customers despite the uncertainties in trade.

Aside from the concerns with the trade issues, there are causes for prudence from the business standpoint in our forecast for the coming year. The surge in oil prices and the increasingly high interest rates have not only sent costs spiraling upwards, but cast heavy shadows on the already lackluster consumer market. Our first quarter sales for fiscal year 2006 are expected to be down by approximately 7.5% from the corresponding period in the previous year, which reflects our customers' caution in inventory management. Production booking for the second quarter is up to a satisfactory level and we are hopeful that the trend will continue for the second half of the year. All things considered, the next twelve months will be most challenging for our core business. We nevertheless will strive to maintain our performance by finding opportunities to improve our cost structure and by bringing in new customers, especially those in the Europe market. As far as our brands business is concerned, it will be held at the current sales level under the existing structure. We are hopeful that upon successful acquisition of a distribution platform, we could have immediate market access and growth.

Financially, I am pleased to report that the Group continues to maintain a strong balance sheet. As of 30 June 2005, shareholders' funds had increased to HK\$434.3 million from HK\$330.6 million at 30 June 2004. At 30 June 2005, the Group had credit facilities amounting to HK\$130 million of which HK\$7.6 million had been utilized. With a cash position of HK\$184 million, we are comfortable that the Group will have the resources necessary to support our expansion and M&A projects.

I should report some changes in our Board of Directors. Miss Ada Tse and Mr. John Lin, in view of their other priorities, decided to stand down as Directors at the Board Meeting on 18 September 2005. Both Miss Tse and Mr. Lin had been serving on our Board since the Group commenced the financial restructuring in 1998. Their valuable contributions are evidenced in our successful turnaround and continued growth. On behalf of all Board members I want to express our appreciation for the time and energy they dedicated to the Group. Mr. T.Y. Leung, subject to approval of shareholders at the upcoming AGM, is appointed as Executive Director to our Board. Mr. Leung is 48 years old. He joined Top Form in 1983 and he is currently the Managing Director of Top Form Brassiere, our core business.

This is a year in which our managers and employees should be proud of themselves. Their hard work has resulted in the record performance of the Group, for which I want to express the appreciation on behalf of the Board.

Fung Wai Yiu

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

The management is pleased with the result for the year ended 30 June 2005. During the year, the Group attained continued growth in sales and earnings. Our efforts in expanding our markets and customer base for the core business, and in minimizing the loss incurred in the brands operation have brought the expected results.

The Group's business activities were organized into two operating units, namely Manufacturing and Brands, and a Corporate cost centre.

	Turnover		Profit (Loss)	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Manufacturing	1,442,897	1,194,769	251,942	210,899
Brands	20,918	22,274	(5,594)	(8,777)
Corporate	–	–	(16,229)	(7,725)
Total	<u>1,463,815</u>	<u>1,217,043</u>	<u>230,119</u>	<u>194,397</u>

Group profit before taxation increased 18% to HK\$230.1 million primarily due to the increase of 20% in sales turnover to HK\$1.46 billion, all driven by the OEM business.

MANUFACTURING

Our core business recorded continued year-to-year growth. Unit output was up 15% and sales turnover 20%. The double digit growth was attributable to the new customers we developed in both the US and the EU markets.

During the year, we shipped over 61 million units of brassiere products, with the second half accounting for 55% of the total. It should be noted that of the 33.7 million units shipped in the second half of the year, approximately 2.4 million units were deferred sales from the first half due to the embargo placed by the U.S. on imports of bras from the PRC under the Safeguard Limit which ultimately expired in late December 2004.

The upward trend in our products and customer mix continued during the year, as evidenced by the moderate increase in our unit selling price. In anticipation of our future growth and the increasing demands for product innovation and fashion input, we have invested in a 40,000 sq. ft. Product Development Center in Shenzhen in February this year. We are hopeful that the addition of this Product Development Center will place the Group in the leading position in terms of product innovation and manufacturing technologies, all aiming to better serve our customers and markets, and to support our future growth.

The final stage of our expansion in Jiangxi was completed in August 2004 and the new plant there has since become fully operational, providing the additional capacity needed for sales growth. Following the completion of the expansion in Jiangxi, we started a new expansion project in Thailand. In August 2004, we set up a satellite plant in a province that is located away from the dense clusters of manufacturing industries around Bangkok. The operation in that location has proved satisfactory, particularly in terms of labor supply. We are in the process of expanding that satellite plant into a full scale operation with the objectives of further increasing our global capacity and also to provide a fall back position in case our production capacity in the PRC is compromised due to the trade disputes between the PRC and her trading nations.

BRANDS

Brands sales during the year were held with a slight drop of 6% in turnover. Operating loss was tapered to HK\$5.6 million primarily through improved inventory control and product offering. All of the loss was attributable to the operation in Hong Kong where the purpose of our maintaining a minimum presence in this high-cost market was to showcase our products and to uphold our brand image.

CORPORATE

The charges attributable to our Corporate Cost Centre increased from HK\$7.7 million to HK\$16.2 million for the year. The hefty increase was due to the additional administrative functions we installed which are needed to support our expanding business and increasingly challenging operations, and an unfavorable comparison to a HK\$4 million gain on the winding up of two subsidiaries in Europe recorded in the previous year.

FINANCIAL POSITION

The financial position of the Group continued to improve throughout the year.

Shareholders' funds increased from HK\$330.6 million at 30 June 2004 to HK\$434.3 million at 30 June 2005.

At 30 June 2005, the Group had credit facilities amounting to HK\$130 million of which HK\$7.6 million had been utilized. Gearing remained at an insignificant level.

Bank balances and cash amounted to HK\$184 million at 30 June 2005, representing an increase of HK\$70 million from the previous year.

OUTLOOK

Despite the strong and continuous growth we experienced in the fiscal year under review, the next twelve months presents unprecedented challenges to the Group. In operations, the return of the trade sanctions placed by EU and the US against the exports of apparel products of the PRC have caused the Group to reshuffle the production loadings among its facilities in and outside of the PRC, resulting in losses of efficiency and increases in operating costs. While the new Clothing Agreement recently signed between the EU and the PRC has had quite minor impacts on the Group, the outcome of the current Sino-US negotiations on the textile and apparel trade, could potentially have heavier impacts on the operation and the performance of our core business in the short term. The safeguard limit imposed by the US for the remainder of 2005 represents a 31% increase over the previous limit imposed in 2003/2004 but the situation as regards 2006 and beyond remains uncertain. On the business front, the upward trend in the interest rate and the surge in oil prices have caused our customers to be cautious with their forecasts and inventory management. First quarter sales will be approximately 7.5% down from the historically best ever first quarter recorded in the previous year. However, business booking has recently begun to pick up. Barring any negative impacts that the trade issues may bring upon the industry, we expect our sales to gain momentum in the second quarter and for the rest of the year and that we could maintain the level of performance of the preceding year.

Wong Chung Chong, Eddie

Group Managing Director

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in the design, manufacture, distribution, wholesale and retail of ladies' intimate apparel, principally brassieres.

RESULTS AND DIVIDEND

The results of the Group for the year ended 30 June 2005 are set out in the consolidated income statement on page 20.

An interim dividend of HK\$0.025 per share was paid to shareholders during the year. The directors now recommend the payment of a final dividend of HK\$0.06 per share to the shareholders on the register of members on 28 October 2005.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 60.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure, principally on its production facilities, totalling approximately HK\$68 million. Movements of property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Fung Wai Yiu	<i>(Chairman)</i>
Wong Chung Chong, Eddie	<i>(Group Managing Director)</i>
Leung Tat Yan	<i>(Appointed on 18 September 2005)</i>

Non-executive Directors

Leung Churk Yin, Jeanny
 Lucas A.M. Laureys
 Herman Van de Velde

Independent Non-executive Directors

Marvin Bienenfeld	
Chow Yu Chun, Alexander	
Lam Ka Chung, William	
Lin Sian Zu, John	<i>(Resigned on 18 September 2005)</i>
Tse Koon Hang, Ada	<i>(Resigned on 18 September 2005)</i>

Herman Van de Velde and Lucas A. M. Laureys retire in accordance with Bye-law 87(2) and Leung Tat Yan retires in accordance with Bye-law 86(2) of the Company's Bye-laws and, being eligible, offer themselves for re-election. All remaining Directors continue in office.

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The Non-executive Directors have been appointed for a period up to their retirement by rotation as required by the Company's Bye-laws.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Fung Wai Yiu, 58, the Chairman of the Group, has over 35 years of experience in the apparel industry.

Wong Chung Chong, Eddie, 60, a co-founder of the Group and the Group Managing Director, is responsible for the operations of the Group. Mr. Wong has over 30 years of experience in the brassiere trade.

Leung Tat Yan, aged 48, is currently the Managing Director of Top Form Brassiere Mfg. Co., Limited ("TFB"), a wholly owned subsidiary of the Company, and is the chief executive of the OEM operations of the Group. Mr. Leung joined the Group in 1983, and brings to the Board a broad range of experience in the ladies' intimate apparel industry. He completed his further education in Business Studies in the United Kingdom.

Non-executive Directors

Leung Churk Yin, Jeanny, 40, is the Managing Director of Access Capital Limited. She has over 15 years of corporate finance experience in the Greater China region.

Lucas A.M. Laureys, 60, is the Chairman of Van de Velde N.V. ("VdV"), a listed company in Belgium. Mr. Laureys has over 30 years of experience in the brassiere trade.

Herman Van de Velde, 51, is the Managing Director of VdV. He joined the brassiere industry in 1981 and is well versed in operating the brassiere business in Europe.

Independent Non-executive Directors

Marvin Bienenfeld, 73, was formerly the Chairman of Bestform, Inc., a company of VF Corporation. Mr. Bienenfeld has over 40 years of experience in the ladies' intimate apparel industry in the United States of America ("USA").

Chow Yu Chun, Alexander, 58, is a Fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and has over 25 years of experience in property development in Hong Kong.

Lam Ka Chung, William, 53, is a Fellow member of the HKICPA, a responsible officer registered with Hong Kong Securities and Futures Commission and a member of Cash Market Consultative Panel of the Stock Exchange of Hong Kong. Mr. Lam is the founder and CEO of an investment bank listed on the Stock Exchange of Hong Kong.

Management and Senior Staff

Michael Austin, 57, is Chief Financial Officer of the Group and Company Secretary. Mr. Austin is a Fellow member of the Institute of Chartered Accountants in England and Wales and an Associate member of the HKICPA. He has over 25 years of diverse senior financial and general management experience in Hong Kong and worldwide.

Choi Wai Yin, 58, is a Director of TFB, joined the Group in 1993. Ms. Choi has over 35 years of experience in apparel manufacturing. She oversees all manufacturing operations within the Group.

Yue Chin Chai Ting, 44, is a Director of Unique Form Manufacturing Company Limited and Marguerite Lee Limited. Mrs. Yue holds a bachelor degree in Economics from the University of Lancaster, UK. Prior to joining the Group, she had over 10 years of experience in retail and wholesale management.

Chen Fu Mei, 58, is a Director and the Deputy General Manager of Shenzhen Topform Underwear Co., Ltd. Ms. Chen joined the Group in 1988 and is responsible for the administration of all the Group's companies in the People's Republic of China ("PRC").

Fung Sau Keung, Andy, 51, is the General Manager of Meritlux Industries Philippines, Inc.. He is responsible for operations in the Philippines. He joined the Group in 1975 and has over 25 years of experience in intimate apparel manufacturing operations.

Wong Kai Chi, Kenneth, 31, is a Director of Top Form Brassiere Co., Limited. He is the son of Mr. Wong Chung Chong, Eddie. Mr. Wong holds a bachelor degree in Marketing and Operation Management from Boston University, USA. He joined the Group in 1997 and is responsible for the Group's product development activities.

Wong Kai Chung, Kevin, CFA, 29, is the Corporate Development Manager of the Group. He is the son of Mr. Wong Chung Chong, Eddie. Mr. Wong graduated from Colby College, USA, majoring in Economics in 1998. He joined the Group in 2001. He is responsible for the Group's corporate affairs as well as development of the branded operation in the PRC.

Wong Hei Yin, Henry, 42, is the General Manager of Charming Elastic Fabric Company Limited, a subsidiary of the Company, producing elastic tapes. Mr. Wong holds a bachelor degree in Accounting from Lamer University, USA.

Wan Ho Yau, David, 48, is the Managing Director of Grand Gain Industrial Limited, a subsidiary of the Company, producing foam pads and accessories for brassiere manufacturing. Mr. Wan joined the Group in 1994. He holds degrees in Computer Science and Business Administration from York University, Toronto, Canada.

CONNECTED TRANSACTIONS

The Group has from time to time conducted transactions with VdV, its subsidiaries and/or affiliates, which are "connected persons" for the purposes of the Rules Governing the Listing of the Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Stock Exchange granted a waiver on 11 November 2002 to the Company from strict compliance with the requirements as stipulated in Chapter 14 of the Listing Rules on connected transactions.

Pursuant to the waiver, details of the following connected transactions which have been entered into between VdV and the Group in the ordinary course of business are not required to be disclosed by press notice and/or by circular nor is the Company required to obtain prior independent shareholders' approval on each occasion:

Name of connected person	Nature of transactions	HK\$'000
VdV and its affiliates	Sales of finished products	<u>35,803</u>

The Independent Non-executive Directors confirm that the aforesaid connected transactions conducted by the Group during the year ended 30 June 2005 were:

- a) in the ordinary and usual course of the Group's businesses;
- b) on normal commercial terms or on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- c) entered into in accordance with the terms of the agreements governing the transactions or on terms no less favourable than those available to or from independent third parties; and
- d) within the relevant amounts as stipulated under the relevant waivers.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions as disclosed under the heading of "connected transactions" above, there were no contracts of significance to which the Company or any of its subsidiaries was a party and in which any one of the Directors of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors have an interest in any business constituting a competing business to the Group during the year.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 25 to the financial statements.

The following table discloses details of the Company's share options during the year:

Name of Director	Date of grant	Number of share options outstanding at 1 July 2004	Exercised during the year	Number of share options outstanding at 30 June 2005
Fung Wai Yiu	9 September 2002	770,521	(770,521)	–
Wong Chung Chong, Eddie	9 September 2002	770,521	(770,521)	–
Marvin Bienenfeld	9 September 2002	770,521	(770,521)	–
Chow Yu Chun, Alexander	9 September 2002	770,521	(770,521)	–
Lam Ka Chung, William	9 September 2002	770,521	(770,521)	–
Leung Churk Yin, Jeanny	9 September 2002	770,521	(770,521)	–
Lin Sian Zu, John	9 September 2002	770,521	(770,521)	–
Tse Koon Hang, Ada	9 September 2002	770,521	(770,521)	–
Total		<u>6,164,168</u>	<u>(6,164,168)</u>	<u>–</u>

The weighted average closing price of the Company's share immediately before the dates on which the options were exercised was HK\$1.41.

Details of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price HK\$
9 September 2002	9 September 2002 to 8 September 2004	9 September 2004 to 8 September 2012	0.343

No option was granted during the year.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2005, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions:

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	Beneficially owned and held by spouse and trust (note 1)	40,986,521	3.8%
Wong Chung Chong, Eddie	Beneficially owned and held by trust (note 2)	176,362,118	16.37%
Chow Yu Chun, Alexander	Beneficial owner	3,100,521	0.29%
Lam Ka Chung, William	Beneficial owner	770,521	0.07%
Marvin Bienenfeld	Beneficial owner	770,521	0.07%
Leung Churk Yin, Jeanny	Beneficial owner	70,521	0.01%
Lucas A. M. Laureys	Held by controlled corporation (note 3)	176,181,544	16.35%
Herman Van de Velde	Held by controlled corporation (note 3)	176,181,544	16.35%

Notes:

- 770,521 shares are beneficially owned by Mr. Fung Wai Yiu ("Mr. Fung") whereas 216,000 shares are held by the spouse of Mr. Fung. 40,000,000 shares are registered in the name of Fung On Holdings Limited ("Fung On"). The shares of Fung On are held by a family trust of which Mr. Fung and his family are eligible beneficiaries.
- 770,521 shares are beneficially owned by Mr. Wong Chung Chong, Eddie ("Mr. Wong"). 175,591,597 shares are registered in the name of High Union Holdings Inc. on behalf of the trustee of a unit trust whereas the unit trust are held by a family trust of which the family members of Mr. Wong are eligible beneficiaries.
- 159,339,762 shares are registered in the name of Guliano (HK) Limited which is wholly owned by VdV. 2,442,000 shares are registered in the name of HKSCC Nominees Limited and beneficially owned by VdV. 14,399,782 shares are registered in the name of VdV of which Mr. Lucas A. M. Laureys and Mr. Herman Van de Velde are beneficial owners.

Save as disclosed above, and other than certain nominee shares in subsidiaries held by Directors in trust for the Company's subsidiaries as at 30 June 2005, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, 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.

Long positions:

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
High Union Holdings Inc.	Beneficial owner	175,591,597	16.30%
Guliano (HK) Limited	Beneficial owner	159,339,762	14.79%
VF Intimates	Beneficial owner	106,000,000	9.84%

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

The respective percentages of the Group's purchases from major suppliers and turnover attributable to major customers for the year ended 30 June 2005 were as follows:

Percentage of purchases attributable to the Group's largest supplier	13%
Percentage of purchases attributable to the Group's five largest suppliers	43%
Percentage of turnover attributable to the Group's largest customer	59%
Percentage of turnover attributable to the Group's five largest customers	87%

As at 30 June 2005, VF Intimates, a shareholder owning more than 5% of the Company's share capital, is the Group's largest customer. Apart from this, none of the Directors, their associates or other shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) were interested at any time in the year in the above major suppliers or customers.

The aggregate purchases of the Group for the year ended 30 June 2005 amounted to HK\$645,934,000.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK\$596,000.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 32 to the financial statements.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the audited financial statements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent.

COMPENSATION COMMITTEE

The Group established a Compensation Committee in 1998, comprising four Independent Non-executive Directors. It reviews the compensation policies and recommends to the Board the remuneration packages of the Executive Directors and Senior Management. Where necessary, the Compensation Committee is empowered to engage external professional advisors to advise on relevant issues.

The compensation policy of the Group is designed to reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals. A significant proportion of the compensation of Executive Directors and Senior Management is based on the financial performance of the Group.

The Group's compensation policy for Non-executive Directors is to ensure that they are sufficiently but not excessively compensated for their efforts and time dedicated to the Group. No individual Director is involved in deciding his own remuneration.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the year ended 30 June 2005, in compliance with the Code of Corporate Governance Practices as previously set out in Appendix 14 of the Listing Rules prior to 1 January 2005, which remains applicable to disclosure in annual reports in respect of accounting periods commencing before 1 January 2005 under the transitional arrangement.

MODEL CODE

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in the Appendix 10 of the Listing Rules as its own code for dealing in securities of the Company by the Directors. Based on specific enquiry of all its Directors, the Company considers that the Directors complied with the required standards set out in the Model Code throughout the year under review.

AUDITORS

A resolution will be proposed to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Fung Wai Yiu

Chairman

18 September 2005, Hong Kong



Deloitte.

德勤

TO THE SHAREHOLDERS OF TOP FORM INTERNATIONAL LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 September 2005

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Turnover	4	1,463,815	1,217,043
Cost of sales		(1,020,695)	(841,388)
Gross profit		443,120	375,655
Other operating income	5	3,964	3,017
Selling and distribution expenses		(40,484)	(32,418)
General and administrative expenses		(176,320)	(154,487)
Profit from operations	6	230,280	191,767
Finance costs	8	(630)	(1,489)
Gain on winding up of subsidiaries	9	469	4,119
Profit before taxation		230,119	194,397
Taxation	10	(45,853)	(36,042)
Profit before minority interests		184,266	158,355
Minority interests		(1,176)	(1,852)
Profit for the year		<u>183,090</u>	<u>156,503</u>
Dividends:	11		
Interim		26,938	21,427
Final		64,651	53,798
Earnings per share	12		
Basic		<u>17.0 cents</u>	<u>14.6 cents</u>
Diluted		<u>17.0 cents</u>	<u>14.5 cents</u>

CONSOLIDATED BALANCE SHEET

At 30 June 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Property, plant and equipment	13	168,666	133,243
Interests in associates	15	–	–
Interests in a jointly controlled entity	16	–	865
		<u>168,666</u>	<u>134,108</u>
Current assets			
Inventories	17	188,039	160,269
Debtors, deposits and prepayments	18	143,227	120,714
Bills receivable		6,845	2,625
Bank balances and cash		184,084	113,767
		<u>522,195</u>	<u>397,375</u>
Current liabilities			
Creditors and accrued charges	19	139,852	102,407
Taxation		72,483	42,259
Bank borrowings and other liabilities			
– due within one year	20	8,639	16,533
Obligations under finance leases			
– due within one year	21	1,503	1,801
		<u>222,477</u>	<u>163,000</u>
Net current assets		<u>299,718</u>	<u>234,375</u>
Total assets less current liabilities		<u>468,384</u>	<u>368,483</u>
Non-current liabilities			
Bank borrowings and other liabilities			
– due after one year	20	1,150	285
Obligations under finance leases			
– due after one year	21	693	1,308
Provision for long service payments	22	4,989	4,520
Deferred taxation	23	6,197	9,912
		<u>13,029</u>	<u>16,025</u>
		<u>455,355</u>	<u>352,458</u>
Capital and reserves			
Share capital	24	107,752	107,135
Share premium and reserves	26	326,544	223,421
		<u>434,296</u>	<u>330,556</u>
Minority interests		<u>21,059</u>	<u>21,902</u>
		<u>455,355</u>	<u>352,458</u>

The financial statements on pages 20 to 59 were approved and authorised for issue by the Board of Directors on 18 September 2005 and are signed on its behalf by:

Fung Wai Yiu
Chairman

Wong Chung Chong, Eddie
Group Managing Director

BALANCE SHEET

At 30 June 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Interests in subsidiaries	14	429,185	327,421
Interests in associates	15	–	–
		<u>429,185</u>	<u>327,421</u>
Current assets			
Deposits and prepayments		99	86
Bank balances and cash		16	102
		115	188
Current liabilities			
Creditors and accrued charges		2,226	1,687
Net current liabilities			
		<u>(2,111)</u>	<u>(1,499)</u>
		<u>427,074</u>	<u>325,922</u>
Capital and reserves			
Share capital	24	107,752	107,135
Share premium and reserves	26	319,322	218,787
		<u>427,074</u>	<u>325,922</u>

Fung Wai Yiu
Chairman

Wong Chung Chong, Eddie
Group Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2005

	2005 HK\$'000	2004 HK\$'000
Total equity at beginning of the year	330,556	264,742
Exchange differences arising on translation of overseas operations not recognised in the income statement	(261)	(953)
Profit for the year	183,090	156,503
Translation reserve released to income statement upon winding up of subsidiaries	(469)	(4,028)
Dividend paid	(80,736)	(85,708)
Issue of shares	2,116	–
Total equity at end of the year	<u>434,296</u>	<u>330,556</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2005

	2005 HK\$'000	2004 HK\$'000
Operating activities		
Profit before taxation	230,119	194,397
Adjustments for:		
Provision for long service payments	469	1,465
Allowance for amount due from a jointly controlled entity	113	–
Interest income	(823)	(353)
Interest expenses	630	1,489
Depreciation and amortisation of property, plant and equipment	26,557	23,163
Loss on disposal of property, plant and equipment	182	143
Gain on winding up of subsidiaries	(469)	(4,119)
Impairment loss recognised in respect of property, plant and equipment	4,990	–
Effect of foreign exchange rate changes	46	(1,458)
Operating cash flows before movement in working capital	261,814	214,727
Increase in inventories	(27,770)	(39,985)
Increase in debtors, deposits and prepayments	(22,513)	(38,667)
(Increase) decrease in bills receivable	(4,220)	1,140
Increase in creditors and accrued charges	37,445	18,289
Cash generated from operations	244,756	155,504
Interest income	823	353
Interest paid	(458)	(1,260)
Finance lease charges paid	(172)	(229)
Hong Kong Profits Tax paid	(16,591)	(5,416)
Taxation paid in other jurisdictions	(2,656)	(4,605)
Net cash from operating activities	225,702	144,347
Investing activities		
Proceeds on disposal of property, plant and equipment	468	118
Purchase of property, plant and equipment	(66,362)	(37,863)
Advance to a jointly controlled entity	–	(54)
Repayment from a jointly controlled entity	752	–
Acquisition of an additional interest in a subsidiary	(1,119)	–
Net cash used in investing activities	(66,261)	(37,799)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2005

	2005 HK\$'000	2004 HK\$'000
Financing activities		
Dividend paid	(80,736)	(85,708)
Dividend paid to minority shareholders of a subsidiary	(900)	(900)
Repayments of obligations under finance leases	(2,575)	(2,527)
Net cash outflow in respect of bank borrowings	(5,449)	(2,095)
Repayments of other liabilities	(82)	(82)
Proceeds from issue of shares on exercise of share options	2,116	–
	<u>(87,626)</u>	<u>(91,312)</u>
Net cash used in financing activities		
	71,815	15,236
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	<u>112,269</u>	<u>97,033</u>
Cash and cash equivalents at the end of the year	<u><u>184,084</u></u>	<u><u>112,269</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	184,084	113,767
Bank overdrafts	–	(1,498)
	<u>184,084</u>	<u>112,269</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. Its principal subsidiaries are engaged in the design, manufacture, distribution, wholesale and retail of ladies' intimate apparel, principally brassieres.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005 and any business combinations for which agreement date is on or after 1 January 2005 under HKFRS 3 "Business Combinations". The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 June 2005 or entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore HKFRS 3 does not have any impact on the Group for the year ended 30 June 2005.

The Group has considered these new HKFRSs but does not expect that the issuance of these HKFRSs will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain leasehold properties, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from and up to their effective dates of acquisition or disposal, respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

Sales of goods are recognised when goods are delivered and title has been passed.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

(a) Construction in progress

Construction in progress is stated at cost less any identified impairment loss, as appropriate.

(b) Other fixed assets

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation and any identified impairment loss, as appropriate.

Certain of the Group's land and buildings are stated at valuation less accumulated depreciation and amortisation and any subsequent impairment loss. Advantage has been taken of the transitional relief provided by paragraph 80 of the Statement of Standard Accounting Practice No. 17 "Property, Plant and Equipment" issued by the HKICPA from the requirement to make revaluation on a regular basis of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995 and accordingly no further revaluation of land and buildings is carried out. In previous years, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale of these land and buildings, the attributable revaluation surplus not yet transferred to accumulated profits in prior years will be transferred to accumulated profits.

Depreciation and amortisation is provided to write off the cost or valuation of items of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the remaining unexpired terms of the leases
Buildings	2% – 6.5%
Leasehold improvements	5% – 30%
Furniture, fixtures and equipment	10% – 45%
Motor vehicles	20% – 30%

The gain or loss arising on the disposal or retirement of an asset is determined at the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss, as appropriate.

Associates

An associate is an enterprise over which the Group is in a position to exercise significant influence in management, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of associates for the year. The consolidated balance sheet includes the Group's share of net assets of the associates less any identified impairment loss.

The Company's interests in associates are included in the Company's balance sheet at cost less any identified impairment loss, as appropriate.

Jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of the post-acquisition results of jointly controlled entities is included in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment – continued

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leases

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. An asset held under a finance lease is capitalised at its fair value at the date of inception of the lease. The resulting leasing commitment, net of interest charges, is shown as a finance lease obligation of the Group on the balance sheet. Finance costs, which represent the difference between the total leasing commitments and the fair values of the assets acquired, are charged to the income statement as finance charges over the period of the lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and their rentals payable are charged to the income statement on a straight-line basis over the term of the relevant lease.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in the net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Textile quota entitlements

The cost of textile quota entitlements is charged to the income statement at the time of utilisation.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

Long service payments

The Group's obligation under long service payments recognised in the balance sheet is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

Past service costs is recognised immediately to the extent that the benefits have already been vested.

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

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:

(a) Business segments

TURNOVER AND RESULTS YEAR ENDED 30 JUNE 2005

	Manufacturing business HK\$'000	Branded business HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	1,442,897	20,918	–	1,463,815
Inter-segment sales (<i>note</i>)	744	–	(744)	–
Total sales	<u>1,443,641</u>	<u>20,918</u>	<u>(744)</u>	<u>1,463,815</u>
RESULTS				
Segment results	<u>251,728</u>	<u>(5,573)</u>	<u>–</u>	246,155
Unallocated corporate expenses				(16,698)
Interest income				<u>823</u>
Profit from operations				230,280
Finance costs				(630)
Gain on winding up of subsidiaries				<u>469</u>
Profit before taxation				230,119
Taxation				<u>(45,853)</u>
Profit before minority interests				184,266
Minority interests				<u>(1,176)</u>
Profit for the year				<u>183,090</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

4. TURNOVER AND SEGMENT INFORMATION – continued

(a) Business segments – continued

TURNOVER AND RESULTS – continued YEAR ENDED 30 JUNE 2004

	Manufacturing business HK\$'000	Branded business HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	1,194,769	22,274	–	1,217,043
Inter-segment sales (<i>note</i>)	2,948	–	(2,948)	–
Total sales	<u>1,197,717</u>	<u>22,274</u>	<u>(2,948)</u>	<u>1,217,043</u>
RESULTS				
Segment results	<u>211,209</u>	<u>(8,686)</u>	<u>–</u>	202,523
Unallocated corporate expenses				(11,109)
Interest income				<u>353</u>
Profit from operations				191,767
Finance costs				(1,489)
Gain on winding up of subsidiaries				<u>4,119</u>
Profit before taxation				194,397
Taxation				<u>(36,042)</u>
Profit before minority interests				158,355
Minority interests				<u>(1,852)</u>
Profit for the year				<u>156,503</u>

Note: Inter-segment sales are charged at prices determined by management with reference to market prices.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

4. TURNOVER AND SEGMENT INFORMATION – continued

(a) Business segments – continued

BALANCE SHEET

30 JUNE

	2005 HK\$'000	2004 HK\$'000
ASSETS		
Segment assets		
– manufacturing business	660,330	496,168
– branded business	17,854	23,443
Interests in a jointly controlled entity	–	865
Unallocated corporate assets	12,677	11,007
	<u>690,861</u>	<u>531,483</u>
LIABILITIES		
Segment liabilities		
– manufacturing business	175,194	121,687
– branded business	4,511	5,023
Unallocated corporate liabilities	55,801	52,315
	<u>235,506</u>	<u>179,025</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

4. TURNOVER AND SEGMENT INFORMATION – continued

(a) Business segments – continued

OTHER INFORMATION

YEAR ENDED 30 JUNE

	2005 HK\$'000	2004 HK\$'000
Capital expenditure		
– manufacturing business	67,189	39,407
– branded business	843	580
	<u>68,032</u>	<u>39,987</u>
Depreciation and amortisation of property, plant and equipment		
– manufacturing business	25,832	22,098
– branded business	725	1,065
	<u>26,557</u>	<u>23,163</u>
Loss on disposal of property, plant and equipment		
– manufacturing business	120	134
– branded business	62	9
	<u>182</u>	<u>143</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

4. TURNOVER AND SEGMENT INFORMATION – continued

(b) Geographical segments

The Group's operations in manufacturing are principally located in Hong Kong, the People's Republic of China ("PRC") and Thailand. Branded business is principally carried out in Hong Kong and the PRC.

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

YEAR ENDED 30 JUNE

	Sales revenue by geographical market		Contribution to profit from operations	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
United States of America	1,134,819	935,418	197,981	165,361
Europe	208,472	174,015	36,370	30,762
Australia and New Zealand	60,563	43,167	10,566	7,631
Asia (excluding Hong Kong)	42,508	45,951	6,222	2,905
Hong Kong	17,024	18,359	(5,059)	(4,160)
South Africa	429	133	75	24
	<u>1,463,815</u>	<u>1,217,043</u>	<u>246,155</u>	<u>202,523</u>
Unallocated corporate expenses			(16,698)	(11,109)
Interest income			823	353
Profit from operations			<u>230,280</u>	<u>191,767</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

	Carrying amount of total assets		Additions to property, plant and equipment	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
The PRC (including Hong Kong)	599,474	466,341	61,043	38,107
Thailand	74,320	60,228	6,676	1,164
Others	17,067	4,914	313	716
	<u>690,861</u>	<u>531,483</u>	<u>68,032</u>	<u>39,987</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

5. OTHER OPERATING INCOME

	2005 HK\$'000	2004 HK\$'000
Other operating income includes:		
Interest income	<u>823</u>	<u>353</u>

6. PROFIT FROM OPERATIONS

	2005 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,682	1,852
Cost of textile quota entitlements	7,086	15,064
Depreciation and amortisation on:		
Owned assets	24,329	22,467
Assets held under finance leases	2,228	696
Loss on disposal of property, plant and equipment	182	143
Impairment loss arising in respect of:		
Leasehold improvements	3,370	–
Furniture, fixtures and equipment (included in cost of sales and general and administrative expenses of HK\$3,514,000 and HK\$1,476,000 respectively)	1,620	–
	<u>4,990</u>	–
Minimum lease payments paid under operating leases in respect of land and buildings (<i>Note a</i>)	17,242	16,755
Net exchange loss	318	4,227
Staff costs (<i>Note b</i>)	<u>302,244</u>	<u>225,055</u>

Notes:

- (a) Included above is operating lease rentals of HK\$478,000 (2004: HK\$604,000) in respect of staff quarters.
- (b) Details of directors' emoluments included in staff costs are disclosed in note 7. Staff costs included an amount of HK\$1,938,000 (2004: HK\$1,782,000) in respect of retirement benefit scheme contributions, net of forfeited contributions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

7. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors

Details of emoluments paid by the Group to the Directors during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Fees to Non-executive Directors	1,600	–
Remuneration to Executive Directors:		
Salaries and other benefits	5,985	5,986
Bonus	13,000	9,000
Retirement benefits scheme contributions	24	24
Total directors' emoluments	<u>20,609</u>	<u>15,010</u>

Details of emoluments paid to individual Directors (including Non-executive Directors) during the year are as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonus HK\$'000	Retirement benefits scheme contributions HK\$'000	2005 Total HK\$'000	2004 Total HK\$'000
Fung Wai Yiu	–	2,940	6,000	12	8,952	6,954
Wong Chung Chong, Eddie	–	3,045	7,000	12	10,057	8,056
Lucas A.M. Laureys	200	–	–	–	200	–
Leung Churk Yin, Jeanny	200	–	–	–	200	–
Herman Van de Velde	200	–	–	–	200	–
Marvin Bienenfeld	200	–	–	–	200	–
Chow Yu Chun, Alexander	200	–	–	–	200	–
Lam Ka Chung, William	200	–	–	–	200	–
Lin Sian Zu, John	200	–	–	–	200	–
Tse Koon Hang, Ada	200	–	–	–	200	–
	<u>1,600</u>	<u>5,985</u>	<u>13,000</u>	<u>24</u>	<u>20,609</u>	<u>15,010</u>

No directors waived any emoluments during the year (2004: nil). No emoluments or other benefits were paid or payable to Non-executive Directors during the year ended 30 June 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

7. DIRECTORS' AND EMPLOYEES' REMUNERATION – continued

Employees

Of the five individuals with the highest emoluments in the Group, two (2004: two) were directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining three (2004: three) individuals were as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and other benefits	10,325	7,741
Retirement benefits scheme contributions	24	36
	<u>10,349</u>	<u>7,777</u>

The emoluments were within the following bands:

	Number of individuals	
	2005	2004
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	–	2
HK\$3,500,001 – HK\$4,000,000	<u>2</u>	<u>–</u>

8. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	458	1,260
Obligations under finance leases	172	229
	<u>630</u>	<u>1,489</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

9. WINDING UP OF SUBSIDIARIES

	2005 HK\$'000	2004 HK\$'000
Net liabilities of subsidiaries wound up comprise:		
Debtors, deposits and prepayments	–	56
Creditors and accrued charges	–	(147)
	–	(91)
Release of translation reserve upon winding up	(469)	(4,028)
Gain on winding up	(469)	(4,119)

The subsidiaries wound up did not make a significant contribution to the Group's turnover and operating results for both years.

10. TAXATION

	2005 HK\$'000	2004 HK\$'000
The charge (credit) comprises:		
Company and subsidiaries		
Current tax		
Hong Kong Profits Tax calculated at 17.5% (2004: 17.5%) on the estimated assessable profit for the year	47,085	27,364
Taxation in other jurisdictions calculated at the rates prevailing in the respective jurisdictions	3,305	4,843
	50,390	32,207
Overprovision in prior years		
Hong Kong Profits Tax	(473)	(1)
Taxation in other jurisdictions	(349)	(674)
	(822)	(675)
Deferred taxation (<i>note 23</i>)		
Current year	(3,715)	4,510
	45,853	36,042

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

10. TAXATION – continued

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	<u>230,119</u>	<u>194,397</u>
Tax at Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	40,271	34,019
Tax effect of expenses that are not deductible for tax purposes	8,579	10,824
Tax effect of income that is not taxable for tax purposes	(5,792)	(10,771)
Tax effect of deductible temporary differences not recognised	32	32
Tax effect of tax losses not recognised	1,617	1,379
Tax effect of utilisation of deductible temporary differences previously not recognised	(125)	(28)
Tax effect of utilisation of tax losses previously not recognised	(489)	(234)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,488	1,384
Overprovision in prior years	(822)	(675)
Others	<u>1,094</u>	<u>112</u>
Taxation charge for the year	<u>45,853</u>	<u>36,042</u>

11. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
2005 interim dividend paid: HK\$0.025 (year ended 30 June 2004: HK\$0.02) per share on 1,077,514,125 shares (2004: 1,071,349,957 shares)	26,938	21,427
2004 final dividend paid: HK\$0.05 (year ended 30 June 2003: HK\$0.04) per share on 1,075,973,083 shares (2003 : 1,071,349,957 shares)	53,798	42,854
2003 special dividend paid: HK\$0.02 per share on 1,071,349,957 shares	–	21,427
	<u>80,736</u>	<u>85,708</u>

A final dividend of HK\$0.06 (2004: HK\$0.05) per share has been proposed by the Directors and is subject to the approval by the shareholders in general meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

12. EARNINGS PER SHARE

The computation of basic and diluted earnings per share is as follows:

	2005 HK\$'000	2004 HK\$'000
Profit for the purpose of basic and diluted earnings per share	<u>183,090</u>	<u>156,503</u>
	Number of shares	
	2005	2004
Number of shares for the purpose of basic earnings per share	1,075,732,427	1,071,349,957
Effect of dilutive share options	<u>1,293,079</u>	<u>4,376,622</u>
Number of shares for the purpose of diluted earnings per share	<u>1,077,025,506</u>	<u>1,075,726,579</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP						
COST OR VALUATION						
At 1 July 2004	56,864	48,044	210,361	12,463	3,384	331,116
Currency realignment	(102)	(128)	(574)	(21)	–	(825)
Additions	27,584	6,344	32,977	1,127	–	68,032
Disposals	(1,683)	(335)	(2,144)	(322)	–	(4,484)
Reclassification	3,384	–	–	–	(3,384)	–
At 30 June 2005	86,047	53,925	240,620	13,247	–	393,839
Comprising						
At cost	84,586	53,925	240,620	13,247	–	392,378
At valuation – 1992	1,461	–	–	–	–	1,461
	86,047	53,925	240,620	13,247	–	393,839
DEPRECIATION AND IMPAIRMENT						
At 1 July 2004	20,094	37,018	131,652	9,109	–	197,873
Currency realignment	(14)	(92)	(301)	(6)	–	(413)
Charge for the year	2,621	3,828	18,191	1,917	–	26,557
Eliminated on disposals	(1,683)	(189)	(1,642)	(320)	–	(3,834)
Impairment loss	–	3,370	1,620	–	–	4,990
At 30 June 2005	21,018	43,935	149,520	10,700	–	225,173
NET BOOK VALUES						
At 30 June 2005	65,029	9,990	91,100	2,547	–	168,666
At 30 June 2004	36,770	11,026	78,709	3,354	3,384	133,243

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

13. PROPERTY, PLANT AND EQUIPMENT – continued

Notes:

- (a) The net book value of the Group's property interests as at the balance sheet date comprises:

	2005 HK\$'000	2004 HK\$'000
Land and buildings outside Hong Kong under:		
Long lease	3,457	3,581
Medium term lease	56,026	26,983
Short lease	4,919	5,450
Land and buildings in Hong Kong under medium term lease	627	756
	65,029	36,770

- (b) The net book values of the Group's property, plant and equipment in respect of assets held under finance leases are as follows:

	2005 HK\$'000	2004 HK\$'000
Furniture, fixtures and equipment	3,416	3,111
Motor vehicles	935	1,852
	4,351	4,963

During the year, the Directors reviewed the carrying value of the Group's manufacturing assets and determined that a number of those assets were impaired due to the plan for reallocation of certain production lines to Long Nan, the PRC. The reallocation of production lines commenced in October 2004 but had not been completed by 30 June 2005. Impairment losses of HK\$3,370,000 and HK\$1,620,000 have been recognised in respect of leasehold improvements and furniture, fixtures and equipment, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares	125,002	125,002
Capital contribution	5,460	5,460
	130,462	130,462
Impairment loss recognised	(5,460)	(5,460)
	125,002	125,002
Amounts due from subsidiaries, less allowances	304,183	202,419
	429,185	327,421

The value of unlisted shares is based on the underlying net assets of Top Form (B.V.I.) Limited and its subsidiaries at the time they became members of the Group pursuant to the group reorganisation in 1991.

In the opinion of directors, repayment of the amounts due from subsidiaries will not be demanded within twelve months of the balance sheet date. Accordingly, the amounts are shown as non-current.

Details of the principal subsidiaries as at 30 June 2005 are set out in note 35.

15. INTERESTS IN ASSOCIATES

Details of the Group's associates as at 30 June 2005 are as follows:

Name of company	Form of business structure	Place of registration	Principal place of operation	Proportion of nominal value of registered capital held by the Group	Principal activities
Shenzhen Fenghua Weaving Tape Factory Company Limited 深圳豐華織帶廠有限公司	Joint venture	The PRC	The PRC	25%	Inactive
Yingkou Xinfu Industrial Park Development Company Limited 營口鑫發工業園開發有限公司	Joint venture	The PRC	The PRC	30%*	Industrial land development

* Directly held by the Company

Share of net assets of associates of HK\$15,422,000 by the Group and the Company's investment costs in the associates were fully impaired in previous years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

16. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Share of net assets	–	–
Amount due from a jointly controlled entity, less allowances	–	865
	<u>–</u>	<u>865</u>

During the year ended 30 June 2005, the Group disposed of its entire interest in the jointly controlled entity, Datel Asia Limited, which is incorporated in Hong Kong and engaged in the business of selling of computer hardware, licensing of computer software, systems integration and maintenance.

17. INVENTORIES

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Raw materials	81,503	59,537
Work in progress	64,397	64,444
Finished goods	42,139	36,288
	<u>188,039</u>	<u>160,269</u>
At cost	181,591	154,851
At net realisable value	6,448	5,418
	<u>188,039</u>	<u>160,269</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

18. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance are trade debtors of HK\$120,996,000 (2004: HK\$97,376,000). The Group allows an average credit period of 30 days to its trade customers.

An aged analysis of trade debtors is as follows:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
0 – 30 days	112,515	85,130
31 – 60 days	1,642	9,190
61 – 90 days	2,215	1,308
Over 90 days	4,624	1,748
	<u>120,996</u>	<u>97,376</u>

19. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK\$59,193,000 (2004: HK\$36,295,000).

An aged analysis of trade creditors is as follows:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
0 – 30 days	46,281	30,334
31 – 60 days	6,785	3,134
61 – 90 days	4,924	1,382
Over 90 days	1,203	1,445
	<u>59,193</u>	<u>36,295</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

20. BANK BORROWINGS AND OTHER LIABILITIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Bank borrowings:		
Trust receipts and import loans	7,616	14,953
Bank loan	1,888	–
Bank overdrafts	–	1,498
	<hr/>	<hr/>
Total bank borrowings (note a)	9,504	16,451
Other unsecured liabilities (note b)	285	367
	<hr/>	<hr/>
	9,789	16,818
Less: Amount due within one year shown as current liabilities	(8,639)	(16,533)
	<hr/>	<hr/>
Amount due after one year	1,150	285
	<hr/>	<hr/>
Secured	1,888	16,451
Unsecured	7,901	367
	<hr/>	<hr/>
	9,789	16,818
	<hr/>	<hr/>

Notes:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
(a) The bank borrowings are repayable :		
Within one year	8,557	16,451
Between one to two years	947	–
	<hr/>	<hr/>
	9,504	16,451
	<hr/>	<hr/>
(b) Other liabilities are unsecured and repayable:		
Within one year	82	82
Between one to two years	203	82
Between two to five years	–	203
	<hr/>	<hr/>
	285	367
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
THE GROUP				
Within one year	1,618	2,034	1,503	1,801
Between one to two years	735	1,210	661	1,157
Between two to five years	35	170	32	151
	<u>2,388</u>	<u>3,414</u>	<u>2,196</u>	<u>3,109</u>
<i>Less: future finance charges</i>	<u>(192)</u>	<u>(305)</u>	<u>–</u>	<u>–</u>
Present value of lease obligations	<u><u>2,196</u></u>	<u><u>3,109</u></u>	<u><u>2,196</u></u>	<u><u>3,109</u></u>
<i>Less: Amount due within one year shown as current liabilities</i>			<u><u>(1,503)</u></u>	<u><u>(1,801)</u></u>
Amount due after one year			<u><u>693</u></u>	<u><u>1,308</u></u>

It is the Group's policy to lease certain of its furniture, fixtures and equipment and motor vehicles under finance leases. The average lease term is three years. For the year ended 30 June 2005, the average effective borrowing rate was 7.3% (2004: 7.4%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent payments.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

22. PROVISION FOR LONG SERVICE PAYMENTS

THE GROUP

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees in Hong Kong upon the termination of their employment or retirement when the employees fulfill certain conditions and the termination meets the required circumstances. However, where an employee is simultaneously entitled to a long service payment and to a retirement scheme payment (i.e. the Mandatory Provident Fund Scheme), the amount of the long service payment will be reduced by certain benefits arising from the retirement scheme.

The most recent actuarial valuation of the present value of the Group's obligation under the long service payments was carried out at 30 June 2005 by Hewitt Associates LLC, an independent firm of human resource consultants and actuaries. The present value of the Group's obligation under long service payments, the related current service cost, past service cost and net actuarial losses were measured using the projected unit credit method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

22. PROVISION FOR LONG SERVICE PAYMENTS – continued

The main actuarial assumptions used in the actuarial valuation were as follows:

	2005
Discount rate	5.5% per annum
Expected rate of salary increases	3% per annum for the first 2 years, and 5% per annum thereafter
Expected return on Mandatory Provident Fund Scheme	4% per annum for the next 2 years, and 5% per annum thereafter

Amounts recognised in the consolidated income statement in respect of the long service payments are as follows:

	2005 HK\$'000	2004 HK\$'000
Current service cost	11	318
Interest cost	135	182
Net actuarial losses recognised	603	999
Benefit paid	(280)	(34)
	469	1,465

All the charge for the year has been included in general and administrative expenses.

Movements of the net liability in the balance sheet are as follows:

	2005 HK\$'000	2004 HK\$'000
At beginning of the year	4,520	3,055
Amounts charged to income statement	469	1,465
At end of the year	4,989	4,520

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

23. DEFERRED TAXATION

THE GROUP

The major deferred tax liabilities recognised by the Group and movements thereon during the current and prior years are as follows:

	Accelerated tax depreciation	Unrealised losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 July 2003	2,517	2,885	5,402
Charge to income statement for the year	995	3,515	4,510
At 30 June 2004	3,512	6,400	9,912
Charge (credit) to income statement for the year	1,585	(5,300)	(3,715)
At 30 June 2005	5,097	1,100	6,197

At 30 June 2005, the Group and the Company has unused tax losses of approximately HK\$75,040,000 and HK\$2,705,000 (2004: HK\$68,597,000 and HK\$2,770,000), respectively, available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses of the Group are losses of HK\$7,123,000 (2004: HK\$2,994,000) of subsidiaries in the PRC that will gradually expire until 2010. Other losses may be carried forward indefinitely.

At 30 June 2005, the Group has unrecognised deductible temporary differences of approximately HK\$785,000 (2004: HK\$1,317,000) in respect of accelerated accounting depreciation. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

24. SHARE CAPITAL

	2005 Number of shares	2004 Number of shares	2005 HK\$'000	2004 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At the beginning and the end of the year	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:				
At the beginning of the year	1,071,349,957	1,071,349,957	107,135	107,135
Issue of shares during the year	<u>6,164,168</u>	–	<u>617</u>	–
At the end of the year	<u>1,077,514,125</u>	<u>1,071,349,957</u>	<u>107,752</u>	<u>107,135</u>

25. SHARE OPTION SCHEME

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 to the Directors, employees or any other persons at the discretion of the Board, and the Scheme will expire on 21 November 2012. Under the Scheme, the Board of Directors of the Company may grant options to any employees, including executives or officers of the Company and its subsidiaries and any other persons at the discretion of the Board to subscribe for shares in the Company.

At 30 June 2004, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 6,164,168, representing 0.6% of the shares of the Company in issue at 8 September 2004. 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 of the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

25. SHARE OPTION SCHEME – continued

The following table discloses details of the Company's share options held by the Directors under the Scheme during the two years ended 30 June 2005:

Date of grant	Vesting period	Exercise period	Exercise price HK\$	Number of share options outstanding at	Exercised during the year	Number of share options outstanding
				1.7.2003 and 1.7.2004		at 30.6.2005
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 year ended 30 June 2005, no options were granted under the Scheme.

The weighted average closing price of the Company's share at the dates on which options were exercised was HK\$1.39.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

26. SHARE PREMIUM AND RESERVES

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
SHARE PREMIUM				
At the beginning of the year	-	-	-	-
Premium arising on issue of shares on exercise of share options	1,499	-	1,499	-
At the end of the year	1,499	-	1,499	-
LEGAL RESERVE				
At the beginning of the year	-	323	-	-
Transferred to accumulated profits upon winding up of a subsidiary	-	(323)	-	-
At the end of the year	-	-	-	-
SPECIAL RESERVE				
At the beginning and the end of the year	7,139	7,139	-	-
CONTRIBUTED SURPLUS				
At the beginning and the end of the year	-	-	124,802	124,802
OTHER DISTRIBUTABLE RESERVE				
At the beginning of the year	-	82,601	-	82,601
Dividend paid	-	(82,601)	-	(82,601)
At the end of the year	-	-	-	-
REVALUATION RESERVE				
At the beginning and at the end of the year	2,281	2,281	-	-
TRANSLATION RESERVE				
At the beginning of the year	(5,431)	(450)	-	-
Realised on winding up of subsidiaries	(469)	(4,028)	-	-
Exchange differences arising on translation of overseas operations	(261)	(953)	-	-
At the end of the year	(6,161)	(5,431)	-	-
ACCUMULATED PROFITS (LOSSES)				
At the beginning of the year	219,432	65,713	93,985	(52,962)
Profit for the year	183,090	156,503	179,772	150,054
Transfer from legal reserve upon winding up of a subsidiary	-	323	-	-
Dividends paid	(80,736)	(3,107)	(80,736)	(3,107)
At the end of the year	321,786	219,432	193,021	93,985
TOTAL RESERVES	326,544	223,421	319,322	218,787

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

26. SHARE PREMIUM AND RESERVES – continued

Special reserve represents the difference between the nominal amount of the share capital issued by the Company in exchange for the nominal amount of the share capital of companies forming the Group, pursuant to the group reorganisation in 1991.

Contributed surplus represents the difference between the combined net assets of the subsidiaries acquired by the Company under the group reorganisation, and the nominal amount of the Company's shares issued.

Under the Company Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company's reserves available for distribution to shareholders as at 30 June 2005 amounted to approximately HK\$317,823,000 (2004: HK\$218,787,000).

27. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value of HK\$1,670,000 (2004: HK\$2,124,000) at the inception of the finance leases.

28. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Export bills discounted with recourse	–	8,802	–	–
Guarantees given (extent of facilities utilised) to banks in respect of credit facilities granted to subsidiaries	–	–	7,616	16,451

29. PLEDGE OF ASSETS

At 30 June 2005, the Group pledged certain of its machinery with an aggregate carrying value of approximately HK\$1,346,000 to secure a bank loan. At 30 June 2004, the Group pledged certain of its properties with an aggregate value of approximately HK\$751,000 to secure credit facilities granted to the Group. The properties pledged were released during the year.

At 30 June 2004, the Company and certain of its subsidiaries had each executed a debenture in favour of certain banks so that all the assets, including bank balances and cash, and rights of the Company and the related subsidiaries are provided as securities for the continuation of the banking facilities granted to the Group. The assets pledged were released during the year.

30. CAPITAL COMMITMENTS

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	–	22,452
	–	22,452

The Company did not have any significant capital commitments as at the balance sheet date.

31. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Within one year	15,440	9,720
In the second to fifth year inclusive	14,432	9,842
Over five years	–	2,645
	29,872	22,207
	29,872	22,207

Leases are negotiated for an average term of one to five years with fixed rental over the terms of the relevant leases.

The Company had no operating lease commitments as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

32. RETIREMENT BENEFIT SCHEMES

The Group has joined a Mandatory Provident Fund scheme ("MPF Scheme") for all employees in Hong Kong which is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The eligible employees of the Company's subsidiaries in the PRC are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits.

Eligible employees of the Company's subsidiaries in Thailand and Philippines currently participate in defined contribution pension schemes operated by the local municipal government. The calculation of contributions is based on certain percentages of the employees' payroll.

33. RELATED PARTY TRANSACTIONS

During the year ended 30 June 2005, the Group sold finished products of approximately HK\$35,803,000 (2004: HK\$26,882,000), to a related company, Van de Velde N.V. ("VdV") and its subsidiaries and/or affiliates.

Messrs. Herman Van de Velde and Lucas A.M. Laureys, directors of the Company, are beneficial owners of VdV which held an effective interest of 16.35% in the Company as at 30 June 2005.

As at 30 June 2005, the balance of trade receivable from VdV amounted to HK\$2,294,000 (2004: HK\$654,000).

34. COMPARATIVE FIGURES

During the year, direct logistics and associated costs have been reclassified from selling and distribution expenses to cost of sales to better reflect the underlying direct cost of sales of the Group. Comparative figures of HK\$13,706,000 have been reclassified accordingly in order to conform with the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

35. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 June 2005 are as follows:

Name of company	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company	Principal activities
Charming Elastic Fabric Company Limited	Hong Kong	Ordinary – HK\$316,667 Deferred – HK\$810,000	60%	Manufacture of elastic garment straps
Grand Gain Industrial Limited	Hong Kong	Ordinary – HK\$100,000	55%	Laminating business
Long Nan County Grand Gain Underwear Co., Ltd. 龍南縣建盈內衣有限公司	The PRC [#]	Capital contribution – HK\$5,000,000	55%	Moulding
Long Nan County Top Form Underwear Co., Ltd. 龍南縣黛麗斯內衣有限公司	The PRC [#]	Capital contribution – HK\$47,266,038	100%	Manufacture of ladies' underwear
Marguerite Lee Limited	Hong Kong	Ordinary – HK\$2,500,000	100%	Retail sales of underwear, sleepwear and other intimate apparel
Marguerite Lee (Overseas) Limited	British Virgin Islands	Ordinary – US\$10	100%	Investment holding
漫多姿服裝(深圳)有限公司	The PRC [#]	Capital contribution – HK\$13,000,000	100%	Manufacture and distribution of ladies' underwear
Meritlux Industries Philippines, Inc.	Republic of Philippines	Ordinary – Peso 17,500,000	100%	Manufacture of ladies' underwear
Foshan Nanhai Top Form Underwear Company Limited 佛山市南海黛麗斯內衣有限公司	The PRC [^]	Capital contribution – HK\$20,800,000	75%	Manufacture of ladies' underwear

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

35. PRINCIPAL SUBSIDIARIES – continued

Name of company	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company	Principal activities
Shenzhen Topform Underwear Co., Ltd. 深圳黛麗斯內衣 有限公司	The PRC [^]	Capital contribution – HK\$8,616,475	70%	Manufacture and distribution of ladies' underwear
Top Form Brassiere Co., Limited	Thailand	Ordinary – Baht 80,000,000	100%	Manufacture of ladies' underwear
Top Form Brassiere Mfg. Co., Limited	Hong Kong	Ordinary – HK\$100 Deferred – HK\$4,000,000	100%	Manufacture of ladies' underwear
Top Form (B.V.I.) Limited	British Virgin Islands	Ordinary – US\$50,000	100%*	Investment holding
Top Form Industries Limited	Mauritius	Ordinary US\$100,000	100%	Manufacture of ladies' underwear
Top Prospect Investment Limited	Hong Kong	Ordinary HK\$2	100%	Property holding in the PRC
Topfull Development Limited	Hong Kong	Ordinary – HK\$2	100%	Property holding in the PRC
Twin Peak Brassiere Company Limited	Thailand	Ordinary – Baht 3,000,000	100%	Manufacture of ladies' underwear
Top Form Brassiere (Maesot) Co., Ltd	Thailand	Ordinary – Baht 10,000,000	100%	Manufacture of ladies' underwear
Unique Form Manufacturing Company Limited	Hong Kong	Ordinary – HK\$1,000 Deferred – HK\$200	100%	Retail sales of underwear, sleepwear and other intimate apparel
Unique Form Manufacturing (Thailand) Co., Ltd	Thailand	Ordinary – Baht 1,000,000	100%	Manufacture of ladies' underwear
Wide Gain Investment Limited	Hong Kong	Ordinary – HK\$2	100%	Investment holding

* Directly held by the Company

These subsidiaries are registered as wholly foreign owned enterprises in the PRC.

[^] These subsidiaries are registered as contractual joint ventures in the PRC.

35. PRINCIPAL SUBSIDIARIES – continued

Shenzhen Topform Underwear Co., Ltd. 深圳黛麗斯內衣有限公司 is a joint venture company established in the PRC and was originally held for a period of twelve years from 10 November 1987. On 18 September 1998, an extension agreement was entered into between the Group and the joint venture partner to extend the joint venture period for a further 10 years to 28 February 2009. Foshan Nanhai Top Form Underwear Co., Ltd. 佛山市南海黛麗斯內衣有限公司 is also a joint venture company established in the PRC and was held for a period of ten years from 1 January 1992. On 1 January 2002, an extension agreement was entered into between the Group and the joint venture partner to extend the joint venture period for a further 3 years to 5 September 2004 which was then extended for a further 16 months to 5 January 2006. Pursuant to the agreements under which the joint ventures were established, the Group has contributed 70% and 75% of the nominal registered capital of Shenzhen Topform Underwear Co., Ltd. 深圳黛麗斯內衣有限公司 and Foshan Nanhai Top Form Underwear Co., Ltd. 佛山市南海黛麗斯內衣有限公司, respectively. However, under the joint venture agreements, the Group is entitled to 100% of the joint venture companies' profit after deducting a fixed annual amount attributable to assets contributed by the joint venture partners. The Group is entitled to receive its attributable share of the net assets upon liquidation of the joint ventures.

As at 30 June 2005, all of the deferred shares issued by subsidiaries were held by group companies. The deferred shares carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective companies. On winding-up, the holders of the deferred shares are entitled to one half of the remaining assets of the respective companies after the first HK\$100,000,000,000 has been distributed equally amongst the holders of the ordinary shares.

None of the subsidiaries had any debt securities subsisting as at 30 June 2005 or at any time during the year.

All subsidiaries operate principally in their respective places of incorporation unless specified otherwise under the heading "Principal activities".

The above tables list the subsidiaries of the Company which, in the opinion of the Directors, principally comprised the Group's assets or results. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

Year ended 30 June	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Turnover	<u>919,465</u>	<u>846,846</u>	<u>1,094,364</u>	<u>1,217,043</u>	<u>1,463,815</u>
Profit before taxation	55,846	78,619	158,364	194,397	230,119
Taxation	<u>(6,480)</u>	<u>(6,001)</u>	<u>(26,479)</u>	<u>(36,042)</u>	<u>(45,853)</u>
Profit before minority interests	49,366	72,618	131,885	158,355	184,266
Minority interests	<u>(2,651)</u>	<u>(2,733)</u>	<u>(385)</u>	<u>(1,852)</u>	<u>(1,176)</u>
Profit for the year	<u>46,715</u>	<u>69,885</u>	<u>131,500</u>	<u>156,503</u>	<u>183,090</u>

ASSETS AND LIABILITIES

At 30 June	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Total assets	337,872	382,527	423,809	531,483	690,861
Total liabilities	(359,955)	(319,339)	(138,117)	(179,025)	(235,506)
Minority interests	<u>(11,840)</u>	<u>(22,466)</u>	<u>(20,950)</u>	<u>(21,902)</u>	<u>(21,059)</u>
	<u>(33,923)</u>	<u>40,722</u>	<u>264,742</u>	<u>330,556</u>	<u>434,296</u>