

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries for the year ended 30 June 2001.

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 2001 are set out in the consolidated income statement on page 17.

The Company did not have any reserves available for distribution as at 30 June 2001.

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 53.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure, principally on its production facilities, totalling approximately HK\$19 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

There was no change in the share capital of the Company during the year. Details of the share capital of the Company as at 30 June 2001 are set out in note 25 to the financial statements.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 27 to the financial statements.

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

Lo Kit Lun, Frank (resigned on 18 August 2000)

Independent Non-executive Directors

Chow Yu Chun, Alexander

Lam Ka Chung, William

Lin Sian Zu, John

Tse Koon Hang, Ada

Marvin Bienenfeld and Leung Churk Yin, Jeanny retire in accordance with Bye-law 87(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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Fung Wai Yiu, 54, the Chairman of the Group, is responsible for the administration of the Group. Mr. Fung has over 30 years of experience in the apparel industry. He was formerly the Managing Director of Smart Shirts Limited and a Director of Kellwood Company, an apparel company listed in the New York Stock Exchange.

Wong Chung Chong, Eddie, 56, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT – continued

Non-executive Directors

Marvin Bienenfeld, 69, was formerly the Chairman of Bestform, Inc. (“Bestform”), which is wholly owned by VF Corporation, one of the largest apparel manufacturers in the world. Mr. Bienenfeld built up Bestform and has over 40 years of experience in the ladies intimate apparel industry in the United States of America. He has a profound knowledge in the trade and is highly respected in the industry.

Leung Churk Yin, Jeanny, 36, is the Managing Director of Access Capital Limited. She has over 10 years of experience in corporate finance.

Chow Yu Chun, Alexander, 54, is a Certified Public Accountant and has over 25 years of experience in property development in Hong Kong.

Lam Ka Chung, William, 49, is a fellow member of the Hong Kong Society of Accountants 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.

Lin Sian Zu, John, 38, 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, 35, is an Executive Director of the Direct Investment Division of AIGIC.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT— continued

Management and Senior Staff

Ng Chi Ho, Dennis, 43, the Group Financial Controller, is an associate member of the Hong Kong Society of Accountants 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, 44, is the Managing Director of Top Form Brassiere Mfg. Co., Limited, a wholly owned subsidiary of the Company. Mr. Leung obtained a diploma in Business Studies from the Business Education Council, Birmingham, U.K.. He has over 15 years of experience in ladies' intimate apparel industry and is the chief executive of the OEM operations.

Choi Wai Yin, 54, Director of Manufacturing of Top Form Brassiere Mfg. Co., Limited, 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, 40, 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, 54, is a Director and the Deputy General Manager of Shenzhen Top Form Underwear Co., Limited, Shenzhen, PRC. She joined the Group in 1988 and is responsible for administration of all the Group's companies in China.

Fung Sau Keung, Andy, 47, 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, 27, 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, U.S.A. He joined the Group in 1997 and is responsible for the Group's manufacturing operations in Thailand.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT– continued

Lo Yung Kwong, Alfred, 39, is the General Manager of Elastex Manufacturing Company Limited, a wholly owned 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, 44, 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.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

- (a) During the year, the Group sold approximately HK\$499,664,000 worth of finished products to, and purchased approximately HK\$18,800,000 worth of raw materials or semi-finished products from, Bestform, its subsidiaries and affiliates. The Group also paid interest of HK\$1,767,000 on the convertible loan notes ("CLN") to Bestform.

Bestform is a beneficial owner of 66,000,000 shares of the Company and holds US\$3.5 million 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.

- (b) As a part of the financial obligations assumed by the Group as a result of the business reorganisation and debt restructuring exercise in January 1998, the Group has advanced loans to Almswood International Limited ("Almswood") and has committed to lend to Almswood any net proceeds to be realised from the sale of the Group's portfolio of property investments in Shanghai, Chengdu and Yingkou in the Mainland China. Details of the loans receivable from Almswood are set out in note 16 to the financial statements. 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.

Save as disclosed above, there were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director 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' RIGHTS TO ACQUIRE SHARES

The following Directors of the Company was granted options to subscribe for shares in the Company on 23 December 1991 and 3 September 1992 at an exercise price of HK\$0.87 and HK\$1.35 respectively:

Name of Director	Date of grant	Exercise period	Exercise price HK\$	Number of share options		
				At 1 July 2000	Cancelled during the year	At 30 June 2001
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
Lo Kit Lun, Frank	23 December 1991	23 December 1993 to 19 November 2001	0.87	4,800,000	(4,800,000)	–
	3 September 1992	3 September 1994 to 19 November 2001	1.35	<u>8,000,000</u>	<u>(8,000,000)</u>	<u>–</u>

No options were granted to or exercised by the Directors during the year.

Details of the share option scheme are set out in note 26 to the financial statements.

Save as disclosed above:

- (a) 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; and
- (b) at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2001, 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*	66,700,000*
Wong Chung Chong, Eddie	94,864,380	–	47,000,000**
Lam Ka Chung, William	200,000	–	–

* 216,000 shares are held by the spouse of Fung Wai Yiu ("Mr. Fung"). 66,700,000 shares are registered in the name of Fung On Holdings Limited. The shares of Fung On Holdings Limited are held by a family trust of which Mr. Fung and his family members are eligible beneficiaries.

** The shares are registered in the name of High Union Holdings Inc. on behalf of the trustee of a unit trust of which the units are held by a family trust of which the family members of Wong Chung Chong, Eddie are eligible beneficiaries.

Save as disclosed above, and other than certain nominee shares in subsidiaries held by Directors in trust for the Company or its subsidiaries at 30 June 2001, 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

As at 30 June 2001, the register of substantial shareholders maintained pursuant to Section 16(1) of the SDI Ordinance shows that, other than the interests disclosed above in respect of a Director, the following shareholders had an interest of 10% or more in the share capital of the Company:

Name	Number of shares held		Percentage of issued share capital
	Direct interest	Deemed interest (Note)	
Pacific Dragon Services Limited	113,212,362	–	15.39%
Lo Kit Lun, Frank	45,500,000	113,212,362	21.58%

Note: This represented the deemed interest in 113,212,362 shares in the Company held by Pacific Dragon Services Limited on behalf of the trustee of a unit trust of which Lo Kit Lun, Frank is an eligible beneficiary.

Other than as disclosed above, the Company has not been notified of any other parties with interests representing 10% or more of the Company's issued share capital.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the CLN and the outstanding share options as disclosed in notes 22 and 26 to the financial statements, the Company had no outstanding convertible securities, options, warrants or similar rights as at 30 June 2001.

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 2001 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	33%
Percentage of turnover attributable to the Group's five largest customers	84%

At 30 June 2001, Bestform, a shareholder owning more than 5% of the Company's share capital, is the Group's largest customer and one of the Group's five largest suppliers. 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.

AUDIT COMMITTEE

The Audit Committee has reviewed with 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.

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.

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

18 October 2001, Hong Kong