TOP FORM
INTERNATIONAL LIMITED

STOCK CODE : 333

ANNUAL REPORT
2008

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Fung Wai Yiu, *Chairman*
Mr. Wong Chung Chong, Eddie,
Group Managing Director

NON-EXECUTIVE DIRECTORS

Mr. Lucas A.M. Laureys
Mr. Herman Van de Velde (2)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Marvin Bienenfeld (1) (2)
Mr. Chow Yu Chun, Alexander (1)
Ms. Leung Churk Yin, Jeanny (1)(2)
Mr. Leung Ying Wah, Lambert (1)(2)
Mr. Lin Sun Mo, Willy (1)

COMPANY SECRETARY

Mr. Michael Austin

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

(1) Member of Audit Committee
(2) Member of Compensation Committee

PRINCIPAL OFFICE

Room 1813, 18th Floor, Tower 1
Grand Century Place
193 Prince Edward Road West
Mongkok, Kowloon, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Fung Wai Yiu
Mr. Wong Chung Chong, Eddie

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

AUDITORS

Deloitte Touche Tohmatsu

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

There were no surprises in our performance for the year. The ever challenging operating environment, exacerbated by unfavorable currency movements and coupled with an extremely soft consumer market in the United States, has had a severely detrimental impact on most manufacturing industries and companies. The Group was no exception in this respect. As anticipated earlier in the year, our revenues slipped 6.7% and net profit dropped 61% from the previous year.

The changes in industry policies in China, which effectively elevated the operating cost of labor intensive manufacturing industries, have caused many companies to look for structural and operational changes. Some of these relocated from the Pearl River Delta to lower cost regions, others – especially those in the price-sensitive segment of the export business – simply could not survive the deteriorating operating environment and as a consequence, their businesses folded.

At Top Form we followed our game plan laid down more than a year ago and made strategic adjustments with the objectives not only to navigate through this storm of changes, but to reposition ourselves for further growth with new business approaches: we continued the effort to build our EU business which resulted in the sales increase in both percentage and absolute dollar terms to partly offset the shortfall in the US business; we enhanced our product development functions to support the growth of our ODM business, particularly with those retailer customers in Europe; we trimmed our output by downsizing our most expensive capacities in China and Thailand and at the same time started to replace the lost capacity by expanding in the low cost areas in both regions.

Most notably, at the SGM held on 5 September, 2008 the Group was given shareholders' consent to conditionally acquire ACE Style Intimate Apparel Limited and three of its fellow subsidiaries. ACE Style, a $1.1 billion sales company founded by Andrew and Mimi Sia, is a highly respected company in the brassiere trade known for its strengths in marketing and product development. This acquisition when completed will mark a breakthrough in the Group's pursuit of growth and new distribution channels in all markets.

Top Form and ACE Style have different and complementary competitive advantages. In meshing the strengths, expertise and capacities of the two companies, it will solidify the enlarged Group as the leading supplier in the brassiere trade in terms of size, product capabilities, value-added services and diversity in global operations.

We are also excited of the prospect of Andrew Sia joining us as an Executive Director of the Group upon completion of the Acquisition. The addition of Andrew and his team will undoubtedly enhance our management structure and capabilities in facing the forthcoming challenges and opportunities.

On a regretful note, I report the resignation of Mr. Leung Tat Yan from your Board of Directors which took effect from January this year. Mr. Leung had been associated with Top Form companies for 24 years and he was appointed to your Board in 2006. I, on behalf of the Group, want to take this opportunity to express our appreciation for Mr. Leung's years of fine service and contributions to the Group.

CHAIRMAN'S STATEMENT

The general outlook for the next twelve months remains bleak. The U.S. being our largest market, is heavily clouded by the credit risks and the concern is that it may soon affect the EU market as well. Looking at Asia, the rising costs and the deteriorating operating environment have resulted in profit erosion for manufacturing operations. At Top Form we are thankful for the moves we have made as we are well positioned in the new landscape of our business. While we are prudent in our expectations, we are also confident that we will do better in the coming year. We will continue to reshuffle our capacities and to expand into the low cost areas; we will start integrating the structures and operations between Top Form and ACE Style for enhanced cost and operational efficiencies. We are in the process of setting up a satellite plant outside Guangdong, which will be operative before the end of the year. This satellite operation, if proven successful, may lead to the investment in a fully fledged factory operation in 2009.

Your Board, having considered the need to conserve cash in order to take on the challenges and the opportunities in an adverse business climate, has decided not to propose any final dividend for the fiscal year ended 30 June 2008. An interim dividend of HK$0.015 per share was paid during the year.

I want to, on behalf of all Board members, thank our shareholders for their support and, last but not least, to our employees for their hard work during these difficult times.

Fung Wai Yiu
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Revenue		Profit (Loss/Expenses)	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Manufacturing	**1,348,089**	1,448,348	**93,275**	182,317
Brands	**20,593**	19,148	**(9,616)**	(1,171)
Corporate	**–**	–	**(18,225)**	(14,308)
	1,368,682	1,467,496	**65,434**	166,838

For the year ended 30 June 2008, the Group experienced a decrease in both sales revenue and after tax profit when compared to the previous year. Sales revenue declined 6.7% to HK$1,368.7 million, after tax earnings 60.8% to HK$53.3 million and basic earnings per share were HK$0.054 compared to HK$0.124 in the corresponding period of the previous year.

MANUFACTURING

Our core OEM Manufacturing business accounts for some 99% of the Group's revenue. During the year our global sales totalled 49.4 million units of brassieres compared to 55.5 million units in 2007.

Our first half accounted for 25.1 million units, compared to 29.7 million units in 2007. In our second half we sold 24.3 million units compared 25.8 million units in 2007. The 29.7 million units sold in the first half of 2007 was not truly representative of market conditions as it included a backlog of orders following the quota disruption experienced in fiscal 2006. Once this factor is taken out of the equation it is apparent that the downward trend in orders continues.

Our markets are changing. The economic downturn in the US has impacted demand, particularly evident in the mass markets, while the trend of sourcing outwith China continues. Retailers are globalizing and sourcing directly from Asia through local buying offices. Cost is increasingly a major factor in sourcing decisions and frequent changes in fashion contribute to short production cycles and small order sizes.

The manufacturing environment in which we operate continues to deteriorate, particularly in the Pearl River Delta where the increases in minimum wages, labour and power shortages, a reduction in the tax rebate from 13% to 11% on imported materials for processing and export of textile and garment products and the appreciation of the RMB against the US dollar have all impacted our operating costs. In Thailand, labour shortages in the vicinity of Bangkok have resulted in labor-intensive operations being highly inefficient and uncompetitive. During the year we took steps to close down one plant in Thailand completely and reduced the workforce of the remaining plant to a headcount of only 700, primarily through the process of natural attrition. At the same time, we spearheaded the expansion of the new factory located near the Western border of Thailand where labor supply is more accessible and increased the headcount of the operation from 1,400 recorded a year ago to 2,100 at the time of writing this report.

MANAGEMENT DISCUSSION AND ANALYSIS

In response to the prevailing market trends, we continued our effort to develop the EU business and we have seen encouraging results as reflected by the changes in the geographic spread of our sales. The EU accounted for 23% of our total global sales during the fiscal year, an increase of 39% in absolute dollar terms, from 15% in the previous year, while US sales by comparison represented 62% from 75% in 2007. This also reflects our strategy of targeting high value business particularly in the EU market where demand is less price-sensitive.

Whilst average selling prices showed modest increases during the year this was due in a large part to the higher work content in units sold and gross margins remained under pressure.

Our three plants in China accounted for 61% of our total output. Minimum wages in our Nan Hai plant increased by 12% on 1 April 2008, in Longnan by 7% on 1 January 2008 and in Shenzhen by 8% on 1 July 2008. The RMB appreciated by some 10% against the US dollar from 1 July 2007 to 30 June 2008.

Our plants in Thailand accounted for 31% of our global output; 15% was attributable to those plants on the vicinity of Bangkok and 16% to the other regions. The shortage of labour in the vicinity of Bangkok and the continuing strength of the Baht are ongoing issues.

In order to mitigate the impact of these challenges we continue the repositioning of our production facilities to lower costs areas where people need employment and where the operating environment is favorable for future growth. We have downsized some of our most expensive operations, primarily by natural attrition. In China, our most cost effective plant in Longnan accounted for 26% of our global output, up from 24% last year due to our cutting back the capacities of our expensive plants in Guangdong province. In Thailand, as a result of the developments noted earlier, the regional operations accounted for 16% of our global output, up from 14% last year.

The 2005 Memorandum of Understanding between China and the EU, which capped imports from China, expired at the end of calendar 2007 and has been replaced by a system of joint import surveillance which will operate for one year in 2008 in tracking the issue of export licenses in China.

The quota agreement with the US expires at the end of calendar 2008. China's usage of the 2007 quota was 75.9% and we received sufficient quota for our needs.

BRANDS

Revenue for the year attributable to our branded business amounted to HK$20.6 million compared to HK$19.1 million in the previous year. Losses, which were in line with our forecast during this build up period, amounted to HK$9.6 million compared to HK$1.2 million in the previous year. We continue the cautious expansion of the distribution network for our "MX Lingerie" brand in China. As at 30 June 2008, we maintained 24 sales counters in department stores in Shenzhen and one in Chengdu, while 4 counters were terminated due to their unsatisfactory sales performance.

In December 2007 we published an Announcement stating our intention not to proceed with the acquisition of a majority interest in a compatible business in China.

In June 2008 we closed one of our two Marguerite Lee shops in Hong Kong upon the expiry of the lease term because of unfavorable rental rates and to enable us to focus our management resources on building the China market.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE

The charges attributable to our corporate cost centre increased from HK$14.3 million in the previous year to HK$18.2 million this year. The increase was primarily due to the professional expenses incurred from the corporate finance activities of the Group during the year.

FINANCIAL POSITION

Our balance sheet remains strong, with shareholders' funds standing at HK$558.4 million as at 30 June 2008, up from HK$546.3 million in 2007. During the year, the Company repurchased 1,110,000 shares on The Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange") for an aggregate consideration of HK$950,000.

As at the year end, credit facilities available to the Group amounted to HK$150 million with an insignificant level of gearing.

As at 30 June 2008, bank balances and cash stood at HK$211.7 million.

Capital expenditure during the year amounted to HK$21.7 million.

OUTLOOK

The outlook for the coming twelve months remains bleak on the backdrop of the global economic downturn. While the Group does not forecast any significant growth for the coming year, we believe our strategic moves made in the past year in reshuffling our manufacturing capacities and in the development of new customers and market channels would not only stabilize our position in the deteriorating business and operating environments, but could help to improve our long term performance. We will continue to look for opportunities outside of our existing manufacturing locations. At present we have started a satellite plant outside Guangdong which if proven a successful pilot project, may lead to the addition of a fully-fledged and low cost production facility to cater for our business needs.

We will continue to monitor closely the development of our Brands business in China, both in Shenzhen and other key cities.

Wong Chung Chong, Eddie
Group Managing Director

CORPORATE GOVERNANCE

The Group continues to commit itself to maintaining high standards of corporate governance principles and practices with an emphasis on enhancing transparency and accountability and ensuring the application of these principles and practices within the Group and thereby, enhancing shareholder value and benefiting our stakeholders at large.

During the year under review, the Company has complied with the code provisions as well as recommended best practices as set out in the Code on Corporate Governance Practices ("Code Provisions") set out in the Rules ("Listing Rules") Governing the Listing of Securities on the Hong Kong Stock Exchange except for the following deviations:

- A.4.1 – Non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at least once every three years in accordance with the Company's Bye-laws.

- A.4.2 – The Chairman and the Group Managing Director are not, while holding such office, subject to retirement by rotation or 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 these roles 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.

The Board is pleased to present the key corporate governance principles and practices implemented by the Group during the year.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
A A.1	**DIRECTORS** **The Board** ***Code Principle*** The Board should assume responsibility for leadership and control of the issuer; and be responsible for directing and supervising the company's affairs. The Board should take decisions objectively in the interests of the issuer.		
A.1.1	• Regular board meetings at least four times a year.	✓	• The Board held 4 regular meetings during the year. • Details of Directors' attendance records are set out below: *Executive Directors* — *Attendance* Fung Wai Yiu *(Chairman)* — 4/4 Wong Chung Chong *(Group Managing Director)* — 4/4 Leung Tat Yan *(resigned on 31 December 2007)* — 1/4 *Non-executive Directors* Leung Churk Yin, Jeanny *(re-designated as an Independent Non-executive Director on 19 September 2008)* — 4/4 Lucas A. M. Laureys — 1/4 Herman Van de Velde — 3/4

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
			Independent Non-executive Directors — *Attendance* Marvin Bienenfeld 4/4 Chow Yu Chun, Alexander 4/4 Leung Ying Wah, Lambert 3/4 Lin Sun Mo, Willy 4/4
A.1.2	• All directors be given an opportunity to include matters in the agenda for regular board meetings.	✓	• Regular Board meetings are scheduled at least 3 months in advance to give Directors the opportunity to include matters in the agenda.
A.1.3	• Notice of at least 14 days be given for regular board meetings.	✓	• At least 14 days formal notice is given before each regular meeting.
A.1.4	• Access to advice and services of the company secretary	✓	• The Company Secretary is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters. • Directors have direct access to the Company Secretary.
A.1.5	• Minutes of board meetings and board committee meetings should be kept by a duly appointed secretary of the meeting and open for inspection by directors	✓	• The Company Secretary is responsible for taking minutes of Board meetings and Board Committee meetings. Such minutes are open for inspection by Directors.
A.1.6	• Minutes should record in sufficient detail the matters considered by the board and decisions reached. • Draft and final version of minutes should send to all directors for comments within a reasonable time.	✓	• Minutes recorded in sufficient detail matters considered and decisions reached. • Directors are given an opportunity to comment on draft Board minutes which are sent to Directors within a reasonable time (generally within 14 days) of the relevant meeting.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
A.1.7	• Agreed procedure for directors to seek independent professional advice at the company's expense.	✓	• Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company.
A.1.8	• If a substantial shareholder or a director has a conflict of interest in a material matters, a physical board meeting be held. • Independent non-executive directors who have no material interest in the transaction be present at such meeting.	✓	• There is a prescribed list of matters reserved for Board decision which includes approval of material connected transactions and matters involving a conflict of interest for a substantial shareholder or Director. • Such matters are considered at a full Board meeting. The Company's Bye-laws provide for voting and quorum requirements conforming with Code Provisions.
	Recommended Best Practices		
A.1.9	• Appropriate insurance cover in respect of legal action against directors.	✓	• There is in place appropriate insurance covering Directors' and Officers' liability.
A.1.10	• Board committees shall adopt broadly the same principles and procedures.	✓	• Board Committee principles and procedures conform to the above.
A.2	**Chairman and Chief Executive Officer** *Code Principle* There should be a clear division of responsibilities between the Chairman and the Chief Executive Officer of the issuer to ensure a balance of power and authority.		
A.2.1	• Roles of chairman and chief executive officer should be separate; • Division of responsibilities between chairman and chief executive officer should be clearly established and set out in writing.	✓	• The positions of the Chairman and the Group Managing Director are held by separate individuals. • The Chairman focuses on Group strategic and Board issues. The Group Managing Director has overall Chief Executive responsibility for Group operations and development generally.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
A.2.2	• The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	✓	• The Chairman, with the support of Executive Directors and the Company Secretary, has a clear responsibility to provide the whole Board with all the information that is relevant to the discharge of the Board's responsibilities. • Board meetings are structured to encourage open discussion and frank debate.
A.2.3	• The chairman should be responsible for ensuring that directors receive adequate information, which is complete and reliable in a timely manner.	✓	• Board papers are normally sent to Directors at least three days before Board meetings.
	Recommended Best Practices		
A.2.4 to A.2.9	Various recommended roles for chairman including: • Drawing up and approving agenda for each board meeting • Ensuring establishment of good corporate governance practices and procedures. • Ensuring effective communication between the Board and shareholders	✓	• The Chairman, together with the Company Secretary, draws up agenda for each Board meeting after consultation with the relevant parties. • The Chairman plays a key role in driving corporate governance development. • General meetings are held at least once a year in which the Chairman and the Group Managing Director are present to answer any questions from shareholders. Shareholders can also access the Company's latest information by visiting the Company's website (www.topformbras.com).

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
A.3	**Board Composition** *Code Principle* The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer and shall include a balanced composition of executive and non-executive directors so that independent judgments can effectively be exercised.		
A.3.1	• Independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the issuer.	✓	• The composition of the Board represents a well balanced mixture of skills and experience appropriate for the requirements of the business of the Company. • Review of the Board composition is made regularly. • The composition of the Board by category is disclosed in all corporate communications and the updated biographical details of the Directors are set out in annual reports under the section headed "Biographical Details of Directors and Senior Management".
	Recommended Best Practices		
A.3.2	• Independent non-executive directors should represent at least one-third of the board	✓	• The Board comprises two Executive Directors, three Non-executive Directors and four Independent Non-executive Directors. • The company complies with this practice.
A.3.3	• Maintain on the website an updated list of directors identifying their role and function and (where applicable) independence.	✓	• Biographies and designations are included on the Company's website and are updated annually.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
A.4	**Appointments, Re-election and Removal** ***Code Principle*** These should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.		
A.4.1	• Non-executive directors should be appointed for a specific term and subject to re-election.	*Deviation explained*	• Non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at least once every three years in accordance with the Company's Bye-laws.
A.4.2	• All directors appointed to fill a casual vacancy should be subject to election by shareholders at the next general meeting after their appointment.	✓	• In accordance with the Company's Bye-laws, newly appointed Directors are required to offer themselves for re-election at the next general meeting following their appointment.
	• Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	*Deviation explained*	• Under the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being or, if the number is not three or a multiple of three, the number nearest to one-third shall retire from office. The Chairman 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.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
	Recommended Best Practices		
A.4.3	• Election of an independent non-executive director serving more than nine years. Include reason why considered to be independent and why should be re-elected.	✓	• The Company strongly supports the principle of Board independence. • Mr. Marvin Bienenfeld and Mr. Chow Yu Chun, Alexander have served the Board for more than nine years and have consistently demonstrated their willingness to exercise independent judgements and provide objective challenges to management. • Both have actively participated in board meetings and board committee meetings held during the year. • Therefore, the Board considers that they remain independent, notwithstanding the length of their tenure.
A.5	**Responsibilities of Directors** *Code Principle* All directors (including non-executive directors) are required to keep abreast of their responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer.		
A.5.1	• Every newly appointed director should receive a comprehensive, formal induction to ensure that he has a proper understanding of the business; his responsibilities under the listing rules, applicable regulatory requirements, business and governance policies of the issuer.	✓	• The Chairman and Company Secretary will usually brief the newly appointed Director for the duties and responsibilities he/she may perform as a Director of the Company and other regulatory requirements he/she may observe. • Non-executive Directors are provided at quarterly Board meetings with comprehensive reports on the management's strategic plans, updates on business, financial objectives, plans and actions. • The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other statutory requirements.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
A.5.2	• Function of non-executive directors include: – participate in board meetings and bring an independent judgment to the board – take the lead where potential conflicts of interest arise – serve on committees if invited – scrutinise the issuer's performance	✓	• Non-executive Directors seek guidance and direction from the Chairman and the Group Managing Director on the future business direction and strategic plans so as to gain a comprehensive understanding of the business of the Company to exercise their independent judgment. • Non-executive Directors review the financial information and operational performance of the Group on a regular basis. • The Audit and Compensation Committees of the Company are wholly comprised of Non-executive Directors, with the majority being Independent non-executive Directors.
A.5.3	• Directors should ensure that they can give sufficient time and attention to the affairs of the issuer.	✓	• There was satisfactory attendance for Board and Board Committee meetings during the year. Pls refer to A.1.1., B.1.1 and C.3.4 for details.
A.5.4	• Directors must comply with the Model Code. • Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees.	✓	• The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for Directors' dealings in securities of the Company. Having made specific enquiries, the Company confirmed that each of the Directors has complied with the required standards during the year. • 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.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
	Recommended Best Practices		
A.5.5	• Directors should participate in a programme of continuous professional development.	✓	• The Company supports the practice of continuous professional development. Presentations on relevant topics are organized from time to time to coincide with Board meetings.
A.5.6	• Directors should disclose at the time of appointment (and at subsequent times) all offices held in other organizations and other significant commitments.	✓	• On appointment Directors disclose all relevant information. This information is updated annually in the annual report.
A.5.7	• Directors should ensure regular attendance and active participation at board, board committee and general meetings through which to demonstrate their skills, expertise and varied backgrounds and qualifications.	✓	• There was satisfactory attendance for Board and Board Committee meetings during the year. During these meetings, there were open discussions amongst the Board and Board Committee members and constructive advice was given to the Board. Please refer to A.1.1., B.1.1. and C.3.4. for details.
A.5.8	• Non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.	✓	• Details on the roles and functioning of Non-executive Directors are set out above.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
A.6	**Supply of and Access to Information** ***Code Principle*** Directors should be provided in a timely manner with appropriate information so as to enable them to make an informed decision and to discharge their duties and responsibilities.		
A.6.1	• Board papers should be sent to all directors at least three days before regular board or board committee meetings.	✓	• Board papers are circulated not less than three days before regular Board or Board Committee meetings.
A.6.2	• Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. • Each director should have separate and independent access to senior management.	✓	• The Company Secretary and Qualified Accountant is in attendance at all regular Board and Board Committee meetings to advise on corporate governance, statutory compliance, accounting and financial matters. • Senior management is from time to time brought into formal and informal contact with the Board at Board meetings and other events.
A.6.3	• Directors are entitled to have access to board papers and related materials; steps must be taken to respond to director queries promptly and fully.	✓	• Board papers and related materials are made available for inspection by Directors and Committee members. • The Executive Directors and Company Secretary play a leading role in ensuring that queries are answered promptly and fully.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
B	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**		
B.1	**The Level and Make-up of Remuneration and Disclosure** ***Code Principle*** A formal and transparent procedure should be established for setting policy on executive director remuneration and for fixing the remuneration packages for all directors. No director should be involved in deciding his own remuneration.		
B.1.1	• Issuers should establish a remuneration committee with specific written terms of reference that deal clearly with its authority and duties. A majority of the remuneration committee should be independent non-executive directors.	✓	• The Company established a Compensation Committee in 2001 and the majority of its members are Independent Non-executive Directors. • The terms of reference of the Compensation Committee, which follows closely the requirements of the Code Provisions have been adopted by the Board and are available for review on the Company's website. • The Compensation Committee currently comprises the following members and has held two meetings during the year. Details of committee members' attendance records are set out below:– *Independent Non-executive Directors* — *Attendance* Marvin Bienenfeld *(Chairman)* — 2/2 Leung Ying Wah, Lambert — 1/2 *Non-executive Directors* Herman Van de Velde — 2/2 • The principal works performed by the Committee during the year included:– – review of the salary and remuneration packages of Directors and senior management of the Group; – consideration of an external consultant's report relating to the Group's current remuneration practice and recommendation on a suitable performance management system;

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
B.1.2	• The committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.	✓	• There is close liaison and consultation between the Committee and the Chairman and the Group Managing Director on all human resource issues. • Committee members are aware that access to professional advice is available if considered necessary.
B.1.3	• Terms of reference of the remuneration committee to include: – recommendations to the board on policy and structure for all remuneration of directors and senior management. – determine specific remuneration packages of all executive directors and senior management. – review and approve performance-based remuneration. – review and approve the compensation payable on loss or termination of office or appointment. – ensure that no director or any of his associates is involved in deciding his own remuneration.	✓	• The terms of reference of the Compensation Committee follow closely the requirements of the Code Provisions have been adopted by the Board. • The Committee reviews compensation policies and recommends to the Board the remuneration packages of the Executive Directors and senior management. • The compensation policy of the Group is designed to reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals. • The Group's compensation policy for Non-executive Directors is to ensure that they are sufficiently but not excessively compensated for their efforts and time dedicated to the Group. • No individual Director is involved in deciding his own remuneration.
B.1.4	• The remuneration committee should make available its terms of reference and the authority delegated to it by the board.	✓	• The terms of reference of the Compensation Committee are available on the Company's website.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
B.1.5	• The remuneration committee should be provided with sufficient resources to discharge its duties.	✓	• Independent professional advice will be bought to supplement internal resources where appropriate.
	Recommended Best Practices		
B.1.6	• A significant proportion of executive directors' remuneration should be linked to corporate and individual performance.	✓	• Details of remuneration of Executive Directors are disclosed on an individual basis in the annual report. A significant proportion of the compensation of Executive Directors and senior management is based on individual performance and the financial performance of the Group.
C C.1	**ACCOUNTABILITY AND AUDIT** **Financial Reporting** *Code Principle* The Board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.		
C.1.1	• Management to provide explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put forward to the board for approval	✓	• Directors are provided with a review of the Group's major business activities and detailed financial information on a quarterly basis.
C.1.2	• The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts.	✓	• The Directors annually acknowledge their responsibility for preparing the financial statements of the Group.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
			• The Companies Ordinance requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their respective profit or loss for the year then ended. In preparing the financial statements, the Directors are required to: – select suitable accounting policies and apply them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable; – state the reasons for any significant departure from accounting standards; and – prepare the financial statements on a going concern basis, unless it is not appropriate to assume that the Company and the Group will continue in business for the foreseeable future. The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention of fraud and other irregularities.
	• A statement by the auditors regarding their reporting responsibilities in the auditors' report on the financial statements.	✓	• The Auditors' Report states auditors' reporting responsibilities.
	• Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary.	✓	• Directors are not aware of any matters and uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
	• Where material uncertainties exist regarding the company's ability to continue as a going concern, such uncertainties should be clearly and prominently set out and discussed in the Corporate Governance Report.	*N/A*	
C.1.3	• Board responsibility to present a balanced, clear and understandable assessment in annual/interim reports, price-sensitive announcements; other financial disclosures required under the Listing Rules and other statutory requirements.	✓	• The Board aims to present a clear, balanced and understandable assessment of the Group's performance and financial position in all shareholder communications.
	Recommended Best Practices		
C.1.4	• An issuer should announce and publish quarterly financial results, within 45 days from the end of the relevant quarter.	*Deviation explained*	• The Board does not consider the announcement and publication of quarterly financial results to be desirable at the present time.
C.1.5	• Once an issuer has decided to publish its quarterly financial results, it should continue to do so.	*N/A*	• The Board reviews business and operational updates on a quarterly basis. In order to enhance the transparency of the Company and raise the investment community's understanding of the latest situation and performance of the Group, quarterly operational updates are posted on the Company's website; bridging the gaps between the publication of the interim and annual results.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
C.2	**Internal Controls** ***Code Principle*** The Board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investments and the issuer's assets.		
C.2.1	• The directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report that they have done so in their Corporate Governance Report. • The review should cover all material controls, including financial, operational and compliance controls and risk management functions.	✓	• The Internal Audit Department conducts reviews of the system of internal control of the Company and its subsidiaries on a regular basis and reports their findings to the audit committee. • The review covers all material controls, including financial, operational, and compliance controls and risk management functions. • The Board is generally satisfied as to the effectiveness of the system of internal control of the Company and its subsidiaries during the year under review.
	Recommended Best Practices		
C.2.2	• The boards annual review should, in particular consider: – the changes since the past annual review in the nature and extent of significant risks, and the issuer's ability to respond to changes in its business and the external environment. – the scope and quality of managements ongoing monitoring of risks and of the system of internal control, and where applicable, the work of its internal audit function and other providers of assurance.	✓	• The review by the Board considered all these matters. • There were no significant control failings or weakness identified.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
	– the extent and frequency of the communication of the results of the monitoring to the board which enables it to build up a cumulative assessment of the state of control of the issuer and the effectiveness with which risk is being managed. – the incidence of significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition; and – the effectiveness of the issuer's processes relating to financial reporting and Listing Rule compliance.		

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
C.2.3	• Narrative statement on compliance with code provisions on internal control including: – process applied for identifying, evaluating and managing significant risks – additional information to assist understanding of risk management processes and system of internal control – acknowledgement by the board that it is responsible for the issuers system of internal control and its effectiveness – process applied in reviewing the effectiveness of the system of internal control – process applied to deal with internal control aspects of any significant problems disclosed in annual reports and accounts.	✓	• The Board has overall responsibility for the system of internal control and reviewing its effectiveness. • The Group has in place an internal control system which is designed in light of the nature of the business as well as the organization structure. The Group's system of internal control includes a defined management structure with limits of authority and is designed to further the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. • Senior management adopts a hands-on approach to the operations of the business and delegation of authority is limited. • Detailed operational and financial budgets are prepared and reviewed by the responsible Directors prior to being adopted. • Robust controls are in place for the recording of complete, accurate and timely accounting and management information. Comprehensive monthly management accounts are prepared, reviewed with, and distributed to appropriate senior managers. In addition, monthly operational review meetings are held, usually on location at the various operating plants. The Chairman and the Group Managing Director play leading roles in these meetings.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
			• The Head of Internal Audit has direct access to the Chairman of the Audit Committee. The work plan of the Internal Audit Department focuses on those areas of the Group's activities with the greatest perceived risk and the plan is reviewed and approved by the Audit Committee. The results of internal audit reviews and corresponding remedial actions taken are reported to the Executive Directors and Audit Committee periodically.
C.3	**Audit Committee** ***Code Principle*** The board should establish formal and transparent arrangements for considering how it applies the financial reporting and internal controls principles and for maintaining an appropriate relationship with the company's auditors. The audit committee should have clear terms of reference.		
C.3.1	• Minutes should be kept by a duly appointed secretary and sent to all committee members within a reasonable time.	✓	• Minutes are prepared by the Company Secretary and sent to members of the Audit Committee within 14 days of each meeting.
C.3.2	• A former partner of existing auditing firm shall not act as a member of the committee for 1 year after he ceases to be a partner of or to have any financial interest in the firm, whichever is the later.	✓	• No member of the Audit Committee is a partner of or has financial interest in the existing auditing firm of the Company.

CORPORATE GOVERNANCE

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Compliance</th><th>Corporate Governance Practices adopted by the Group</th></tr>
<tr><td>C.3.3 and C.3.4</td><td>• The terms of reference of the audit committee should include:
– relationship with the external auditors.
– review of financial information
– oversight of the financial reporting system and internal control procedures

• The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.</td><td>✓</td><td>• The Company established an audit committee in 1998 and the majority of its members are Independent Non-executive Directors.

• The terms of reference of the Audit Committee follow closely the requirements of the Code Provisions have been adopted by the Board and are available for review on the Company's website.

• Under its terms of reference, the Committee oversees the Group's financial reporting process; it also reviews the Group's internal controls and risk management system, approves the scope of work of the internal audit department and oversees the relationship with the external auditors.

• The Audit Committee currently consists of the following members and three meetings have been held during the year. Details of committee members' attendance records are set out below:–

<u>Independent Non-executive Directors</u> — <u>Attendance</u>
Chow Yu Chun, Alexander (Chairman) — 3/3
Marvin Bienenfeld — 2/3
Leung Ying Wah, Lambert — 3/3
Lin Sun Mo, Willy — 2/3

<u>Non-executive Director</u>
Leung Churk Yin, Jeanny — 1/3
(re-designated as an Independent Non-executive Directors on 19 September 2008)</td></tr>
</table>

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
			• The principal work performed by the committee during the year included:– – review of the Company's financial statements for the year ended 30 June 2007 and for the six months ended 31 December 2007 and recommending such financial statements to the Board for their approval and adoption; – discussions with the external auditors and reporting to the Board any significant matters arising from the interim/annual audit; – review of the audit reports submitted by Internal Audit regarding the systems of internal control and risk management; – review and approval of the audit planning The Committee was satisfied as to the overall effectiveness of the internal controls and risk management process during the year under review.
C.3.5	• A statement from the audit committee explaining its recommendation on the appointment, resignation or dismissal of external auditors; express disclosure where the board disagrees with the committee's view.	✓	• The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming Annual General Meeting, Deloitte Touche Tohmatsu be re-appointed as the external auditors for the fiscal year 2009. • For the year ended 30 June 2008, the external auditors received HK$2,242,000 for audit services and HK$6,383,000 for non-audit services.
C.3.6	• The audit committee should be provided with sufficient resources to discharge its duties.	✓	• Independent professional advice will be brought to supplement internal resources where appropriate.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
	Recommended Best Practices		
C.3.7	• Terms of reference should include: – review of arrangements by which employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal controls or other matters. – to act as the key representative body for overseeing the issuer's relation with the external auditor.	✓	• The Code of Conduct adopted by the Group provides for direct consultation with the Chairman or Group Managing Director on uncertain legal or ethical issues. • The Audit Committee oversees the relationship with the external auditors.
D D.1	**DELEGATION BY THE BOARD** **Management Functions** ***Code Principle*** An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.		
D.1.1 and D.1.2	• Board must give clear directions as to the powers of management, including circumstances where management should obtain prior approval from the board before making decisions and entering into any commitments on behalf of the issuer. • Formalize the functions reserved to the board and those delegated to management; and review arrangements on a periodic basis.	✓	• The daily management and administration functions of the Company are delegated to management. The reporting system is designed to ensure that significant issues are reported to the Board on a regular basis. • There is a defined schedule of matters reserved for full Board approval, including: – long-term objectives and strategies; – audited financial statements and associated materials; review and approve interim and final result announcements and quarterly operational updates; – recommendations as to dividend; – appointment, removal or re-designation of Directors;

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
			– remuneration of Non-executive Directors and changes in terms and conditions of employment of Executive Directors; – material connected transactions; – material acquisitions, disposals or joint-venture arrangements; – material raising of external finance; – appointment and removal of external auditors; – matters involving a conflict of interest for a substantial shareholder or Director. – raising of external finance
	Recommended Best Practices		
D.1.3	• An issuer should disclose the division of responsibility between the board and management.	✓	• As set out in D.1.1 and D.1.2.
D.1.4	Issuers should have formal letters of appointment for Directors setting out the key terms and conditions relative to their appointment.	✓	• A formal appointment letter setting out the key terms and conditions relative to their appointment will be prepared for each newly appointed Director.
D.2	**Board Committees** ***Code Principle*** Board committees should be formed with specific written terms of reference that deal clearly with the committees' authority and duties.		
D.2.1	• Clear terms of reference to enable proper discharge of committees functions	✓	• Two Board Committees, Audit Committee and Compensation Committee have been established with clear and specific terms of reference.
D.2.2	• The terms of reference should require committees to report their decisions and recommendations to the board	✓	• Each Board Committee reports to the Board after the relevant meeting.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
E E.1	**COMMUNICATION WITH SHAREHOLDERS** **Effective Communication** ***Code Principle*** The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.		
E.1.1	• A separate resolution be proposed by the chairman for each substantially separate issue.	✓	• Separate resolutions are proposed at the general meeting on each substantially separate issue, including the election of individual Directors.
E.1.2	• The chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee to be available to answer questions at the annual general meeting.	✓	• The Chairman of the Board chairs the Annual General Meeting.
	• The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.	✓	• The Company's practice conforms to this principle.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
E.2	**Voting by Poll** *Code Principle* The issuer should regularly inform shareholders of the procedures for voting by poll and answer compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the issuer.		
E.2.1	• The chairman of a meeting should ensure disclosure in the circulars of the procedures for and the rights of shareholders to demand a poll. • The chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. • If a poll is required under such circumstances, the chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands.	✓	• The rights of shareholders to and the procedures for demanding a poll are set out in every circular sent to shareholders. • It is the Company's practice that the Chairman of the meeting exercises his power under the Bye-laws to put each resolution set out in the notice to be voted by way of poll. • The Company will announce the Poll Results on the websites of the Company and the Stock Exchange the next business day following the Annual General Meeting or any general meetings of the Company.

CORPORATE GOVERNANCE

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Group
E.2.2	• The issuer should count all proxy votes and, except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. • The issuer should ensure that votes cast are properly counted and recorded.	✓	• The Company has appointed Tricor Secretaries Limited, the Company's Hong Kong branch share registrar, as the scrutineers to monitor and count the poll votes cast at the Annual General Meeting.
E.2.3	• The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of: – the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and – the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.	✓	• The Chairman explains the detailed procedures for conducting a poll at the outset of the Annual General Meeting and any general meetings and answers questions from shareholders.

CORPORATE GOVERNANCE

Business Integrity

Maintaining the highest professional and ethical standards is central to the Group's core operating philosophy. The Group has formally adopted a Code of Conduct (the "Code") addressing guiding principles governing conduct of Directors and senior employees. The Code is intended to establish minimum general standards of conduct encompassing the most common and sensitive areas in which the business operates.

In summary, executives of the Group are expected to:

- Conduct business of the Group in full compliance with both the letter and spirit of the Law and of the Code.
- Maintain the highest possible standards in the way we operate and the way we treat our employees in order to satisfy the expectations of both the business and social communities.
- Use confidential information properly.
- Recognize and avoid conflicts of interest.
- Protect the ownership of property of the Group, including information, products, rights and services.
- Conduct outside activities in a way which does not compromise the individual or the Group.

Communications with the Investment Community

The Company is committed to maintaining a continuing open dialogue with institutional investors and analysts to facilitate understanding of the group's management, financial position, operations, strategy and plans.

The Chairman and Chief Financial Officer have the prime responsibility for these activities, with the Chairman taking the lead in the period immediately following the interim and final results announcements.

Regular one-on-one meetings are held with the financial community which, in a number of instances, involve visits to production facilities.

The Company endeavours to be responsive to all media requests.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are the design, manufacture, distribution, wholesale and retail of ladies' intimate apparel, principally brassieres.

The activities of its principal subsidiaries are set out in note 31 to the consolidated financial statements.

The Company formally announced the adoption of the Chinese name 黛麗斯國際有限公司 on 22 November 2007.

RESULTS AND DIVIDEND

The results of the Group for the year ended 30 June 2008 are set out in the consolidated income statement on page 48.

An interim dividend of HK$0.015 per share (2007: HK$0.025 per share) was paid to shareholders during the year. The Directors do not recommend the payment of a final dividend for the year ended 30 June 2008 (2007: HK$0.03 per share).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 95.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure, principally on its production facilities, totalling approximately HK$22 million. Movements of property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of movement in share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

During the year, the Company repurchased certain of its own shares through the Hong Kong Stock Exchange.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Fung Wai Yiu	*(Chairman)*
Wong Chung Chong, Eddie	*(Group Managing Director)*
Leung Tat Yan	*(resigned on 31 December 2007)*

Non-executive Directors

Lucas A.M. Laureys
Herman Van de Velde

Independent Non-executive Directors

Marvin Bienenfeld	
Chow Yu Chun, Alexander	
Leung Churk Yin, Jeanny	*(re-designated as an Independent Non-executive Director on 19 September 2008)*
Leung Ying Wah, Lambert	
Lin Sun Mo, Willy	

In accordance with bye-law 87(2) of the Company's Bye-laws, Mr. Lucas A.M. Laureys and Mr. Chow Yu Chun, Alexander will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The Non-executive Directors have not been appointed for a specific term but subject to retirement by rotation in accordance with the Company's Bye-laws.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuance to Rule 3.13 of the Listing Rules of the Hong Kong Stock Exchange. The Company has assessed their independence and concluded that all the Independent Non-executive Directors are independent.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Fung Wai Yiu, aged 61, is the Chairman of the Group. Mr. Fung has 41 years of experience in the apparel industry.

Wong Chung Chong, **Eddie**, aged 63, is the co-founder of the Group. Mr. Wong is the Group Managing Director and is responsible for the operations of the Group. Mr. Wong has over 42 years of experience in the brassiere trade.

Non-executive Directors

Lucas A.M. Laureys, aged 63, is the President of Van de Velde N.V., the shares of which are listed on Brussels Stock Exchange. Mr. Laureys has over 36 years of experience in the brassiere trade and specialises in marketing. Mr. Laureys holds a degree in marketing from the University of Ghent - Leuven. Mr. Laureys is a director of Lucas Laureys N.V. and a member of the Board of several European companies, namely Omega Pharma (a company listed on Euronext), Hedgren, Sinelco International N.V. and Delta LLoyd Bank N.V.

Herman Van de Velde, aged 54, is the Managing Director of Van de Velde N.V., the shares of which are listed on the Brussels Stock Exchange. He joined the brassiere industry in 1981 and is well versed in operating the brassiere business in Europe.

Independent Non-executive Directors

Marvin Bienenfeld, aged 76, was appointed as a Non-executive Director of the Company on 27 August 1998 and then re-designated as an Independent Non-executive Director of the Company on 8 September 2004. Mr. Bienenfeld was formerly the Chairman of Bestform Inc. and has over 41 years of experience in the ladies' intimate apparel industry in the United States of America.

Chow Yu Chun, Alexander, aged 61, was appointed as an Independent Non-executive Director of the Company in 1993. He is a Fellow Member of The Association of Chartered Certified Accountants ("ACCA") and a CPA of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He has over 31 years of experience in commercial, financial and investment management in Hong Kong and China. Mr. Chow is also a director of New World China Land Limited and Playmates Toys Limited. Mr. Chow previously held directorship in New World Mobile Holdings Limited, Playmates Holdings Limited and Yu Ming Investments Limited but had resigned with effect from 1 February 2007, 28 December 2007 and 23 May 2008 respectively. All of the above mentioned companies are listed on the Hong Kong Stock Exchange.

Leung Churk Yin, **Jeanny**, aged 43, was re-designated as an Independent Non-executive Director on 19 September 2008. Ms. Leung is a seasoned investment banker with over 21 years of corporate finance experience in the Greater China region. She is also the Chief Executive Officer and an executive director of eSun Holdings Limited, and an executive director of Lai Sun Garment International Limited, Lai Sun Development Company Limited and Lai Fung Holdings Limited respectively. All of which are companies listed on the Hong Kong Stock Exchange.

DIRECTORS' REPORT

Leung Ying Wah, Lambert, aged 61, is the Chief Executive Officer of a leading construction materials company. He is a Fellow Member of the ACCA, a Fellow Member of the HKICPA, a Fellow Member of the Institute of Quarrying (UK) and is currently Chairman of the Hong Kong Construction Materials Association and the Hong Kong Cement Association.

Lin Sun Mo, Willy, aged 48, is the Managing Director of Milo's Knitwear (International) Limited. He holds a Bachelor of Science degree from Babson College, the United States of America. He is currently the Vice Chairman of the Textile Council of Hong Kong, Chairman of the Hong Kong Shippers' Council and an Honorary Trade Advisor to the Ministry of Commerce of Thailand.

Management and Senior Staff

Michael John Austin, aged 60, is the Chief Financial Officer and Company Secretary of the Group. Mr. Austin is a Fellow Member of the Institute of Chartered Accountants in England and Wales and a CPA of the HKICPA. He has over 27 years of diverse senior financial and general management experience in Hong Kong and internationally.

Choi Wai Yin, aged 61, is a Director of Top Form Brassiere Mfg. Co., Limited and joined the Group in 1993. Ms. Choi has over 37 years of experience in apparel manufacturing. She oversees all manufacturing operations within the Group.

Chen Fu Mei, aged 61, is a Director and the Deputy General Manager of Shenzhen Top Form Underwear Co., Limited. Ms. Chen joined the Group in March 1993 and is responsible for the administration of all the Group's companies in the People's Republic of China.

Chan Man Ying, Vivian, aged 33, is the Group Financial Controller. She is an Associate Member of the HKICPA and a Fellow Member of the ACCA. She joined the Group in 2004 and has 11 years of experience in accounting, auditing and financial management areas.

Wong Chor Wai, aged 40, joined the Group in 1989 and is a Director of Top Form Brassiere Mfg. Co. Limited. Mr. Wong holds a bachelor degree in Science from The University of Hong Kong.

Wong Kai Chi, Kenneth, aged 34, is a Director of Top Form Brassiere Mfg. Co., Limited. He is the son of Mr. Wong Chung Chong, Eddie. Mr. Wong holds a Bachelor degree in Marketing and Operation Management from Boston University, USA and a Master degree in International Business from Asian Institute of Technology, Thailand. He joined the Group in 1997 and is responsible for the Group's product development activities.

Wong Kai Chung, Kevin, aged 32, CFA, is the General Manager of Brands Business and a Director of Marguerite Lee Limited, Meritlux Garment and Unique Form Manufacturing Company Limited. He is also the Group's Corporate Development Manager. He joined the Group in 2001 and is responsible for the Group's corporate affairs as well as the Brands Business unit. He is the son of Mr. Wong Chung Chong, Eddie. Mr. Wong graduated from Colby College, majoring in Economics in 1998.

Wong Hei Yin, Henry, aged 45, is a Director and the General Manager of Charming Elastic Fabric Company Limited, a subsidiary of the Company, producing elastic tapes. Mr. Wong holds a bachelor degree in Accounting from Lamer University, USA.

DIRECTORS' REPORT

Wan Ho Yau, David, aged 50, is the Managing Director of Grand Gain Industrial Limited, a subsidiary of the Company, producing foam pads and accessories for brassiere manufacturing. Mr. Wan joined the Group in 1994. He holds degrees in Computer Science and Business Administration from York University, Toronto, Canada.

CONNECTED TRANSACTIONS

The Group has been for the past 26 years conducting transactions with Van de Velde N.V. ("VdV") by supplying ladies' intimate apparel to VdV. VdV is a connected person of the Company by virtue of its being a substantial shareholder of the Company and Mr. Lucas A. M. Laureys and Mr. Herman Van De Velde, the President and the Managing Director of VdV respectively, are Non-executive Directors of the Company and all transactions between VdV and the Company would constitute as continuing connected transactions ("Continuing Connected Transactions") pursuant to the Listing Rules of the Hong Kong Stock Exchange. Accordingly, a master agreement dated 18 September 2005 (the "Master Agreement") had been entered into between VdV and the Company to govern the Continuing Connected Transactions and to set annual caps for the Continuing Connected Transactions in respect of the three financial years ended 30 June 2008.

An announcement dated 18 September 2005 and a circular dated 10 October 2005 regarding the Continuing Connected Transactions and the annual caps for the respective financial years had been duly published and despatched to shareholders and approval had been obtained from the independent shareholders of the Company on 28 October 2005.

Details of the Continuing Connected Transactions conducted during the year were set out below:–

Name of the Connected Person	Nature of the Continuing Connected Transactions	Amount HK$'000
VdV	Sales of ladies' intimate apparel by the Group to VdV	41,224

Pursuant to Rule 14A.37 of the Listing Rules of the Hong Kong Stock Exchange, the Independent Non-executive Directors of the Company have conducted an annual review and confirmed to the Board that during the year the Continuing Connected Transactions have been entered into:

1. in the ordinary and usual course of business of the Company;

2. on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and

3. in accordance with the terms of the relevant agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules of the Hong Kong Stock Exchange, the Board of Directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the Continuing Connected Transactions of the Group. The auditor has reported the factual findings on these procedures to the Board of Directors.

DIRECTORS' REPORT

On 12 June 2008, the Company had entered into a renewal agreement (the "Renewal Agreement") with VdV to renew the Master Agreement for a further three years up to the financial year ending 30 June 2011 regarding the sale of ladies' intimate apparel to VdV.

An announcement dated 18 June 2008 and a circular dated 4 July 2008 regarding the Continuing Connected Transactions contemplated under the Renewal Agreement and the annual caps for the respective financial years had been duly published and despatched to shareholders and approval had been obtained from independent shareholders of the Company on 23 July 2008.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the Connected Transactions as disclosed under the section headed "Connected Transactions" above, there were no contracts of significance to which the Company or any of its subsidiaries was a party and in which any one of the Directors of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, the following Directors were considered to have interests in the following business, which compete or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to Rule 8.10 of the Listing Rules:–

Mr. Lucas A.M. Laureys, is the President of VdV has an indirect interest of 55.30% in VdV whose principal business activity is the manufacture and marketing of luxury lingerie. The Board considers that the business of VdV may indirectly compete with the business of the Group.

Mr. Herman Van de Velde, is the Managing Director of VdV has an indirect interest of 55.30% in VdV whose principal business activity is the manufacture and marketing of luxury lingerie. The Board considers the business of VdV may indirectly compete with the business of the Group.

Save as disclosed above, none of the Directors during the year have any interest in business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

As at 30 June 2008, 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"), which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required to entered in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong 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	16.48%
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 a controlled corporation *(note 3)*	176,181,544	16.39%
Herman Van de Velde	Interests held by a controlled corporation *(note 3)*	176,181,544	16.39%

Notes:

1. 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") or its nominee. The shares of Fung On were held by a family trust of which Mr. Fung and his family were eligible beneficiaries.

2. 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.

3. The shares were registered in the name of VdV of which Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde were controlling shareholders indirectly holding 55.30% of it's equity interests.

Certain nominee shares in the Company's subsidiaries were held by Directors in trust for the Company's subsidiaries as at 30 June 2008.

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.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2008, according to the register kept by the Company under Section 336 of the SFO and as far as was known to the Directors of the Company, persons (other than the Directors) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follow:

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
VdV	Beneficial owner	176,181,544	16.39%
High Union Holdings Inc.	Beneficial owner	175,591,597	16.33%
Veer Palthe Voute NV ("VPV")	Investment manager *(Note 1)*	110,490,000	10.28%
V.F. Corporation	Beneficial owner	106,000,000	9.86%

Note:

1. These shares were registered in the name of VPV, an indirect wholly-owned subsidiary of Dresdner Bank, which in turn, was 81.10% indirectly owned by Allianz SE.

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

During the year, the Company repurchased certain of its own shares on the Hong Kong Stock Exchange:

The purchase of the Company's shares during the year was effected by the directors, pursuant to the general mandate given by shareholders at the annual general meeting held on 26 October 2007, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 30 June 2008.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

The respective percentages of the Group's purchases from major suppliers and revenue attributable to major customers for the year ended 30 June 2008 were as follows:

Percentage of purchases attributable to the Group's largest supplier	8%
Percentage of purchases attributable to the Group's five largest suppliers	26%
Percentage of revenue attributable to the Group's largest customer	42%
Percentage of revenue attributable to the Group's five largest customers	75%

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$622,000.

EMOLUMENT POLICY

As at 30 June 2008, the Group has employed approximately 12,836 employees (30 June 2007: approximately 13,039 employees).

The remuneration policy and package of the Group's employees are structured by reference to market terms and statutory requirements as appropriate. The Group also provide other staff benefits such as medical insurance, mandatory provident fund and a share option scheme to its employees.

Details of remuneration of Directors on an individual basis are disclosed in this report. A significant proportion of the compensation of the Executive Directors is based on individual performance and the financial performance of the Group. The compensation policy for Non-executive Directors is to ensure that they are sufficiently but not excessively compensated for their efforts and time dedicated to the Group.

The Group established a Compensation Committee in 2001 and its functions and duties are, inter alia, to review and recommend to the Board the overall remuneration policy of the Group as well as the remuneration packages for Executive Directors.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 22 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 30 June 2008 as required under the Listing Rules of the Hong Kong Stock Exchange.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices and has throughout the year, except for the deviations stated and explained in the Corporate Governance Report set out on pages 9 to 35 of this report, complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Mode Code") as set out in Appendix 10 to the Listing Rules of the Hong Kong Stock Exchange as its own code for dealing in securities of the Company by Directors. Based on specific enquiry of all its Directors, the Company considers that the Directors complied with the required standards set out in the Model Code throughout the year under review.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Fung Wai Yiu
Chairman

Hong Kong 19 September 2008

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF TOP FORM INTERNATIONAL LIMITED
黛麗斯國際有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Top Form International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 94, which comprise the consolidated balance sheet as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 September 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

	NOTES	2008 HK$'000	2007 HK$'000
Revenue	5	**1,368,682**	1,467,496
Cost of sales		**(1,079,835)**	(1,115,411)
Gross profit		**288,847**	352,085
Other income		**13,409**	26,108
Selling and distribution expenses		**(57,590)**	(51,597)
General and administrative expenses		**(178,838)**	(159,396)
Finance costs	6	**(394)**	(362)
Profit before taxation	7	**65,434**	166,838
Taxation	9	**(12,095)**	(30,743)
Profit for the year		**53,339**	136,095
Attributable to:			
Equity holders of the Company		**57,966**	132,967
Minority interests		**(4,627)**	3,128
		53,339	136,095
Earnings per share	11		
Basic		**5.4 cents**	12.4 cents

CONSOLIDATED BALANCE SHEET

At 30 June 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	12	**171,627**	177,268
Prepaid lease payments	13	**1,965**	2,077
Prepaid rental payments	14	**6,113**	3,134
Interest in an associate	15	**–**	–
Deferred tax assets	23	**4,030**	–
		183,735	182,479
Current assets			
Inventories	16	**230,210**	197,462
Debtors, deposits and prepayments	17	**189,381**	166,394
Bills receivable	18	**16,255**	12,818
Prepaid lease payments	13	**112**	112
Bank balances and cash	18	**211,659**	256,435
		647,617	633,221
Current liabilities			
Creditors and accrued charges	19	**133,769**	130,447
Taxation		**102,567**	96,744
Bank borrowings and other liabilities			
– due within one year	20	**5,018**	4,700
Obligations under finance leases			
– due within one year	21	**165**	211
		241,519	232,102
Net current assets		**406,098**	401,119
Total assets less current liabilities		**589,833**	583,598
Non-current liabilities			
Bank borrowings and other liabilities			
– due after one year	20	**23**	224
Obligations under finance leases			
– due after one year	21	**262**	41
Retirement benefit obligations	22	**5,762**	4,263
Deferred tax liabilities	23	**6,933**	10,416
		12,980	14,944
		576,853	568,654
Capital and reserves			
Share capital	25	**107,519**	107,630
Reserves		**450,899**	438,640
Equity attributable to equity holders of the Company		**558,418**	546,270
Minority interests		**18,435**	22,384
		576,853	568,654

The financial statements on pages 48 to 94 were approved and authorised for issue by the Board of Directors on 19 September 2008 and are signed on its behalf by:

Fung Wai Yiu
Chairman

Wong Chung Chong, Eddie
Group Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital redemption reserve	Special reserve *(note)*	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 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	–	–	–	–	11,307	–	11,307	1,131	12,438
Profit for the year	–	–	–	–	–	132,967	132,967	3,128	136,095
Total recognised income for the year	–	–	–	–	11,307	132,967	144,274	4,259	148,533
Dividend paid to minority shareholders of a subsidiary	–	–	–	–	–	–	–	(1,035)	(1,035)
Dividend paid	–	–	–	–	–	(59,196)	(59,196)	–	(59,196)
At 30 June 2007	107,630	1,499	122	7,139	10,801	419,079	546,270	22,384	568,654
Exchange difference arising on translation of overseas operations recognised directly in equity	–	–	–	–	3,549	–	3,549	1,353	4,902
Profit for the year	–	–	–	–	–	57,966	57,966	(4,627)	53,339
Total recognised income for the year	–	–	–	–	3,549	57,966	61,515	(3,274)	58,241
Repurchase of shares	(111)	–	111	–	–	(950)	(950)	–	(950)
Dividend paid to minority shareholders of a subsidiary	–	–	–	–	–	–	–	(675)	(675)
Dividend paid	–	–	–	–	–	(48,417)	(48,417)	–	(48,417)
At 30 June 2008	**107,519**	**1,499**	**233**	**7,139**	**14,350**	**427,678**	**558,418**	**18,435**	**576,853**

Note: Special reserve represents the difference between the nominal amount of the share capital issued by the Company in exchange for the nominal amount of share capital of companies forming the Group, pursuant to the group reorganisation in 1991.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2008

	2008 HK$'000	2007 HK$'000
Operating activities		
Profit before taxation	**65,434**	166,838
Adjustments for:		
Provision (write back) of long service payments	**936**	(716)
Increase in defined benefit obligation	**532**	381
Allowance for (write back of allowance for) obsolete inventories	**3,948**	(18,752)
Interest income	**(5,615)**	(5,390)
Finance costs	**394**	362
Depreciation of property, plant and equipment	**28,065**	31,644
Amortisation of prepaid lease payments	**112**	112
Loss on disposal of property, plant and equipment	**257**	313
Impairment loss recognised in respect of property, plant and equipment	**–**	949
Operating cash flows before movements in working capital	**94,063**	175,741
Increase in prepaid rental payments	**(3,163)**	(3,134)
(Increase) decrease in inventories	**(35,179)**	67,283
(Increase) decrease in debtors, deposits and prepayments	**(22,903)**	88,347
Increase in bills receivable	**(3,437)**	(3,169)
Increase (decrease) in creditors and accrued charges	**2,755**	(38,640)
Cash generated from operations	**32,136**	286,428
Interest income	**5,615**	5,390
Interest paid	**(354)**	(312)
Hong Kong Profits Tax paid	**(8,280)**	(8,713)
Taxation paid in other jurisdictions	**(5,573)**	(3,115)
Net cash from operating activities	**23,544**	279,678
Investing activities		
Purchase of property, plant and equipment	**(21,434)**	(31,260)
Proceeds on disposal of property, plant and equipment	**18**	89
Net cash used in investing activities	**(21,416)**	(31,171)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2008

	2008 HK$'000	2007 HK$'000
Financing activities		
Dividend paid	**(48,417)**	(59,196)
Payment for repurchase of shares	**(950)**	–
Dividend paid to minority shareholders of a subsidiary	**(675)**	(1,035)
Finance lease charges paid	**(40)**	(50)
Repayment of obligations under finance leases	**(46)**	(465)
Proceed from bank borrowings	**17,245**	14,886
Repayment of bank borrowings	**(17,128)**	(16,197)
Net cash used in financing activities	**(50,011)**	(62,057)
Net (decrease) increase in cash and cash equivalents	**(47,883)**	186,450
Cash and cash equivalents at beginning of the year	**256,435**	65,253
Effect of foreign exchange rates changes	**3,107**	4,732
Cash and cash equivalents at end of the year, represented by bank balances and cash	**211,659**	256,435

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). 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.

During the annual general meeting on 26 October 2007, a special resolution was duly passed to adopt "黛麗斯國際有限公司" as the Chinese name of the Company for identification purpose only and the Hong Kong Companies Registry has issued a Certificate of Registration of Change of Name of Overseas Company to the Company on 21 November 2007.

The consolidated financial statements are presented in Hong Kong dollars, which is different from the functional currency of the Company, being United States dollars ("USD"). As the Company is a public company with the shares listed on the Hong Kong Stock Exchange with most of its investors located in Hong Kong, the directors consider that Hong Kong dollars is preferable in presenting the operating result and financial position of the Group.

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 ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for accounting periods beginning on or after 1 July 2007.

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

The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective. The Directors of the Group anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 &1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]

1 *Effective for annual periods beginning on or after 1 January 2009*
2 *Effective for annual periods beginning on or after 1 July 2009*
3 *Effective for annual periods beginning on or after 1 January 2008*
4 *Effective for annual periods beginning on or after 1 July 2008*
5 *Effective for annual periods beginning on or after 1 October 2008*

3. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 into line with those used by other members of the Group.

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

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated 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 net assets of the associates, 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.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from 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 including buildings held for use in the production or supply of goods, or for administrative purposes, 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 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.

Construction in progress represents property in the course of construction for its own use is stated at cost less any identified impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 derecognised.

Prepaid lease payments for leasehold land

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

For the year ended 30 June 2008

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all cost of purchase and cost of conversion, 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 of completion and 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. An impairment loss is 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 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.

The Group as lessee

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 consolidated 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.

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.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 respective 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.

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 Group (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 consolidated income statement at the time of utilisation or expiration.

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.

3. 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 when employees have rendered service entitling them to the contributions.

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.

The amount recognised in the consolidated 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 consolidated 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 consolidated 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 consolidated 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.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the 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 (see accounting policy in respect of impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as debtors and bills receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the observable changes in national or local economic conditions that correlate with default on receivables.

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.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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.

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

Financial liabilities

Financial liabilities (including creditors and bank borrowings and other liabilities) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Repurchase of Company's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase of the Company's own entity instruments.

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 with corresponding increase in capital redemption reserve. The aggregate consideration paid on repurchase was charged to retained profits.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

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 and receivable and cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised 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 and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not 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 are discussed below.

Allowance of doubtful debts

The Group recognises an allowance for doubtful debts based on assessment of recoverability of trade debtors. The Group has a concentration of risk with the top five customers comprising HK$123 million (2007: HK$121 million) of total trade debtors. The Group has a concentration of risk with the top five customers domiciled in the United States of America ("USA") and Europe comprising 75% of the Group's total revenue. Any adverse changes in the economic environment of the USA and Europe may impact the recoverability of the trade debtors. Any change in circumstances pertaining to one of these customers would have a material effect to the carrying amount of trade debtors. Allowances are applied to trade debtors where events or changes in circumstances provide objective evidence that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the actual cash flows are less than expectations such difference will impact the carrying value of other debtors and doubtful debts expense.

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 or that the inventories have no further use. The Group has a concentration of risk with the top five customers domiciled in the USA and Europe comprising 75% (2007: 84%) of the Group's total revenue. Any adverse changes in the economic environment of the USA and Europe may impact demand for the Group's products and the net realisable value of the inventory. The allowance also depends on management's assessment of the condition and usefulness of the inventories. Where the expectation of the net realisable value or use of inventories is different from the original estimate, such difference will impact the carrying value of inventories and the allowance of inventories in consolidated income statement. The Group's carrying amount for inventories as at 30 June 2008 was approximately HK$230,210,000 (2007: HK$197,462,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

5. SEGMENT INFORMATION

For management purposes, the Group's operation is 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 2008

	Manufacturing business HK$'000	Branded business HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE				
External sales	1,348,089	20,593	–	1,368,682
Inter-segment sales	8,587	–	(8,587)	–
Total sales	1,356,676	20,593	(8,587)	1,368,682
RESULTS				
Segment results	87,496	(9,638)	–	77,858
Unallocated corporate expenses				(17,645)
Interest income				5,615
Finance costs				(394)
Profit before taxation				65,434
Taxation				(12,095)
Profit for the year				53,339

Inter-segment sales are charged at prevailing market rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

5. SEGMENT INFORMATION – continued

(a) Business segments – continued

FOR THE YEAR ENDED 30 JUNE 2007

	Manufacturing business HK$'000	Branded business HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE				
External sales	1,448,348	19,148	–	1,467,496
Inter-segment sales	3,906	–	(3,906)	–
Total sales	1,452,254	19,148	(3,906)	1,467,496
RESULTS				
Segment results	177,303	(1,184)	–	176,119
Unallocated corporate expenses				(14,309)
Interest income				5,390
Finance costs				(362)
Profit before taxation				166,838
Taxation				(30,743)
Profit for the year				136,095

Inter-segment sales are charged at prevailing market rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

5. SEGMENT INFORMATION – continued

(a) Business segments – continued

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE

	2008 HK$'000	2007 HK$'000
ASSETS		
Segment assets		
– manufacturing business	**554,004**	522,315
– branded business	**53,470**	29,676
	607,474	551,991
Unallocated corporate assets	**223,878**	263,709
Consolidated total assets	**831,352**	815,700
LIABILITIES		
Segment liabilities		
– manufacturing business	**121,939**	117,030
– branded business	**14,786**	11,086
	136,725	128,116
Unallocated corporate liabilities	**117,774**	118,930
Consolidated total liabilities	**254,499**	247,046

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

5. SEGMENT INFORMATION – continued

(a) Business segments – continued

OTHER INFORMATION
FOR THE YEAR ENDED 30 JUNE

	2008 **HK$'000**	2007 HK$'000
Capital expenditure		
– manufacturing business	**18,758**	29,867
– branded business	**2,897**	1,393
	21,655	31,260
Depreciation of property, plant and equipment		
– manufacturing business	**26,614**	30,749
– branded business	**1,451**	895
	28,065	31,644
Loss on disposal of property, plant and equipment		
– manufacturing business	**16**	310
– branded business	**241**	3
	257	313
Impairment loss recognised in respect of property, plant and equipment		
– manufacturing business	**–**	949
Allowance for obsolete inventories		
– manufacturing business	**3,948**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

5. SEGMENT INFORMATION – continued

(b) Geographical segments

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

	Sales revenue by geographical market	
	2008	2007
	HK$'000	HK$'000
United States of America and Canada	**911,739**	1,104,029
Europe	**315,094**	226,503
Australia and New Zealand	**82,048**	79,351
Asia (excluding Hong Kong)	**45,406**	42,789
Hong Kong	**14,098**	14,824
South Africa	**297**	–
	1,368,682	1,467,496

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 segment assets		Additions to property, plant and equipment	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC (including Hong Kong)	**524,473**	476,549	**19,658**	20,042
Thailand	**80,791**	70,922	**1,941**	10,746
Others	**2,210**	4,520	**56**	472
	607,474	551,991	**21,655**	31,260

6. FINANCE COSTS

	2008	2007
	HK$'000	HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**354**	312
Obligations under finance leases	**40**	50
	394	362

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

7. PROFIT BEFORE TAXATION

	2008 HK$'000	2007 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**2,900**	2,699
Cost of textile quota entitlements	**5,702**	13,601
Depreciation of property, plant and equipment	**28,065**	31,644
Allowance for (write back of allowance for) obsolete inventories *(note a)*	**3,948**	(18,752)
Release of prepaid lease payments	**112**	112
Loss on disposal of property, plant and equipment	**257**	313
Impairment loss arising in respect of:		
Leasehold improvements	**–**	433
Furniture, fixtures and equipment	**–**	516
	–	949
Minimum lease payments paid under operating leases in respect of land and buildings *(note b)*	**28,437**	22,774
Cost of inventories recognised as an expense	**1,079,835**	1,115,411
Net exchange gain	**(1)**	(4,630)
Staff costs, including directors' emoluments *(note c)*	**361,435**	334,926
Quota income	**(2,278)**	(9,346)
Interest income	**(5,615)**	(5,390)

Notes:

(a) Reversal of allowance for obsolete inventories for the year ended 30 June 2007 was arising from sales of previously obsolete inventories during the year.

(b) Included in the amount are operating lease rentals of HK$421,000 (2007: HK$529,000) in respect of staff quarters.

(c) Details of directors' emoluments included in staff costs are disclosed in note 8. Staff costs included an amount of HK$21,907,000 (2007: HK$21,938,000) in respect of retirement benefit schemes.

8. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors

Details of emoluments paid or payable by the Group to the Directors (including Non-executive Directors) during the year are as follows:

	2008 HK$'000	2007 HK$'000
Fees to Non-executive Directors	**1,400**	1,400
Remuneration to Executive Directors:		
Salaries and other benefits	**8,387**	7,805
Bonus	**–**	2,500
Retirement benefit scheme contributions	**30**	36
Total Directors' emoluments	**9,817**	11,741

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

8. 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	2008 Total HK$'000
Fung Wai Yiu	–	3,185	–	12	3,197
Wong Chung Chong, Eddie	–	3,215	–	12	3,227
Leung Tat Yan	–	1,987	–	6	1,993
Lucas A.M. Laureys	200	–	–	–	200
Leung Churk Yin, Jeanny	200	–	–	–	200
Herman Van de Velde	200	–	–	–	200
Marvin Bienenfeld	200	–	–	–	200
Chow Yu Chun, Alexander	200	–	–	–	200
Leung Ying Wah, Lambert	200	–	–	–	200
Lin Sun Mo, Willy	200	–	–	–	200
	1,400	8,387	–	30	9,817

	Fees HK$'000	Salaries and other benefits HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	2007 Total HK$'000
Fung Wai Yiu	–	2,940	850	12	3,802
Wong Chung Chong, Eddie	–	3,045	850	12	3,907
Leung Tat Yan	–	1,820	800	12	2,632
Lucas A.M. Laureys	200	–	–	–	200
Leung Churk Yin, Jeanny	200	–	–	–	200
Herman Van de Velde	200	–	–	–	200
Marvin Bienenfeld	200	–	–	–	200
Chow Yu Chun, Alexander	200	–	–	–	200
Leung Ying Wah, Lambert	200	–	–	–	200
Lin Sun Mo, Willy	200	–	–	–	200
	1,400	7,805	2,500	36	11,741

No directors waived any emoluments during both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

8. DIRECTORS' AND EMPLOYEES' REMUNERATION – continued

Employees

Of the five individuals with the highest emoluments in the Group, three (2007: three) were Directors of the Company whose emoluments are included in the disclosure above. The emoluments of remaining two (2007: two) individuals were as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**4,450**	5,155
Retirement benefit scheme contributions	**12**	12
	4,462	5,167

The emoluments were within the following bands:

	Number of individuals 2008	2007
HK$2,000,001 – HK$2,500,000	**2**	1
HK$2,500,001 – HK$3,000,000	**–**	1

9. TAXATION

	2008 HK$'000	2007 HK$'000
The charge comprises:		
Current tax		
Hong Kong Profits Tax calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the year	**8,205**	28,332
Taxation in other jurisdictions calculated at the rates prevailing in the respective jurisdictions	**3,945**	2,343
	12,150	30,675
Under(over) provision in prior years		
Hong Kong Profits Tax	**6,263**	248
Taxation in other jurisdictions	**1,195**	(937)
	7,458	(689)
Deferred taxation *(note 23)*		
Current year	**(6,918)**	757
Attributable to changes in tax rates	**(595)**	–
	(7,513)	757
	12,095	30,743

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

9. TAXATION – continued

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in the Hong Kong Profits Tax rate by 1% to 16.5% effective for the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 30 June 2008.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations have changed the tax rate from 33% to 25% for the Group's subsidiaries effective from 1 January 2008, except for those subsidiaries who are enjoying tax holiday or tax concession rates.

During the year, the Hong Kong Inland Revenue Department (the "IRD") initiated a tax audit on certain subsidiaries of the Company for the years of assessment from 2001/02 to 2006/07. The IRD has requested information and documents of certain subsidiaries of the Group for the purpose of the tax audit. As the tax audit is still at the fact finding stage, the scope and outcome cannot be ascertained at the current stage. No additional provision for Hong Kong Profits Tax is considered necessary at this stage.

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

	2008 **HK$'000**	2007 HK$'000
Profit before taxation	**65,434**	166,838
Tax at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**10,797**	29,197
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(494)**	(173)
Tax effect of expenses not deductible for tax purposes	**2,243**	7,618
Tax effect of income not taxable for tax purposes	**(1,318)**	(4,431)
Tax effect of tax losses not recognised	**3,545**	2,151
Tax effect of utilisation of deductible temporary differences previously not recognised	**(599)**	(39)
Tax effect of utilisation of tax losses previously not recognised	**(4,924)**	(3,455)
Tax effect of recognition of deferred tax assets on tax loss previously not recognised	**(4,030)**	–
Under(over) provision in prior years	**7,458**	(689)
Decrease in opening deferred tax balances resulting from changes in tax rates	**(595)**	–
Others	**12**	564
Taxation charge for the year	**12,095**	30,743

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

10. DIVIDENDS

Dividends recognised as distribution during the year:

	2008 HK$'000	2007 HK$'000
Interim dividend paid for the year ended 30 June 2008 of HK$0.015 (2007: for the year ended 30 June 2007 of HK$0.025) per share	**16,128**	26,907
Final dividend paid for the year ended 30 June 2007 of HK$0.03 (2007: for the year ended 30 June 2006 of HK$0.03) per share	**32,289**	32,289
	48,417	59,196

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2008 (2007: HK$0.03 per share).

11. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008 HK$'000	2007 HK$'000
Profit attributable to the equity holders of the Company for the purpose of basic earnings per share	**57,966**	132,967

	Number of shares 2008	 2007
Number of ordinary shares for the purpose of basic earnings per share	**1,075,624,732**	1,076,298,125

No diluted earnings per share has been presented because there is no potential dilutive ordinary shares for both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings 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 2006	81,102	61,267	262,164	13,541	11	418,085
Currency realignment	1,072	3,282	12,204	327	2	16,887
Additions	153	5,973	23,986	1,139	9	31,260
Disposals	–	(1,474)	(3,501)	(305)	–	(5,280)
At 30 June 2007	82,327	69,048	294,853	14,702	22	460,952
Currency realignment	1,321	(494)	(324)	25	2	530
Additions	–	6,388	13,287	1,822	158	21,655
Disposals	(193)	(3,794)	(937)	(139)	–	(5,063)
At 30 June 2008	**83,455**	**71,148**	**306,879**	**16,410**	**182**	**478,074**
DEPRECIATION AND IMPAIRMENT						
At 1 July 2006	21,674	48,637	165,054	11,878	–	247,243
Currency realignment	366	2,030	6,129	201	–	8,726
Charge for the year	3,813	5,169	21,634	1,028	–	31,644
Impairment loss	75	358	516	–	–	949
Eliminated on disposals	–	(1,420)	(3,153)	(305)	–	(4,878)
At 30 June 2007	25,928	54,774	190,180	12,802	–	283,684
Currency realignment	134	(311)	(383)	46	–	(514)
Charge for the year	3,257	5,693	18,163	952	–	28,065
Eliminated on disposals	(193)	(3,575)	(881)	(139)	–	(4,788)
At 30 June 2008	**29,126**	**56,581**	**207,079**	**13,661**	**–**	**306,447**
CARRYING VALUES						
At 30 June 2008	**54,329**	**14,567**	**99,800**	**2,749**	**182**	**171,627**
At 30 June 2007	56,399	14,274	104,673	1,900	22	177,268

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

12. PROPERTY, PLANT AND EQUIPMENT – continued

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

Buildings	Over the shorter of the term of the lease, or 2% – 6.5%
Leasehold improvements	5% – 30%
Furniture, fixtures and equipment	10% – 33%
Motor vehicles	20% – 30%

Notes:

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

	2008 **HK$'000**	2007 HK$'000
Buildings outside Hong Kong under:		
Long lease	**3,615**	3,211
Medium-term lease	**47,885**	49,606
Short lease	**2,695**	3,387
Buildings in Hong Kong under medium term lease	**134**	195
	54,329	56,399

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

	2008 **HK$'000**	2007 HK$'000
Furniture, fixtures and equipment	**–**	284
Motor vehicles	**738**	419
	738	703

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

13. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2008	2007
	HK$'000	HK$'000
Leasehold land in Hong Kong:		
Medium-term lease	**120**	184
Leasehold land outside Hong Kong:		
Medium-term lease	**1,957**	2,005
	2,077	2,189
Analysed for reporting purposes as:		
Current portion	**112**	112
Non-current portion	**1,965**	2,077
	2,077	2,189

14. PREPAID RENTAL PAYMENTS

At 30 June 2008, prepaid rental payments represented the prepaid rent for factories in Thailand and China (2007: a factory in Thailand) for fifteen years until June 2022. The current portion of HK$895,300 (2007: HK$518,700) is included in debtors, deposits and prepayments.

15. INTEREST IN AN ASSOCIATE

At 30 June 2008 and 2007, the Group held an interest of 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. The Group's share of net assets of this associate was fully impaired in previous years.

16. INVENTORIES

	2008	2007
	HK$'000	HK$'000
Raw materials	**83,924**	74,264
Work in progress	**93,789**	76,416
Finished goods	**52,497**	46,782
	230,210	197,462

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

17. DEBTORS, DEPOSITS AND PREPAYMENTS

	2008 HK$'000	2007 HK$'000
Trade debtors	**154,872**	136,180
Deposits and prepayments	**34,509**	30,214
Total debtors, deposits and prepayments	**189,381**	166,394

Before accepting any new customers, the Group will assess the potential customer's credit quality. 97% of the trade receivables that are neither past due nor impaired have the best credit quality.

The Group allows an average credit period of 30 days to its trade customers.

An aged analysis of trade debtors is as follows:

	2008 HK$'000	2007 HK$'000
0 – 30 days	**150,617**	131,880
31 – 60 days	**3,261**	2,971
61 – 90 days	**911**	984
Over 90 days	**83**	345
	154,872	136,180

Included in the balance are trade debtors with an aggregate carrying amount of HK$4.3 million (2007: HK$4.3 million) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these amounts is 39 days (2007: 43 days).

Ageing of trade debtors which are past due but not impaired

	2008 HK$'000	2007 HK$'000
31 – 60 days	**3,261**	2,971
61 – 90 days	**911**	984
Over 90 days	**83**	345
Total	**4,255**	4,300

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

18. OTHER FINANCIAL ASSETS

Bills receivable

Included in bills receivable is an amount of HK$14,156,000 (2007: HK$8,941,000) aged within 30 days, HK$2,099,000 (2007: HK$2,125,000) aged within 31 to 60 days and nil balance (2007: HK$1,752,000) is aged between 61 to 90 days.

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 floating-rate interest at rates ranging from 0.15% to 5.10% (2007: 2.79% to 4.70%) per annum.

19. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK$71,225,000 (2007: HK$60,461,000).

An aged analysis of trade creditors is as follows:

	2008	2007
	HK$'000	HK$'000
0 – 30 days	**60,365**	50,852
31 – 60 days	**7,603**	6,165
61 – 90 days	**1,624**	2,089
Over 90 days	**1,633**	1,355
	71,225	60,461

The average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all are paid within the credit timeframe.

Other payable mainly represented the accrued freight charge, salaries and other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

20. BANK BORROWINGS AND OTHER LIABILITIES

	2008 HK$'000	2007 HK$'000
Bank borrowings – trust receipts and import loans *(note a)*	**4,919**	4,670
Other unsecured liabilities *(note b)*	**122**	254
	5,041	4,924
Less: Amount due within one year shown as current liabilities	**(5,018)**	(4,700)
Amount due after one year	**23**	224

Notes:

(a) These bank borrowings are unsecured, repayable within one year and are all denominated in United States dollar, currency other than the functional currency of these subsidiaries.

(b) Other liabilities represent loans from the PRC government. The amounts are interest-free, unsecured and repayable as follows:

	2008 HK$'000	2007 HK$'000
Within one year	**99**	30
Between one to two years	**23**	224
	122	254

They are all denominated in Renminbi.

The effective interest rate for the year for trust receipts and import loans was 6.54% (2007: 6.94%) per annum.

Trust receipts and import loans are arranged at the Singapore Interbank Rate ("SIBOR") + 0.8% (2007: SIBOR + 1.25%) per annum, thus exposing the Group to cash flow interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**187**	236	**165**	211
Between one to two years	**143**	46	**126**	41
Between two to five years	**155**	–	**136**	–
	485	282	**427**	252
Less: Future finance charges	**(58)**	(30)	**–**	–
Present value of lease obligations	**427**	252	**427**	252
Less: Amount due within one year shown as current liabilities			**(165)**	(211)
Amount due after one year			**262**	41

The Group's policy has leased 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 2008, the average effective borrowing rate was 11.93% (2007: 10.51%) 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.

Financial lease obligations are denominated in Thai Baht, currency other than the functional currency of the group entity.

22. RETIREMENT BENEFITS SCHEMES

(a) 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 (e.g. from the Mandatory Provident Fund Scheme), the amount of the long service payment will be reduced by the benefits arising from the retirement scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

22. RETIREMENT BENEFITS SCHEMES – continued

(a) Provision for long service payments – continued

The most recent actuarial valuation of the present value of the Group's obligation for long service payments was carried out at 30 June 2008 by Hewitt Associates LLC, an independent firm of human resource consultants and actuaries. The present value of the Group's obligation for long service payments, the related current service cost and actuarial loss (gain) were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2008	2007
Discount rate	**3.5% per annum**	5% per annum
Expected rate of salary increases	**5% per annum**	5% per annum
Interest return on contributions	**5% per annum**	5% per annum

Amounts recognised in consolidated income statement in respect of these long service payments are as follows:

	2008	2007
	HK$'000	HK$'000
Current service cost	**(58)**	(44)
Interest cost	**105**	172
Actuarial loss (gain) recognised in the year	**889**	(844)
Amount charged for the year (included in general and administrative expenses)	**936**	(716)

The charge for the year amounted to HK$936,000 (2007: credit of HK$716,000) is included in the staff cost in the consolidated income statement.

Movements in the present value of the long service payments in the current year were as follows:

	2008	2007
	HK$'000	HK$'000
At beginning of the year	**2,230**	2,946
Current service cost	**(58)**	(44)
Interest cost	**105**	172
Actuarial loss (gain)	**889**	(844)
At end of the year	**3,166**	2,230

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

22. RETIREMENT BENEFITS SCHEMES – continued

(b) Defined contribution schemes

The Group has joined the 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 rates specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contributions are available to reduce the contributions 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. The assets of the schemes are held separately from those of the Group in funds under the control of the Chinese local government.

The total cost charged to consolidated income statement of HK$20,439,000 (2007: HK$22,273,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

(c) Defined benefit scheme

Eligible employees of the Company's subsidiaries in the Philippines currently participate in defined benefit pension scheme operated by the local municipal governments. The calculation of contributions to the scheme is based on certain percentages of the employees' shares. The assets of the schemes are held separately from those of the Group in funds under the control of the local municipal governments.

Under the plan, the employees are entitled to retirement benefits equal to 22.5 day's 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 valuation of the present value of the defined benefit obligation was carried out at 30 June 2008 by E.M. Zalamea Acturial Services, Inc., an independent firm of actuaries. The present value of the defined benefit obligation, the related current service cost, past service costs and actuarial losses were measured using the projected unit credit method.

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

	2008	2007
Expected rate of salary increases	**7% per annum**	5% per annum
Discount rate	**10% per annum**	11% per annum

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

22. RETIREMENT BENEFITS SCHEMES – continued

(c) Defined benefit scheme – continued

Amounts recognised in the consolidated income statement in respect of the defined benefit obligation are as follows:

	2008 HK$'000	2007 HK$'000
Current service cost	**305**	157
Interest cost	**227**	224
Amount charged for the year (included in general and administrative expenses)	**532**	381

The amount included in consolidated balance sheet arising, from the Group's obligation in respect of its defined benefit plans is as follows:

	2008 HK$'000	2007 HK$'000
Present value of defined benefit obligation	**3,685**	2,033
Actuarial losses not recognised	**(1,089)**	–
Net liability arising from defined benefit obligation	**2,596**	2,033

Movements in present value of the defined benefit obligation in the current year are as follows:

	2008 HK$'000	2007 HK$'000
At beginning of the year	**2,033**	1,399
Currency realignment	**31**	253
Interest cost	**227**	224
Current service cost	**305**	157
Actuarial loss not recognised	**1,089**	–
At end of the year	**3,685**	2,033

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

23. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Unrealised profit on inventory HK$'000	Tax losses HK$'000	Total HK$'000
At 1 July 2006	5,781	3,878	–	9,659
(Credit) charge to income statement	(383)	1,140	–	757
At 30 June 2007	5,398	5,018	–	10,416
Credit to income statement	(444)	(2,444)	(4,030)	(6,918)
Attribute to a change in tax rate	(308)	(287)	–	(595)
At 30 June 2008	**4,646**	**2,287**	**(4,030)**	**2,903**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2008 HK$'000	2007 HK$'000
Deferred tax assets	**4,030**	–
Deferred tax liabilities	**(6,933)**	(10,416)
At end of the year	**(2,903)**	(10,416)

At 30 June 2008, the Group has unused tax losses of approximately HK$81,814,000 (2007: HK$90,191,000), available for offset against future assessable profits. The Group has recognised deferred tax assets in relation to the unused tax losses of HK$24,424,000 (2007: HK$Nil) during the current period. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$57,390,000 (2007: HK$90,191,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses of the Group are losses of HK$3,315,000 (2007: HK$4,282,000) of subsidiaries in the PRC that will gradually expire until 2011. Other losses may be carried forward indefinitely.

At 30 June 2008, the Group has unrecognised deductible temporary differences of approximately HK$1,310,000 (2007: HK$97,000) 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.

At 30 June 2008, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK$177,000 (2007: HK$Nil). No liabilities has been recognised in respect of these differences because the Group is able to control the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

24. FINANCIAL INSTRUMENTS

24a. Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**386,416**	409,759
Financial liabilities		
Amortised cost	**85,758**	75,841

24b. Financial risk management objectives and policies

The Group's major financial instruments include debtors, bills receivable, creditors, bank balances and cash, bank borrowings and other liabilities and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 8% (2007: 7%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, while almost 73% (2007: 63%) of purchase costs are not denominated in the relevant group entity's functional currency. The Group does not have a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Euro ("EUR")	**3,010**	1,496	**15,439**	8,812
Renminbi ("RMB")	**1,854**	1,468	**8,869**	7,938
United States dollar ("USD")	**1,340**	790	**74,691**	65,785
Thai Baht ("THB")	**–**	–	**59**	78
Philippine Peso ("PHP")	**2,597**	2,034	**3**	–
Hong Kong dollar ("HK$")	**40,134**	38,819	**18,153**	222,219
Others	**–**	–	**25**	18

The above assets and liabilities include outstanding EUR, RMB, USD, THB, PHP and HK$ debtors and creditors, bank balances and cash, bank borrowings and obligation under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

24. FINANCIAL INSTRUMENTS – continued

24b. Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

Sensitivity analysis

The Group is mainly exposed to fluctuations in exchange rates of EUR, RMB, USD, THB, PHP and HK$. For fluctuations of USD against HK$, there will be no significant impact as HK$ is pegged with USD.

The following table details the Group's sensitivity to a 5% increase and decrease in functional currency of the relevant foreign currencies against the relevant foreign currencies. 5% is the sensitivity rate which represents management's assessment of the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. The sensitivity analysis includes external receivables and payables and also current accounts with the group entities where the denomination of the current accounts is in a currency other than the functional currency of the relevant group entities. A positive number below indicates an increase in profit for the year where functional currencies of relevant group entities strengthens against the relevant foreign currencies. For a 5% weakening of functional currencies of relevant group entities, there would be an equal and opposite impact on the profit for the year.

	Increase (decrease) in profit for the year	
	2008	2007
	HK$'000	HK$'000
EUR	**(1,283)**	(1,024)
RMB	**(332)**	(305)
USD	**20**	(42)
THB	**(2,010)**	(1,265)
PHP	**152**	124
HK$	**(534)**	(317)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

24. FINANCIAL INSTRUMENTS – continued

24b. Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see note 20 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rates so as to minimise the fair value interest rate risk.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of SIBOR arising from the Group's USD denominated borrowings.

Sensitivity analysis

The analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis point higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2008 would increase/decrease by HK$1,033,000 (2007: HK$1,258,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank balances and bank borrowings.

Credit risk

As at 30 June 2008 and 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible 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, the directors of the Company consider that the Group's credit risk is significantly reduced.

The bank balances and deposits are concentrated on certain counterparties and the credit risk on liquid funds is limited because the counterparties are banks with high crediting ratings assigned by international credit rating agencies.

In respect of debtors, the Group's exposure to credit risk is influenced mainly by the market demand in intimate apparel industry and economic conditions in the USA and Europe. At the balance sheet date, the Group had a certain concentration risk as approximately 75% (2007: 84%) of trade debtors was due from five major customers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

24. FINANCIAL INSTRUMENTS – continued

24b. Financial risk management objectives and policies – continued

Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

At 30 June 2008, the Group had undrawn bank borrowing facilities of HK$145,081,000 (2007: HK$145,330,000).

Liquidity and interest risk tables

	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total undiscounted cash flows	Carrying amount at 30 June
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008								
Non-derivative financial liabilities								
Creditors	–	56,886	21,389	1,991	24	–	80,290	80,290
Bank borrowings and other liabilities	6.54	922	1,153	3,144	23	–	5,242	5,041
Obligations under finance leases	11.93	19	36	132	298	–	485	427
		57,827	22,578	5,267	345	–	86,017	85,758
2007								
Non-derivative financial liabilities								
Creditors	–	46,951	23,098	375	241	–	70,665	70,665
Bank borrowings and other liabilities	6.94	949	1,326	2,488	224	–	4,987	4,924
Obligations under finance leases	10.51	36	70	130	46	–	282	252
		47,936	24,494	2,993	511	–	75,934	75,841

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

24. FINANCIAL INSTRUMENTS – continued

24c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transaction as input.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

25. SHARE CAPITAL

	2008 Number of shares	2007 Number of shares	**2008 HK$'000**	2007 HK$'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	**1,076,298,125**	1,076,298,125	**107,630**	107,630
Repurchase of shares during the year	**(1,110,000)**	–	**(111)**	–
At end of the year	**1,075,188,125**	1,076,298,125	**107,519**	107,630

During the year ended 30 June 2008, the Company repurchased certain of its own shares on Hong Kong Stock Exchange.

Month of repurchase	**Number of shares of HK$0.1 each**	**Number of issued ordinary shares held Highest** HK$	**Lowest** HK$	**Aggregate consideration paid** HK$'000
November 2007	1,110,000	0.87	0.84	950

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

26. 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 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.

As at 30 June 2008 and 2007, no share options of the Company are being held by the Directors or anyone else under the Scheme.

During the years ended 30 June 2008 and 2007, no share options were granted, exercised, cancelled or lapsed.

27. NON-CASH TRANSACTIONS

During the year ended 30 June 2008, the Group acquired an equipment amounted to HK$221,000 (2007: HK$Nil) under a finance lease.

28. 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:

	2008	2007
	HK$'000	HK$'000
Within one year	**17,612**	16,792
In the second to fifth year inclusive	**8,038**	13,874
Over five years	**3,848**	1,631
	29,498	32,297

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

29. RELATED PARTY TRANSACTIONS/BALANCES

During the year ended 30 June 2008, the Group sold finished products of approximately HK$41,224,000 (2007: HK$38,723,000), 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 also held an effective interest of 16.39% (2007: 16.37%) in the Company as at 30 June 2008.

As at 30 June 2008, trade debtors from VdV amounted to HK$917,000 (2007: HK$1,793,000).

Compensation of key management personnel

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

	2008	2007
	HK$'000	HK$'000
Salaries and other benefits	**14,237**	16,860
Retirement benefit scheme contributions	**42**	48
	14,279	16,908

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

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes borrowings and obligations under finance leases), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a quarterly basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

31. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 June 2008 and 2007 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 indirectly by the Company	Principal activities
Charming Elastic Fabric Company Limited 綉麗橡根織品有限公司	Hong Kong	Ordinary – HK$316,667 Deferred – HK$810,000	60%	Manufacture of elastic garment straps
Foshan Nanhai Top Form Underwear Company 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
Long Nan County Grand Gain Underwear Company Limited 龍南縣建盈內衣有限公司	The PRC#	Capital contribution – US$1,000,000	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$45,000,000	100%	Manufacture of ladies' underwear
Marguerite Lee Limited	Hong Kong	Ordinary – HK$2,500,000	100%	Retail sales of underwear, sleepwear and other ladies' intimate apparel products
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 – RMB4,993,000	70%	Manufacture and distribution of ladies' underwear

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

31. PRINCIPAL SUBSIDIARIES – continued

Name of company	Place of incorporation/ registration *(Note)*	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held indirectly by the Company	Principal activities
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 and wholesale of ladies' underwear
Top Form (B.V.I.) Limited	British Virgin Islands	Ordinary – US$50,000	100%*	Investment holding
Top Form Industries Limited	Mauritius	Ordinary US$100,000	100%	Wholesale of ladies' underwear by setting a branch in Macau for operation
Top Form Brassiere (Maesot) Co., Ltd	Thailand	Ordinary – Baht 10,000,000	100%	Manufacture of ladies' underwear
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%	Wholesale and retail sales of underwear, sleepwear and other ladies' intimate apparel products
Unique Form Manufacturing (Thailand) Co., Ltd	Thailand	Ordinary – Baht 1,000,000	100%	Manufacture of ladies' underwear
Xinfeng County Grain 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.*

Note: Except for those subsidiaries which the place of operation mentioned in principal activities, the place of operation is the same as the place of incorporation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

31. 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 were established, the Group has contributed 70% of the 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, and so this joint venture is being accounted for as a subsidiary of the Group.

As at 30 June 2008, 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 2008 or at any time during the year.

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.

32. POST BALANCE SHEET EVENT

On 26 July 2008, Top Form (B.V.I.) Limited, a wholly-owned subsidiary of the Company, entered into a conditional share acquisition agreement to acquire the entire issued share capital of Ace Style Intimate Apparel Limited, Elkhorn Enterprise Limited, Tavistock Spring (H.K.) Limited and Carina Apparel Inc. from Ace Style International Limited for a total consideration of HK$303,331,957 (subject to adjustment) as set out in a circular dated 19 August 2008. The acquisition has been approved by the shareholders at a Special General Meeting held on 5 September 2008. The acquisition has yet to be completed up to the date of the annual report as certain conditions precedent set out in the conditional share acquisition agreement have not yet been fulfilled. Details of the conditions precedent are set out in the circular of the Company dated 19 August 2008.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified, which have no effects on previously reported profit, to conform to the current period presentation.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

Year ended 30 June	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Revenue	1,217,043	1,463,815	1,425,491	1,467,496	**1,368,682**
Profit before taxation	194,397	230,119	143,208	166,838	**65,434**
Taxation	(36,042)	(45,853)	(24,131)	(30,743)	**(12,095)**
Profit for the year	158,355	184,266	119,077	136,095	**53,339**
Attributable to:					
Equity holders of the Company	156,503	183,090	114,876	132,967	**57,966**
Minority interests	1,852	1,176	4,201	3,128	**(4,627)**
	158,355	184,266	119,077	136,095	**53,339**

ASSETS AND LIABILITIES

At 30 June	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Total assets	531,483	690,861	748,779	815,700	**831,352**
Total liabilities	(179,025)	(235,506)	(268,427)	(247,046)	**(254,499)**
	352,458	455,355	480,352	568,654	**576,853**
Equity attributable to:					
Equity holders of the Company	330,556	434,296	461,192	546,270	**558,418**
Minority interests	21,902	21,059	19,160	22,384	**18,435**
	352,458	455,355	480,352	568,654	**576,853**