TOP FORM

INTERNATIONAL LIMITED

INTERIM REPORT

2006

The Directors of Top Form International Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2005

		For the six months ended 31 December	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Turnover	*3*	**615,724**	656,450
Cost of sales		**(442,279)**	(443,767)
Gross profit		**173,445**	212,683
Other operating income	*4*	**3,810**	2,040
Selling and distribution expenses		**(12,535)**	(20,433)
General and administrative expenses		**(81,147)**	(76,691)
Profit from operations	*5*	**83,573**	117,599
Finance costs		**(277)**	(371)
Profit before taxation		**83,296**	117,228
Taxation	*6*	**(14,221)**	(24,507)
Profit for the period		**69,075**	92,721
Attributable to:			
Equity holders of the Company		**67,510**	92,143
Minority interests		**1,565**	578
		69,075	92,721
Interim dividend	*7*	**26,907**	26,938
Earnings per share	*8*		
Basic		**6.3 cents**	8.6 cents
Diluted		**N/A**	8.6 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2005

	Notes	At 31 December 2005 (Unaudited) HK$'000	At 30 June 2005 (Audited and restated) HK$'000
Non-current assets			
Property, plant and equipment	*9*	**174,628**	166,157
Prepaid lease payments		**2,059**	2,209
Interests in associates	*10*	**–**	–
		176,687	168,366
Current assets			
Inventories		**297,465**	188,039
Debtors, deposits and prepayments	*11*	**150,259**	143,227
Bills receivables	*11*	**5,228**	6,845
Prepaid lease payments		**300**	300
Bank balances and cash		**83,599**	184,084
		536,851	522,495
Current liabilities			
Creditors and accrued charges	*12*	**158,887**	139,852
Taxation		**67,485**	72,483
Bank borrowings and other liabilities – due within one year	*13*	**7,393**	8,639
Obligations under finance leases – due within one year		**874**	1,503
		234,639	222,477
Net current assets		**302,212**	300,018
Total assets less current liabilities		**478,899**	468,384
Non-current liabilities			
Bank borrowings and other liabilities – due after one year	*13*	**674**	1,150
Obligations under finance leases – due after one year		**388**	693
Provision for long service payments		**4,989**	4,989
Deferred taxation		**13,811**	6,197
		19,862	13,029
		459,037	455,355
Capital and reserves			
Share capital	*14*	**107,630**	107,752
Share premium and reserves		**328,783**	326,544
Equity attributable to equity holders of the Company		**436,413**	434,296
Minority interests		**22,624**	21,059
		459,037	455,355

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2005

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Special reserve HK$'000	Revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Six months ended 31 December 2004										
At 1 July 2004 as originally stated	107,135	–	–	7,139	2,281	(5,431)	219,432	330,556	21,902	352,458
Effect of changes in accounting policies *(see note 2)*	–	–	–	–	(2,281)	–	2,281	–	–	–
At 1 July 2004 as restated	107,135	–	–	7,139	–	(5,431)	221,713	330,556	21,902	352,458
Exchange difference arising on translation of overseas operations recognised directly in equity	–	–	–	–	–	4,713	–	4,713	–	4,713
Profit for the period	–	–	–	–	–	–	92,143	92,143	578	92,721
Total recognised income for the period	–	–	–	–	–	4,713	92,143	96,856	578	97,434
Issue of shares on exercise of share options	539	1,311	–	–	–	–	–	1,850	–	1,850
Dividend paid to minority shareholders of a subsidiary	–	–	–	–	–	–	–	–	(900)	(900)
Dividend paid	–	–	–	–	–	–	(53,798)	(53,798)	–	(53,798)
At 31 December 2004	107,674	1,311	–	7,139	–	(718)	260,058	375,464	21,580	397,044

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – Continued

For the six months ended 31 December 2005

	Attributable to equity holders of the Company									
	Share capital HK$'000	**Share premium** HK$'000	**Capital redemption reserve** HK$'000	**Special reserve** HK$'000	**Revaluation reserve** HK$'000	**Translation reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
Six months ended 31 December 2005										
At 1 July 2005 as originally stated	107,752	1,499	–	7,139	2,281	(6,161)	321,786	434,296	21,059	455,355
Effect of changes in accounting policies *(see note 2)*	–	–	–	–	(2,281)	–	2,281	–	–	–
At 1 July 2005 as restated	107,752	1,499	–	7,139	–	(6,161)	324,067	434,296	21,059	455,355
Exchange difference arising on translation of overseas operations recognised directly in equity	–	–	–	–	–	1,335	–	1,335	–	1,335
Profit for the period	–	–	–	–	–	–	67,510	67,510	1,565	69,075
Total recognised income for the period	–	–	–	–	–	1,335	67,510	68,845	1,565	70,410
Repurchase of shares	(122)	–	122	–	–	–	(2,077)	(2,077)	–	(2,077)
Dividend paid	–	–	–	–	–	–	(64,651)	(64,651)	–	(64,651)
At 31 December 2005	107,630	1,499	122	7,139	–	(4,826)	324,849	436,413	22,624	459,037

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2005

	For the six months ended 31 December	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash (used in) from operating activities	**(9,342)**	80,688
Net cash used in investing activities	**(21,759)**	(29,088)
Net cash used in financing activities:		
Dividend paid	**(64,651)**	(53,798)
Other financing cash flows	**(4,733)**	(8,937)
	(69,384)	(62,735)
Net decrease in cash and cash equivalents	**(100,485)**	(11,135)
Cash and cash equivalents at the beginning of the period	**184,084**	112,269
Cash and cash equivalents at the end of the period	**83,599**	101,134
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**83,599**	103,809
Bank overdrafts	**–**	(2,675)
	83,599	101,134

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2005

1. BASIS OF PREPARATION

The condensed financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis, except for certain properties, which are measured at revalued amounts.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2005.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas:

Financial Instruments

In the current period, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods.

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

From 1 July 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice ("SSAP") 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Other financial liabilities are carried at amortised cost using the effective interest method. The change in accounting policy has had no material impact on the results for the current and prior accounting periods.

Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. Advantage has been taken of the transitional relief provided by paragraph 80 of the SSAP 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 the current period, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively.

The cumulative effects of the application of the new HKFRSs as at 30 June 2005 and 1 July 2005 are summarised below:

	At 30 June 2005 (originally stated) HK$'000	Effect on HKAS 17 HK$'000	Effect on HKAS 1 HK$'000	At 30 June 2005 and 1 July 2005 (restated) HK$'000
Balance sheet items				
Property, plant and equipment	168,666	(2,509)	–	166,157
Prepaid lease payments	–	2,509	–	2,509
	168,666	–	–	168,666
Retained profits	321,786	2,281	–	324,067
Revaluation reserve	2,281	(2,281)	–	–
Minority interests	–	–	21,059	21,059
	324,067	–	21,059	345,126
Minority interests	21,059	–	(21,059)	–

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]

HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.

3. SEGMENT INFORMATION

The business activities of the Group can be categorised into manufacturing business and branded business. These activities are the basis on which the Group reports its primary segment information. Segment information in respect of these activities is as follows:

Business segments

Six months ended 31 December 2005

	Manufacturing business HK$'000	Branded business HK$'000	Elimination HK$'000	Consolidated HK$'000
Turnover				
External sales	**605,442**	**10,282**	**–**	**615,724**
Inter-segment sales	**641**	**–**	**(641)**	**–**
Total turnover	**606,083**	**10,282**	**(641)**	**615,724**
Results				
Segment results	**91,709**	**(2,014)**	**–**	**89,695**
Unallocated corporate expenses				**(8,905)**
Interest income				**2,783**
Profit from operations				**83,573**

Six months ended 31 December 2004

	Manufacturing business HK$'000	Branded business HK$'000	Elimination HK$'000	Consolidated HK$'000
Turnover				
External sales	647,079	9,371	–	656,450
Inter-segment sales	384	–	(384)	–
Total turnover	647,463	9,371	(384)	656,450
Results				
Segment results	127,935	(2,538)	–	125,397
Unallocated corporate expenses				(8,005)
Interest income				207
Profit from operations				117,599

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

Geographical segments

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

Six months ended 31 December 2005

	Sales revenue by geographical market HK$'000	**Contribution to profit from operations HK$'000**
United States of America	**446,046**	**67,565**
Europe	**108,188**	**16,388**
Australia and New Zealand	**34,834**	**5,276**
Asia (excluding Hong Kong)	**18,213**	**2,069**
Hong Kong	**7,878**	**(1,689)**
South Africa	**565**	**86**
	615,724	**89,695**
Unallocated corporate expenses		**(8,905)**
Interest income		**2,783**
Profit from operations		**83,573**

Six months ended 31 December 2004

	Sales revenue by geographical market HK$'000	Contribution to profit from operations HK$'000
United States of America	506,957	100,232
Europe	93,676	18,521
Australia and New Zealand	24,551	4,854
Asia (excluding Hong Kong)	23,717	3,229
Hong Kong	7,549	(1,439)
South Africa	–	–
	656,450	125,397
Unallocated corporate expenses		(8,005)
Interest income		207
Profit from operations		117,599

4. OTHER OPERATING INCOME

Other operating income includes:

	For the six months ended 31 December	
	2005	2004
	HK$'000	HK$'000
Interest income	**2,783**	207

5. PROFIT FROM OPERATIONS

	For the six months ended 31 December	
	2005	2004
	HK$'000	HK$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**13,849**	12,832
Amortisation of prepaid lease payments	**150**	150
Cost of textile quota entitlements	**–**	7,050
Impairment loss arising in respect of:		
leasehold improvements	**–**	3,349
furniture, fixtures and equipment	**–**	1,628
(included in cost of sales and general and administrative expenses of HK$3,514,000 and HK$1,463,000, respectively)	**–**	4,977
Bad debts written off	**–**	1,157
Loss (gain) on disposals of property, plant and equipment	**84**	(248)

6. TAXATION

	For the six months ended 31 December	
	2005	2004
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax calculated at 17.5% (2004: 17.5%) on the estimated assessable profit for the period	**4,900**	21,324
Taxation in other jurisdictions calculated at the rates prevailing in the respective jurisdictions	**1,707**	3,877
	6,607	25,201
Deferred tax:		
Current year	**7,614**	(694)
	14,221	24,507

7. DIVIDENDS

	For the six months ended 31 December	
	2005	2004
	HK$'000	HK$'000
Dividend paid:		
2005 final dividend paid: HK$0.06 (year ended 30 June 2004: HK$0.05) per share on 1,077,514,125 shares (2004: 1,075,973,083 shares)	**64,651**	53,798
Dividend:		
Interim dividend *(Note)*	**26,907**	26,938

Note: An interim dividend of HK$0.025 (for the six months ended 31 December 2004: HK$0.025) per share on 1,076,298,125 shares (for the six months ended 31 December 2004: 1,077,514,125 shares) has been declared by the Directors.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$67,510,000 (for the six months ended 31 December 2004: HK$92,143,000) and on the weighted average of 1,077,083,745 shares (for the six months ended 31 December 2004: 1,074,021,654 shares) in issue during the period.

The computation of diluted earnings per share is as follows:

	For the six months ended 31 December	
	2005	2004
	HK$'000	HK$'000
Profit for the purpose of basic and diluted earnings per share	**67,510**	92,143

	For the six months ended 31 December	
	2005	2004
	Number of shares	
Weighted average number of shares for the purpose of basic earnings per share	**1,077,083,745**	1,074,021,654
Effect of dilutive share options	**–**	2,531,355
Weighted average number of shares for the purpose of diluted earnings per share	**1,077,083,745**	1,076,553,009

9. PROPERTY, PLANT AND EQUIPMENT

During the period, additions and disposals of property, plant and equipment amounted to HK$21,843,000 and HK$168,000 (for the six months ended 31 December 2004: HK$31,411,000 and HK$168,000), respectively.

10. INTERESTS IN ASSOCIATES

The Group did not share additional loss in excess of the investment cost as the Group has no legal or constructive obligation.

11. DEBTORS AND BILLS RECEIVABLES

Included in the debtors, deposits and prepayment, and bills receivables are trade debtors of HK$115,018,000 and HK$5,228,000 (at 30 June 2005: HK$120,996,000 and HK$6,845,000), respectively. The Group allows an average credit period of 30 days to its trade customers.

An aged analysis of trade debtors is as follows:

	At 31 December 2005	At 30 June 2005
	HK$'000	HK$'000
0 – 30 days	**106,288**	119,360
31 – 60 days	**12,658**	1,642
61 – 90 days	**1,177**	2,215
Over 90 days	**123**	4,624
	120,246	127,841

12. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK$89,998,000 (at 30 June 2005: HK$59,193,000).

An aged analysis of trade creditors is as follows:

	At 31 December 2005 HK$'000	At 30 June 2005 HK$'000
0 – 30 days	**60,821**	46,281
31 – 60 days	**26,042**	6,785
61 – 90 days	**2,665**	4,924
Over 90 days	**470**	1,203
	89,998	59,193

13. BANK BORROWINGS AND OTHER LIABILITIES

	At 31 December 2005 HK$'000	At 30 June 2005 HK$'000
Bank borrowings:		
Trust receipts and import loans	**6,366**	7,616
Bank loan	**1,416**	1,888
Total bank borrowings	**7,782**	9,504
Other unsecured liabilities	**285**	285
	8,067	9,789
Less: Amount due within one year shown as current liabilities	**(7,393)**	(8,639)
Amount due after one year	**674**	1,150
Secured	**1,416**	1,888
Unsecured	**6,651**	7,901
Amount due after one year	**8,067**	9,789

14. SHARE CAPITAL

	At 31 December 2005	At 30 June 2005	At 31 December 2005	At 30 June 2005
	Number of shares		HK$'000	HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At the beginning and the end of period/year	**1,500,000,000**	1,500,000,000	**150,000**	150,000
Issued and fully paid:				
At the beginning of the period/year	**1,077,514,125**	1,071,349,957	**107,752**	107,135
Issue of shares during the period	**–**	6,164,168	**–**	617
Repurchase of shares during the period	**(1,216,000)**	–	**(122)**	–
At the end of the period/year	**1,076,298,125**	1,077,514,125	**107,630**	107,752

During the period, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited. The directors considered that, as the Company's shares were trading at a discount to the expected net asset value per share, the repurchase would be beneficial to the Company.

These repurchased shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The aggregate consideration paid on repurchase was charged to retained profits.

Month of repurchase	Number of shares of HK$0.10 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
October 2005	1,216,000	1.75	1.68	2,077

15. CAPITAL COMMITMENTS

	At 31 December 2005 HK$'000	At 30 June 2005 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	**2,807**	–

16. PLEDGE OF ASSETS

As at 31 December 2005, the Group had pledged certain of its machinery with an aggregate carrying value of approximately HK$1,036,000 (at 30 June 2005: HK$1,346,000) to secure a bank loan.

17. RELATED PARTY TRANSACTIONS

During the period, the Group sold finished products of approximately HK$19,690,000 (for the six months ended 31 December 2005: HK$15,558,000) to a related company, Van de Velde N.V. ("VdV").

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 16.37% in the Company as at 31 December 2005.

As at 31 December 2005, the balance of trade receivables from VdV amounted to HK$1,562,000 (at 30 June 2005: HK$2,294,000) was included in debtors, deposits and prepayments.

18. COMPARATIVE FIGURES

During the period, 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 the Group. Comparative figures of HK$5,436,000 have been reclassified accordingly in order to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 31 December 2005, the Group experienced a decrease in both sales turnover and after tax earnings when compared with the same period in the previous year. Sales turnover was down 6% to HK$615.7 million, after-tax earnings 27% to HK$67.5 million, and basic earnings per share were HK$0.063 verses HK$0.086 in the corresponding period of the previous year.

The performance was attained primarily by our core business, which accounted for 98% of the Group's turnover. Our core business remains fundamentally robust but our manufacturing operation was adversely affected by several negative developments that took place in the period. Global sales were 25.9 million units compared with 27.9 million units in the corresponding period last year. These figures, however, do not give a true picture of the disruption as, in the previous year, some 2.4 million units produced in our first half were recognized as sales in our second half due to the embargo on exports from China to the U.S. caused by the breach of the then existing safeguard limits towards the end of the period.

As anticipated in our 2005 year end results announcements, OEM sales in the first quarter of fiscal 2006 were affected by the caution in inventory management shown by our customers as a result of a generally lackluster consumer market in the U.S.. Sales declined by some 12% on a year-to-year comparison.

Business returned and demands for capacity surged in the second quarter as market sentiment started to improve. Unfortunately, the increasingly regimented color/material approval process required by some of our OEM customers created not only hiccups in the supply chain, but further complicated the already challenging operating environment resulting from the trade disputes between China, the E.U. and the U.S. markets. In order to address the threats of embargoes and later the quota implementation fiasco in China, we were compelled to reshuffle production loadings between China and our overseas plants in Thailand and the Philippines with consequential losses of efficiency. Margins were under pressure due to associated logistic costs and the need to utilize overtime to meet scheduled production dates.

Our branded business remains an insignificant part of our portfolio, representing less than 2% of group turnover. Losses, all of which were attributable to the Hong Kong operations where we continue to showcase our products, were tapered to HK$2.0 million. We continue with our search for suitable M&A opportunities in China but on a cautious basis.

The charges attributable to our corporate cost center increased from HK$8.0 million during the first half of last financial year to HK$8.9 million in the current period as we continue to strengthen our back office functions, including the establishment of an internal audit function.

The financial position of the Group remains strong. As at 31 December 2005, shareholders' funds had increased to HK$436.4 million from HK$434.3 million at 30 June 2005. Credit facilities available to the Group amounted to HK$130 million, of which some HK$6.4 million had been utilized. The level of gearing remained insignificant and, with bank balances standing at HK$83.6 million we retain the flexibility to finance future requirements.

Your Board of Directors has resolved to declare an interim dividend of HK$0.025 per share for the half year, equivalent to the interim dividend in the previous year.

In our last annual report, we noted that this fiscal year would present unprecedented challenges to the Group. Our fears were well-founded but we did not anticipate the extent of the disarray caused by the implementation of the E.U. agreement. The dust has settled with regard to both the E.U. and U.S. trade agreements and as a result we are able to plan our production schedules with more certainty. For calendar year 2006, the quota allocation mechanism seems to have stabilized and, through participation in the allocation and auction process, we are confident of acquiring sufficient quota for our needs in China. Our challenge during the first few months of the second half of our fiscal year is rebuilding the efficiency of our plants so that we can fully meet the needs of our existing and new customers.

We are continuing with our expansion in Thailand to accommodate our future growth and, with the flexibility to switch back appropriate production to China, we anticipate a return to a normal level of efficiency in the fourth quarter of our fiscal year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 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	3.81%
Wong Chung Chong, Eddie	Beneficially owned and held by trust *(note 2)*	176,362,118	16.39%
Leung Tat Yan	Held by spouse	80,000	0.01%
Marvin Bienenfeld	Beneficial owner	770,521	0.07%
Chow Yu Chun, Alexander	Beneficial owner	3,100,521	0.29%
Lam Ka Chung, William	Beneficial owner	770,521	0.07%
Lucas A.M. Laureys	Held by controlled corporation *(note 3)*	176,181,544	16.37%
Leung Churk Yin, Jeanny	Beneficial owner	70,521	0.01%
Herman Van de Velde	Held by controlled corporation *(note 3)*	176,181,544	16.37%

Notes:

1. 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.

2. 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.

3. 159,339,762 shares are registered in the name of Guliano (HK) Limited which is wholly owned by Van de Velde N.V. ("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 31 December 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' INTERESTS IN SHARES

As at 31 December 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	16.31%
Guliano (HK) Limited	Beneficial owner	159,339,762	14.80%
VF Intimates	Beneficial owner	106,000,000	9.85%
Chartered Asset Management Pte Ltd.	Investment Manager	55,440,000	5.15%

SHARE OPTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 22 November 2001 for the primary purpose of providing incentives or rewards to the Directors, employees or any other persons at the discretion of the Board of Directors, 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.

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.

During the six months ended 31 December 2005, no options were granted under the Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the period, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited. The directors considered that, as the Company's shares were trading at a discount to the expected net asset value per share, the repurchase would be beneficial to the Company.

These repurchased shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The aggregate consideration paid on repurchase was charged to retained profits. An amount equivalent to the par value of the shares cancelled was transferred from retained profits to the capital redemption reserve.

Month of repurchase	Number of shares of HK$0.10 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
October 2005	1,216,000	1.75	1.68	2,077

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK$0.025 per share (for the six months ended 31 December 2004: HK$0.025 per share) to members whose names appear on the register of members on 10 March 2006. The dividend will be paid on or before 31 March 2006.

CLOSURE OF THE REGISTER OF THE MEMBERS

The register of members will be closed from 6 March 2006 to 10 March 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend of HK$0.025 per ordinary share, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 3 March 2006.

EMPLOYEES

As at 31 December 2005, the Group has approximately 13,262 employees (at 30 June 2005: approximately 14,070 employees). The remuneration policy and package of the Group's employees are structured by reference to market terms and statutory requirements as appropriate. In addition, the Group also provide other staff benefits such as medical insurance, mandatory provident fund and a share option scheme to its employees.

AUDIT COMMITTEE

The Company formed an Audit Committee, which currently comprises Mr. Marvin Bienenfeld, Mr. Chow Yu Chun, Alexander and Mr. Lam Ka Chung, William, all of whom are independent non-executive Directors of the Company.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters.

The unaudited interim report for the six months ended 31 December 2005 has been reviewed by the Audit Committee and Messrs. Deloitte Touche Tohmatsu, auditors of the Company.

CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders.

For the six months ended 31 December 2005, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.4.1 and A.4.2

Code A.4.1 provides, inter alia, that non-executive directors should be appointed for a specific term, subject to re-election.

Non-executive directors of the Company are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years in accordance with the Company's Bye-laws.

Code A.4.2 also provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office provided that notwithstanding anything herein, the Chairman of the Board and the Group Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in the roles of Chairman and Group Managing Director and, in consequence, the Board is of the view that both should not be subject to retirement by rotation or hold office for a limited term at the present time.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Following specific enquiry, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the period under review.

Employees who are likely to be in possession of unpublished price-sensitive information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.

By Order of the Board
Fung Wai Yiu
Chairman

Hong Kong, 19 February 2006