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	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'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	**1,463,815**	1,217,043	**230,119**	194,397

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.

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Group Managing Director