

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