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