

## 1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The 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. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the Directors have given careful consideration to the future liquidity of the Group in the light of its obligations to reduce the facilities extended to it by its bankers as explained in note 20. The Group is dependent upon the continuing support of its bankers. Provided such support continues to be forthcoming, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

## 3. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted the Statement of Standard Accounting Practice No. 14 (Revised) "Leases" ("SSAP 14") issued by the Hong Kong Society of Accountants which became effective in the year.

The revised standard has introduced some amendments to the basis of accounting for operating leases, and to the disclosures specified for the Group's leasing arrangement. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14. Comparative amounts have been restated in order to achieve a consistent presentation.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong, which follow the historical cost convention as modified for the revaluation of certain leasehold properties and other securities.

The principal accounting policies adopted are as follows:

##### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year.

The results of subsidiaries and associates acquired and disposed of during the year are included in the consolidated income statement from and up to their effective dates of acquisition or disposal respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

##### **Goodwill and capital reserve arising on consolidation**

Where the fair value of the separable net assets acquired exceeds the fair value of the consideration at the time of acquisition of a subsidiary or an associate, the difference, being a capital reserve arising on consolidation, is credited to reserves. Where the fair value of the consideration exceeds the fair value of the separable net assets acquired, the difference, being goodwill, is charged against any credit balance in the capital reserve, and any excess being charged against retained profits.

On disposal of a subsidiary or an associate, the attributable amount of goodwill previously eliminated against or credited to reserves at the time of acquisition is included in the determination of the profit or loss on disposal.

##### **Revenue recognition**

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

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable. Other interest income is recognised in the income statement as above, on an accrual basis, except in the case of receivables which are considered to be doubtful, at which stage interest accrual ceases.

**4. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation, as appropriate. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset. The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Certain of the Group’s land and buildings are stated at valuation less depreciation and amortisation. Advantage has been taken of the transitional relief provided by paragraph 72 of the SSAP 17 “Property, plant and equipment” issued by the Hong Kong Society of Accountants from the requirement to make revaluation on a regular basis of the Group’s land and buildings and accordingly no further revaluation of land and buildings is carried out. On the subsequent sale of these land and buildings, the attributable revaluation surplus not yet transferred to retained profits in prior years is transferred to retained profits.

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets expected future cash flows are not discounted to their present values.

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

Freehold land	Nil
Leasehold land	Over the remaining unexpired terms of the leases
Buildings	2% – 6.5%
Leasehold improvements	5% – 30%
Furniture, fixtures and equipment	10% – 45%
Motor vehicles	20% – 30%

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.

#### 4. SIGNIFICANT ACCOUNTING POLICIES – continued

##### **Subsidiaries**

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of its issued capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss.

##### **Associates**

An associate is an enterprise over which the Group is in a position to exercise significant influence in management, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of associates for the year. The consolidated balance sheet includes the Group's share of net assets of the associates and any interest capitalised in respect of financing the associates in accordance with the Group's accounting policies, less provision, if any.

The Company's interests in associates are included in the Company's balance sheet at cost less impairment loss.

##### **Investments in securities**

Investments in securities are recognised on a trade date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value is the estimated selling price less all costs to completion and costs to be incurred in selling and distribution.

#### 4. SIGNIFICANT ACCOUNTING POLICIES – continued

##### **Taxation**

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

##### **Leases**

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. An asset held under a finance lease is capitalised at its fair value at the date of inception of the lease. The resulting leasing commitment is shown as a liability of the Group on the balance sheet. The finance costs, which represent the difference between the total leasing commitment and the fair values of the assets acquired, are charged to the income statement as finance charges on an actuarial basis over the period of the lease.

All other leases are classified as operating leases and their rentals payable are charged to the income statement on a straight-line basis over the term of the relevant lease.

##### **Foreign currencies**

Transactions in foreign currencies are translated into Hong Kong dollars at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

##### **Textile quota entitlements**

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

## 5. TURNOVER AND SEGMENTAL INFORMATION

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

The Group's turnover and profit from operations for the year ended 30 June 2001, analysed by principal activity, are as follows:

	Turnover		Profit (loss) from operations	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Manufacture	<b>887,272</b>	695,991	<b>81,733</b>	68,103
Distribution, wholesale and retail	<b>32,193</b>	46,167	<b>(188)</b>	(3,728)
	<b><u>919,465</u></b>	<u>742,158</u>	<b><u>81,545</u></b>	<u>64,375</u>

The Group's turnover and profit from operations for the year ended 30 June 2001, analysed by geographical market, are as follows:

	Turnover		Profit (loss) from operations	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States of America	<b>691,763</b>	490,604	<b>55,354</b>	48,006
Europe	<b>85,624</b>	85,010	<b>11,553</b>	6,994
Asia (excluding Hong Kong)	<b>78,267</b>	100,257	<b>9,641</b>	8,368
Australia and New Zealand	<b>38,196</b>	36,308	<b>5,152</b>	3,553
Hong Kong	<b>25,615</b>	29,979	<b>(155)</b>	(2,546)
	<b><u>919,465</u></b>	<u>742,158</u>	<b><u>81,545</u></b>	<u>64,375</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2001

## 6. OTHER REVENUE

	2001 HK\$'000	2000 HK\$'000
Other revenue includes:		
Interest income	970	1,532
Overprovision for factory closures and redundancies written back	–	2,440
	<u>          </u>	<u>          </u>

## 7. PROFIT FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,420	1,411
Cost of textile quota entitlements	37,982	29,341
Depreciation and amortisation on:		
Owned assets	18,300	15,965
Assets held under finance leases	484	435
Impairment loss on property, plant and equipment	5,916	–
Loss on disposal of property, plant and equipment	979	499
Minimum lease payments paid under operating leases in respect of:		
Land and buildings	14,847	17,890
Other assets	351	419
Staff costs, including directors' emoluments	<u>159,268</u>	<u>142,671</u>

**8. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES**

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Fees to Non-executive Directors	–	–
Remuneration to Executive Directors		
Fees	–	–
Salaries and other benefits	<b>8,700</b>	5,700
	<u>          </u>	<u>          </u>

Emoluments of the Directors were within the following bands:

	<b>Number of Directors</b>	
	<b>2001</b>	2000
Nil to HK\$1,000,000	<b>7</b>	7
HK\$2,500,001 – HK\$3,000,000	–	2
HK\$4,000,001 – HK\$4,500,000	<b>2</b>	–
	<u>          </u>	<u>          </u>

Details of emoluments paid by the Group to the five highest paid individuals (including Directors, details of whose emoluments are set out above, and employees) are as follows:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>12,705</b>	9,454
Retirement benefit scheme contributions	<b>21</b>	–
	<u>          </u>	<u>          </u>
	<b>12,726</b>	9,454
	<u>          </u>	<u>          </u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2001

## 8. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES— continued

Emoluments of the five highest paid individuals were within the following bands:

	Number of individuals	
	2001	2000
HK\$1,000,001 – HK\$1,500,000	3	3
HK\$2,500,001 – HK\$3,000,000	–	2
HK\$4,000,001 – HK\$4,500,000	2	–
	<u>2</u>	<u>–</u>
Number of Directors	2	2
Number of employees	3	3
	<u>5</u>	<u>5</u>

## 9. FINANCE COSTS

	2001	2000
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	16,831	20,903
Convertible loan notes	7,824	7,320
Finance leases	101	145
	<u>24,756</u>	<u>28,368</u>

## 10. TAXATION

	2001 HK\$'000	2000 HK\$'000
Hong Kong Profits Tax calculated at 16% on the estimated assessable profit for the year	5,603	4,087
Taxation in other jurisdictions calculated at the rates prevailing in the respective jurisdictions	804	693
Under(over)provision for taxation in other jurisdictions in prior years	73	(111)
	<u>6,480</u>	<u>4,669</u>

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$47,658,000 (2000: HK\$29,762,000) and on the 735,608,744 shares (2000: weighted average number of 734,980,329 shares) in issue during the year.

The computation of diluted earnings per share is as follows:

	2001 HK\$'000	2000 HK\$'000
Profit for the purpose of basic earnings per share	47,658	29,762
Interest on convertible loan notes	7,824	7,320
	<u>55,482</u>	<u>37,082</u>

	Number of shares	
	2001	2000
Number of shares for the purpose of basic earnings per share	735,608,744	734,980,329
Effect of dilutive potential shares on the convertible loan notes	386,533,665	386,533,665
	<u>1,122,142,409</u>	<u>1,121,513,994</u>

The Company's share options were not taken into account in the computation of diluted earnings per share as the exercise price of options outstanding during the two years ended 30 June 2001 was higher than the average market price of the Company's shares.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
COST OR VALUATION					
At 1 July 2000	36,671	32,856	125,138	7,746	202,411
Currency realignment	(361)	(852)	(2,428)	(248)	(3,889)
Additions	–	3,087	15,828	290	19,205
Disposals	–	–	(4,723)	(146)	(4,869)
Impairment	–	–	(5,916)	–	(5,916)
	<u>36,310</u>	<u>35,091</u>	<u>127,899</u>	<u>7,642</u>	<u>206,942</u>
At 30 June 2001					
Comprising:					
At cost, less impairment if any	34,849	35,091	127,899	7,642	205,481
At valuation – 1992	1,461	–	–	–	1,461
	<u>36,310</u>	<u>35,091</u>	<u>127,899</u>	<u>7,642</u>	<u>206,942</u>
DEPRECIATION AND AMORTISATION					
At 1 July 2000	14,054	23,813	80,731	5,255	123,853
Currency realignment	(252)	(286)	(1,248)	(69)	(1,855)
Charge for the year	1,820	3,515	12,475	974	18,784
Eliminated on disposals	–	–	(3,824)	(62)	(3,886)
	<u>15,622</u>	<u>27,042</u>	<u>88,134</u>	<u>6,098</u>	<u>136,896</u>
At 30 June 2001					
NET BOOK VALUES					
At 30 June 2001	<u>20,688</u>	<u>8,049</u>	<u>39,765</u>	<u>1,544</u>	<u>70,046</u>
At 30 June 2000	<u>22,617</u>	<u>9,043</u>	<u>44,407</u>	<u>2,491</u>	<u>78,558</u>

The net book value of the Group's property interests as at the balance sheet date comprises:

	2001 HK\$'000	2000 HK\$'000
Land and buildings outside Hong Kong under:		
Long lease	4,805	5,594
Medium term lease	14,337	15,175
Short lease	420	590
Land and buildings in Hong Kong under medium term lease	<u>1,126</u>	<u>1,258</u>
	<u>20,688</u>	<u>22,617</u>

At 30 June 2001, the net book value of property, plant and equipment included an amount of HK\$2,854,000 (2000: HK\$1,869,000) in respect of assets held under finance leases.

**13. INTERESTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Unlisted shares	<b>125,002</b>	125,002
Capital contribution	<b>5,460</b>	5,460
	<b>130,462</b>	130,462
Provision for impairment in value	<b>(5,460)</b>	(5,460)
	<b>125,002</b>	125,002
Amounts due from subsidiaries	<b>175,173</b>	178,681
	<b>300,175</b>	303,683

The value of unlisted shares is based on the underlying net assets of Top Form (B.V.I.) Limited and its subsidiaries at the time they became members of the Group pursuant to the group reorganisation in 1991.

Details of the principal subsidiaries as at 30 June 2001 are set out in note 38.

**14. INTERESTS IN ASSOCIATES**

	<b>THE GROUP</b>	<b>THE COMPANY</b>
	<b>2001 &amp; 2000</b>	<b>2001 &amp; 2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of net assets	13,015	—
Interest capitalised	2,407	—
	15,422	—
Capital contribution, at cost	—	15,422
	15,422	15,422
Less: Provision for impairment in value	(15,422)	(15,422)
	—	—

## 14. INTERESTS IN ASSOCIATES – continued

Details of the Group's associates as at 30 June 2001 are as follows:

Name of company	Place of incorporation/ registration	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Principal activities
Shenzhen Fenghua Weaving Tape Factory Company Limited 深圳豐華織帶廠有限公司	People's Republic of China("PRC")	25%	Inactive
Yingkou Xinfu Industrial Park Development Company Limited 營口鑫發工業園開發有限公司	PRC	30%*	Industrial land development

\* Directly held by the Company

Under a debt restructuring agreement entered into with the Group's bankers in January 1998, the Group is obliged to advance the net proceeds to be realised from the sale of certain of the Group's portfolio of property investments, which includes its investment in an associate in Yingkou in PRC, to Almswood International Limited ("Almswood"). In the opinion of the Directors, the recoverability of the amounts loaned and to be loaned to Almswood is in question and, accordingly, full provision has been made against the value of the underlying investments.

## 15. INVESTMENT IN SECURITIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Other securities, shares listed overseas	<u>13,306</u>	<u>2,915</u>
Market value	<u>13,306</u>	<u>2,915</u>

## 16. LOANS RECEIVABLE

**THE GROUP  
AND THE COMPANY**  
**2001 & 2000**  
HK\$'000

Loans receivable	53,141
Less: Provision made	(53,141)
	—
	—

As part of the Group's debt restructuring agreement entered into with its bankers in January 1998, the Company had advanced an aggregate amount of HK\$53,141,000 to Almswood and has an obligation to make further advances to Almswood from the net proceeds to be realised from the sale of the Group's property investments in Shanghai, Chengdu and Yingkou in the PRC.

The loan bears interest at the highest of the interest rates charged by the banks on overdraft facilities to the Group or, if none, at the cost of funding the loans by the Group. Interest receivable for the year on the loans to Almswood amounting to HK\$5,048,000 (2000: HK\$5,314,000) has not been accrued, as the Directors question the ability of Almswood to repay the loans or the interest thereon. The repayment by Almswood of the principal and interest is subordinated to Lo Kit Lun, Frank's, Almswood and its subsidiaries' indebtedness to certain banks ("banks' indebtedness").

The loans extended by the Company to Almswood are to be repaid in 10 equal semi-annual instalments commencing from the sixth month after Almswood's indebtedness to the banks has been fully repaid or, at the discretion of the Board of the Company, commencing no later than the thirteenth month after Almswood's indebtedness to the banks has been fully repaid. Under the existing payment profile of the indebtedness, full repayment of the banks' indebtedness is scheduled in the fifth year from the date of drawdown on 23 January 1998.

Under an agreement with its bankers, Almswood was committed to commence repayment of its bank indebtedness by January 2000. The Directors understand that Almswood has yet to obtain additional external funding to enable it to meet its financial obligations, including those to its bankers and to the Group. In the opinion of the Directors, the recoverability of amounts loaned and to be loaned to Almswood is dependent upon Almswood obtaining sufficient additional external funding, which was in question, and accordingly, provisions were made for the loans receivable of HK\$53,141,000 and against the Group's property and other investments with an aggregate carrying value of HK\$59,138,000 in the previous years.

Almswood is a company wholly owned by Lo Kit Lun, Frank, who acted as a non-executive Director of the Company until 18 August 2000.

## 17. INVENTORIES

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Raw materials	47,242	88,473
Work in progress	27,617	48,020
Finished goods	<u>35,670</u>	<u>31,183</u>
	<u><b>110,529</b></u>	<u>167,676</u>
At cost	<b>91,374</b>	150,667
At net realisable value	<u>19,155</u>	<u>17,009</u>
	<u><b>110,529</b></u>	<u>167,676</u>

## 18. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance are trade debtors of HK\$64,085,000 (2000: HK\$36,511,000). The Group allows an average credit period of 30 days to its trade customers.

An aged analysis of trade debtors is as follows:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Within 30 days	61,340	33,812
Over 30 days and under 60 days	896	1,374
Over 60 days and under 90 days	682	498
Over 90 days	<u>1,167</u>	<u>827</u>
	<u><b>64,085</b></u>	<u>36,511</u>

## 19. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK\$47,644,000 (2000: HK\$64,145,000).

An aged analysis of trade creditors is as follows:

	2001 HK\$'000	2000 HK\$'000
Within 30 days	31,145	38,982
Over 30 days and under 60 days	11,112	17,698
Over 60 days and under 90 days	5,040	7,006
Over 90 days	347	459
	<u>47,644</u>	<u>64,145</u>

## 20. BANK BORROWINGS AND OTHER LIABILITIES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank borrowings:				
Trust receipts and import loans	73,550	106,540	-	-
Bank loans	23,507	32,554	15,284	22,313
Bank overdrafts	45,104	56,555	6,057	12,372
	<u>142,161</u>	<u>195,649</u>	<u>21,341</u>	<u>34,685</u>
Total bank borrowings (note a)				
Other liability (note b)	614	701	-	-
	<u>142,775</u>	<u>196,350</u>	<u>21,341</u>	<u>34,685</u>
Less: Amount due within one year and shown as current liabilities	<u>(142,243)</u>	<u>(195,737)</u>	<u>(21,341)</u>	<u>(34,685)</u>
Amount due after one year	<u>532</u>	<u>613</u>	<u>-</u>	<u>-</u>



## 20. BANK BORROWINGS AND OTHER LIABILITIES – continued

Notes:

- (a) Bank borrowings are repayable within one year or upon demand as follows:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Secured	142,161	193,938	21,341	32,974
Unsecured	–	1,711	–	1,711
	<u>142,161</u>	<u>195,649</u>	<u>21,341</u>	<u>34,685</u>

Following the debt restructuring exercise completed in January 1998, the Group has been granted total credit facilities of HK\$261 million by its bankers, subject to semi-annual reduction in bank commitments of HK\$25 million each starting from January 2000. As of 18 January 2001, the bank commitments have been reduced by HK\$50 million since January 2000.

On 18 January 2001, the Company and certain of its subsidiaries have entered into an agreement with the bankers, whereby the bankers agreed to grant an extension to the bank commitments of HK\$193 million for a further two-year period, subject to continued reduction in bank commitments on a semi-annual interval at HK\$25 million each commencing from 20 January 2001 to 20 January 2003; whilst the balance of the secured obligations will either be fully repaid or refinanced by 20 January 2003.

The obligations due on 20 January 2001 and 20 July 2001 were met by the Group.

- (b) Other liability is unsecured and is repayable:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	82	88	–	–
Between one to two years	82	82	–	–
Between two to five years	246	328	–	–
After five years	204	203	–	–
	<u>614</u>	<u>701</u>	<u>–</u>	<u>–</u>

**21. OBLIGATIONS UNDER FINANCE LEASES**

	<b>Minimum</b>		<b>Present value</b>	
	<b>lease payments</b>		<b>of minimum</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>THE GROUP</b>				
Within one year	1,441	600	1,282	501
Between one to two years	1,037	636	990	537
Between two to five years	–	103	–	81
	<u>2,478</u>	<u>1,339</u>	<u>2,272</u>	<u>1,119</u>
Less: future finance charges	<u>(206)</u>	<u>(220)</u>	<u>–</u>	<u>–</u>
Present value of lease obligations	<u><u>2,272</u></u>	<u><u>1,119</u></u>	<u><u>2,272</u></u>	<u><u>1,119</u></u>
Less: Amount due within one year and shown as current liabilities			<u>(1,282)</u>	<u>(501)</u>
Amount due after one year			<u><u>990</u></u>	<u><u>618</u></u>

The Company had no finance lease arrangement during the year or at the balance sheet date.

**22. CONVERTIBLE LOAN NOTES**

	<b>THE GROUP AND THE COMPANY 2001 &amp; 2000 HK\$'000</b>
Convertible loan notes (“CLN”)	<u><u>120,000</u></u>

On 23 January 1998, the Company issued US\$15.5 million (equivalent to approximately HK\$120 million) of CLNs. The salient features of the CLNs are set out below:

- (a) The CLNs have a five-year term and, unless converted, the Company shall repay the principal monies outstanding to the noteholders, together with all interest accrued and unpaid thereon up to and including the date of repayment, on a date five years from the date of issue, which is on 23 January 2003.

## 22. CONVERTIBLE LOAN NOTES – continued

- (b) Principal and any accrued but unpaid interest of the CLNs rank pari passu with the Group's secured indebtedness to the banks and the holders of the CLNs share, on a pari passu basis, all security given to the banks under the debt restructuring exercise.
- (c) The CLNs can be converted into shares of the Company at the conversion price of US\$0.0401 (equivalent to HK\$0.31 per share), and will be subject to adjustment in the event of further issues of shares or other dilutive events, at any time following the first anniversary after the date of issue on 23 January 1998. The minimum principal amount that may be converted on any conversion of the CLNs, will be the lesser of US\$50,000 and the remaining principal amount outstanding under such CLNs.
- (d) Interest is compounded and payable semi-annually. Interest in years one, two and three accrued at a semi-annual rate of 3 per cent., compounded semi-annually. A portion of this interest will be deferred during these first three years. During this interest deferral period, only 45 per cent. of the accrued interest will be paid to the holders of the CLNs in cash. Any accrued but unpaid interest will also earn interest at a semi-annual rate of 3 per cent., compounded semi-annually. The deferred interest was payable in one lump sum at the end of year three in cash. Interest in years four and five will be accrued at a semi-annual rate of 2.875 per cent. and be payable semi-annually in cash.

Assuming full conversion of the CLNs at the conversion price of HK\$0.31 per share, the Company would be required to issue a total of 386,533,665 new shares upon full conversion of the CLNs.

## 23. AMOUNT DUE TO A SUBSIDIARY

	<b>THE COMPANY</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Amount due to a subsidiary	<b><u>276,302</u></b>	<u>258,641</u>

The amount due to a subsidiary is unsecured, interest free and is not expected to be repaid in the coming twelve months.

**24. DEFERRED TAXATION**

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
At the beginning of the year	<b>2,372</b>	2,371
Currency realignment	<u>-</u>	<u>1</u>
At the end of the year	<b><u>2,372</u></b>	<b><u>2,372</u></b>

Deferred taxation represents the taxation effect of the following timing differences:

	<b>THE GROUP</b>
	<b>2001 &amp; 2000</b>
	HK\$'000
Excess of depreciation allowances claimed for tax purposes over accounting depreciation charged in the financial statements	2,665
Taxation losses	<u>(293)</u>
	<b><u>2,372</u></b>

The surplus arising from revaluation of the Group's property in Hong Kong does not constitute a timing difference for taxation purposes as any profit realised on subsequent disposal would not be subject to taxation.

At the balance sheet date, the unrecognised deferred taxation asset represents the taxation effect of the following timing differences:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Difference between depreciation allowances claimed for tax purposes and accounting depreciation charged in the financial statements	<b>188</b>	191	-	-
Taxation losses	<u>12,804</u>	<u>13,732</u>	<u>3,000</u>	<u>3,100</u>
	<b><u>12,992</u></b>	<b><u>13,923</u></b>	<b><u>3,000</u></b>	<b><u>3,100</u></b>

## 24. DEFERRED TAXATION – continued

A significant portion of the potential deferred tax asset which principally represents the tax losses of the Company and certain subsidiaries available to set off future assessable profits has not been recognised in the financial statements as it is uncertain whether the tax benefit will be realised in the foreseeable future.

The amount of unrecognised deferred taxation (charge) credit of the Group for the year is as follows:

	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:		
Difference between depreciation allowances for tax purposes and depreciation charged in the financial statements	(3)	49
Taxation losses	<u>(566)</u>	<u>464</u>
	(569)	513
Taxation losses arising in previous years	–	3,200
Currency realignment	<u>(362)</u>	<u>(161)</u>
	<u><u>(931)</u></u>	<u><u>3,552</u></u>

## 25. SHARE CAPITAL

	2001 Number of shares	2000 Number of shares	2001 HK\$'000	2000 HK\$'000
Shares of HK\$0.10 each				
Authorised:				
At the beginning and end of year	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:				
At the beginning of year	735,608,744	734,608,744	73,561	73,461
Exercise of share options	<u>–</u>	<u>1,000,000</u>	<u>–</u>	<u>100</u>
At the end of year	<u><u>735,608,744</u></u>	<u><u>735,608,744</u></u>	<u><u>73,561</u></u>	<u><u>73,561</u></u>

On 16 February 2000, 1,000,000 shares of HK\$0.10 each were issued at a price of HK\$0.23 per share as a result of the exercise of share options. The new shares issued rank pari passu in all respects with the then existing shares.

## 26. SHARE OPTIONS

Pursuant to a share option scheme which was approved and adopted at a special general meeting of the Company held on 20 November 1991, the Company may grant options to Directors of the Company and employees of the Group to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time. The subscription price of the option shares is the higher of the nominal value of the shares and an amount which is not less than 80% of the average of the closing prices of the shares on the five trading days immediately preceding the date of the grant of the options. The options are exercisable at any time during the period commencing on the second anniversary of the date of grant of the option and expiring at the close of business on the day preceding the tenth anniversary of the date of adoption of the share option scheme.

Details of the options granted under the aforesaid share option scheme are as follows:

Date of grant	Exercise period	Exercise price HK\$	Number of share options		
			At 1.7.2000	Cancelled during the year	At 30.6.2001
23 December 1991	23 December 1993 to 19 November 2001	0.87	10,325,000	(5,800,000)	4,525,000
3 September 1992	3 September 1994 to 19 November 2001	1.35	17,000,000	(11,000,000)	6,000,000
11 October 1993	11 October 1995 to 19 November 2001	1.38	2,000,000	(2,000,000)	–
21 October 1997	21 October 1999 to 19 November 2001	0.23	5,900,000	(400,000)	5,500,000
			<u>35,225,000</u>	<u>(19,200,000)</u>	<u>16,025,000</u>

No options were granted and exercised during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2001

## 27. (DEFICIT) RESERVES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>SHARE PREMIUM</b>				
At the beginning of the year	<b>242,159</b>	242,029	<b>242,159</b>	242,029
Premium arising on issue of shares	<u>–</u>	<u>130</u>	<u>–</u>	<u>130</u>
At the end of the year	<b>242,159</b>	242,159	<b>242,159</b>	242,159
<b>LEGAL RESERVE</b>				
At the beginning and end of the year	<u>323</u>	<u>323</u>	<u>–</u>	<u>–</u>
<b>SPECIAL RESERVE</b>				
At the beginning and end of the year	<u>7,139</u>	<u>7,139</u>	<u>–</u>	<u>–</u>
<b>CONTRIBUTED SURPLUS</b>				
At the beginning and end of the year	<u>–</u>	<u>–</u>	<b>124,802</b>	124,802
<b>REVALUATION RESERVE</b>				
At the beginning of the year	<b>3,344</b>	2,325	–	–
Surplus arising from revaluation of investment in securities	<u>10,391</u>	<u>1,019</u>	<u>–</u>	<u>–</u>
At the end of the year	<b>13,735</b>	3,344	–	–
<b>TRANSLATION RESERVE</b>				
At the beginning of the year	<b>(6,361)</b>	(5,037)	–	–
Exchange differences arising on translation of overseas operations	<b>(1,939)</b>	(1,324)	–	–
Realised on liquidation of a subsidiary	<u>3,278</u>	<u>–</u>	<u>–</u>	<u>–</u>
At the end of the year	<b>(5,022)</b>	(6,361)	–	–
<b>DEFICIT</b>				
At the beginning of the year	<b>(411,090)</b>	(440,852)	<b>(563,528)</b>	(560,904)
Profit (loss) attributable to shareholders	<u>47,658</u>	<u>29,762</u>	<u>586</u>	<u>(2,624)</u>
At the end of the year	<b>(363,432)</b>	(411,090)	<b>(562,942)</b>	(563,528)
<b>NET DEFICIT</b>	<b><u>(105,098)</u></b>	<b><u>(164,486)</u></b>	<b><u>(195,981)</u></b>	<b><u>(196,567)</u></b>

## 27. (DEFICIT) RESERVES – continued

The legal reserve represents the transfer from retained profits of a subsidiary in Switzerland pursuant to legal requirements in Switzerland.

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

The contributed surplus represents the difference between the combined net assets of the subsidiaries acquired by the Company under the group reorganisation, and the nominal amount of the Company's share capital issued.

Under the Company Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company did not have any reserves available for distribution as at 30 June 2001 (2000: nil).

## 28. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	56,789	36,007
Interest income	(970)	(1,532)
Interest expense	24,756	28,368
Depreciation and amortisation	18,784	16,400
Impairment loss on property, plant and equipment	5,916	–
Loss on disposal of property, plant and equipment	979	499
Translation loss realised on liquidation of a subsidiary	3,278	–
Decrease in amount due from an associate	–	24
(Decrease) increase in amount due to an associate	(300)	440
Decrease in inventories	57,147	3,526
Increase in debtors, deposits and prepayments	(31,268)	(4,933)
Decrease in bills receivable	54	253
Decrease in creditors and accrued charges	(22,637)	(2,640)
Effect of foreign exchange rate changes	(10)	(337)
	<u>112,518</u>	<u>76,075</u>
Net cash inflow from operating activities	<u>112,518</u>	<u>76,075</u>



## 29. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	2001 HK\$'000	2000 HK\$'000
<b>SHARE CAPITAL AND PREMIUM</b>		
At the beginning of the year	315,720	315,490
Issue of shares	–	230
	<u>315,720</u>	<u>315,720</u>
At the end of the year	<u>315,720</u>	<u>315,720</u>
<b>TRUST RECEIPTS AND IMPORT LOANS</b>		
At the beginning of the year	106,540	125,789
Net cash outflow during the year	(32,990)	(19,249)
	<u>73,550</u>	<u>106,540</u>
At the end of the year	<u>73,550</u>	<u>106,540</u>
<b>BANK LOANS</b>		
At the beginning of the year	32,554	38,292
Currency realignment	–	(532)
Repayments during the year	(9,047)	(5,206)
	<u>23,507</u>	<u>32,554</u>
At the end of the year	<u>23,507</u>	<u>32,554</u>
<b>OTHER LIABILITY</b>		
At the beginning of the year	701	497
Other liability incurred	–	255
Repayments during the year	(87)	(51)
	<u>614</u>	<u>701</u>
At the end of the year	<u>614</u>	<u>701</u>
<b>OBLIGATIONS UNDER FINANCE LEASES</b>		
At the beginning of the year	1,119	1,332
Currency realignment	(105)	(34)
Inception of new finance leases	1,876	733
Repayments during the year	(618)	(912)
	<u>2,272</u>	<u>1,119</u>
At the end of the year	<u>2,272</u>	<u>1,119</u>
<b>MINORITY INTERESTS</b>		
At the beginning of the year	9,594	8,018
Share of profit by minority shareholders	2,651	1,576
Dividends paid to minority shareholders	(225)	–
Repayments of advances from minority shareholders	(180)	–
	<u>11,840</u>	<u>9,594</u>
At the end of the year	<u>11,840</u>	<u>9,594</u>

### 30. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value of HK\$1,876,000 (2000: HK\$733,000) at the inception of the finance leases.

### 31. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$'000	2000 HK\$'000
Bank balances and cash	53,057	38,017
Bank overdrafts	<u>(45,104)</u>	<u>(56,555)</u>
	<u>7,953</u>	<u>(18,538)</u>

### 32. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Export bills discounted with recourse	9,497	6,711	–	–
Guarantees given (extent of facilities utilised) to banks in respect of credit facilities granted to subsidiaries	<u>–</u>	<u>–</u>	<u>130,317</u>	<u>167,681</u>

As at 30 June 2001, certain employees have completed the required number of years of service under Hong Kong laws to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the relevant laws. The Directors are of the opinion that the circumstances which will give rise to long service payments are unlikely to arise, and accordingly no provision for any future long service payments has been made in these financial statements. If the termination of all these employees were to meet the circumstances required by the relevant laws, the Group's liability at 30 June 2001 would be HK\$10,865,000 (2000: HK\$9,462,000). The Company would have no liability at 30 June 2001 (2000: nil).

### 33. PLEDGE OF ASSETS

As at 30 June 2001, the Group has pledged certain of its properties with an aggregate carrying value of approximately HK\$1.1 million (2000: HK\$1.3 million), to secure credit facilities granted to the Group.

The Company and certain of its subsidiaries each has executed a debenture in favour of certain banks so that all the assets, including bank balances and cash, and rights of the Company and the related subsidiaries are provided as securities for the continuation of the banking facilities granted to the Group.

## 34. CAPITAL COMMITMENTS

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Capital commitments in respect of unpaid capital contributions	<b>694</b>	–
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided in the financial statements	<b>45</b>	64
	<b>739</b>	64

The Company did not have any significant capital commitments as at the balance sheet date.

## 35. 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:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
– Within one year	<b>11,924</b>	7,967
– In the second to fifth year inclusive	<b>10,896</b>	6,103
– Over five years	<b>397</b>	693
	<b>23,217</b>	14,763

The Company had no operating lease commitments at the balance sheet date.

## 36. RETIREMENT BENEFITS SCHEMES

Prior to 1 December 2000, apart from certain overseas subsidiaries of the Company which participate in provident fund schemes established by the relevant authorities in their respective countries, the Group did not operate any retirement benefit scheme for its Directors and employees in Hong Kong. With effective from 1 December 2000, the Group has joined a Mandatory Provident Fund scheme (“MPF Scheme”) for all employees in Hong Kong. The MPF scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

During the year, the Group made retirement benefit scheme contributions of HK\$941,000 (2000: nil).

## 37. RELATED PARTY TRANSACTIONS

During the year, the Group had significant transactions with related parties as follows:

Name of related party	Nature of transactions	2001	2000
		HK\$'000	HK\$'000
Bestform, Inc. and its affiliates (note a)	Sale of finished products	499,664	415,499
	Purchase of raw materials or semi finished products	18,800	37,094
	Interest payable on CLN	1,767	1,625
Shenzhen Fenghua Weaving Tape Factory Company Limited (note b)	Rental paid	—	420
Almswood International Limited (note c)	Advance	—	—
AIG Asia Direct Investment Fund Ltd. (note d)	Interest payable on CLN	2,776	2,554
American International Assurance Co. (Bermuda) Ltd. (note d)	Interest payable on CLN	2,776	2,554

Notes:

- (a) At 30 June 2001, the balances of trade receivable from Bestform, Inc. and its affiliates amounted to HK\$28,391,000 (2000: HK\$11,588,000) and the balance of interest payable to Bestform, Inc. amounted to HK\$649,000 (2000: HK\$2,511,000). Bestform, Inc. is a beneficial owner of 66,000,000 shares of the Company and holds US\$3.5 million of the CLN issued by the Company.
- (b) At 30 June 2001, the balance of trade payable to Shenzhen Fenghua Weaving Tape Factory Company Limited amounted to HK\$140,000 (2000: HK\$440,000). Shenzhen Fenghua Weaving Tape Factory Company Limited is an associate of the Company.
- (c) At 30 June 2001, the balance of loans receivable from Almswood amounted to HK\$53,141,000 (2000: HK\$53,141,000). Interest receivable on the loans to Almswood amounted to HK\$15,708,000 (2000: HK\$10,660,000), has not been accrued as the Directors question the ability of Almswood to obtain sufficient financing to repay either the loans or any interest. Almswood is a company wholly owned by Lo Kit Lun, Frank, who acted a non-executive Director of the Company until 18 August 2000.
- (d) At 30 June 2001, the balance of interest payable to each of AIG Asia Direct Investment Fund Ltd. and American International Assurance Co. (Bermuda) Ltd. amounted to HK\$1,020,000 (2000: HK\$3,946,000). AIG Asia Direct Investment Fund Ltd. and American International Assurance Co. (Bermuda) Ltd., both of which are managed by AIG Investment Corporation (Asia) Limited, each holds US\$5.5 million of the CLN issued by the Company. Lin Sian Zu, John and Tse Koon Hang, Ada, non-executive Directors of the Company, are directors of AIG Investment Corporation (Asia) Limited.

## 38. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 June 2001 are as follows:

Name of company	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company	Principal activities
Elastex Manufacturing Company Limited	Hong Kong	Ordinary – HK\$190,000 Deferred – HK\$810,000	100%	Manufacture of elastic garment straps
Grand Gain Industrial Limited	Hong Kong	Ordinary – HK\$100,000	55%	Laminating business
Longnan County Grand Gain Underwear Company Limited 龍南縣建盈內衣有限公司	PRC	HK\$5,000,000	55%	Moulding
+ Mamselle Dessous Textilvertriebs GmbH	Germany	Ordinary – DM3,500,000	100%	Distribution of ladies' underwear
+ Mamselle Fashion S.A.	Switzerland	Ordinary – SFR200,000	100%	Investment holding
Marguerite Lee Limited	Hong Kong	Ordinary – HK\$2,500,000	100%	Retail sales of underwear, sleepwear and other intimate apparel
Marguerite Lee (Overseas) Limited	British Virgin Islands	Ordinary – US\$10	100%	Investment holding
Meritlux Industries Philippines., Inc.	Republic of Philippines	Ordinary – Peso 17,500,000	100%	Manufacture of ladies' underwear
Nan Hai Top Form Underwear Company Limited 南海市黛麗斯內衣有限公司	PRC	Capital contribution – HK\$20,800,000	75%	Manufacture of ladies' underwear

## 38. PRINCIPAL SUBSIDIARIES – continued

Name of company	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company	Principal activities
Shenzhen Top Form Underwear Co., Limited 深圳黛麗斯內衣有限公司	PRC	Capital contribution – HK\$8,616,475	70%	Manufacture and distribution of ladies' underwear
+ Stephan Fransen Holland B.V.	Holland	Ordinary – NLG200,000	100%	Distribution of ladies' underwear
Top Form Brassiere Co., Limited	Thailand	Ordinary – Baht 80,000,000	100%	Manufacture of ladies' underwear
Top Form Brassiere Mfg. Co., Limited	Hong Kong	Ordinary – HK\$100 Deferred – HK\$4,000,000	100%	Manufacture of ladies' underwear
Top Form (B.V.I.) Limited	British Virgin Islands	Ordinary – US\$50,000	100%*	Investment holding
Top Form (Taiwan) Limited	British Virgin Islands	Ordinary – US\$10	90%	Investment holding and wholesale of ladies' underwear in Taiwan
Top Prospect Investment Limited	Hong Kong	Ordinary – HK\$2	100%	Property holding in the PRC
Topfull Development Limited	Hong Kong	Ordinary – HK\$2	100%	Property holding in the PRC
Twin Peak Brassiere Company Limited	Thailand	Ordinary – Baht 3,000,000	97%	Manufacture of ladies' underwear
Unique Form Manufacturing Company Limited	Hong Kong	Ordinary – HK\$1,000 Deferred – HK\$200	100%	Retail sales of underwear, sleepwear and other intimate apparel
Wide Gain Investment Limited	Hong Kong	Ordinary – HK\$2	100%	Investment holding

\* Directly held by the Company

+ Companies not audited by Deloitte Touche Tohmatsu

**38. PRINCIPAL SUBSIDIARIES – continued**

Shenzhen Top Form Underwear Company Limited 深圳黛麗斯內衣有限公司 is a joint venture company established in the PRC and was originally 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. Nan Hai Top Form Underwear Company Limited 南海市黛麗斯內衣有限公司 is also a joint venture company established in the PRC and is for a period of ten years from 1 January 1992. Pursuant to the agreements under which the joint ventures were established, the Group has contributed 70% and 75% of the nominal registered capital of Shenzhen Top Form Underwear Company Limited 深圳黛麗斯內衣有限公司 and Nan Hai Top Form Underwear Company Limited 南海市黛麗斯內衣有限公司 respectively. However, under the joint venture agreements, the Group is entitled to 100% of the joint venture companies' profit after deducting a fixed annual amount attributable to assets contributed by the joint venture partners. The Group is entitled to receive its attributable share of the net assets upon liquidation of the joint ventures.

As at 30 June 2001, 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 loan capital subsisting as at 30 June 2001 or at any time during the year.

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

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