1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the section of corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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 consolidated income statement, consolidated balance sheet and the consolidated 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 that have effects on how the results for the current and/or prior accounting years are prepared and presented:

Financial Instruments

In the current year, the Group has applied HKAS 32 "*Financial Instruments: Disclosure and Presentation*" and HKAS 39 "*Financial Instruments: Recognition and Measurement*". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of the financial instruments in the consolidated financial statements of the Group. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES – continued

Financial Instruments – continued

Financial assets and financial liabilities other than debts and equity securities

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 assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition. 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 after initial recognition. However, there has been no significant financial impact on the adoption of this new accounting policy.

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 regular revaluation 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 year, 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 released to the income statement over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES – continued

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these standards, amendments and interpretations. Other than the adoption of HKAS 39 and HKFRS 4 (Amendments) "*Financial guarantee contracts*" and HKAS 19 (Amendment) "*Actuarial gains and losses, group plans and disclosures*" which may have potential impact to the consolidated financial statements, the Directors of the Company so far concluded that the application of these new standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group. HKAS 19 (Amendment) introduces an additional recognition option for actuarial gains and losses arising in post-employment defined benefit plans. HKAS 39 and HKFRS 4 (Amendments) requires financial guarantee contracts which are within the scope of HKAS 39 to be measured at fair value upon initial recognition. The Group is still not in a position to reasonably estimate the impact that may arise from the HKAS 39 and HKFRS 4 (Amendments) and HKAS 19 (Amendment).

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]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[6]

[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
[5] Effective for annual periods beginning on or after 1 May 2006
[6] Effective for annual periods beginning on or after 1 June 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

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)	**Adjustments on adoption of HKAS 17**	**Adjustments on adoption of HKAS 1**	**At 30 June 2005 and 1 July 2005 (restated)**
	HK$'000	HK$'000	HK$'000	HK$'000
Balance sheet items				
Property, plant and equipment	168,666	(2,413)	–	166,253
Prepaid lease payments	–	2,413	–	2,413
Total effects on assets and liabilities	168,666			168,666
Retained profits	321,786	2,281	–	324,067
Revaluation reserve	2,281	(2,281)	–	–
Minority interests	–	–	21,059	21,059
Total effects on equity	324,067			345,126
Minority interests	21,059	–	(21,059)	–

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the associate, except to the extent that unrealised losses provided evidence of an impairment of the asset transferred, in which case, the full amount of the losses is recognised.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable.

Sales of goods are recognised when goods are delivered and title has been passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost amount of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

Construction in progress is stated at cost less any identified impairment loss, as appropriate.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is dereognised.

Prepaid lease payments for leasehold land

Prepaid lease payments represent upfront premium paid for use of land. Prepaid lease payments are released to the income statement over the lease term on a straight-line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all cost of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing – continued

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation are recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Textile quota entitlements

The cost of textile quota entitlements is charged to the income statement at the time of utilisation.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, bills receivable, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

The Group's financial liabilities (including creditors, bank borrowings and other liabilities, and obligations under finance leases) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not be equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowance of doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade debtors. Allowances are applied to trade debtors where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation on or the actual recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other debtors and doubtful debts expenses in the periods in which such estimate is changed or the receivable are collected.

Allowance of inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. Where the expectation on the net realisable value of inventories is different from the original estimate, such difference will impact the carrying value of inventories.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Depreciation of property, plant and equipment

The Group's carrying amount of property, plant and equipment (other than construction in progress) as at 30 June 2006 was approximately HK$170,842,000. The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful life, commencing from the date the property, plant and equipment is placed into productive use. The estimated useful life of the property, plant and equipment for productive use reflects the Directors' estimate of the number of years that the Group intends to derive future economic benefits from the use of the property, plant and equipment.

Income tax

As at 30 June 2006, a deferred tax asset in relation to unused tax losses of HK$86,209,000 and other deductible temporary differences of HK$527,000 has not been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax asset may arise, which would be recognised in the income statement for the period in which such recognition takes place.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include debtors, bills receivable, bank balances and cash, creditors, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. The Group currently does not have a formal currency hedging policy. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

(ii) Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings. The Group's treasury policy is in place to monitor fair value interest rate exposure and management will consider hedging its exposure to fair value interest rate risk should the need arises.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Cash flow interest rate risk

The Group is exposed to cash flow interest risk through the changes in interest rates relates mainly to the Group's bank borrowings and other liabilities, obligations under finance leases, and bank balances. The Group's treasury policy is in place to monitor interest rate exposure and management will consider hedging significant interest rate exposure should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk for bank balances exposed is considered minimal as such amounts are placed in banks with good credit-ratings.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank loans and overdrafts. In addition, banking facilities have been put in place for contingency purposes.

7. REVENUE

Revenue represents the net amount received and receivable for goods sold by the Group to outside customers during the year.

8. SEGMENT INFORMATION

For management purposes, the Group's operations are currently organised into manufacturing business and branded business. Segment information in respect of these activities is as follows:

(a) Business segments

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Manufacturing business HK$'000	Branded business HK$'000	Elimination HK$'000	Consolidated HK$'000
Revenue				
External sales	1,403,798	21,693	–	1,425,491
Inter-segment sales *(note)*	2,397	–	(2,397)	–
Total sales	1,406,195	21,693	(2,397)	1,425,491
RESULTS				
Segment results	163,331	(6,408)	–	156,923
Unallocated corporate expenses				(16,735)
Interest income				3,621
Finance costs				(601)
Profit before taxation				143,208
Taxation				(24,131)
Profit for the year				119,077

8. SEGMENT INFORMATION – continued

(a) Business segments – continued

FOR THE YEAR ENDED 30 JUNE 2005

	Manufacturing business HK$'000	Branded business HK$'000	Elimination HK$'000	Consolidated HK$'000
Revenue				
External sales	1,442,897	20,918	–	1,463,815
Inter-segment sales *(note)*	744	–	(744)	–
Total sales	1,443,641	20,918	(744)	1,463,815
RESULTS				
Segment results	251,728	(5,573)	–	246,155
Unallocated corporate expenses				(16,698)
Interest income				823
Finance costs				(630)
Gain on winding up of subsidiaries				469
Profit before taxation				230,119
Taxation				(45,853)
Profit for the year				184,266

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

8. SEGMENT INFORMATION – continued

(a) Business segments – continued

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE

	2006 HK$'000	2005 HK$'000
ASSETS		
Segment assets		
– manufacturing business	**719,612**	661,576
– branded business	**20,360**	17,854
Unallocated corporate assets	**8,807**	11,431
Consolidated total assets	**748,779**	690,861
LIABILITIES		
Segment liabilities		
– manufacturing business	**163,837**	137,715
– branded business	**8,211**	4,573
Unallocated corporate liabilities	**96,379**	93,218
Consolidated total liabilities	**268,427**	235,506

OTHER INFORMATION
FOR THE YEAR ENDED 30 JUNE

	2006 HK$'000	2005 HK$'000
Capital expenditure		
– manufacturing business	**31,901**	67,189
– branded business	**832**	843
	32,733	68,032
Depreciation and amortisation		
– manufacturing business	**28,176**	25,832
– branded business	**870**	725
	29,046	26,557
Loss on disposal of property, plant and equipment		
– manufacturing business	**908**	120
– branded business	**56**	62
	964	182
Impairment loss recognised in respect of property, plant and equipment:		
– manufacturing business	**–**	4,990
– branded business	**–**	–
	–	4,990

8. SEGMENT INFORMATION – continued

(b) Geographical segments

The Group's operations in manufacturing are principally located in Hong Kong, the People's Republic of China ("PRC") and Thailand. Branded business is principally carried out in Hong Kong and the PRC.

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

YEAR ENDED 30 JUNE 2006

	Sales revenue by geographical market HK$'000	Contribution to profit before taxation HK$'000
United States of America	1,033,281	120,222
Europe	219,878	25,582
Australia and New Zealand	71,251	8,290
Asia (excluding Hong Kong)	45,450	4,531
Hong Kong	55,065	(1,768)
South Africa	566	66
	1,425,491	156,923
Unallocated corporate expenses		(16,735)
Interest income		3,621
Finance costs		(601)
Profit before taxation		143,208

8. SEGMENT INFORMATION – continued

(b) Geographical segments – continued

YEAR ENDED 30 JUNE 2005

	Sales revenue by geographical market HK$'000	Contribution to profit before taxation HK$'000
United States of America	1,134,819	197,981
Europe	208,472	36,370
Australia and New Zealand	60,563	10,566
Asia (excluding Hong Kong)	42,508	6,222
Hong Kong	17,024	(5,059)
South Africa	429	75
	1,463,815	246,155
Unallocated corporate expenses		(16,698)
Interest income		823
Finance costs		(630)
Gain on winding up of subsidiaries		469
Profit before taxation		230,119

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

	Carrying amount of total assets		Additions to property, plant and equipment	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC (including Hong Kong)	**651,134**	609,474	**20,428**	61,043
Thailand	**91,109**	74,320	**11,667**	6,676
Others	**6,536**	7,067	**638**	313
	748,779	690,861	**32,733**	68,032

9. OTHER INCOME

	2006 **HK$'000**	2005 HK$'000
Other income includes:		
Interest income	**3,621**	823

10. FINANCE COSTS

	2006	2005
	HK$'000	HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**510**	458
Obligations under finance leases	**91**	172
	601	630

11. GAIN ON WINDING UP OF SUBSIDIARIES

The amount represented release of translation reserve upon winding up of subsidiaries in 2005.

The subsidiaries wound up did not make a significant contribution to the Group's turnover and operating results in 2005.

12. PROFIT BEFORE TAXATION

	2006	2005
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging:		
Auditors' remuneration	**2,748**	1,682
Cost of textile quota entitlements	**11,953**	7,086
Depreciation of property, plant and equipment		
Owned assets	**28,407**	24,217
Assets held under finance leases	**527**	2,228
	28,934	26,445
Amortisation of prepaid leases payments	**112**	112
Loss on disposal of property, plant and equipment	**964**	182
Impairment loss arising in respect of *(note a)*:		
Leasehold improvements	**–**	3,370
Furniture, fixture and equipment	**–**	1,620
	–	4,990
Minimum lease payments paid under operating leases in respect of land and buildings *(note b)*	**17,705**	17,242
Net exchange loss	**882**	318
Staff costs, including Directors' emoluments *(note c)*	**298,096**	302,244

Notes:

(a) Impairment loss arising during the year ended 30 June 2005 included in cost of sales and general and administrative expenses are HK$3,514,000 and HK$1,476,000, respectively.

(b) Included above is operating lease rentals of HK$290,000 (2005: HK$478,000) in respect of staff quarters.

(c) Details of Directors' emoluments included in staff costs are disclosed in note 13. Staff costs included an amount of HK$2,192,000 (2005: HK$1,938,000) in respect of retirement benefit scheme contributions, net of forfeited contributions.

13. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors

Details of emoluments paid by the Group to the Directors during the year are as follows:

	2006 HK$'000	2005 HK$'000
Fees to Non-executive Directors	1,200	1,600
Remuneration to Executive Directors:		
Salaries and other benefits	7,805	5,985
Bonus	–	13,000
Retirement benefit scheme contributions	36	24
Total Directors' emoluments	9,041	20,609

Details of emoluments paid to individual Directors (including Non-executive Directors) during the year are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	2006 Total HK$'000
Fung Wai Yiu	–	2,940	–	12	2,952
Wong Chung Chong, Eddie	–	3,045	–	12	3,057
Leung Tat Yan	–	1,820	–	12	1,832
Lucas A.M. Laureys	200	–	–	–	200
Leung Churk Yin, Jeanny	200	–	–	–	200
Herman Van de Velde	200	–	–	–	200
Marvin Bienefeld	200	–	–	–	200
Chow Yu Chun, Alexander	200	–	–	–	200
Lam Ka Chung, William	200	–	–	–	200
Lin Sian Zu, John	–	–	–	–	–
Tse Koon Hang, Ada	–	–	–	–	–
Leung Ying Wah, Lambert	–	–	–	–	–
Lin Sun Mo, Willy	–	–	–	–	–
	1,200	7,805	–	36	9,041

13. DIRECTORS' AND EMPLOYEES' REMUNERATION – continued

Directors – continued

	Fees HK$'000	Salaries and other benefits HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	2005 Total HK$'000
Fung Wai Yiu	–	2,940	6,000	12	8,952
Wong Chung Chong, Eddie	–	3,045	7,000	12	10,057
Lucas A.M. Laureys	200	–	–	–	200
Leung Churk Yin, Jeanny	200	–	–	–	200
Herman Van de Velde	200	–	–	–	200
Marvin Bienefeld	200	–	–	–	200
Chow Yu Chun, Alexander	200	–	–	–	200
Lam Ka Chung, William	200	–	–	–	200
Lin Sian Zu, John	200	–	–	–	200
Tse Koon Hang, Ada	200	–	–	–	200
	1,600	5,985	13,000	24	20,609

No Directors waived any emoluments during the year (2005: nil).

Employees

Of the five individuals with the highest emoluments in the Group, three (2005: two) were Directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining two (2005: three) individuals were as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	**4,143**	10,325
Retirement benefit scheme contributions	**12**	24
	4,155	10,349

The emoluments were within the following bands:

	Number of individuals	
	2006	2005
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,500,001 – HK$4,000,000	**–**	2

14. TAXATION

	2006 HK$'000	2005 HK$'000
The charge comprises:		
Current tax		
Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profit for the year	**16,590**	47,085
Taxation in other jurisdictions calculated at the rates prevailing in the respective jurisdictions	**5,746**	3,305
	22,336	50,390
(Over)underprovision in prior years		
Hong Kong Profits Tax	**(2,012)**	(473)
Taxation in other jurisdictions	**345**	(349)
	(1,667)	(822)
Deferred taxation *(Note 27)*		
Current year	**3,462**	(3,715)
	24,131	45,853

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2006 HK$'000	2005 HK$'000
Profit before taxation	**143,208**	230,119
Tax at Hong Kong Profits Tax rate of 17.5%	**25,061**	40,271
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,824)**	1,488
Tax effect of expenses not deductible for tax purposes	**6,875**	8,579
Tax effect of income not taxable for tax purposes	**(6,860)**	(5,792)
Tax effect of deductible temporary differences not recognised	**–**	32
Tax effect of tax losses not recognised	**2,958**	1,617
Tax effect of utilisation of deductible temporary differences previously not recognised	**(45)**	(125)
Tax effect of utilisation of tax losses previously not recognised	**(1,004)**	(489)
Overprovision in prior years	**(1,667)**	(822)
Others	**637**	1,094
Taxation charge for the year	**24,131**	45,853

15. DIVIDENDS

	2006 HK$'000	2005 HK$'000
2006 interim dividend paid:		
HK$0.025 (year ended 30 June 2005: HK$0.025) per share on 1,076,298,125 shares (2005: 1,077,514,125 shares)	**26,907**	26,938
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
	91,558	80,736

A final dividend of HK$0.03 (2005: HK$0.06) per share has been proposed by the Directors and is subject to the approval by the shareholders in general meeting.

16. EARNINGS PER SHARE

The computation of basic and diluted earnings per share is as follows:

	2006 HK$'000	2005 HK$'000
Profit attributable to the equity holders of the Company for the purpose of basic and diluted earnings per share	**114,876**	183,090

	Number of shares	
	2006	2005
Number of shares for the purpose of basic earnings per share	**1,076,694,164**	1,075,732,427
Effect of dilutive share options	**–**	1,293,079
Number of shares for the purpose of diluted earnings per share	**1,076,694,164**	1,077,025,506

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1 July 2004, as originally stated	56,864	48,044	210,361	12,463	3,384	331,116
Effect of changes in accounting policies	(5,623)	–	–	–	–	(5,623)
At 1 July 2004, as restated	51,241	48,044	210,361	12,463	3,384	325,493
Currency realignment	(102)	(128)	(574)	(21)	–	(825)
Additions	27,584	6,344	32,977	1,127	–	68,032
Disposals	(1,683)	(335)	(2,144)	(322)	–	(4,484)
Reclassification	3,384	–	–	–	(3,384)	–
At 1 July 2005	80,424	53,925	240,620	13,247	–	388,216
Currency realignment	473	690	3,066	103	–	4,332
Additions	–	7,066	25,069	382	216	32,733
Disposals	–	(414)	(6,591)	(191)	–	(7,196)
Reclassification	205	–	–	–	(205)	–
At 30 June 2006	**81,102**	**61,267**	**262,164**	**13,541**	**11**	**418,085**
DEPRECIATION AND IMPAIRMENT						
At 1 July 2004, as originally stated	20,094	37,018	131,652	9,109	–	197,873
Effect of changes in accounting policies	(3,098)	–	–	–	–	(3,098)
At 1 July 2004, as restated	16,996	37,018	131,652	9,109	–	194,775
Currency realignment	(14)	(92)	(301)	(6)	–	(413)
Charge for the year	2,509	3,828	18,191	1,917	–	26,445
Eliminated on disposals	(1,683)	(189)	(1,642)	(320)	–	(3,834)
Impairment loss	–	3,370	1,620	–	–	4,990
At 1 July 2005	17,808	43,935	149,520	10,700	–	221,963
Currency realignment	87	506	1,585	49	–	2,227
Charge for the year	3,779	4,455	19,488	1,212	–	28,934
Eliminated on disposals	–	(259)	(5,539)	(83)	–	(5,881)
At 30 June 2006	**21,674**	**48,637**	**165,054**	**11,878**	**–**	**247,243**
CARRYING VALUES						
At 30 June 2006	**59,428**	**12,630**	**97,110**	**1,663**	**11**	**170,842**
At 30 June 2005	62,616	9,990	91,100	2,547	–	166,253

17. PROPERTY, PLANT AND EQUIPMENT – continued

Depreciation is provided to write off the cost of property, plant and equipment, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold properties	2% – 6.5%
Leasehold improvements	5% – 30%
Furniture, fixtures and equipment	10% – 45%
Motor vehicles	20% – 30%

Notes:

(a) The carrying value of the leasehold properties held by the Group at the balance sheet date comprises:

	2006 HK$'000	2005 HK$'000
Leasehold properties outside Hong Kong under:		
Long lease	**1,282**	1,356
Medium term lease	**53,705**	56,026
Short lease	**4,188**	4,919
Leasehold properties in Hong Kong under medium term lease	**253**	315
	59,428	62,616

(b) The carrying values of the Group's property, plant and equipment in respect of assets held under finance leases are as follows:

	2006 HK$'000	2005 HK$'000
Furniture, fixtures and equipment	**643**	3,416
Motor vehicles	**522**	935
	1,165	4,351

During the year ended 30 June 2005, the Directors reviewed the carrying value of the Group's manufacturing assets and determined that a number of those assets were impaired due to the plan for reallocation of certain production lines to Long Nan, the PRC. The reallocation of production lines commenced in October 2004 but had not been completed by 30 June 2005. Impairment losses of HK$3,370,000 and HK$1,620,000 had been recognised in respect of leasehold improvements and furniture, fixtures and equipment, respectively.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2006	2005
	HK$'000	HK$'000
Leasehold land in Hong Kong:		
Medium-term lease	**248**	312
Leasehold land outside Hong Kong:		
Medium-term lease	**2,053**	2,101
	2,301	2,413
Analysed for reporting purposes as:		
Current portion	**112**	112
Non-current portion	**2,189**	2,301
	2,301	2,413

19. INTERESTS IN ASSOCIATES

At 30 June 2005, interests in associates included 25% of the registered capital of Shenzhen Fenghua Weaving Tape Factory Company Limited 深圳豐華織帶有限公司 ("Shenzhen Fenghua") and 30% of the registered capital of Yingkou Xinfa Industrial Park Development Company Limited 營口鑫發工業園開發有限公司 ("Yingkou Xinfa") held by the Group. The Group's share of net assets of these associates of HK$15,422,000 was fully impaired in previous years.

Shenzhen Fenghua was deregistered during the year. The Directors of the Company consider that the Group no longer has the power to exercise significant influence over Yingkou Xinfa during the year and it is therefore not classified as an associate of the Group.

20. INVENTORIES

	2006	2005
	HK$'000	HK$'000
Raw materials	**101,357**	81,503
Work in progress	**92,161**	64,397
Finished goods	**52,475**	42,139
	245,993	188,039

21. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance are trade debtors of HK$211,072,000 (2005: HK$120,996,000). The Group allows an average credit period of 30 days to its trade customers.

An aged analysis of trade debtors is as follows:

	2006	2005
	HK$'000	HK$'000
0-30 days	**188,030**	112,515
31-60 days	**5,011**	1,642
61-90 days	**7,869**	2,215
Over 90 days	**10,162**	4,624
	211,072	120,996

The Directors consider that the fair value of debtors at 30 June 2006 approximates to the carrying amount.

22. OTHER FINANCIAL ASSETS

Bills receivable

Included in the bills receivable are amounts of HK$6,972,000 (2005: HK$5,252,000) aged within 30 days and the remaining balance of HK$2,677,000 (2005: HK$1,593,000) aged between 31 to 60 days.

The Directors consider that the fair value of bills receivable at 30 June 2006 approximates to the carrying amount.

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest at rates ranging from 2.35% to 2.90% (2005: 0.002% to 1.14%) per annum. The fair value of bank balances and cash approximates to its carrying amount.

23. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK$74,190,000 (2005: HK$59,193,000).

An aged analysis of trade creditors is as follows:

	2006 **HK$'000**	2005 HK$'000
0 – 30 days	**65,540**	46,281
31 – 60 days	**5,320**	6,785
61 – 90 days	**847**	4,924
Over 90 days	**2,483**	1,203
	74,190	59,193

The Directors consider that the fair value of creditors at 30 June 2006 approximates to the carrying amount.

24. BANK BORROWINGS AND OTHER LIABILITIES

	2006 **HK$'000**	2005 HK$'000
Bank borrowings:		
Trust receipts and import loans	**4,941**	7,616
Bank loan	**1,009**	1,888
Total bank borrowings *(note a)*	**5,950**	9,504
Other unsecured liabilities *(note b)*	**285**	285
	6,235	9,789
Less: Amount due within one year shown as current liabilities	**(6,032)**	(8,639)
Amount due after one year	**203**	1,150
Secured	**1,009**	1,888
Unsecured	**5,226**	7,901
	6,235	9,789

24. BANK BORROWINGS AND OTHER LIABILITIES – continued

Notes:

		2006 HK$'000	2005 HK$'000
(a)	The bank borrowings are repayable:		
	Within one year	**5,950**	8,557
	Between one to two years	**–**	947
		5,950	9,504
(b)	Other liabilities are unsecured and repayable:		
	Within one year	**82**	82
	Between one to two years	**203**	203
		285	285

(c) At 30 June 2006, the Group pledged certain of its machinery with an aggregate carrying value of approximately HK$1,051,000 (2005: HK$1,346,000) to secure a bank loan.

Included in bank borrowings is an amount of HK$4,941,000 (2005: HK$7,616,000) representing trust receipts and import loans denominated in United States dollars.

The average interest rates were as follows:

	2006	2005
Trust receipts and import loans	**5.96%**	4.75%
Bank loans	**4.5%**	4.5%

Bank loans of HK$1,009,000 (2005: HK$1,888,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. The loan is secured by a charge over certain of the Group's machinery. Trust receipts and import loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The Directors consider that the fair values of the Group's bank borrowings and other liabilities at 30 June 2006 approximate to their carrying amounts.

At 30 June 2006, the Group had undrawn borrowing facilities of HK$145,059,000 (2005: HK$142,384,000).

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**400**	1,618	**358**	1,503
Between one to two years	**361**	735	**325**	661
Between two to five years	**37**	35	**34**	32
	798	2,388	**717**	2,196
Less: Future finance charges	**(81)**	(192)	**–**	–
Present value of lease obligations	**717**	2,196	**717**	2,196
Less: Amount due within one year shown as current liabilities			**(358)**	(1,503)
Amount due after one year			**359**	693

It is the Group's policy to lease certain of its furniture, fixtures and equipment and motor vehicles under finance leases. The average lease term is three years. For the year ended 30 June 2006, the average effective borrowing rate was 6.3% (2005: 7.3%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent payments.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

The fair value of the Group's finance lease obligations at 30 June 2006, is based on the present value of the estimated cash flows discounted using the prevailing market rate at the balance sheet date, approximates to the carrying amount.

26. PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees in Hong Kong upon the termination of their employment or retirement when the employees fulfill certain conditions and the termination meets the required circumstances. However, where an employee is simultaneously entitled to a long service payment and to a retirement scheme payment (i.e. the Mandatory Provident Fund Scheme), the amount of the long service payment will be reduced by certain benefits arising from the retirement scheme.

The most recent actuarial valuation of the present value of the Group's obligation under the long service payments was carried out at 30 June 2006 by Hewitt Associates LLC, an independent firm of human resource consultants and actuaries. The present value of the Group's obligation under long service payments, the related current service cost, past service cost and net actuarial losses were measured using the projected unit credit method.

26. PROVISION FOR LONG SERVICE PAYMENTS – continued

In addition, the Group operates a defined benefit plan for qualifying employees of its subsidiaries in the Philippines. Under the plan, the employees are entitled to retirement benefits equal to 22.5 days pay for every year of credited service in accordance with the Retirement Pay Law of the Philippines. No other post-retirement benefits are provided.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2006 by E.M. Zalamea Actuarial Services, Inc., an independent firm of actuaries. The present value of the defined benefit obligation, the related current service cost and past service costs are measured using the projected unit credit method.

The main actuarial assumptions used in the actuarial valuation were as follows:

	2006	2005
Expected rate of salary increases	**5% per annum**	3% per annum
Expected return on retirement benefit schemes	**5% per annum**	4% per annum

The discount rates used in the actuarial valuation are 6% and 11% (2005: 5% and nil) for the provision of long service payments to the employees in Hong Kong and the Philippines, respectively. Amounts recognised in the consolidated income statement in respect of the long service payments are as follows:

	2006 **HK$'000**	2005 HK$'000
Current service cost	**158**	11
Interest cost	**422**	135
Net actuarial losses recognised	**(242)**	603
Benefit forfeited	**–**	(280)
Amount charged for the year (included in general and administrative expenses)	**338**	469

Movements in the net liability in the balance sheet are as follows:

	2006 **HK$'000**	2005 HK$'000
At beginning of the year	**4,989**	4,520
Amount charged to income statement	**338**	469
Benefits paid	**(982)**	–
At end of the year	**4,345**	4,989

27. DEFERRED TAXATION

The major deferred tax liabilities recognised by the Group and movements thereon during the current and prior years are as follows:

	Accelerated tax depreciation HK$'000	**Unrealised losses** HK$'000	**Total** HK$'000
At 1 July 2004	3,512	6,400	9,912
Charge (credit) to income statement	1,585	(5,300)	(3,715)
At 1 July 2005	5,097	1,100	6,197
Charge to income statement	684	2,778	3,462
At 30 June 2006	**5,781**	**3,878**	**9,659**

At 30 June 2006, the Group has unused tax losses of approximately HK$86,209,000 (2005: HK$75,040,000), available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses of the Group are losses of HK$9,447,000 (2005: HK$7,123,000) of subsidiaries in the PRC that will gradually expire until 2011. Other losses may be carried forward indefinitely.

At 30 June 2006, the Group has unrecognised deductible temporary differences of approximately HK$527,000 (2005: HK$785,000) in respect of accelerated accounting depreciation. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

28. SHARE CAPITAL

	2006 Number of shares	2005 Number of shares	2006 HK$'000	2005 HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At beginning and the end of the year	**1,500,000,000**	1,500,000,000	**150,000**	150,000
Issued and fully paid:				
At beginning of the year	**1,077,514,125**	1,071,349,957	**107,752**	107,135
Issue of shares during the year	**–**	6,164,168	**–**	617
Repurchase of shares during the year	**(1,216,000)**	–	**(122)**	–
At end of the year	**1,076,298,125**	1,077,514,125	**107,630**	107,752

During the year, 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$0.10 each**	**Price per share Highest** HK$	**Price per share Lowest** HK$	**Aggregate consideration paid** HK$'000
October 2005	1,216,000	1.75	1.68	2,077

29. SHARE OPTION SCHEME

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, 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.

At 1 July 2004, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 6,164,168, representing 0.6% of the shares of the Company in issue at 8 September 2004. All of these granted options were exercised during the year ended 30 June 2005. No options were granted under the Scheme during the year ended 30 June 2006.

The following table discloses details of the Company's share options held by the Directors under the Scheme during the two years ended 30 June 2006:

Date of grant	Vesting period	Exercise period	Exercise price	Number of share options outstanding at 1.7.2004	Exercised during the year ended 30.6.2005	Number of share options outstanding at 30.6.2005 and 30.6.2006
			HK$			
9 September 2002	9 September 2002 to 8 September 2004	9 September 2004 to 8 September 2012	0.343	6,164,168	(6,164,168)	–

The weighted average closing price of the Company's share at the dates on which the options were exercised was HK$1.39.

30. MAJOR NON-CASH TRANSACTION

The consideration in connection with the transfer of 25% of the nominal registered capital of Foshan Nan Hai Top Form Underwear Co., Ltd. 佛山市南海黛麗斯內衣有限公司 ("NHTF"), a subsidiary of the Group, from the joint venture partner to the Group of HK$5,200,000 during the year was included in creditors and accrued charges as at 30 June 2006.

During the year ended 30 June 2005, the Group entered into finance lease arrangements in respect of assets with a total capital value of HK$1,670,000 at the inception of the finance leases.

31. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

	2006	2005
	HK$'000	HK$'000
	16,428	15,440
In the second to fifth year inclusive	**20,178**	14,432
Over five years	**1,000**	–
	37,606	29,872

Leases are negotiated for an average term of one to five years with fixed rental over the terms of the relevant leases.

32. RETIREMENT BENEFIT SCHEMES

The Group has joined a Mandatory Provident Fund scheme ("MPF Scheme") for all employees in Hong Kong which is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The eligible employees of the Company's subsidiaries in the PRC are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits.

Eligible employees of the Company's subsidiaries in Thailand and the Philippines currently participate in defined contribution pension schemes operated by the local municipal governments. The calculation of contributions is based on certain percentages of the employees' shares.

33. RELATED PARTY TRANSACTIONS

During the year ended 30 June 2006, the Group sold finished products of approximately HK$39,800,000 (2005: HK$35,803,000), to a related company, Van de Velde N.V. ("VdV") and its subsidiaries and/or affiliates.

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 30 June 2006.

As at 30 June 2006, the balance of trade receivable from VdV amounted to HK$1,041,000 (2005: HK$2,294,000).

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2006 **HK$'000**	2005 HK$'000
Salaries and other benefits	**19,126**	37,299
Contribution to retirement benefit scheme	**107**	101
	19,233	37,400

The remuneration of Directors and key executives is determined by the compensation committee having regard to the performance of individuals and market trends.

34. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 June 2006 are as follows:

Name of company	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company	Principal activities
Charming Elastic Fabric Company Limited 綉麗橡根帶織品有限公司	Hong Kong	Ordinary – HK$316,667 Deferred – HK$810,000	60%	Manufacture of elastic garment straps
Foshan Nan Hai Top Form Underwear Company Limited 佛山市南海黛麗斯內衣有限公司	The PRC#	Capital contribution – HK$20,800,000	100%	Manufacture of ladies' underwear
Grand Gain Industrial Limited 建盈實業有限公司	Hong Kong	Ordinary – HK$100,000	55%	Laminating business

34. PRINCIPAL SUBSIDIARIES – continued

Name of company	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company	Principal activities
Long Nan County Grand Gain Underwear Company Limited 龍南縣建盈內衣有限公司	The PRC#	Capital contribution – HK$5,000,000	55%	Moulding
Long Nan County Top Form Underwear Co., Ltd. 龍南縣黛麗斯內衣有限公司	The PRC#	Capital contribution – HK$47,266,038	100%	Manufacture of ladies' underwear
Marguerite Lee Limited	Hong Kong	Ordinary – HK$2,500,000	100%	Retail sales of underwear, sleepwear and other intimate apparel
Marguerite Lee (Overseas) Limited	British Virgin Islands	Ordinary – US$10	100%	Investment holding
漫多姿服裝(深圳)有限公司	The PRC#	Capital contribution – HK$13,000,000	100%	Manufacture and distribution of ladies' underwear
Meritlux Industries Philippines, Inc.	Republic of Philippines	Ordinary – Peso 17,500,000	100%	Manufacture of ladies' underwear
Shenzhen Top Form Underwear Co., Limited 深圳黛麗斯內衣有限公司	The PRC^	Capital contribution – HK$8,616,475	70%	Manufacture and distribution of ladies' underwear
Top Form Brassiere Co., Limited	Thailand	Ordinary – Baht 80,000,000	100%	Manufacture of ladies' underwear
Top Form Brassiere Mfg. Co., Limited 黛麗斯胸圍製造廠有限公司	Hong Kong	Ordinary – HK$100 Deferred – HK$4,000,000	100%	Manufacture of ladies' underwear
Top Form (B.V.I.) Limited	British Virgin Islands	Ordinary – US$50,000	100%*	Investment holding

34. PRINCIPAL SUBSIDIARIES – continued

Name of company	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company	Principal activities
Top Form Industries Limited	Mauritius	Ordinary US$100,000	100%	Manufacture of ladies, underwear
Top Form Brassiere (Maesot) Co., Ltd	Thailand	Ordinary – Baht 10,000,000	100%	Manufacture of ladies' underwear
Top Prospect Investment Limited 統興投資有限公司	Hong Kong	Ordinary – HK$2	100%	Property holding in the PRC
Topfull Development Limited 統富發展有限公司	Hong Kong	Ordinary – HK$2	100%	Property holding in the PRC
Twin Peak Brassiere Company Limited	Thailand	Ordinary – Baht 3,000,000	100%	Manufacture of ladies' underwear
Unique Form Manufacturing Company Limited 特麗儂內衣製造廠有限公司	Hong Kong	Ordinary – HK$1,000 Deferred – HK$200	100%	Retail sales of underwear, sleepwear and other intimate apparel
Unique Form Manufacture (Thailand) Co., Ltd	Thailand	Ordinary – Baht 1,000,000	100%	Manufacture of ladies' underwear
Wide Gain Investment Limited 和盈投資有限公司	Hong Kong	Ordinary – HK$2	100%	Investment holding
Xinfeng County Grand Gain Underwear Co., Ltd. 信豐縣建盈內衣有限公司	The PRC#	Capital contribution HK$2,500,000	100%	Manufacture of ladies' underwear

* *Directly held by the Company*

\# *These subsidiaries are registered as wholly foreign owned enterprises in the PRC.*

^ *This subsidiary is registered as a sino-foreign equity joint venture in the PRC.*

34. PRINCIPAL SUBSIDIARIES – continued

Shenzhen Top Form Underwear Co., Limited 深圳黛麗斯內衣有限公司 ("SZTF") is a joint venture company established in the PRC and was originally held for a period of twelve years from 10 November 1987. On 18 September 1998, an extension agreement was entered into between the Group and the joint venture partner to extend the joint venture period for a further 10 years to 28 February 2009. Pursuant to the agreement under which the joint venture was established, the Group has contributed 70% of the nominal registered capital of SZTF. However, under the joint venture agreement, the Group is entitled to 100% of this joint venture company's profit after deducting a fixed annual amount attributable to assets contributed by the joint venture partner. The Group is entitled to receive its attributable share of the net assets upon liquidation of the joint venture.

NHTF was established as a joint venture company in the PRC on 1 January 1992 for a joint venture period of ten years. The joint venture period had then been extended to 5 September 2006. Pursuant to an agreement under which the joint venture were established, the Group had contributed 75% of the nominal registered capital of NHTF. However, under the joint venture agreement, the Group was entitled to 100% of the joint venture company' profit after deducting a fixed annual amount attributable to assets contributed by the joint venture partner. The Group was entitled to receive its attributable share of the net assets upon liquidation of the joint ventures. In June 2006, the Group has terminated this joint venture agreement and 25% of the nominal registered capital of NHTF were transferred by joint venture partner to the Group. Since then, NHTF has been changed as a foreign investment enterprise.

As at 30 June 2006, all of the deferred shares issued by subsidiaries were held by group companies. The deferred shares carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective companies. On winding-up, the holders of the deferred shares are entitled to one half of the remaining assets of the respective companies after the first HK$100,000,000,000 has been distributed equally amongst the holders of the ordinary shares.

None of the subsidiaries had any debt securities subsisting as at 30 June 2006 or at any time during the year.

All subsidiaries operate principally in their respective places of incorporation unless specified otherwise under the heading "Principal activities".

The above tables list the subsidiaries of the Company which, in the opinion of the Directors, principally comprised the Group's assets or results. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

35. COMPANY'S BALANCE SHEET

	2006 HK$'000	2005 HK$'000
Non-current assets		
Investments in subsidiaries	**147,740**	125,002
Amounts due from subsidiaries	**–**	304,183
Interests in associates	**–**	–
	147,740	429,185
Current assets		
Amounts due from subsidiaries	**425,301**	–
Deposits and prepayments	**122**	99
Bank balances and cash	**19**	16
	425,442	115
Current liabilities		
Amounts due to subsidiaries	**168,067**	–
Creditors and accrued charges	**1,661**	2,226
	169,728	2,226
Net current assets (liabilities)	**255,714**	(2,111)
	403,454	427,074
Capital and reserves		
Share capital	**107,630**	107,752
Reserves	**295,824**	319,322
	403,454	427,074