The Group's business activities are organized into two operating units, namely Manufacturing and Brands, and a corporate cost center.

	Turnover		Profit (Loss)	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Manufacturing	**1,403,798**	1,442,897	**166,405**	251,942
Brands	**21,693**	20,918	**(6,457)**	(5,594)
Corporate	**–**	–	**(16,740)**	(16,229)
	1,425,491	1,463,815	**143,208**	230,119

Group profit before taxation for the year reduced by 38% to HK$143.2 million and turnover declined by 3% to HK$1,425.5 million, when compared to the previous year.

MANUFACTURING

Our core business was adversely affected by a number of negative developments that occurred during the year. During the year, our global sales totalled 56.7 million units of brassiere products. This compares with 61.6 million units in 2005.

In our 2005 Annual Report, we noted that fiscal 2006 would present operational challenges to the Group in the short term. We did not, however, anticipate the magnitude of these challenges; primarily caused by the need to reshuffle plant loadings between China and our overseas plants due to quota availability reasons.

Our first half accounted for 25.9 million units, compared to 30.3 million units in 2005, after adjustment for the U.S. embargo which was in force towards the end of calendar 2004. As anticipated, first quarter sales 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.. Business returned and demands for capacity increased in the second quarter as market sentiment improved.

Unfortunately, the increasingly regimented colour and material approval process required by some of our OEM customers created not only delays 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.. The vast majority of our E.U. production was scheduled to be manufactured in our plants in China but, despite our plant in Nan Hai being one of the largest E.U. quota holders in the country, we were unable to utilize any of the quota due to the chaotic implementation of the trade agreement in which allocated quotas were negotiated away in settlement of the unexpectedly high level of backlog held at the various customs points in Europe. This development, together with the threat of an imminent embargo under the Safeguard mechanism imposed by the U.S., meant that we were compelled during our second quarter to reshuffle our production loadings between our plants in China, Thailand and the Philippines. The differing product capabilities between the plants seriously impacted efficiency and thus output, compromising not only our ability to make sales but also resulting in a domino effect of production delays.

Sales during our second half amounted to 30.8 million units, compared to an adjusted 31.3 million in the previous year. The China quota situation for 2006 has been stabilized through the allocation and auction process. Together with purchases from the market, we secured sufficient quota for our needs in the second half and also the remainder of calendar 2006. We therefore were able to reshuffle our production back on the basis of plant capability. The third quarter saw us rebuilding the efficiency in our plants, resulting in an output of 14.8 million pieces which was equivalent to the same period last year and our expectations. In the fourth quarter our output increased to 16 million pieces which again was in line with our expectations. While we were encouraged by the progress of our output buildup, costs in the second half were impacted by substantial overtime payments and logistic costs as we cleared the backlog in orders carried over from the first half and to meet delivery obligations.

Notwithstanding the operational challenges we faced, the upward trend in our products and customer mix continued during the year. Unit prices increased as a result of this trend and material costs remained stable. In August 2004, we added to our existing plants in Thailand by setting up a satellite plant in a Province located away from the dense concentration of manufacturing industries surrounding Bangkok. This plant is now well on the way to becoming a full scale operation and brings not just increased capacity and labour supply but also balances our country risks should there be any future trade disputes between China and her trading nations. In February we set up a small satellite plant some fifty kilometers inland from our Long Nan plant in Jiangxi Province, in accordance with our strategic plan to migrate our labour intensive operations from the coastal cities to inland China.

BRANDS

Brands sales for the year showed a modest increase in turnover compared to last year. The loss of HK$6.5 million was in line with expectations given the level of turnover and was attributable to the operations in Hong Kong where we continue to showcase our products to uphold our brand image. In Hong Kong we opened a second Marguerite Lee shop in a high profile commercial location and are in the process of reviewing our remaining brand operations within the HKSAR. We have prudently invested in building the structure for expansion in China in the absence of an immediate M&A target.

CORPORATE

The charges attributable to our corporate cost center were maintained at HK$16.7 million for the year, the same as the previous year.

FINANCIAL POSITION

The financial position of the Group remains strong.

Shareholders' funds increased from HK$434.3 million at 30 June 2005 to HK$461.2 million at 30 June 2006. At 30 June 2006, the Group had credit facilities amounting to HK$150 million of which HK$4.9 million had been utilized. The level of gearing remained insignificant and bank and cash balances stood at HK$65.3 million, which is sufficient for our immediate needs and provides a firm basis for any M&A projects or expansion opportunities.

OUTLOOK

The outlook for the coming year remains challenging. On the positive side we are comfortable that China quotas will no longer present a major issue and we therefore can select the optimum production locations for our products. The efficiency of our plants has returned to an acceptable level and we are continuing to expand our capacity to meet the demands of existing and potential new customers. Average selling prices are likely to show modest increases.

We will however be faced with unprecedented cost pressures during fiscal 2007. Whilst material prices are forecast to remain stable, minimum wages in Guandong Province have recently surged again by approximately 20% above the scheduled statutory increases over the previous eighteen months. A reduction in export tax rebate on textile and garment products will almost certainly be implemented in the near future which in effect will elevate our China cost. The continuing weakness of the U.S. dollar against many Asian currencies remains a concern and we are mindful of the effects that an economic downturn, particularly in the U.S., could have on consumer confidence and thus our business in that market.

Our business plan for the coming year therefore calls for a prudent approach, with an emphasis on cost control, and a growth level based on our rebuilt capacity achieved in the fourth quarter of this year.