

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries for the year ended 30 June 2002.

PRINCIPAL ACTIVITIES

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.

RESULTS

The results of the Group for the year ended 30 June 2002 are set out in the consolidated income statement on page 21.

The Company did not have any reserves available for distribution as at 30 June 2002.

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 69.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure, principally on its production facilities, totalling approximately HK\$25 million. Movements during the year in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

SHARE CAPITAL

Movements during the year in the share capital of the Company are set out in note 27 to the financial statements.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 29 to the financial statements.

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*)

Non-executive Directors

Marvin Bienenfeld

Leung Churk Yin, Jeanny

Lucas A.M. Laureys (appointed on 9 September 2002)

Herman Van de Velde (appointed on 9 September 2002)

Independent Non-executive Directors

Chow Yu Chun, Alexander

Lam Ka Chung, William

Lin Sian Zu, John

Tse Koon Hang, Ada

Mr. Chow Yu Chun, Alexander and Mr. Lam Ka Chung, William retire in accordance with Bye-law 87(2) and Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde retire in accordance with Bye-law 86(2) of the Company's Bye-laws and, being eligible, offer themselves for re-election. All remaining Directors continue in office.

No Director being 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 terminable by the Group within one year without payment of compensation other than statutory compensation.

The Non-executive Directors have been appointed for a period up to their retirement by rotation as required by the Company's Bye-laws.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Fung Wai Yiu, 55, the Chairman of the Group, has over 30 years of experience in the apparel industry. He was formerly a Director of Kellwood Company, an apparel company listed in the New York Stock Exchange.

Wong Chung Chong, Eddie, 57, a co-founder of the Group and the Group Managing Director, is responsible for the operations of the Group. Mr. Wong has over 30 years of experience in the brassiere trade.

Non-executive Directors

Marvin Bienenfeld, 70, was formerly the Chairman of Bestform Inc. ("Bestform"), a company of VF Corp. Mr. Bienenfeld has over 40 years of experience in the ladies intimate apparel industry in the United States of America.

Chow Yu Chun, Alexander, 55 is a Certified Public Accountant and has over 25 years of experience in property development in Hong Kong.

Lam Ka Chung, William, 50, is a fellow member of the Hong Kong Society of Accountants ("HKSA") and a registered dealer and investment advisor with Hong Kong Securities and Futures Commission. Mr. Lam is the Managing Director of an investment advisory firm and holds directorships of several listed companies in Hong Kong and overseas.

Lucas A. M. Laureys, 57, is the Chairman of Van de Velde N.V. ("VdV"), a listed company in Belgium. Mr. Laureys has over 30 years of experience in the brassiere trade and he is specialised in marketing.

Leung Churk Yin, Jeanny, 37, is the Managing Director of Access Capital Limited. She has over 15 years of corporate finance experience in the Greater China region.

Lin Sian Zu, John, 39, is an Executive Director of the Direct Investment Division of AIG Investment Corporation (Asia) Limited ("AIGIC"). AIGIC is a financial investor which participated in the debt restructuring exercise of the Group.

Tse Koon Hang, Ada, 36, is an Executive Director of the Direct Investment Division of AIGIC.

Herman Van de Velde, 48, is the Managing Director of VdV. Mr. Van de Velde joined the brassiere industry in 1981 and is well versed in operating the brassiere business in Europe.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT – continued

Management and Senior Staff

Ng Chi Ho, Dennis, 44, the Company Secretary and Group Financial Controller, is an associate member of the HKSA and the Institute of Chartered Accountants in Australia. Mr. Ng has over 15 years of experience in auditing and accounting in Australia and Hong Kong.

Leung Tat Yan, 45, is the Managing Director of Top Form Brassiere Mfg. Co., Limited (“TFB”), a wholly owned subsidiary of the Company. Mr. Leung obtained a diploma in Business Studies from the Business Education Council, Birmingham, UK. He has over 15 years of experience in ladies’ intimate apparel industry and is the chief executive of the OEM operations.

Choi Wai Yin, 55, Director of Manufacturing of TFB, joined the Group in 1993. Ms. Choi has over 35 years of profound experience in apparel manufacturing. She oversees all manufacturing operations within the Group.

Yue Chin Chai Ting, 41, is a Director of Unique Form Manufacturing Company Limited and Marguerite Lee Limited. Mrs. Yue holds a bachelor degree in Economics from the University of Lancaster, U.K. Prior to joining the Group, she had over 10 years of experience in retail and wholesale management in Hong Kong. Mrs. Yue is the chief executive of the Group’s retail and wholesale operations.

Chen Fu Mei, 55, is a Director and the Deputy General Manager of Shenzhen Top Form Underwear Co., Limited. She joined the Group in 1988 and is responsible for administration of all the Group’s companies in the People’s Republic of China (“the PRC”).

Fung Sau Keung, Andy, 48, is the General Manager of Meritlux Industries Philippines, Inc. Mr. Fung is responsible for operations in the Philippines Region. He joined the Group in 1975 and has over 25 years of experience in intimate apparel manufacturing operations.

Wong Kai Chi, Kenneth, 28, is the Managing Director of Top Form Brassiere Co., Limited, Thailand. He is the son of Mr. Wong Chung Chong, Eddie. Mr. Wong holds a bachelor degree in Marketing and Operation Management from Boston University, the United States of America. He joined the Group in 1997 and is responsible for the Group’s manufacturing operations in Thailand.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT – continued

Management and Senior Staff – continued

Lo Yung Kwong, Alfred, 40, is the General Manager of Charming Elastic Fabric Company Limited (formerly known as Elastex Manufacturing Company Limited), a subsidiary of the Company, producing elastic tapes. Mr. Lo holds a bachelor degree in Science from the University of Hong Kong. He joined the Group in 1985 and has since been operating the elastic tapes unit.

Wan Ho Yau, David, 45, 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

During the year, the Group sold HK\$430,443,000 worth of finished products to, and purchased HK\$7,203,000 worth of raw materials or semi-finished products from, Bestform, its subsidiaries and affiliates. The Group also paid interest of HK\$1,620,000 on the convertible loan notes ("CLN") to Bestform.

Bestform is a beneficial owner of 66,000,000 shares of the Company and holds US\$3,500,000 of the CLN issued by the Company.

In the opinion of the independent Directors of the Company, these transactions were carried out on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable so far as the shareholders of the Company are concerned.

DIRECTORS' INTERESTS IN CONTRACTS

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

None of the Directors have an interest in any business constituting a competing business to the Group during the year.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the share option schemes below, none of the Directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year. In addition, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable any Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEMES

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 purpose of the share option scheme is to enable the Company to grant options to selected participants as incentives and rewards for their contribution to the Group. The subscription price of the share option 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:

Category I: Director

Name of Director	Date of grant	Exercise period	Exercise price HK\$	Number of share options		
				At 1 July 2001	Lapsed on 19 November 2001	At 30 June 2002
Wong Chung Chong, Eddie	23 December 1991	23 December 1993 to 19 November 2001	0.87	3,600,000	(3,600,000)	–
	3 September 1992	3 September 1994 to 19 November 2001	1.35	6,000,000	(6,000,000)	–
				<u>9,600,000</u>	<u>(9,600,000)</u>	<u>–</u>

DIRECTORS' REPORT

SHARE OPTION SCHEMES – continued

Category 2: Employees

Date of grant	Exercise period	Exercise price HK\$	Number of share options		
			At 1 July 2001	Lapsed on 19 November 2001	At 30 June 2002
23 December 1991	23 December 1993 to 19 November 2001	0.87	925,000	(925,000)	–
21 October 1997	21 October 1999 to 19 November 2001	0.23	5,500,000	(5,500,000)	–
			<u>6,425,000</u>	<u>(6,425,000)</u>	<u>–</u>
Total all categories			<u>16,025,000</u>	<u>(16,025,000)</u>	<u>–</u>

No options under the scheme were granted, exercised or cancelled during the year. All the unexercised options under the scheme were lapsed on 19 November 2001.

A new share option scheme was approved and adopted at a special general meeting of the Company held on 22 November 2001, pursuant to which the Company may grant options to Directors of the Company and employees of the Group, and any suppliers, consultants and advisers who will or have provided services to the Group, to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company as at 22 November 2001 and the maximum number of options granted to any one individual in any 12-month period shall not exceed 1% of the issued share capital. The purpose of the new share option scheme is to enable the Company to grant options to selected participants as incentives and rewards for their contribution to the Group. No consideration is payable on the grant of an option. Options granted must be taken up within 14 days from the date of grant. The subscription price of the option shares is determined by the Directors of the Company, and will not be less than the highest of the nominal value of the shares, the closing price of the shares on the date of grant and the average of the closing prices of the shares on the five trading days immediately preceding the date of the grant.

The options are exercisable at any time during the period commencing on the second anniversary of the date of grant of the options and expiring at the close of business on the day preceding the tenth anniversary of the date of adoption of the share option scheme.

No options under the new share option scheme were granted, exercised or cancelled during the year.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2002, the interests of the Directors in the share capital of the Company as recorded in the register maintained pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Director	Number of shares held		
	Personal interests	Family interests	Other interests
Fung Wai Yiu	–	216,000*	367,904,142*
Wong Chung Chong, Eddie	–	–	367,904,142**
Lam Ka Chung, William	200,000	–	–

* 216,000 shares are held by the spouse of Fung Wai Yiu ("Mr. Fung"). 209,191,780 shares are registered in the name of Guliano Pte Limited ("Guliano"). 158,712,362 shares are registered in the name of HKSCC Nominees Limited ("HKSCC") and are beneficially owned by Guliano. 9,590 shares of Guliano are held by a family trust of which the family members of Mr. Fung are eligible beneficiaries.

** 209,191,780 shares are registered in the name of Guliano. 158,712,362 shares are registered in the name of HKSCC and are beneficially owned by Guliano, 40,411 shares of Guliano are held by a family trust of which the family members of Wong Chun Chong, Eddie ("Mr. Wong") are eligible beneficiaries.

Save as disclosed above, and other than certain nominee shares in subsidiaries held by Directors in trust for the Company's subsidiaries as at 30 June 2002, no Director held any interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

In addition to the interests disclosed above in respect of the Directors, the Company was notified of the following interest in the issued ordinary share capital of the Company as at 30 June 2002 as required to be recorded in the register maintained under Section 16(1) of the SDI Ordinance:

- (i) 367,904,142 shares of the Company are held by Guliano, representing 47.75% of the issued share capital of the Company.
- (ii) VdV is deemed to be interested in the shares of the Company as it holds 49.99% of the issued share capital of Guliano.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS – continued

- (iii) A family trust of which the family members of Mr. Wong are eligible beneficiaries is deemed to be interested in the shares of the Company as it holds 40.41% of the issued share capital of Guliano.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the CLN and the outstanding share options as disclosed in notes 24 and 28 to the financial statements, the Company had no outstanding convertible securities, options, warrants or similar rights as at 30 June 2002.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 turnover attributable to major customers for the year ended 30 June 2002 were as follows:

Percentage of purchases attributable to the Group's largest supplier	12%
Percentage of purchases attributable to the Group's five largest suppliers	45%
Percentage of turnover attributable to the Group's largest customer	28%
Percentage of turnover attributable to the Group's five largest customers	78%

As at 30 June 2002, Bestform, a shareholder owning more than 5% of the Company's share capital, is the Group's largest customer. Apart from this, none of the Directors, their associates or other shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) were interested at any time in the year in the above major suppliers or customers.

DIRECTORS' REPORT

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK\$161,000.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the audited financial statements.

COMPENSATION COMMITTEE

The compensation committee has reviewed with the management the policies and procedures of compensation to the Directors and employees of the Group.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PRACTICE NOTE 19 TO THE STOCK EXCHANGE LISTING RULES

Pursuant to Practice Note 19 details of loans receivable are set out in note 17 to the financial statements.

AUDITORS

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

On behalf of the Board

FUNG WAI YIU

Chairman

9 September 2002, Hong Kong