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# CORPORATE INFORMATION

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## **EXECUTIVE DIRECTORS**

Mr. Fung Wai Yiu, *Chairman*

Mr. Wong Chung Chong, Eddie,

*Group Managing Director*

## **NON-EXECUTIVE DIRECTORS**

Mr. Marvin Bienenfeld

Mr. Chow Yu Chun, Alexander

Mr. Lam Ka Chung, William

Ms. Leung Churk Yin, Jeanny

Mr. Lin Sian Zu, John

Mr. Lucas A.M. Laureys

Ms. Tse Koon Hang, Ada

Mr. Herman Van de Velde

## **COMPANY SECRETARY**

Mr. Ng Chi Ho, Dennis, ACS

## **REGISTERED OFFICE**

Clarendon House, Church Street

Hamilton HM11, Bermuda

## **PRINCIPAL OFFICE**

Room 1813, 18th Floor, Tower 1

Grand Century Place

193 Prince Edward Road West

Mongkok, Kowloon, Hong Kong

## **AUTHORISED REPRESENTATIVES**

Mr. Fung Wai Yiu

Mr. Wong Chung Chong, Eddie

## **PRINCIPAL BANKERS**

Hong Kong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

ING Bank N.V.

## **AUDITORS**

Deloitte Touche Tohmatsu

## **BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Secretaries Limited

G/F, Bank of East Asia

Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

The second half of fiscal year 2002/2003 was not a good time for the people in many parts of the world. There was a war in the Middle East, and outbreaks of SARS in Asia which threatened lives, caused social unrests, and dampened economy recovery. It was neither an easy year for business and operations.

The Group in this adverse environment managed to sustain its strong performance and accomplished breakthrough results in Sales and Earnings for the year, both records high in the history of the Company.

Sales turnover passed the billion dollar mark to HK\$1.094 billion, an increase of 29% from the previous year. Net profit increased 90% to HK\$133.9 million, from HK\$70.3 million recorded in the previous year. Basic earning per share increased to 14.3 cents from 9.5 cents recorded last year on a share capital base that was 39% smaller.

The strong performance was driven by the continuous growth of our core business. During the year, we shipped over 52.9 million units of brassiere products. This reflects an increase of 25% in our production output from 42.2 million units recorded in the previous year. The improvement was most evident in the first quarter of the fiscal year, which traditionally was the slow season in our trade. All the plants capacities were fully filled.

While on the other hand our Branded business posted a loss of HK\$9.6 million for the year, we are confident with the future of it. Much of the loss was anticipated as necessary costs in repositioning our brands in the market. During the year, we set up a marketing office in Shanghai and a separate plant in Shenzhen. The moves will enhance our sales management in the China market and to provide dedicated production support that the business deserves. Other than the temporary setback by SARS, we are encouraged by the progress of the development.

Financially, 2002/2003 also marked a milestone in the history of the Group. We fulfilled all the obligations under the Financial Restructuring Agreement we entered into with the banks five years ago. Our share capital base was enlarged to 1,071,349,957 shares as resulted from the conversions of shares under the Convertible Loan Note Agreement. Upon the expiry of both agreements in January 2003, the Group has successfully reestablished itself a financially sound and healthy company.

We are pleased that the Group is well in a position to resume declaring dividends. Your Board of Directors has proposed a final dividend of 4 cents per share and a special dividend of 2 cents per share for the year.

## CHAIRMAN'S STATEMENT

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Looking ahead, we are cautious with the market outlook in the short term. Consumer sentiments in our major markets have yet to recover to the pre-war level. In addition, our trade is clouded by the recent development of the Safeguard Petitions in the U.S. aiming to resume quota control on import of brassiere products from China. Nevertheless, we are confident that we could maintain the momentum of our business growth beyond the hurdles we see in the short term. Recent economy indicators are suggesting that an upturn may take place in the next twelve months. In addition, the Company has successfully developed new OEM customers in Japan, Europe and the U.S. which helps to broaden our customer base.

Moving forward, the Group will adhere to its strategic plan of continued expansion in China while maintaining the current level of production capacities in Thailand and Philippines. We believe our expansion in the low cost areas in China will enhance the cost competitiveness of our core business for the long term, and that the production facilities outside China will balance the risks associated with trade disputes that are likely to arise from time to time between China and other trading nations after 2005, when the quota system is totally abolished. The branded business, while being repositioned, is not expected to have much significant impact on the Group's performance in the near future. However, given the attention and investment of resources it deserves, we are confident that the business will over time become another growth and profit driver for the Group.

On behalf of the Board of Directors, I want to express our gratitude to our shareholders for their patience, to our customers, banks, and suppliers for their support, and last but not least, to our employees for delivering the excellent results.

**Fung Wai Yiu**

*Chairman*

## MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group's business activities were organized into two operating units, namely Manufacturing and Brands, and a Corporate Cost Centre.

	Turnover		Profit (Loss)	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Manufacturing	1,070,467	817,792	186,304	109,000
Brands	23,897	29,054	(9,587)	(3,518)
Corporate	—	—	(18,353)	(26,863)
Total	<u>1,094,364</u>	<u>846,846</u>	<u>158,364</u>	<u>78,619</u>

### MANUFACTURING

The strong performance was driven by the continuous growth of our OEM business. Sales for the year increased by 31% to HK\$1.070 billion with the first half of the year accounted for almost 51% of the revenue.

While the first half of our fiscal year was traditionally a slower period with lesser sales than the second half, the unusual performance was resulted from the continued demand in inventory replenishment after the 9.11 disaster, and the market movement of relocating sourcing from the less stable countries in the region to our operation regions particularly to China, where export quotas for brassieres were eliminated since January 2002. Our business increased with virtually every customers in all markets.

Sales in the second half of the fiscal year dropped slightly from the first half, but increased 24% comparing with the same period in the previous year. From the operation standpoint, the second half of the fiscal year was most challenging. The outbreak of SARS in Asia called for cancellation of business trips and customers visits, and prompted the Company to implement precautionary procedures and contingency plans; all of which inevitably compromised business and operation efficiencies. Nevertheless, we are pleased to report that we did not lose customers and business under the impacts of SARS, reflecting the customers' confidence in the Company's ability in risk management.

During the year, we shipped 52.9 million pieces of brassiere products, an increase of 25% over the total units we shipped in the previous year. The increase in output was supported by full utilization of plants capacities, and the timely implementation of the expansion project in the Jiangxi province in China. Stage I of such project was completed last October and has since been operative. Stage II was just completed in August this year, and stage III, the final stage, is scheduled for completion by the end of 2004. When the entire expansion project in China is completed, our total capacity will be increased to 60 million pieces on an annualized basis.

## BRANDS

Our Brands business posted a loss of HK\$9.6 million for 2002/2003, of which HK\$6.3 million was recorded in the first half of the fiscal year. Sales decreased 18% from the previous year to HK\$23.9 million. In our strategic plan to redevelop the brand business to be the future growth driver for the Group, we placed emphasis on brand building. In the first half of the year, we needed to first redefine our markets and reposition our products which inevitably incurred high costs and sales loss. The unexpected SARS outbreak in the second half of the year exacerbated the already faltered economy, resulting in diminishing consumer spending and loss of sales for business. Despite this adverse environment, your management adhered to the strategic plan and focused on building the infrastructure of the business for long term growth. During the period we established a sales and marketing office in Shanghai, we set up a stand alone factory in Shenzhen so as to provide dedicated production support to our brands' needs, and we have entered into discussions with several marketing consultant firms for implementation of our brand building project in the next fiscal year.

## CORPORATE

Corporate spending continued to decline during the fiscal year from HK\$26.9 million recorded in the previous year to HK\$18.4 million for 2002/2003. The decrease reflects primarily the saving in interest expenses due to the reduction in bank debts and settlement of the Convertible Loan Note Agreements as referred to under "Financial Position". In addition, a profit of HK\$3.1 million derived from the disposal of the Group's investment in securities also helped to lower down our corporate expenses.

## FINANCIAL POSITION

The Group continued to improve its financial position on the following counts:

- Shareholder funds was increased from HK\$41.4 million as at 30 June 2002 to HK\$267.8 million as at 30 June 2003. This is largely due to the conversion of US\$12.1 million from the Convertible Loan Notes resulting in the issue of 300,828,495 shares by the Company during the year, and partly to the improvement of our earnings.
- The Group fulfilled the obligations under the Financial Restructuring Agreement and the Convertible Loan Note Agreement it entered into with the banks and the Convertible Loan Note Holders in 1998. Upon the expiry of the such Agreements in January 2003, the Group successfully renegotiated with The Hongkong and Shanghai Banking Corporation, Hang Seng Bank and ING Bank for a banking facility of up to HK\$140 million on normal commercial terms sufficient to support our business needs.
- Of the HK\$140 million banking facilities available to the Group, only HK\$30 million were utilized on regular basis, reflecting the Group's ability to generate internal cash flow in support of its needs.



- The Group has been in a net cash position. As at 30 June 2003, available cash to the Group net of bank borrowings was HK\$80.0 million.
- The Group's current ratio has increased substantially from 0.96 as at 30 June 2002 to 2.4 times as at 30 June 2003. This is mainly attributable to the settlement of the Convertible Loan Notes and the reduction of the bank borrowings from HK\$92.7 million to HK\$20.8 million as referred to above.
- As a result of the strong net cash inflow from the operating activities, the Group was able to attain a cash balance of HK\$100.7 million as at 30 June 2003 as compared to HK\$70.6 million recorded last year.
- Our gearing ratio, which is measured by total borrowings to net worth, was significantly reduced from 489% to 8%. This was accomplished by a combination of the above factors.

### OUTLOOK

The retail market in the U.S., as clouded by the Middle East War, has turned sluggish since earlier this year. As reflected by the orders on hand, our customers have become much cautious in committing their production needs. Averaged order lead time for the first recent three months was shortened to 12 weeks, comparing with 16 weeks in the same period of the previous year. On the other hand, we are encouraged by the recent market feedback in that an economy recovery may start to take place in the coming months. In addition, the Company has successfully developed new accounts in Japan, Europe and the U.S. which, over time, should become meaningful additions to our customer list. While we remain cautious in our business approach in the short term, we are hopeful that we could maintain the current level of performance going forward.

**Wong Chung Chong, Eddie**

*Group Managing Director*

# DIRECTORS' REPORT

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The Directors present their annual report and the audited financial statements of the Company and its subsidiaries for the year ended 30 June 2003.

## 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 AND DIVIDEND

The results of the Group for the year ended 30 June 2003 are set out in the consolidated income statement on page 21.

The directors now recommend the payment of a final dividend of 4 HK cents per share and a special dividend of 2 HK cents per share to the shareholders on the register of members on 15 October 2003 amounting to HK\$64,281,000.

## 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\$61 million. Movements of property, plant and equipment of the Group during the year 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 24 to the financial statements.

## RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 26 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	
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

Lin Sian Zu, John and Tse Koon Hang, Ada 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 determinable 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**, 56, 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**, 58, 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**, 71, was formerly the Chairman of Bestform, Inc. ("Bestform"), a company of VF Corporation which merged with VF Intimates, LP ("VF Intimates") on 5 January 2003. Mr. Bienenfeld has over 40 years of experience in the ladies intimate apparel industry in the United States of America.

**Leung Churk Yin, Jeanny**, 38, is the Managing Director of Access Capital Limited. She has over 15 years of corporate finance experience in the Greater China region.

**Lucas A.M. Laureys**, 58, 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.

**Herman Van de Velde**, 49, is the Managing Director of VdV. He joined the brassiere industry in 1981 and he is well versed in operating the brassiere business in Europe.

**Chow Yu Chun, Alexander**, 56, is a Fellow member of the Hong Kong Society of Accountants ("HKSA") and has over 25 years of experience in property development in Hong Kong.

**Lam Ka Chung, William**, 51, is a Fellow member of the 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.

**Lin Sian Zu, John**, 40, is an Executive Director of the Direct Investment Division of AIG Global Investment Corporation (Asia) Limited ("AIGGIC").

**Tse Koon Hang, Ada**, 37, is an Executive Director of the Direct Investment Division of AIGGIC.

### Management and Senior Staff

**Ng Chi Ho, Dennis**, 45, 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**, 46, 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**, 56, Director of Manufacturing of TFB, joined the Group in 1993. Ms. Choi has over 35 years of experience in apparel manufacturing. She oversees all manufacturing operations within the Group.

**Yue Chin Chai Ting**, 42, 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**, 56, 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 ("PRC").

**Fung Sau Keung, Andy**, 49, 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**, 29, 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.

**Wong Hei Yin, Henry**, 40, is the General Manager of Charming Elastic Fabric Company Limited, a subsidiary of the Company, producing elastic tapes. Mr. Wong holds a bachelor degree in Accounting from Lamer University, the United States of America.

**Wan Ho Yau, David**, 46, is the Managing Director of Grand Gain Industrial Limited, a subsidiary of the Company, producing foam pads and accessories for brassiere manufacturing. Mr. Wan joined the Group in 1994. He holds degrees in Computer Science and Business Administration from York University, Toronto, Canada.

## CONNECTED TRANSACTIONS

The Group has from time to time conduct transactions with VdV and Bestform, their subsidiaries and/or affiliates, which are "connected persons" for the purposes of the Rules Governing the Listing of the Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Stock Exchange granted waivers on 11 December 1999 and 11 November 2002 to the Company from strict compliance with the requirements as stipulated in Chapter 14 of the Listing Rules on connected transactions. The waivers granted on 11 December 1999 was expired on 31 December 2002.

Bestform was originally a beneficial owner of 106,000,000 shares of the Company. Upon the merger of Bestform with VF Intimates on 5 January 2003, all assets of Bestform were contributed to VF Intimates. On 21 May 2003, all of the shares of the Company held by Bestform were transferred to VF Intimates.

Following the appointment of Mr. Herman Van de Velde and Mr. Lucas A.M. Laureys to the Board, VdV has become a connected person to the Company under the Listing Rules.

Pursuant to the waivers, details of the following connected transactions which have been entered into between Bestform, VF Intimates, VdV and the Group in the ordinary and usual course of business are not required to be disclosed by press notice and/or by circular nor is the Company required to obtain prior independent shareholders' approval on each occasion:

<b>Name of connected person</b>	<b>Nature of transactions</b>	<b>HK\$'000</b>
Bestform and its affiliates	Sales of finished products	397,193
Bestform and its affiliates	Purchase of raw materials or semi-finished products	976
VdV and its affiliates	Sales of finished products	<u>24,283</u>

The Independent Non-executive Directors confirm that the aforesaid connected transactions conducted by the Group during the year ended 30 June 2003 were:

- (a) in the ordinary and usual course of the Group's businesses;
- (b) on normal commercial terms or on terms that are fair and reasonable so far as the shareholders of the Company are concerned;

- (c) entered into in accordance with the terms of the agreements governing the transactions or on terms no less favourable than those available to or from independent third parties; and
- (d) within the relevant amounts as stipulated under the relevant waivers.

Save as above, the Group also has the following transactions with Bestform and VdV:

- (a) paid interest expenses of HK\$779,000 and HK\$223,000 on the convertible loan notes ("CLN") held by Bestform and VdV, respectively;
- (b) issued 40,000,000 shares of the Company to Bestform on the conversion of US\$1,604,000 (equivalent to approximately HK\$12,463,000) of CLN;
- (c) issued 21,426,999 shares of the Company to VdV on the conversion of US\$859,000 (equivalent to approximately HK\$6,676,000) of CLN; and
- (d) repaid US\$1,896,000 (equivalent to approximately HK\$14,794,000) and US\$141,000 (equivalent to approximately HK\$1,099,000) to Bestform and VdV on the maturity of CLN.

### DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group had the following transactions with VdV, a company in which Mr. Herman Van de Velde and Mr. Lucas A.M. Laureys have beneficial interests:

- (a) paid interest expenses of HK\$223,000 on US\$1 million of the Company's CLN held by VdV;
- (b) sales of finished goods to VdV of HK\$24,283,000;
- (c) issued 21,426,999 shares of the Company to VdV on the conversion of US\$859,000 of CLN held by VdV; and
- (d) repaid HK\$1,099,000 to VdV upon the maturity of CLN held by VdV.

In the opinion of those directors not having an interest in the above transactions, these transactions were carried out in the ordinary course of business of the Group and on normal commercial terms.

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 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.

## SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 25 to the financial statements.

The following table discloses movements in the Company's share options during the year:

Name of Director	Date of grant	Number of share options		
		At 1 July 2002	Granted during the year	At 30 June 2003
Fung Wai Yiu	9 September 2002	–	770,521	770,521
Wong Chung Chong, Eddie	9 September 2002	–	770,521	770,521
Marvin Bienenfeld	9 September 2002	–	770,521	770,521
Leung Churk Yiu, Jeanny	9 September 2002	–	770,521	770,521
Chow Yu Chun, Alexander	9 September 2002	–	770,521	770,521
Lam Ka Chung, William	9 September 2002	–	770,521	770,521
Lin Sian Zu, John	9 September 2002	–	770,521	770,521
Tse Koon Hang, Ada	9 September 2002	–	770,521	770,521
		–	6,164,168	6,164,168
Total		–	6,164,168	6,164,168

Details of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise Price HK\$
9 September 2002	9 September 2002 to 8 September 2004	9 September 2004 to 8 September 2012	0.343

The closing price of the Company's shares immediately before 9 September 2002, the date of grant, was HK\$0.34.



The fair values of the options granted in the current year measured as at the dates of grant on 9 September 2002 was HK\$0.15. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

Date of grant	9 September 2002
Expected life of options	10 years
Expected volatility based on historical volatility of share prices	76%
Hong Kong Exchange Fund Notes rate	4.35%
Expected annual dividends	5.3%

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2003, the interests of the Directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### (a) Ordinary shares of HK\$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Fung Wai Yiu	Held by spouse and trust (note 1)	368,120,142	34.36%
Wong Chung Chong, Eddie	Held by trust (note 2)	367,904,142	34.34%
Chow Yu Chun, Alexander	Beneficial owner	1,930,000	0.18%
Lucas A. M. Laureys	Held by controlled corporation (note 3)	389,331,141	36.34%
Herman Van de Velde	Held by controlled corporation (note 3)	389,331,141	36.34%

Notes:

1. 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. Mr. Fung is deemed to be interested in the Company as he has beneficial interest in a family trust which held 9,590 shares of Guliano.
2. 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. Wong Chung Chong, Eddie ("Mr. Wong") is deemed to be interested in the Company as he is the founder of a family trust which held 40,411 shares of Guliano.
3. 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. 49,999 shares of Guliano are held by VdV. 21,426,999 shares are registered in the name of VdV of which Mr. Lucas A. M. Laureys and Mr. Herman Van de Velde are beneficial owners.

**(b) Share options**

Name of Director	Capacity	Number of options held	Number of shares underlying
Fung Wai Yiu	Beneficial owner	770,521	770,521
Wong Chung Chong, Eddie	Beneficial owner	770,521	770,521
Marvin Bienenfeld	Beneficial owner	770,521	770,521
Leung Churk Yin, Jeanny	Beneficial owner	770,521	770,521
Chow Yu Chun, Alexander	Beneficial owner	770,521	770,521
Lam Ka Chung, William	Beneficial owner	770,521	770,521
Lin Sian Zu, John	Beneficial owner	770,521	770,521
Tse Koon Hang, Ada	Beneficial owner	770,521	770,521
		<u>6,164,168</u>	<u>6,164,168</u>

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 2003, no Director held any interest in the securities of the Company or any of its associated corporations.

**SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

**Ordinary shares of HK\$0.10 each of the Company**

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Guliano	Beneficial owner	367,904,142	34.34%
VF Intimates	Beneficial owner	106,000,000	9.89%
Value Partners Limited	Beneficial owner	75,662,000	7.06%

**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 2003 were as follows:

Percentage of purchases attributable to the Group's largest supplier	16%
Percentage of purchases attributable to the Group's five largest suppliers	51%
Percentage of turnover attributable to the Group's largest customer	62%
Percentage of turnover attributable to the Group's five largest customers	84%

As at 30 June 2003, VF Intimates, 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.

The aggregate purchases of the Group for the year ended 30 June 2003 amounted to HK\$446,917,000.

## CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK\$140,000.

## 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.

## COMPENSATION COMMITTEE

The compensation committee has reviewed with 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 Listing Rules 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*

5 September 2003, Hong Kong

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

### **TO THE SHAREHOLDERS OF TOP FORM INTERNATIONAL LIMITED**

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 21 to 68 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### **Respective responsibilities of Directors and Auditors**

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

5 September 2003, Hong Kong



# CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2003

	NOTES	2003 HK\$'000	2002 HK\$'000 (Restated)
Turnover	4	1,094,364	846,846
Cost of sales		<u>(764,976)</u>	<u>(615,991)</u>
Gross profit		329,388	230,855
Other operating income	5	5,683	11,554
Selling and distribution expenses		<u>(33,207)</u>	<u>(37,218)</u>
General and administrative expenses		<u>(136,449)</u>	<u>(121,877)</u>
Profit from operations	6	165,415	83,314
Finance costs	8	<u>(7,051)</u>	<u>(15,095)</u>
Gain on deemed disposal of interest in a subsidiary		<u>–</u>	<u>10,400</u>
Profit before taxation		158,364	78,619
Taxation	9	<u>(24,087)</u>	<u>(5,582)</u>
Profit before minority interests		134,277	73,037
Minority interests		<u>(385)</u>	<u>(2,733)</u>
Profit for the year		<u><u>133,892</u></u>	<u><u>70,304</u></u>
Dividends:	10		
Final		42,854	–
Special		<u>21,427</u>	<u>–</u>
Earnings per share	11		
Basic		<u><u>14.3 cents</u></u>	<u><u>9.5 cents</u></u>
Diluted		<u><u>12.4 cents</u></u>	<u><u>6.9 cents</u></u>



# CONSOLIDATED BALANCE SHEET

At 30 June 2003

	NOTES	2003 HK\$'000	2002 HK\$'000 (Restated)
<b>Non-current assets</b>			
Property, plant and equipment	12	116,111	76,920
Interests in associates	14	–	–
Interests in a jointly controlled entity	15	811	682
Investment in securities	16	–	4,355
		<u>116,922</u>	<u>81,957</u>
<b>Current assets</b>			
Inventories	17	120,284	132,171
Debtors, deposits and prepayments	18	82,103	90,422
Bills receivable		3,765	1,049
Amount due from a minority shareholder of a subsidiary		–	6,377
Bank balances and cash		100,735	70,551
		<u>306,887</u>	<u>300,570</u>
<b>Current liabilities</b>			
Creditors and accrued charges	19	84,265	101,467
Taxation		20,692	6,666
Secured bank borrowings and other liabilities			
– due within one year	20	20,832	92,782
Obligations under finance leases – due within one year	21	1,821	1,518
Convertible loan notes	22	–	109,557
		<u>127,610</u>	<u>311,990</u>
<b>Net current assets (liabilities)</b>		<u>179,277</u>	<u>(11,420)</u>
<b>Total assets less current liabilities</b>		<u>296,199</u>	<u>70,537</u>
<b>Non-current liabilities</b>			
Secured bank borrowings and other liabilities			
– due after one year	20	367	449
Obligations under finance leases – due after one year	21	1,683	1,242
Retirement benefit obligations		3,055	2,648
Deferred taxation	23	2,380	2,380
		<u>7,485</u>	<u>6,719</u>
<b>Minority interests</b>		<u>20,950</u>	<u>22,466</u>
		<u>267,764</u>	<u>41,352</u>
<b>Capital and reserves</b>			
Share capital	24	107,135	77,052
Reserves (deficit)	26	160,629	(35,700)
		<u>267,764</u>	<u>41,352</u>

The financial statements on pages 21 to 68 were approved and authorised for issue by the Board of Directors on 5 September 2003 and are signed on its behalf by:

**Fung Wai Yiu**  
CHAIRMAN

**Wong Chung Chong, Eddie**  
GROUP MANAGING DIRECTOR

# BALANCE SHEET

At 30 June 2003

	NOTES	2003 HK\$'000	2002 HK\$'000
<b>Non-current assets</b>			
Interests in subsidiaries	13	263,066	303,026
Interests in associates	14	–	–
		<u>263,066</u>	<u>303,026</u>
<b>Current assets</b>			
Deposits and prepayments		86	73
Bank balances and cash		2	13
		<u>88</u>	<u>86</u>
<b>Current liabilities</b>			
Creditors and accrued charges		1,578	4,313
Secured bank borrowings and other liabilities			
– due within one year	20	–	17,419
Convertible loan notes	22	–	109,557
		<u>1,578</u>	<u>131,289</u>
<b>Net current liabilities</b>		<u>(1,490)</u>	<u>(131,203)</u>
<b>Total assets less current liabilities</b>		<u>261,576</u>	<u>171,823</u>
<b>Non-current liability</b>			
Amount due to a subsidiary		–	283,880
		<u>261,576</u>	<u>(112,057)</u>
<b>Capital and reserves</b>			
Share capital	24	107,135	77,052
Reserves (deficit)	26	154,441	(189,109)
		<u>261,576</u>	<u>(112,057)</u>

**Fung Wai Yiu**  
CHAIRMAN

**Wong Chung Chong, Eddie**  
GROUP MANAGING DIRECTOR

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2003

	2003 HK\$'000	2002 HK\$'000
Total equity at beginning of the year		
– as originally stated	44,000	(31,537)
– prior period adjustment ( <i>note 2</i> )	<u>(2,648)</u>	<u>(2,386)</u>
– as restated	41,352	(33,923)
Exchange differences arising on translation of overseas operations	1,807	2,317
Deficit arising from revaluation of investment in securities	<u>–</u>	<u>(5,048)</u>
Net gains (losses) not recognised in the income statement	<u>1,807</u>	<u>(2,731)</u>
Profit for the year	133,892	70,304
Revaluation surplus released to income statement upon disposal of investment in securities	(3,019)	(3,176)
Issue of shares upon the conversion of the convertible loan notes	<u>93,732</u>	<u>10,878</u>
Total equity at end of the year	<u><u>267,764</u></u>	<u><u>41,352</u></u>

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2003

	2003 HK\$'000	2002 HK\$'000 (Restated)
<b>Operating activities</b>		
Profit before taxation	158,364	78,619
Adjustments for:		
Interest income	(655)	(722)
Interest expenses	7,051	15,095
Depreciation and amortisation	20,126	17,316
Loss on disposal of property, plant and equipment	440	1,555
Gain on disposal of investment in securities	(3,108)	(2,267)
Allowance on advance to a jointly controlled entity	955	–
Gain on deemed disposal of interest in a subsidiary	–	(10,400)
	<u>183,173</u>	<u>99,196</u>
Operating cash flows before movement in working capital	183,173	99,196
Decrease in amount due to an associate	–	(140)
Decrease (increase) in inventories	11,887	(21,642)
Decrease in debtors, deposits and prepayments	8,319	349
Increase in bills receivable	(2,716)	(886)
(Decrease) increase in creditors and accrued charges	(17,189)	21,099
Increase in retirement benefit obligations	407	262
Effect of foreign exchange rate changes	2,251	2,430
	<u>186,132</u>	<u>100,668</u>
Cash generated from operations	186,132	100,668
Interest income	655	722
Interest paid	(6,799)	(14,882)
Finance lease charges paid	(265)	(221)
Hong Kong Profits Tax paid	(7,698)	(6,804)
Taxation paid in other jurisdictions	(2,407)	(1,780)
	<u>169,618</u>	<u>77,703</u>
<b>Net cash generated from operating activities</b>	<b>169,618</b>	<b>77,703</b>

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2003

	2003 HK\$'000	2002 HK\$'000 (Restated)
<b>Investing activities</b>		
Proceeds on disposal of property, plant and equipment	668	1,035
Purchase of property, plant and equipment	(51,361)	(16,129)
Advance to a jointly controlled entity	(1,084)	(682)
Proceeds on disposal of investment in securities	4,444	2,994
<b>Net cash used in investing activities</b>	<b>(47,333)</b>	<b>(12,782)</b>
<b>Financing activities</b>		
Dividend paid to minority shareholders of a subsidiary	(1,800)	(450)
Net cash outflow in respect of trust receipts and import loans	(34,160)	(23,407)
Repayments of bank loans	(16,507)	(7,079)
Repayment of convertible loan notes	(15,893)	–
Repayments of other liabilities	(82)	(82)
Repayments of obligations under finance leases	(2,975)	(1,638)
Advance from a minority shareholder of a subsidiary	314	329
Repayments from a minority shareholder of a subsidiary	700	–
(Repayments) advances from a minority shareholder of a subsidiary	(415)	415
Issue of new ordinary shares in a subsidiary	–	4,604
<b>Net cash used in financing activities</b>	<b>(70,818)</b>	<b>(27,308)</b>
<b>Net increase in cash and cash equivalents</b>	<b>51,467</b>	<b>37,613</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>45,566</b>	<b>7,953</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>97,033</b>	<b>45,566</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances and cash	100,735	70,551
Bank overdrafts	(3,702)	(24,985)
	<b>97,033</b>	<b>45,566</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 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. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants ("HKSA"). Adoption of the accounting standards has led to certain changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies which have affected the amounts reported for the current or prior periods.

### Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at average rate. This change in accounting policy has been applied retrospectively, resulting in an adjustment of HK\$448,000 and HK\$1,299,000 to the opening balance of retained earnings and the translation reserve as at 1 July 2001 and 1 July 2002, respectively. The change in accounting policy has resulted in a decrease in the Group's profit for the year ended 30 June 2002 and an increase in the Group's profit for the year ended 30 June 2003 of approximately HK\$851,000 and HK\$334,000, respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE – continued

### Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest income and expenses, which were previously presented under a separate heading, are classified as operating cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The change in exchange rates used for translation of cash flows of overseas operations have not had any material effect on the comparative amounts shown in the cash flow statement.

### Employee benefits

In the current year, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits. Under SSAP 34, a provision is recognised for the best estimates of long service payments that would be required to be made to the employees of the Group in respect of their service up to the balance sheet date, less any amounts that would be expected to be met out of the Group’s retirement benefits scheme. This change in accounting policy has been applied retrospectively, resulting in an adjustment of approximately HK\$2,386,000 and HK\$2,648,000 to the opening balance of retained earnings at 1 July 2001 and 1 July 2002, respectively. The change in policy has resulted in a decrease in the profit for the years ended 30 June 2002 and 2003 by HK\$262,000 and HK\$407,000, respectively.

The financial effect of the adoption of the new and revised accounting policies described above is summarised below:

	<b>Accumulated losses</b>	<b>Translation reserve</b>
	HK\$'000	HK\$'000
Balance at 1 July 2001		
– as originally stated	(363,432)	(5,022)
– recognition of the excess liability in respect of the Group retirement benefit scheme	(2,386)	–
– effect of the retranslation of income statements of overseas operations at average rate	(448)	448
	<u>(366,266)</u>	<u>448</u>
– as restated	<u>(366,266)</u>	<u>(4,574)</u>

### 3. 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 investment 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, 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**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and is amortised on a straight-line basis over its estimated economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity and was fully impaired in previous years. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill is included in the determination of the gain or loss on disposal.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Revenue recognition

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

Income from sale of securities is recognised on a trade-date basis when the sales agreement becomes unconditional.

Service income is recognised at the time when services are rendered.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

### Property, plant and equipment

(a) *Construction in progress*

Construction in progress is stated at cost less any identified impairment loss, as appropriate.

(b) *Other fixed assets*

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation and any identified impairment loss, as appropriate.

Certain of the Group's land and buildings are stated at valuation less depreciation and amortisation and any subsequent impairment loss. Advantage has been taken of the transitional relief provided by paragraph 80 of the SSAP 17 "Property, Plant and Equipment" issued by the HKSA from the requirement to make revaluation on a regular basis of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995 and accordingly no further revaluation of land and buildings is carried out. In previous years, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale of these land and buildings, the attributable revaluation surplus not yet transferred to retained profits in prior years will be transferred to retained profits.

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Property, plant and equipment – continued

(b) *Other fixed assets – continued*

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

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%

The gain or loss arising on the disposal or retirement of an asset is determined at the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Subsidiaries

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

#### 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 on acquisition less any identified impairment loss.

The Company's interests in associates are included in the Company's balance sheet at cost less any identified impairment loss, as appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of the post-acquisition results of jointly controlled entities is included in the consolidated income statement.

### 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 is calculated using the weighted average method.

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

### 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, net of interest charges, is shown as a finance lease obligation of the Group on the balance sheet. 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 so as to produce a constant periodic rate of change on the remaining balance of the obligations for each accounting period.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in the net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

### Textile quota entitlements

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

### Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

## 4. TURNOVER AND SEGMENT INFORMATION

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 4. TURNOVER AND SEGMENT INFORMATION – continued

The business activities of the Group can be categorised into manufacturing business and branded business.

Segment information in respect of these activities is as follows:

### (a) Business segments

#### TURNOVER AND RESULTS YEAR ENDED 30 JUNE 2003

	<b>Manufacturing business HK\$'000</b>	<b>Branded business HK\$'000</b>	<b>Elimination HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>TURNOVER</b>				
External sales	1,070,467	23,897	–	1,094,364
Inter-segment sales ( <i>note</i> )	9,412	–	(9,412)	–
Total sales	<u>1,079,879</u>	<u>23,897</u>	<u>(9,412)</u>	<u>1,094,364</u>
<b>RESULTS</b>				
Segment results	<u>186,739</u>	<u>(9,529)</u>	<u>–</u>	177,210
Unallocated corporate expenses				(12,450)
Interest income				<u>655</u>
Profit from operations				165,415
Finance costs				<u>(7,051)</u>
Profit before taxation				158,364
Taxation				<u>(24,087)</u>
Profit before minority interests				134,277
Minority interests				<u>(385)</u>
Profit for the year				<u>133,892</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 4. TURNOVER AND SEGMENT INFORMATION – continued

### (a) Business segments – continued

#### TURNOVER AND RESULTS – continued

YEAR ENDED 30 JUNE 2002

	Manufacturing business HK\$'000 (Restated)	Branded business HK\$'000 (Restated)	Elimination HK\$'000 (Restated)	Consolidated HK\$'000 (Restated)
<b>TURNOVER</b>				
External sales	817,792	29,054	–	846,846
Inter-segment sales ( <i>note</i> )	<u>9,607</u>	<u>–</u>	<u>(9,607)</u>	<u>–</u>
Total sales	<u><u>827,399</u></u>	<u><u>29,054</u></u>	<u><u>(9,607)</u></u>	<u><u>846,846</u></u>
<b>RESULTS</b>				
Segment results	<u><u>98,353</u></u>	<u><u>(3,484)</u></u>	<u><u>–</u></u>	94,869
Unallocated corporate expenses				(12,277)
Interest income				<u>722</u>
Profit from operations				83,314
Finance costs				(15,095)
Gain on deemed disposal of interest in a subsidiary				<u>10,400</u>
Profit before taxation				78,619
Taxation				<u>(5,582)</u>
Profit before minority interests				73,037
Minority interests				<u>(2,733)</u>
Profit for the year				<u><u>70,304</u></u>

Note: Inter-segment sales are charged at prices determined by management with reference to market prices.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 4. TURNOVER AND SEGMENT INFORMATION – continued

### (a) Business segments – continued

#### BALANCE SHEET

30 JUNE

	2003 HK\$'000	2002 HK\$'000 (Restated)
<b>ASSETS</b>		
Segment assets		
– manufacturing business	388,550	336,843
– branded business	23,093	28,705
Interests in a jointly controlled entity	811	682
Unallocated corporate assets	<u>11,355</u>	<u>16,297</u>
Consolidated total assets	<u><u>423,809</u></u>	<u><u>382,527</u></u>
<b>LIABILITIES</b>		
Segment liabilities		
– manufacturing business	57,883	92,275
– branded business	3,537	2,974
Unallocated corporate liabilities	<u>73,675</u>	<u>223,460</u>
Consolidated total liabilities	<u><u>135,095</u></u>	<u><u>318,709</u></u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 4. TURNOVER AND SEGMENT INFORMATION – continued

### (a) Business segments – continued

#### OTHER INFORMATION

#### YEAR ENDED 30 JUNE

	2003 HK\$'000	2002 HK\$'000
Capital expenditure		
– manufacturing business	59,855	24,268
– branded business	873	968
	<u>60,728</u>	<u>25,236</u>
Depreciation and amortisation of property, plant and equipment		
– manufacturing business	19,307	16,863
– branded business	819	453
	<u>20,126</u>	<u>17,316</u>
Loss on disposal of property, plant and equipment		
– manufacturing business	440	1,356
– branded business	–	199
	<u>440</u>	<u>1,555</u>
Gain on deemed disposal of interest in a subsidiary	–	10,400

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 4. TURNOVER AND SEGMENT INFORMATION – continued

### (b) Geographical segments

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

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

### YEAR ENDED 30 JUNE

	Sales revenue by geographical market		Contribution to profit from operations	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000 (Restated)
United States of America	851,865	614,075	148,604	76,048
Europe	142,087	99,136	24,788	8,741
Asia (excluding Hong Kong)	52,105	81,186	4,636	8,626
Australia and New Zealand	29,075	31,929	5,072	4,485
Hong Kong	19,232	20,520	(5,890)	(3,031)
	<u>1,094,364</u>	<u>846,846</u>	<u>177,210</u>	<u>94,869</u>
Unallocated corporate expenses			(12,450)	(12,277)
Interest income			655	722
Profit from operations			<u>165,415</u>	<u>83,314</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 4. TURNOVER AND SEGMENT INFORMATION – continued

### (b) Geographical segments – continued

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	169,947	154,467	5,884	2,736
The PRC	173,516	152,213	49,659	11,389
Thailand	51,785	59,694	4,634	9,333
Others	28,561	16,153	551	1,778
	<u>423,809</u>	<u>382,527</u>	<u>60,728</u>	<u>25,236</u>

## 5. OTHER OPERATING INCOME

Other operating income includes:

	2003 HK\$'000	2002 HK\$'000
Gain on disposal of investment in listed securities	3,108	2,267
Interest income	655	722
Net exchange gain	–	4,831
	<u>          </u>	<u>          </u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 6. PROFIT FROM OPERATIONS

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	<b>1,620</b>	1,417
Cost of textile quota entitlements	<b>6,512</b>	15,489
Depreciation and amortisation on:		
Owned assets	<b>18,737</b>	16,133
Assets held under finance leases	<b>1,389</b>	1,183
Net exchange loss	<b>1,067</b>	–
Loss on disposal of property, plant and equipment	<b>440</b>	1,555
Minimum lease payments paid under operating leases in respect of land and buildings	<b>17,049</b>	15,838
Staff costs, including directors' emoluments	<b>202,137</b>	175,872

## 7. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Fees to Non-executive Directors	–	–
Remuneration to Executive Directors		
Salaries and other benefits	<b>12,985</b>	8,985
Retirement benefits scheme contributions	<b>24</b>	24
	<b>13,009</b>	9,009

During the year, share options have been granted to certain directors of the Company, details of which have been set out in note 25. Other than the share options granted to the independent non-executive directors, no emoluments or other benefits were paid or payable to them during the two years ended 30 June 2003.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 7. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS – continued

Emoluments of the Directors were within the following bands:

	Number of Directors	
	2003	2002
Nil to HK\$1,000,000	8	6
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	–
HK\$7,000,001 – HK\$7,500,000	1	–
	<u>1</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:

	2003	2002
	HK\$'000	HK\$'000
Salaries and other benefits	19,099	12,989
Retirement benefits scheme contributions	60	60
	<u>19,159</u>	<u>13,049</u>

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

	Number of individuals	
	2003	2002
HK\$1,000,001 – HK\$1,500,000	1	3
HK\$2,000,001 – HK\$2,500,000	2	–
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	–
HK\$7,000,001 – HK\$7,500,000	1	–
	<u>1</u>	<u>–</u>
Number of Directors	2	2
Number of employees	3	3
	<u>5</u>	<u>5</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 8. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interests on:		
Bank borrowings wholly repayable within five years	3,638	7,758
Convertible loan notes	3,138	7,116
Obligations under finance leases	275	221
	<u>7,051</u>	<u>15,095</u>

## 9. TAXATION

	2003 HK\$'000	2002 HK\$'000
Hong Kong Profits Tax calculated at 17.5% (2002: 16%) on the estimated assessable profit for the year	20,555	4,500
Under(over)provision for Hong Kong Profits Tax in prior years	77	(534)
Taxation in other jurisdictions calculated at the rates prevailing in the respective jurisdictions	3,735	1,133
(Over)underprovision for taxation in other jurisdictions in prior years	(280)	483
	<u>24,087</u>	<u>5,582</u>

## 10. DIVIDENDS

A final dividend of 4 HKcents (2002: Nil) per share and a special dividend of 2 HKcents (2002: Nil) per share have been proposed by the Directors and are subject to the approval by the shareholders in general meeting. No dividend was paid during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## II. EARNINGS PER SHARE

The computation of basic and diluted earnings per share is as follows:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000 (Restated)
Profit for the purpose of basic earnings per share	<b>133,892</b>	70,304
Interest on convertible loan notes	<b>3,138</b>	7,116
	<u>137,030</u>	<u>77,420</u>
Profit for the purpose of diluted earnings per share	<b>137,030</b>	77,420
	<u>137,030</u>	<u>77,420</u>
	<b>Number of shares</b>	
	<b>2003</b>	2002
Number of shares for the purpose of basic earnings per share	<b>936,623,919</b>	739,434,795
Effect of dilutive potential shares:		
Convertible loan notes	<b>162,974,991</b>	382,707,614
Options	<b>2,564,079</b>	–
	<u>1,102,162,989</u>	<u>1,122,142,409</u>
Number of shares for the purpose of diluted earnings per share	<b>1,102,162,989</b>	1,122,142,409
	<u>1,102,162,989</u>	<u>1,122,142,409</u>

In last year, the Company's share options were not taken into account in the computation of diluted earnings per share as there was no potential ordinary share as at 30 June 2002.

The adjustment to comparative basic and diluted earnings per share, arising from the changes in accounting policies shown in note 2 above, is as follows:

	<b>Basic</b>	<b>Diluted</b>
	HK cents	HK cents
Reconciliation of 2002 earning per share:		
Reported figures before adjustments	9.7	7.0
Adjustments arising from the adoption of SSAPs 11 and 34	<b>(0.2)</b>	<b>(0.1)</b>
	<u>9.5</u>	<u>6.9</u>
Restated	<b>9.5</b>	6.9
	<u>9.5</u>	<u>6.9</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>						
COST OR VALUATION						
At 1 July 2002	36,395	38,998	149,953	9,192	1,735	236,273
Currency realignment	(98)	(189)	(424)	(32)	–	(743)
Additions	10,851	5,164	35,822	3,015	5,876	60,728
Disposals	–	–	(3,910)	(292)	–	(4,202)
<b>At 30 June 2003</b>	<b>47,148</b>	<b>43,973</b>	<b>181,441</b>	<b>11,883</b>	<b>7,611</b>	<b>292,056</b>
Comprising						
At cost	45,687	43,973	181,441	11,883	7,611	290,595
At valuation – 1992	1,461	–	–	–	–	1,461
	<b>47,148</b>	<b>43,973</b>	<b>181,441</b>	<b>11,883</b>	<b>7,611</b>	<b>292,056</b>
DEPRECIATION AND IMPAIRMENT						
At 1 July 2002	17,019	30,943	104,773	6,618	–	159,353
Currency realignment	(97)	(77)	(246)	(20)	–	(440)
Provide for the year	1,427	3,542	13,699	1,458	–	20,126
Eliminated on disposals	–	–	(2,935)	(159)	–	(3,094)
<b>At 30 June 2003</b>	<b>18,349</b>	<b>34,408</b>	<b>115,291</b>	<b>7,897</b>	<b>–</b>	<b>175,945</b>
NET BOOK VALUES						
<b>At 30 June 2003</b>	<b>28,799</b>	<b>9,565</b>	<b>66,150</b>	<b>3,986</b>	<b>7,611</b>	<b>116,111</b>
At 30 June 2002	19,376	8,055	45,180	2,574	1,735	76,920



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 12. PROPERTY, PLANT AND EQUIPMENT – continued

Notes:

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

	2003 HK\$'000	2002 HK\$'000
Land and buildings outside Hong Kong under:		
Long lease	4,444	4,619
Medium term lease	17,256	13,496
Short lease	6,218	252
Land and buildings in Hong Kong under medium term lease	<u>881</u>	<u>1,009</u>
	<u><b>28,799</b></u>	<u><b>19,376</b></u>

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

	2003 HK\$'000	2002 HK\$'000
Furniture, fixtures and equipment	3,352	1,828
Motor vehicles	<u>1,807</u>	<u>1,700</u>
	<u><b>5,159</b></u>	<u><b>3,528</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 13. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares	125,002	125,002
Capital contribution	5,460	5,460
	<u>130,462</u>	<u>130,462</u>
Impairment loss recognised	(5,460)	(5,460)
	<u>125,002</u>	<u>125,002</u>
Amounts due from subsidiaries, less allowances	138,064	178,024
	<u>263,066</u>	<u>303,026</u>

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 2003 are set out in note 34.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 14. INTERESTS IN ASSOCIATES

Details of the Group's associates as at 30 June 2003 are as follows:

Name of company	Form of business structure	Place of incorporation/ registration	Principal place of operation	Proportion of nominal value of 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	Joint venture	The PRC	The PRC	25%	Inactive
Yingkou Xinfu Industrial Park Development Company Limited 營口鑫發工業園開發有限公司	Joint venture	The PRC	The PRC	30%*	Industrial land development

\* Directly held by the Company

Share of net assets of associates of HK\$15,422,000 by the Group and the Company were fully impaired in previous years.

## 15. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	—	—
Amount due from a jointly controlled entity, less allowances	811	682
	<u>811</u>	<u>682</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 15. INTERESTS IN A JOINTLY CONTROLLED ENTITY – continued

Details of the Group's jointly controlled entity as at 30 June 2003 is as follows:

Name of company	Form of business structure	Place of incorporation	Principal place of operation	Proportion of nominal value of issued ordinary share capital held by the Group	Principal activities
Datel Asia Limited	Incorporated	Hong Kong	Hong Kong	50%	Licensing of computer softwares

## 16. INVESTMENT IN SECURITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Other equity securities at market value, shares listed overseas	—	4,355

## 17. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	47,537	51,197
Work in progress	38,189	43,501
Finished goods	34,558	37,473
	<u>120,284</u>	<u>132,171</u>
At cost	116,784	125,451
Finished goods stated at net realisable value	3,500	6,720
	<u>120,284</u>	<u>132,171</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 18. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance are trade debtors of HK\$55,773,000 (2002: HK\$50,555,000). The Group allows an average credit period of 30 days to its trade customers.

An aged analysis of trade debtors is as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within 30 days	50,890	47,073
Over 30 days and under 60 days	1,841	1,401
Over 60 days and under 90 days	576	947
Over 90 days	2,466	1,134
	<u>55,773</u>	<u>50,555</u>

## 19. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK\$19,130,000 (2002: HK\$56,712,000).

An aged analysis of trade creditors is as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within 30 days	16,785	45,150
Over 30 days and under 60 days	1,315	10,479
Over 60 days and under 90 days	676	845
Over 90 days	354	238
	<u>19,130</u>	<u>56,712</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 20. SECURED BANK BORROWINGS AND OTHER LIABILITIES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Secured bank borrowings:				
Trust receipts and import loans	17,048	51,208	–	–
Bank overdrafts	3,702	24,985	–	6,049
Bank loans	–	16,507	–	11,370
	<u>20,750</u>	<u>92,700</u>	<u>–</u>	<u>17,419</u>
Total bank borrowings (note a)	20,750	92,700	–	17,419
Other unsecured liabilities (note b)	449	531	–	–
	<u>21,199</u>	<u>93,231</u>	<u>–</u>	<u>17,419</u>
Less: Amount due within one year shown as current liabilities	<u>(20,832)</u>	<u>(92,782)</u>	<u>–</u>	<u>(17,419)</u>
Amount due after one year	<u>367</u>	<u>449</u>	<u>–</u>	<u>–</u>

Notes:

- (a) All bank borrowings are repayable within one year or upon demand and are all secured.

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
(b) Other liabilities are unsecured and repayable:				
Within one year	82	82	–	–
Between one to two years	82	82	–	–
Between two to five years	246	246	–	–
After five years	39	121	–	–
	<u>449</u>	<u>531</u>	<u>–</u>	<u>–</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
<b>THE GROUP</b>				
Within one year	2,018	1,709	1,821	1,518
Between one to two years	1,331	577	1,216	509
Between two to five years	495	757	467	733
	<u>3,844</u>	<u>3,043</u>	<u>3,504</u>	<u>2,760</u>
Less: future finance charges	(340)	(283)	–	–
Present value of lease obligations	<u>3,504</u>	<u>2,760</u>	<u>3,504</u>	<u>2,760</u>
Less: Amount due within one year shown as current liabilities			<u>(1,821)</u>	<u>(1,518)</u>
Amount due after one year			<u>1,683</u>	<u>1,242</u>

It is the Group's policy to lease certain of its furniture, fixtures and equipment and motor vehicles under finance leases. The average lease term is three years. For the year ended 30 June 2003, the average effective borrowing rate was 7.3%. Interest rates are fixed at the contract rate. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 22. CONVERTIBLE LOAN NOTES

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Convertible loan notes ("CLN")		
At the beginning of the year	<b>109,557</b>	120,000
Exchange adjustment	<b>68</b>	435
Converted during the year (note b)	<b>(93,732)</b>	(10,878)
Repaid upon maturity (note c)	<b>(15,893)</b>	–
At the end of the year	<b>–</b>	<b>109,557</b>

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

- (a) Interest on CLN is compounded and payable semi-annually and interest accrued at a semi-annual rate of 2.875 per cent.
- (b) During the year, US\$12.1 million (2002: US\$1.4 million) of CLN were converted into 300,828,495 (2002: 34,912,718) ordinary shares of the Company at the conversion price of US\$0.0401 (equivalent to HK\$0.31 per share). The new shares issued rank pari passu in all respects with the then existing shares.
- (c) Upon the maturity of the CLN on 20 January 2003, cash of US\$2 million (equivalent to HK\$15,893,000) was repaid.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 23. DEFERRED TAXATION

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
At the beginning of the year	2,380	2,372
Currency realignment	—	8
	<u>          </u>	<u>          </u>
At the end of the year	<u>2,380</u>	<u>2,380</u>

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

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Excess of depreciation allowances claimed for tax purposes over accounting depreciation charged in the financial statements	2,673	2,673
Taxation losses	(293)	(293)
	<u>          </u>	<u>          </u>
	<u>2,380</u>	<u>2,380</u>

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. Accordingly, the revaluation does not constitute a timing difference for tax purpose.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 23. DEFERRED TAXATION – continued

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

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Difference between depreciation allowances claimed for tax purposes and accounting depreciation charged in the financial statements	221	243	–	–
Taxation losses	12,473	12,700	2,650	3,000
	<u>12,694</u>	<u>12,943</u>	<u>2,650</u>	<u>3,000</u>

A significant portion of the potential deferred tax asset which principally represents the tax losses of the Company and certain of its 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 utilised in the foreseeable future.

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

	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences because of:		
Difference between depreciation allowances for tax purposes and depreciation charged in the financial statements	(45)	55
Taxation losses	826	57
Effect of change in tax rate	<u>(1,030)</u>	<u>–</u>
	(249)	112
Currency realignment	<u>–</u>	<u>(161)</u>
	<u>(249)</u>	<u>(49)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 24. SHARE CAPITAL

	2003 Number of shares	2002 Number of shares	2003 HK\$'000	2002 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At the beginning and the end of the 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 the year	770,521,462	735,608,744	77,052	73,561
Issue of shares upon the conversion of CLNs ( <i>note 22b</i> )	<u>300,828,495</u>	<u>34,912,718</u>	<u>30,083</u>	<u>3,491</u>
At the end of the year	<u>1,071,349,957</u>	<u>770,521,462</u>	<u>107,135</u>	<u>77,052</u>

## 25. SHARE OPTION SCHEME

The Company's share option scheme (the "Old Scheme"), was adopted pursuant to a resolution passed on 20 November 1999 for the primary purpose of providing incentives or rewards for the contribution by the directors, employees or any other persons, who in the discretion of the Board. Under the Old Scheme, the Board of Directors of the Company might grant options to any employees or executives or officers of the Company and its subsidiaries and any other persons, who in the discretion of the Board have contributed to the Company and its subsidiaries, to subscribe for shares in the Company.

The Old Scheme expired on 19 November 2001. All the unexercised options under the Old Scheme lapsed on 19 November 2001.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 25. SHARE OPTION SCHEME – continued

The following tables disclose details of the Company's share options held by directors under the Old Scheme and movements in such holding during the two years ended 30 June 2003:

Grant to	Option type	Number of share options		
		At 1.7.2001	Lapsed	At 30.6.2002 and 30.6.2003
Directors	A	3,600,000	(3,600,000)	–
	B	<u>6,000,000</u>	<u>(6,000,000)</u>	<u>–</u>
		<u>9,600,000</u>	<u>(9,600,000)</u>	<u>–</u>
Employees	A	925,000	(925,000)	–
	C	<u>5,500,000</u>	<u>(5,500,000)</u>	<u>–</u>
		<u>6,425,000</u>	<u>(6,425,000)</u>	<u>–</u>
		<u>16,025,000</u>	<u>(16,025,000)</u>	<u>–</u>

Option	Date of grant	Exercise period	Exercise price HK\$	Vesting period
A	23 December 1991	23 December 1993 to 19 November 2001	0.87	23 December 1991 to 22 December 1993
B	3 September 1992	3 September 1994 to 19 November 2001	1.35	3 September 1992 to 2 September 1994
C	21 October 1997	21 October 1999 to 19 November 2001	0.23	21 October 1997 to to 20 October 1999

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 25. SHARE OPTION SCHEME – continued

The Company's new share option scheme (the "New Scheme"), was adopted pursuant to a resolution passed on 22 November 2001 for the primary purpose of providing incentives or rewards for the contribution by the directors, employees or any other persons, who in the discretion of the Board, and will expire on 21 November 2012. Under the New Scheme, the Board of Directors of the Company may grant options to any employees or executives or officers of the Company and its subsidiaries and any other persons, who in the discretion of the Board have contributed to the Company and its subsidiaries, to subscribe for shares in the Company.

At 30 June 2003, the number of shares in respect of which options had been granted and remained outstanding under the New Scheme was 6,164,168 (2002: Nil), representing 0.6% (2002: Nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 14 days of the date of grant, upon payment of HK\$1 per grant. Options may generally be exercised at any time from the second anniversary of the date of acceptance to the tenth anniversary of the date of grant. In each grant of options, the Board of Directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's shares on the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the shares.

The following tables disclose details of the Company's share options held by directors under the New Scheme and movements in such holdings during the year:

Date of grant	Vesting period	Exercise period	Exercise price HK\$	Number of share options		
				Outstanding at 1.7.2002	Granted during year	Outstanding at 30.6.2003
9 September 2002	9 September 2002 to 8 September 2004	9 September 2004 to 8 September 2012	0.343	–	6,164,168	6,164,168

Total consideration received during the year from directors for taking up the options granted is amounted HK\$8 (2002: Nil).

No charge is recognised in the income statement in respect of the value of options granted in the year (2002: Nil).

During the year ended 30 June 2003, no option were exercised or cancelled under the New Scheme.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 26. RESERVES (DEFICIT)

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
<b>SHARE PREMIUM</b>				
At the beginning of the year	<b>249,546</b>	242,159	<b>249,546</b>	242,159
Premium arising on issue of shares upon the conversion of CLN	<b>63,649</b>	7,387	<b>63,649</b>	7,387
Cancellation against accumulated losses	<b>(230,594)</b>	–	<b>(230,594)</b>	–
Transfer to other distributable reserve	<b>(82,601)</b>	–	<b>(82,601)</b>	–
At the end of the year	<b>–</b>	<b>249,546</b>	<b>–</b>	<b>249,546</b>
<b>LEGAL RESERVE</b>				
At the beginning and the end of the year	<b>323</b>	323	–	–
<b>SPECIAL RESERVE</b>				
At the beginning of the year	<b>7,139</b>	7,139	–	–
<b>CONTRIBUTED SURPLUS</b>				
At the beginning and the end of the year	<b>–</b>	–	<b>124,802</b>	124,802
<b>OTHER DISTRIBUTABLE RESERVE</b>				
Transfer from share premium and at the end of the year	<b>82,601</b>	–	<b>82,601</b>	–
<b>REVALUATION RESERVES</b>				
At the beginning of the year	<b>5,511</b>	13,735	–	–
Deficit arising from revaluation of investment in securities	–	(5,048)	–	–
Realised on disposal of investment in securities	<b>(3,019)</b>	(3,176)	–	–
At the end of the year	<b>2,492</b>	<b>5,511</b>	–	–
<b>TRANSLATION RESERVE</b>				
At the beginning of the year as originally stated	<b>(3,556)</b>	(5,022)	–	–
prior year adjustment in respect of foreign currencies	<b>1,299</b>	448	–	–
as restated	<b>(2,257)</b>	(4,574)	–	–
Exchange differences arising on translation of overseas operations	<b>1,807</b>	2,317	–	–
At the end of the year	<b>(450)</b>	<b>(2,257)</b>	–	–
<b>ACCUMULATED PROFITS (LOSSES)</b>				
At the beginning of the year as originally stated	<b>(292,015)</b>	(363,432)	<b>(563,457)</b>	(562,942)
prior year adjustments in respect of:				
– foreign currencies	<b>(1,299)</b>	(448)	–	–
– employee benefits	<b>(2,648)</b>	(2,386)	–	–
as restated	<b>(295,962)</b>	(366,266)	<b>(563,457)</b>	(562,942)
Eliminated against share premium	<b>230,594</b>	–	<b>230,594</b>	–
Profit for the year	<b>133,892</b>	70,304	<b>279,901</b>	(515)
At the end of the year	<b>68,524</b>	<b>(295,962)</b>	<b>(52,962)</b>	<b>(563,457)</b>
<b>RESERVES (DEFICIT)</b>	<b>160,629</b>	<b>(35,700)</b>	<b>154,441</b>	<b>(189,109)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 26. RESERVES (DEFICIT) – continued

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

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 the group reorganisation in 1991.

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 shares 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.

Pursuant to a special resolution passed on 4 April 2003, the entire amount standing to the credit of the share premium account of the Company was cancelled and the credit arising therefrom was being applied towards eliminating the accumulated losses of the Company as at 31 December 2002 with the remaining balance credited to other distributable reserve of the Company. Other distributable reserve represents the surplus transferred from share premium accounts.

The Company's reserves available for distribution to shareholders as at 30 June 2003 amounted to approximately HK\$154,441,000 (2002: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 27. 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\$3,690,000 (2002: HK\$2,089,000) at the inception of the finance leases.

During the year, HK\$93,732,000 (2002: HK\$10,878,000) of CLNs were converted into 300,828,495 (2002: 34,912,718) ordinary shares of the Company.

Part of the consideration in connection with the issue of new shares of Charming Elastic Fabric Company Limited ("Elastic") in last year, a subsidiary of the Company was settled in the form of property, plant and equipment. At 30 June 2003, production facilities and equipment at cost of HK\$5,677,000 (2002: HK\$7,018,000) have been contributed.

## 28. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Export bills discounted with recourse	-	3,848	-	-
Guarantees given (extent of facilities utilised) to banks in respect of credit facilities granted to subsidiaries	-	-	20,751	79,128
	<u>-</u>	<u>-</u>	<u>20,751</u>	<u>79,128</u>

## 29. PLEDGE OF ASSETS

As at 30 June 2003, the Group has pledged certain of its properties with an aggregate carrying value of approximately HK\$877,000 (2002: HK\$1,003,000), 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 30. CAPITAL COMMITMENTS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	4,292	5,210
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	<u>26,898</u>	<u>44,255</u>
	<u>31,190</u>	<u>49,465</u>

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

## 31. 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:

	2003	2002
	HK\$'000	HK\$'000
– Within one year	13,054	12,732
– In the second to fifth year inclusive	13,888	6,370
– Over five years	<u>3,489</u>	<u>211</u>
	<u>30,431</u>	<u>19,313</u>

Leases are negotiated for an average term of three to five years with fixed rental over the terms of the relevant leases.

The Company had no operating lease commitments as at the balance sheet date (2002: Nil).

## 32. RETIREMENT BENEFITS SCHEMES

The Group has joined a Mandatory Provident Fund scheme (“MPF Scheme”) for all employees in Hong Kong which is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 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.

The eligible employees of the Company’s subsidiaries in the PRC are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits.

Eligible employees of the Company’s subsidiaries in Thailand and Philippines currently participate in a defined contribution pension scheme operated by the local municipal government. The calculation of contributions is based on certain percentages of the employees’ payroll.

During the year, the Group made retirement benefit scheme contributions of HK\$1,681,000 (2002: HK\$1,636,000).

## 33. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transactions	2003 HK\$'000	2002 HK\$'000
Van de Velde N.V. (note a)	Sale of finished products (note d)	24,283	–
	Interest payable on CLN	223	–
AIG Asia Direct Investment Fund Ltd. (note b)	Interest payable on CLN	1,068	2,517
American International Assurance Co. (Bermuda) Ltd. (note b)	Interest payable on CLN	1,068	2,517
Charming Industrial Co. Ltd. (note c)	Purchase of raw materials or semi-finished products (note e)	5,843	5,995

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 33. RELATED PARTY TRANSACTIONS – continued

Notes:

- (a) On 9 September 2002, Mr. Herman Van de Velde and Mr. Lucas A.M. Laureys, directors of Van de Velde N.V. (“VdV”) were appointed as directors of the Company. Since then, VdV became a related party of the Company and it held an interest of 19.17% in the Company as at 30 June 2003. As at 30 June 2003, the balances of trade receivable from VdV amounted to HK\$692,000 while no interest was payable to VdV.
- (b) In last year, AIG Asia Direct Investment Fund Ltd. (“AIGA”) and American International Assurance Co. (Bermuda) Ltd. (“AIA”), both of which are managed by AIG Global Investment Corporation (Asia) Limited (“AIGGIC”), each held US\$4.8 million of the CLN issued by the Company. During the year, all of the CLNs held by AIGA and AIA were converted into 119,700,748 shares of the Company. Lin Sian Zu, John and Tse Koon Hang, Ada, Non-executive Directors of the Company, are executive directors of AIGGIC. As at 30 June 2003, no interest was payable to each of AIGA and AIA (2002: HK\$1,015,000).
- (c) In last year, the Company disposed of a 40% interest in Elastic to Ko Ching Enterprises Limited which is controlled by Mr. Wong Lok Cheung (“Mr. Wong”). Since then, Mr. Wong became a related party of the Group and Elastic became a 60% owned subsidiary of the Company. At 30 June 2003, a trade payable to Charming Industrial Co., Ltd. (“Charming”) amounted to HK\$168,000 (2002: HK\$1,267,000). Mr. Wong has a beneficial interest in Charming.
- (d) The sales were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up.
- (e) The purchases were mutually agreed with the suppliers.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 34. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 June 2003 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
Charming Elastic Fabric Company Limited	Hong Kong	Ordinary – HK\$316,667 Deferred – HK\$810,000	60%	Manufacture of elastic garment straps
Grand Gain Industrial Limited	Hong Kong	Ordinary – HK\$100,000	55%	Laminating business
Long Nan County Grand Gain Underwear Company Limited 龍南縣建盈內衣有限公司	The PRC	HK\$5,000,000	55%	Moulding
Long Nan County Top Form Underwear Co. Ltd 龍南縣黛麗斯內衣 有限公司	The PRC	Capital contribution – HK\$20,000,000	100%	Manufacture of ladies' underwear
Marguerite Lee Limited	Hong Kong	Ordinary – HK\$2,500,000	100%	Retail sales of underwear, sleepwear and other intimate apparel
Marguerite Lee (Overseas) Limited	British Virgin Islands	Ordinary – US\$10	100%	Investment holding

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 34. 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
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	The PRC	Capital contribution – HK\$20,800,000	75%	Manufacture of ladies' underwear
Shenzhen Top Form Underwear Co., Limited 深圳黛麗斯內衣 有限公司	The PRC	Capital contribution – HK\$8,616,475	70%	Manufacture and 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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

## 34. 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
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

## 34. 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 held for a period of twelve years from 10 November 1987. On 18 September 1998, an extension agreement was entered into between the Group and the joint venture partner to extend the joint venture period for a further 10 years to 28 February 2009. 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 held for a period of ten years from 1 January 1992. On 1 January 2002, an extension agreement was entered, between the Group and the joint venture partner to extend the joint venture period for a further 3 years to 5 September 2004. 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 2003, all of the deferred shares issued by subsidiaries were held by group companies. The deferred shares carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective companies. On winding-up, the holders of the deferred shares are entitled to one half of the remaining assets of the respective companies after the first HK\$100,000,000,000 has been distributed equally amongst the holders of the ordinary shares.

None of the subsidiaries had any debt securities subsisting as at 30 June 2003 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.

## FIVE YEAR FINANCIAL SUMMARY

### RESULTS

Year ended 30 June	1999	2000	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)	(Restated)	(Restated)	(Restated)	
Turnover	<u>710,214</u>	<u>742,158</u>	<u>919,465</u>	<u>846,846</u>	<u>1,094,364</u>
(Loss) profit before taxation	(122,537)	38,751	55,846	78,619	158,364
Taxation	<u>(3,182)</u>	<u>(4,669)</u>	<u>(6,480)</u>	<u>(5,582)</u>	<u>(24,087)</u>
(Loss) profit before minority interests	(125,719)	34,082	49,366	73,037	134,277
Minority interests	<u>(195)</u>	<u>(1,576)</u>	<u>(2,651)</u>	<u>(2,733)</u>	<u>(385)</u>
(Loss) profit for the year	<u>(125,914)</u>	<u>32,506</u>	<u>46,715</u>	<u>70,304</u>	<u>133,892</u>

### ASSETS AND LIABILITIES

At 30 June	1999	2000	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)	(Restated)	(Restated)	(Restated)	
Total assets	347,873	346,886	337,872	382,527	423,809
Total liabilities	(462,406)	(430,368)	(359,955)	(318,709)	(135,095)
Minority interests	<u>(8,018)</u>	<u>(9,594)</u>	<u>(11,840)</u>	<u>(22,466)</u>	<u>(20,950)</u>
	<u>(122,551)</u>	<u>(93,076)</u>	<u>(33,923)</u>	<u>41,352</u>	<u>267,764</u>

Note: The summary of results of the Group for the prior periods have been adjusted to reflect the change in accounting policy for the adoption of SSAP 11 "Foreign Currency Translation" and SSAP 34 "Employee Benefits" as described in note 2 to the financial statements.



## NOTICE OF ANNUAL GENERAL MEETING

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**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Top Form International Limited (the “Company”) will be held at Taishan Room, 5/F., Island Shangri-la Hotel, Pacific Place II, Supreme Court Road, Hong Kong, on 15 October 2003, Wednesday, at 10:30 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements of the Company and its subsidiaries and the Reports of the Directors and Auditors for the year ended 30 June 2003;
2. To approve and declare a final and a special dividend;
3. To re-elect retiring Directors and authorise the Board to fix the Directors’ remuneration;
4. To re-appoint Auditors and authorise the Board to fix their remuneration;
5. As special business to consider, and if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions:

A. **“THAT:**

- (a) subject to paragraph (c), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or warrants or similar rights to subscribe for any shares in the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to the shares of the Company issued as a result of (i) a Rights Issue (as hereinafter defined); (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company, shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

## NOTICE OF ANNUAL GENERAL MEETING

- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held;  
or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in the general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company on the register on a fixed record date in proportion to their holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions, or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

**B. “THAT:**

- (a) subject to paragraph (b), the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares which may be repurchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 5 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this Resolution and the said approval shall be limited accordingly; and
- (c) The expression “Relevant Period” shall for the purposes of this Resolution have the same meaning as assigned to it under Ordinary Resolution no. 5A set out in the notice convening this meeting.”

## NOTICE OF ANNUAL GENERAL MEETING

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- C. **“THAT** conditional upon Resolutions no. 5A and 5B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution no. 5B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to Resolution no. 5A, provided that the amount of share capital repurchased by the Company shall not exceed 5 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this Resolution.”

By Order of the Board

**Ng Chi Ho, Dennis**

*Secretary*

Hong Kong, 5 September 2003

*Principal office:*

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

*Notes:*

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the principal office of the Company at Room 1813, 18th Floor, Tower 1, Grand Century Place, 193 Prince Edward Road West, Kowloon, Hong Kong, not less than 48 hours before the time appointed for holding the said meeting.
3. A form of proxy for the meeting will be enclosed with the annual report.
4. The register of members of the Company will be closed from 8 October 2003 (Wednesday) to 15 October 2003 (Wednesday), both days inclusive, for the purpose of establishing entitlement of shareholders to receive the dividends and vote at the meeting. During this period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Secretaries Limited at G/F, BEA HarbourView Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 7 October 2003.
5. With reference to the Ordinary Resolutions sought in item 5A and 5B of this notice, the directors wish to state that they have no immediate plans to issue any new shares or to repurchase any existing shares of the Company. The explanatory statement required by the Listing Rules of the Stock Exchange in connection with the repurchase mandate will be despatched to shareholders together with the annual report.



