

TOP FORM

INTERNATIONAL LIMITED

STOCK CODE: 333

INTERIM REPORT

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CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2006

		For the six months ended	
		31 December	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	770,125	615,724
Cost of sales		(572,716)	(442,279)
Gross profit		197,409	173,445
Other income		7,201	3,810
Selling and distribution expenses		(30,908)	(12,535)
Administrative expenses		(83,486)	(81,147)
Finance costs		(162)	(277)
Profit before taxation	4	90,054	83,296
Income tax expense	5	(14,352)	(14,221)
Profit for the period		<u>75,702</u>	<u>69,075</u>
Attributable to:			
Equity holders of the Company		74,645	67,510
Minority interests		1,057	1,565
		<u>75,702</u>	<u>69,075</u>
Dividend paid	6	<u>32,289</u>	<u>64,651</u>
Interim dividend	6	<u>26,907</u>	<u>26,907</u>
Earnings per share	7		
Basic		<u>6.9 cents</u>	<u>6.3 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2006

		At 31 December 2006 (Unaudited) HK\$'000	At 30 June 2006 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	8	174,959	170,842
Prepaid lease payments		5,171	2,189
Interests in associates		—	—
		<u>180,130</u>	<u>173,031</u>
Current assets			
Inventories		232,237	245,993
Debtors, deposits and prepayments	9	187,926	254,741
Bills receivable	10	11,607	9,649
Prepaid lease payments		576	112
Bank balances and cash		151,855	65,253
		<u>584,201</u>	<u>575,748</u>
Current liabilities			
Creditors and accrued charges	11	134,375	169,087
Taxation		80,665	78,384
Bank borrowings and other liabilities			
– due within one year	12	5,374	6,032
Obligations under finance leases			
– due within one year		337	358
		<u>220,751</u>	<u>253,861</u>
Net current assets		<u>363,450</u>	<u>321,887</u>
Total assets less current liabilities		<u>543,580</u>	<u>494,918</u>
Non-current liabilities			
Bank borrowings and other liabilities			
– due after one year	12	172	203
Obligations under finance leases			
– due after one year		120	359
Provision for long service payments		4,469	4,345
Deferred taxation		11,781	9,659
		<u>16,542</u>	<u>14,566</u>
		<u>527,038</u>	<u>480,352</u>
Capital and reserves			
Share capital		107,630	107,630
Reserves		400,226	353,562
Equity attributable to equity holders of the Company		<u>507,856</u>	<u>461,192</u>
Minority interests		19,182	19,160
		<u>527,038</u>	<u>480,352</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital redemption reserve	Special reserve	Translation reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2005	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 year	-	-	-	-	-	67,510	67,510	1,565	69,075
Total recognised income for the year	-	-	-	-	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 and 1 January 2006	107,630	1,499	122	7,139	(4,826)	324,849	436,413	22,624	459,037
Exchange difference arising on translation of overseas operations recognised directly in equity	-	-	-	-	4,320	-	4,320	-	4,320
Profit for the period	-	-	-	-	-	47,366	47,366	2,636	50,002
Total recognised income for the year	-	-	-	-	4,320	47,366	51,686	2,636	54,322
Dividend paid to minority shareholders of a subsidiary	-	-	-	-	-	-	-	(900)	(900)
Dividend paid	-	-	-	-	-	(26,907)	(26,907)	-	(26,907)
Capital interest acquired from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	(5,200)	(5,200)
At 30 June 2006 and 1 July 2006	107,630	1,499	122	7,139	(506)	345,308	461,192	19,160	480,352
Exchange difference arising on translation of overseas operations recognised directly in equity	-	-	-	-	4,308	-	4,308	-	4,308
Profit for the period	-	-	-	-	-	74,645	74,645	1,057	75,702
Total recognised income for the period	-	-	-	-	4,308	74,645	78,953	1,057	80,010
Dividend paid to minority shareholders of a subsidiary	-	-	-	-	-	-	-	(1,035)	(1,035)
Dividend paid	-	-	-	-	-	(32,289)	(32,289)	-	(32,289)
At 31 December 2006	107,630	1,499	122	7,139	3,802	387,664	507,856	19,182	527,038

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 31 December 2006*

	For the six months ended	
	31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from (used in) operating activities	<u>136,577</u>	<u>(9,342)</u>
Net cash used in investing activities		
Proceeds on disposal of property, plant and equipment	32	84
Purchase of property, plant and equipment	<u>(15,734)</u>	<u>(21,843)</u>
	<u>(15,702)</u>	<u>(21,759)</u>
Cash used in financing activities		
Dividend paid	(32,289)	(64,651)
Repayment of borrowings	(949)	(2,656)
Dividend paid to minority shareholders of a subsidiary	<u>(1,035)</u>	<u>(2,077)</u>
	<u>(34,273)</u>	<u>(69,384)</u>
Net increase (decrease) in cash and cash equivalents	86,602	(100,485)
Cash and cash equivalents at the beginning of the period	<u>65,253</u>	<u>184,084</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u><u>151,855</u></u>	<u><u>83,599</u></u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2006

1. BASIS OF PREPARATION

The condensed consolidated financial statements 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 (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2006.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective and are pertinent to the Group's operations. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ²
HK(IFRIC) – INT 11	HKFRS-2 – Group and Treasury Share Transactions ³

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 November 2006

³ Effective for annual periods beginning on or after 1 March 2007

3. SEGMENT INFORMATION

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

Business segments

Six months ended 31 December 2006

	Manufacturing business HK\$'000	Branded business HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue				
External sales	760,055	10,070	–	770,125
Inter-segment sales (note)	1,628	–	(1,628)	–
Total sales	<u>761,683</u>	<u>10,070</u>	<u>(1,628)</u>	<u>770,125</u>
Results				
Segment results	<u>96,063</u>	<u>13</u>	<u>–</u>	96,076
Unallocated corporate expenses				(7,947)
Interest income				2,087
Finance costs				<u>(162)</u>
Profit before taxation				90,054
Income tax expense				<u>(14,352)</u>
Profit for the period				<u>75,702</u>



Six months ended 31 December 2005

	Manufacturing business HK\$'000	Branded business HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue				
External sales	605,442	10,282	–	615,724
Inter-segment sales (note)	<u>641</u>	<u>–</u>	<u>(641)</u>	<u>–</u>
Total sales	<u>606,083</u>	<u>10,282</u>	<u>(641)</u>	<u>615,724</u>
Results				
Segment results	<u>91,709</u>	<u>(2,014)</u>	<u>–</u>	89,695
Unallocated corporate expenses				(8,905)
Interest income				2,783
Finance costs				<u>(277)</u>
Profit before taxation				83,296
Income tax expense				<u>(14,221)</u>
Profit for the period				<u>69,075</u>

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

Geographical segments

The Group's manufacturing operations 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 origin of the goods:

Six months ended 31 December 2006

	Sales revenue by geographical market HK\$'000	Contribution to profit before taxation HK\$'000
United States of America	564,091	71,295
Europe	127,561	16,122
Australia and New Zealand	42,661	5,392
Asia (excluding Hong Kong)	27,299	3,410
Hong Kong	8,513	(143)
	<u>770,125</u>	<u>96,076</u>
Unallocated corporate expenses		(7,947)
Interest income		2,087
Finance costs		(162)
Profit before taxation		<u>90,054</u>



Six months ended 31 December 2005

	Sales revenue by geographical market HK\$'000	Contribution to profit before taxation 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
	<u>615,724</u>	<u>89,695</u>
Unallocated corporate expenses		(8,905)
Interest income		2,783
Finance costs		(277)
Profit before taxation		<u>83,296</u>

4. PROFIT BEFORE TAXATION

**For the six months ended
31 December**

2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
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Profit before taxation has been arrived
at after charging:

Depreciation of property, plant and equipment	15,224	13,849
Amortisation of prepaid lease payments	56	56
Cost of textile quota entitlements	8,493	–
Loss on disposal of property, plant and equipment	23	84

and after crediting:

Interest income	<u>2,087</u>	<u>2,783</u>
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5. INCOME TAX EXPENSE

For the six months ended
31 December

	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000

The charge comprises:

Current tax:

Hong Kong Profits Tax	11,038	4,900
Other jurisdictions	1,192	1,707
	12,230	6,607

Deferred tax:

Current year	2,122	7,614
	14,352	14,221

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the six months ended 31 December 2006.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.



6. DIVIDENDS

For the six months ended 31 December	
2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000

Dividend paid:

2006 final dividend paid:

HK\$0.03 (year ended 30 June 2005: HK\$0.06)
per share on 1,076,298,125 shares
(2005: 1,077,514,125 shares)

<u>32,289</u>	<u>64,651</u>
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Dividend:

Interim dividend (*Note*)

<u>26,907</u>	<u>26,907</u>
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Note: An interim dividend of HK\$0.025 (six months ended 31 December 2005: HK\$0.025) per share on 1,076,298,125 shares (six months ended 31 December 2005: 1,076,298,125 shares) has been declared by the Directors on 23 February 2007.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$74,645,000 (for the six months ended 31 December 2005: HK\$67,510,000) and on the number of 1,076,298,125 shares (for the six months ended 31 December 2005: 1,077,083,745 shares) in issue during the period.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, additions of property, plant and equipment amounted to HK\$15,734,000 (for the six months ended 31 December 2005: HK\$21,843,000).

9. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance are trade debtors of HK\$156,075,000 (at 30 June 2006: HK\$211,072,000). The Group allows an average credit period of 30 days to its trade customers.

An aged analysis of trade debtors at the balance sheet date is as follows:

	At	At
	31 December 2006	30 June 2006
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 30 days	148,494	188,030
31 – 60 days	7,366	5,011
61 – 90 days	163	7,869
Over 90 days	52	10,162
	<hr/>	<hr/>
	156,075	211,072
Other debtors, deposits and prepayments	31,851	43,669
	<hr/>	<hr/>
	187,926	254,741
	<hr/> <hr/>	<hr/> <hr/>

10. BILLS RECEIVABLE

Included in the balance is an amount of HK\$11,607,000 (at 30 June 2006: HK\$6,972,000) aged within 30 days and the remaining balance of HK\$ nil (at 30 June 2006: HK\$2,677,000) is aged between 31 to 60 days.



11. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK\$67,578,000 (at 30 June 2006: HK\$74,190,000).

An aged analysis of trade creditors at the balance sheet date is as follows:

	At	At
	31 December 2006	30 June 2006
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 30 days	59,936	65,540
31 – 60 days	5,248	5,320
61 – 90 days	1,058	847
Over 90 days	1,336	2,483
	67,578	74,190
Other creditors and accrued charges	66,797	94,897
	134,375	169,087

12. BANK BORROWINGS AND OTHER LIABILITIES

	At 31 December 2006 (Unaudited) HK\$'000	At 30 June 2006 (Audited) HK\$'000
Bank borrowings:		
Trust receipts and import loans	4,740	4,941
Bank loans	<u>552</u>	<u>1,009</u>
Total bank borrowings	5,292	5,950
Other unsecured liabilities	<u>254</u>	<u>285</u>
	5,546	6,235
Less: Amount due within one year shown as current liabilities	<u>(5,374)</u>	<u>(6,032)</u>
Amount due after one year	<u><u>172</u></u>	<u><u>203</u></u>
Secured	552	1,009
Unsecured	<u>4,994</u>	<u>5,226</u>
	<u><u>5,546</u></u>	<u><u>6,235</u></u>

The bank loans of HK\$552,000 (at 30 June 2006: HK\$1,009,000) is secured by a charge over certain of the Group's machinery. The loans bear interest at market rates.

13. COMMITMENTS

	At 31 December 2006 HK\$'000	At 30 June 2006 HK\$'000
(a) Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for	<u><u>2,041</u></u>	<u><u>—</u></u>



(b) Commitments under operating leases

At 31 December 2006, the Group had outstanding commitments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

	At	At
	31 December 2006	30 June 2006
	HK\$'000	HK\$'000
Within one year	13,386	16,428
In the second to fifth year inclusive	15,795	20,178
Over five years	5,548	1,000
	<u>34,729</u>	<u>37,606</u>

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

14. PLEDGE OF ASSETS

As at 31 December 2006, the Group had pledged certain of its machinery with an aggregate carrying value of approximately HK\$1,057,000 (at 30 June 2006: HK\$1,346,000) to secure a bank loan.

15. RELATED PARTY TRANSACTIONS

During the period, the Group sold finished products of approximately HK\$20,194,000 (for the six months ended 31 December 2005: HK\$19,690,000) 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 2006.

As at 31 December 2006, the balance of trade receivables from VdV amounted to HK\$1,410,000 (at 30 June 2006: HK\$1,041,000) was included in debtors, deposits and prepayments.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 31 December 2006, the Group recorded an increase in both sales revenue and after tax earnings when compared with the same period in the previous year. Sales revenue was up 25% to HK\$770.1 million, after tax earnings 10% to HK\$75.7 million, and basic earnings per share were HK\$0.069 versus HK\$0.063 in the corresponding period of the previous year.

Our core OEM business accounted for some 99% of the Group's revenue. During the period global sales totalled 29.7 million units of brassieres compared to 25.9 million units in the corresponding period last year. Production in our first quarter was 16.7 million units compared to 14 million units last year and in our second quarter was 13 million units compared to 11.9 million units last year.

The level of production attained in our first quarter reflected the return to an acceptable level of efficiency by our plants following the quota disruption experienced during the majority of fiscal 2006. Selling and distribution expenses during the first quarter were higher than the norm due to the need to air-ship the remaining back orders carried over from the last fiscal year. Our shipping performance has since returned to normal.

Production in our second quarter was compromised by caution in inventory management, primarily in the U.S. markets. This was particularly evident in the sourcing strategies of the mass channels and a marked decrease in production lead times. In addition, the surge in wages in China caused customers to look elsewhere for low cost production, especially for volume and price-sensitive business.

In Thailand, the military coup which took place in September had virtually no impact on the operations of our plants in that country. We continue the ongoing trend of shifting production from our plants in the vicinity of Bangkok to lower cost regions within the country which also have an adequate labour supply.

Quotas were not an issue during the period. In calendar 2006 the utilization rates for both the U.S. and E.U. markets were below the quota available to China.



For 2007 the quota mechanism has changed to a system of “compromised bidding” under which all of the quota is allocated. The maximum amount of the allocation is based on 2006 export performance. The allocation is being done in two equal tranches. The first tranche, which was based on export performance from January to July 2006 (inclusive) has been completed and we are confident of securing sufficient quota for our needs in China. The cost of the quota is estimated to be significantly less in calendar 2007 than in the previous calendar year.

Average selling prices showed modest increases during the period whilst material prices remained stable which reflects the continuing demand for new product features, such as the ‘sew-free’ look.

Revenue for the period in our branded business was flat at around HK\$10 million. Following the downsizing of this business unit’s operations in Hong Kong to two Marguerite Lee shops, our focus has been on expanding the distribution network for the MX brand in China. As at 31 December 2006, we had opened sales counters in five department stores in Shenzhen. Start up costs for such counters are not significant and the early signs are encouraging. The operating performance of the business unit as a whole continues to improve, albeit slowly.

Corporate spending remained stable in absolute terms, but declined as a percentage of sales due to the increase in revenues.

The financial position of the Group remains strong. As at 31 December 2006, shareholders’ funds had increased to HK\$507.9 million from HK\$461.2 million at 30 June 2006. The unusually high levels of inventory and receivables recorded at the end of fiscal 2006 returned to normality as the order backlog was cleared in early fiscal 2007. Credit facilities available to the Group amounted to HK\$150 million of which HK\$4.7 million had been utilized. The level of gearing remains insignificant and, with bank balances standing at HK\$151.9 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 of the previous year.



In our 2006 annual report and first quarter operational update we were cautious as to the outlook due to a number of factors, especially the business environment and the market change. We have seen continuing softness in the U.S. market, particularly in relation to the apparel segment of the mass market. The operating environment in the Pearl River Delta continues to deteriorate. Statutory minimum wages in our plants in Shenzhen increased by 17% on 1 July, 2006 and in Nan Hai by 20% on 1 September, 2006. On 1 January, 2007 our plant in Longnan, Jiangxi Province, experienced a statutory minimum wage increase of 36%. The strength of the Thai Baht and Philippines Peso against the U.S. dollar have brought additional cost pressures. We are also mindful of a potential revaluation of the RMB and a likely reduction in export tax rebate on textile and garment products in the future.

These factors, together with the continuing labour shortages in Guangdong, will result in a continuing trend of low value production being sourced outwith China to lower cost countries in the region.

In terms of our brands business, by the end of this fiscal year we anticipate adding another five counters in Shenzhen, making ten in all. We continue searching for acquisition targets and joint-venture opportunities which would give an immediate boost to this segment but, in the meantime, we will continue to prudently invest in internal expansion.

The coming year will be challenging and our business plan focuses on securing production orders to fill plant capacity and rigorously controlling our escalating cost base. Looking further ahead we are closely scrutinizing our business model to enable us to successfully adapt to the existing challenges and future trends within our industry.



DIRECTORS' INTERESTS

As at 31 December 2006, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, 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	Beneficial owner and interests held by spouse and trust (note 1)	41,952,521	3.90%
Wong Chung Chong, Eddie	Beneficial owner and interests held by spouse and trust (note 2)	177,172,118	16.46%
Marvin Bienenfeld	Beneficial owner	870,521	0.08%
Chow Yu Chun, Alexander	Beneficial owner	3,400,521	0.32%
Leung Churk Yin, Jeanny	Beneficial owner	70,521	0.01%
Leung Ying Wah, Lambert	Beneficial owner	400,000	0.04%
Lucas A.M. Laureys	Interests held by controlled corporation (note 3)	176,181,544	16.37%
Herman Van de Velde	Interests held by controlled corporation (note 3)	176,181,544	16.37%

Notes:

- 770,521 shares were beneficially owned by Mr. Fung Wai Yiu ("Mr. Fung") whereas 216,000 shares were held by the spouse of Mr. Fung. 40,966,000 shares were registered in the name of Fung On Holdings Limited ("Fung On"). The shares of Fung On were held by a family trust of which Mr. Fung and his family were eligible beneficiaries.
- 1,480,521 shares were beneficially owned by Mr. Wong Chung Chong, Eddie ("Mr. Wong"), or his nominees whereas 100,000 shares were held by the spouse of Mr. Wong and 175,591,597 shares were registered in the name of High Union Holdings Inc. on behalf of the trustee of a unit trust whereas the unit trust were held by a family trust of which the family members of Mr. Wong were eligible beneficiaries.
- 159,339,762 shares were registered in the name of Guliano (HK) Limited which was indirectly wholly owned by Van de Velde N.V. ("VdV"). 2,442,000 shares were registered in the name of HKSCC Nominees Limited and beneficially owned by VdV. 14,399,782 shares were registered in the name of VdV of which Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde were beneficial owners.

Certain nominee shares in the Company's subsidiaries were held by Directors in trust for the Company's subsidiaries as at 31 December 2006.

Save as disclosed above, 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

As at 31 December 2006, the interests and short positions of the persons (other than the Directors) in the shares, underlying shares and debentures of the Company as recorded in the register maintained by the Company pursuant to section 336 of the SFO were as follows:-

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
Van de Velde N.V. ("VdV")	Beneficial owner (<i>note 1</i>)	176,181,544	16.37%
High Union Holdings Inc.	Beneficial owner	175,591,597	16.31%
Guliano (HK) Limited	Beneficial owner (<i>note 2</i>)	159,339,762	14.80%
Guliano PTE Limited	Interests held by controlled corporation (<i>note 2</i>)	159,339,762	14.80%
VF Intimates, LP	Beneficial owner	106,000,000	9.85%
Allianz Aktiengesellschaft	Interests held by controlled corporation (<i>note 3</i>)	97,488,000	9.06%
Dresdner Bank Aktiengesellschaft ("Dresdner Bank")	Interests held by controlled corporation (<i>note 3</i>)	97,488,000	9.06%
Veer Palthe Voute NV ("VPV")	Investment manager (<i>note 3</i>)	97,488,000	9.06%
Chartered Asset Management Pte Ltd.	Investment manager	87,378,000	8.12%

Notes:

- 159,339,762 shares out of 176,181,544 shares were held by Guliano (HK) Limited, an indirect wholly owned subsidiary of VdV, while the remaining 16,841,782 shares were beneficially owned by VdV.
- These shares refer to the same block of shares. Guliano (HK) Limited was wholly owned by Guliano PTE Limited, which in turn, was wholly owned by VdV.
- These shares refer to the same block of shares. VPV was indirectly wholly owned by Dresdner Bank, which in turn, was 81.10% indirectly owned by Allianz Aktiengesellschaft.



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 and 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 2006, no options were granted under the Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2006.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK\$0.025 per share (six months ended 31 December 2005: HK\$0.025 per share) to members whose names appear on the register of members on Monday, 19 March 2007. The dividend will be paid on Friday, 30 March 2007.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed from Thursday, 15 March 2007 to Monday, 19 March 2007, 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 4:30 p.m. on Wednesday, 14 March 2007.

AUDIT COMMITTEE

The Audit Committee currently comprises Mr. Marvin Bienenfeld, Mr. Chow Yu Chun, Alexander, Mr. Leung Ying Wah, Lambert and Mr. Lin Sun Mo, Willy, all of whom are Independent Non-executive Directors and Ms. Leung Churk Yin, Jeanny, a Non-executive Director of the Company.

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

The unaudited interim financial report for the six months ended 31 December 2006 has been reviewed by the Audit Committee and Messrs. Deloitte Touche Tohmatsu, auditors of the Company.



CORPORATE GOVERNANCE

During the six months ended 31 December 2006, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, except for the following deviations:

CODE PROVISIONS 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 for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Based on specific enquiry of all its Directors, the Company considers that the Directors complied with the required standard set out in the Model Code throughout 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.

EMPLOYEES

As at 31 December 2006, the Group has approximately 13,352 employees (30 June 2006: approximately 14,253 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 provides other staff benefits such as medical insurance, mandatory provident fund and a share option scheme to its employees.

On behalf of the Board
Top Form International Limited
Fung Wai Yiu
Chairman

Hong Kong, 23 February 2007

