CHAIRMAN'S STATEMENT

"...... we can rebuild our branded business with a focus on the China market ...."

2001/2002 was a year that saw the pendulum swing of business from one extreme to the other. We first experienced the worst in the global recession exacerbated by the aftermaths of the 9.11 disaster, and later an abrupt return of business as customers rushed for replenishment of inventory in anticipation for a market recovery.

The situation is not only undesirable for manufacturing oriented companies, but highly challenging in operations. In the first half of the year, we had excessive plant capacities and headcounts to trim down; in the second half of the year, we had to rebuild the production and to operate overtime in order to satisfy demand.

During the fiscal year, the Group experienced a setback in sales turnover for the first time in the recent five years. Both OEM and Branded businesses lost ground in sales in the first six months. Despite the improvement in business in the second six months, total sales for the year dropped 8% to HK$846.8 million from HK$919.5 million recorded in the previous year.

Despite weaker sales and a difficult operating environment, the Group continued to improve its bottom line performance with record high earnings. Profit before taxation was HK$79.7 million for the year, an increase of 40% from HK$56.8 million recorded in the preceding year. Basic earnings per share increased 49% to 9.7 cents. Notwithstanding the non-operating income totaling HK$12.7 million (which details are given in the Management Discussion and Analysis later in this report), the improvement in profit from operations was 4%, which reflects the strength of the Group's core business and the efficiency of your management.

Through this difficult time, the Company continued to hold down costs and to find ways to improve operating efficiency. Since January this year, two major quota categories in brassiere trade, as resulted from China's entry into WTO, have been eliminated for exports from the country to the U.S. market. The development prompted us to shift a portion of our production from the Philippines and Thailand to China, and the move resulted in handsome savings in quota expenses and improvements in profit margin of our core business. The reduction in corporate expenses, which comprises mostly interest payments, had also helped to lower cost and to improve the Group's result.

CHAIRMAN'S STATEMENT

Despite the encouraging result on the Group level, I am less jubilant to report that our Branded business (previously referred as Distribution) continued to suffer from a difficult retailing environment especially for the months after the 9.11 event. The business unit failed to keep momentum of the turnaround attained a year ago and plunged back into red. Sales turnover for the fiscal year decreased by almost 10% to HK$29.1 million, and a loss of HK$3.7 million was recorded. I would like to highlight that nearly half of the loss was attributed to the operation and the exit costs in Taiwan, where we continued to fight an uphill battle due to its stagnant and lackluster economy. While we saw nothing in the horizon for improvements in both the domestic market and our business, we decided to exit the Taiwan market. As of 30 June 2002, the Group has ceased operations there. The Branded business, after exiting from Taiwan, has become a relatively small portion of the Group's portfolio representing less than 3% of the total revenue. From the strategic standpoint, the move was positive because it would afford us to focus our resources on China, which indisputably holds much greater opportunities than any other markets in the region. We are hopeful that we can rebuild our Branded business with a focus on the China market in the near future.

At Top Form, we continue to push ourselves to new heights in performance. In doing so we do not lose sight of long term opportunities as well as the need for changes in our structure and the way we operate.

- In November 2001, we completed a transaction by which we brought in an equity partner for Elastex Manufacturing Company Limited, until then a wholly owned subsidiary of the Group producing elastic ribbons for brassiere products. Our new partner, a supplier of textile materials, will help to market the elastic products through its established sales network.

- The long search for a strategic partner for distribution of our Branded products is bearing fruit. We are in the process of setting up a pilot project with a retailing company which hopefully will bring to light a growth plan for our Branded business.

- As mentioned in my report a year ago, we planned to set up new manufacturing facilities in the low cost areas in China. Earlier this year, your Board approved an expansion project under which we are building a new plant in Jiangxi. This project, when completed in the second quarter of 2004, will result in a 20% increase in production capacity for our OEM operations. Phase I of the project is being completed in October 2002, in time to support our increasing production needs.

All these are important moves paving our way to future growth.

CHAIRMAN'S STATEMENT

On the financial side, I am happy to report that the Group continued to strengthen its position during the year. We have successfully rebuilt the balance sheet in that it shows a positive balance of HK$44 million as at 30 June 2002 versus a deficit of HK$31.5 million recorded a year ago. We accomplished the turnaround primarily though continued improvement in earnings, and in part due to the conversion of US$1.4 million from the Convertible Loan Notes ("CLN") to 34,912,718 new shares issued by the Company in May 2002. The Group has also reached an agreement with Hongkong Bank, Hang Seng Bank and ING Bank N.V. under which the three banks will be providing a line of banking facilities to support the Group's business needs, together with a term loan for settlement of the CLN if the note-holders should demand for cash redemption any time before the CLN Agreement expires in January 2003. Details of the arrangements are given in the Management Discussions and Analysis and Financial Statements of this report. All these developments mark the recovery of the Group's financial health, and the banks' confidence in the positive future of the Group.

Looking ahead, our core business remains strong under bullish demand from OEM customers for production. However, there are beginning concerns on the staggering pace of the global economy recovery which has only been felt by our industry since earlier this year. In addition, your management believes that the extra profit derived from the saving in quota expenses, as seen in the fiscal year under review, is a short term gain. It will not recur in future as customers and competition will adjust to do business in a non-quota environment. In the long term, as China is integrated into WTO, trade liberalized and quota barrier removed, competition will intensify. We are thankful for our earlier decision to expand our manufacturing capacity in the low cost areas in China. We believe we are well placed to take on the future challenges, and to maintain our position as the leading OEM company in the brassiere trade. Our Branded business, now being focused at the emerging market in China, offers much room for growth. We are hopeful that given the resources the business deserves, it will become a meaningful addition to our core business.

I am happy to announce that at the Board Meeting in September 2002, Mr. Lucas Laureys and Mr. Herman Van de Velde, respectively the Chairman and the Managing Director of Van de Velde N.V. , a listed company in Belgium, were appointed as Non-Executive Directors to your Board. Both Mr. Laureys and Mr. Van de Velde came from a highly successful and respectable business background. I am confident that the two new Directors will bring valuable contributions to the Group.

I want to take this opportunity to thank our customers, suppliers and bankers for their much needed support, and last but not least, our employees for producing the encouraging result in one of the most difficult years.

FUNG WAI YIU

Chairman