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## **TOP FORM INTERNATIONAL LIMITED**

**黛麗斯國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 333)**

### **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2016**

#### **RESULTS**

The board of directors (the “Board”) of Top Form International Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2016 as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 30 June 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	3	<b>1,179,025</b>	1,170,468
Cost of sales		<b>(968,424)</b>	(951,316)
Gross profit		<b>210,601</b>	219,152
Other income		<b>21,917</b>	15,120
Selling and distribution expenses		<b>(24,270)</b>	(25,196)
General and administrative expenses		<b>(173,125)</b>	(166,629)
Finance costs		<b>(233)</b>	(320)
Share of profits of a joint venture		<b>5,054</b>	–
Profit before tax	4	<b>39,944</b>	42,127
Income tax expense	5	<b>(5,660)</b>	(6,219)
Profit for the year		<b>34,284</b>	35,908

\* *For identification purposes only*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)***For the year ended 30 June 2016*

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		<b>32,298</b>	34,178
Non-controlling interests		<b>1,986</b>	1,730
		<u><b>34,284</b></u>	<u>35,908</u>
Earnings per share	7		
Basic		<u><b>HK\$0.15</b></u>	<u>HK\$0.16</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 30 June 2016*

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year	<u><b>34,284</b></u>	<u>35,908</u>
<b>Other comprehensive income</b>		
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement of provision for long service payments	<u>(64)</u>	<u>(121)</u>
	<b>(64)</b>	(121)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of operations outside Hong Kong		
— subsidiaries	<b>(7,130)</b>	(218)
— a joint venture	<b>(429)</b>	–
Reclassification of translation reserve upon loss of control in subsidiaries	<u><b>(4,260)</b></u>	<u>–</u>
Other comprehensive income for the year, net of income tax	<u><b>(11,883)</b></u>	<u>(339)</u>
Total comprehensive income for the year	<u><b>22,401</b></u>	<u>35,569</u>
Total comprehensive income attributable to:		
Owners of the Company	<b>20,696</b>	33,827
Non-controlling interests	<u><b>1,705</b></u>	<u>1,742</u>
	<u><b>22,401</b></u>	<u>35,569</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>96,748</b>	117,786
Prepaid land lease payments		<b>1,527</b>	1,575
Investment properties		<b>100,991</b>	104,725
Derivative financial instrument		<b>3,639</b>	–
Interest in a joint venture	8	<b>17,580</b>	–
Prepaid rental payments		<b>1,335</b>	1,883
		<hr/> <b>221,820</b> <hr/>	<hr/> 225,969 <hr/>
<b>Current assets</b>			
Inventories		<b>135,293</b>	189,494
Debtors and other receivables	9	<b>192,245</b>	174,671
Bills receivable	10	–	2,752
Amount due from a joint venture		<b>11</b>	–
Prepaid land lease payments		<b>48</b>	48
Current tax recoverable		–	10
Bank balances and cash		<b>166,680</b>	169,215
		<hr/> <b>494,277</b> <hr/>	<hr/> 536,190 <hr/>
<b>Current liabilities</b>			
Creditors and accrued charges	11	<b>117,460</b>	150,687
Obligation under finance lease		<b>139</b>	–
Current tax payable		<b>4,638</b>	5,686
		<hr/> <b>122,237</b> <hr/>	<hr/> 156,373 <hr/>
<b>Net current assets</b>		<hr/> <b>372,040</b> <hr/>	<hr/> 379,817 <hr/>
<b>Total assets less current liabilities</b>		<hr/> <b>593,860</b> <hr/>	<hr/> 605,786 <hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***At 30 June 2016*

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Obligation under finance lease	<b>338</b>	–
Retirement benefit obligations	<b>1,253</b>	1,460
Deferred tax liabilities	<b>23,436</b>	25,353
	<hr/> <b>25,027</b>	<hr/> 26,813
	<hr/> <b>568,833</b>	<hr/> 578,973
<b>Capital and reserves</b>		
Share capital	<b>107,519</b>	107,519
Reserves	<b>450,199</b>	451,007
	<hr/> <b>557,718</b>	<hr/> 558,526
Equity attributable to owners of the Company	<b>11,115</b>	20,447
Non-controlling interests	<hr/> <b>568,833</b>	<hr/> 578,973

Notes:

## 1. BASIS OF PREPARATION

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 30 June 2016 but are extracted from those financial statements.

The Group's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010–2012 Cycle*
- *Annual Improvements to HKFRSs 2011–2013 Cycle*

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3. REVENUE AND SEGMENT INFORMATION

Revenue represents the sale value of goods. The Group manages its business as a single unit and, accordingly, the manufacturing and sale of ladies' intimate apparel is the only reportable segment and virtually all of the revenue and operating profits is derived from this business segment. The consolidated financial statements are already presented in a manner consistent with the way in which information is reported internally to the Company's executive directors, being the chief operating decision maker, for the purposes of resources allocation and operating performance review.

The chief operating decision maker regularly assesses available production capacity on a plant by plant basis, however, no discrete financial information is available for each plant for the purpose of resources allocation and operating performance review. The chief operating decision maker reviews financial information on a consolidated basis. Accordingly, no separate business segment information is disclosed.

The accounting policies adopted for the preparation of the financial information reviewed by the executive directors are the same as those adopted in preparing the Group's financial statements. Segment revenue is the consolidated revenue of the Group. Segment profit or loss is the consolidated profit or loss after tax.

All the Group's segment assets and liabilities are under the manufacturing business as at 30 June 2016 and 2015.

### 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### (a) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, prepaid land lease payments, investment properties, interest in a joint venture and prepaid rental payments ("specified non-current assets"). The geographical location of customers is based on the location to which the goods are delivered.

	Revenue from external customers		Specified non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	6,767	6,219	22,824	22,807
USA	694,691	659,076	–	–
Belgium	102,815	91,452	–	–
New Zealand	49,543	105,735	–	–
The Netherlands	48,303	47,712	–	–
France	43,541	52,653	–	–
Spain	40,808	42,664	–	–
Germany	36,293	23,540	–	–
Canada	33,896	17,277	–	–
The People's Republic of China ("PRC")	15,239	11,721	143,925	149,209
Thailand	2,438	1,270	45,518	49,616
Cambodia	–	–	5,400	4,337
Others	104,691	111,149	–	–
	<u>1,179,025</u>	<u>1,170,468</u>	<u>217,667</u>	<u>225,969</u>

#### (b) Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group from the manufacturing operating segment are as follows:

	2016 HK\$'000	2015 HK\$'000
Customer A	523,463	489,403
Customer B	<u>170,751</u>	<u>87,463</u>

#### 4. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Auditor's remuneration	1,852	1,942
Depreciation of property, plant and equipment	21,120	24,057
Allowance for obsolete inventories (included in costs of sales)	5,776	8,691
Gain arising from reclassification of translation reserve upon loss of control in subsidiaries	(4,260)	–
Release of prepaid land lease payments	48	48
(Gain)/loss on disposal of property, plant and equipment	(126)	68
	<u>(4,723)</u>	<u>(4,647)</u>
Gross rental income from investment properties	(4,723)	(4,647)
Less: Direct operating expenses from investment properties that generate rental income during the year	64	61
	<u>(4,659)</u>	<u>(4,586)</u>
Minimum lease payments paid under operating leases in respect of land and buildings	14,085	14,337
Increase in fair value of investment properties	(1,786)	(3,100)
Cost of inventories recognised as an expense	962,648	942,625
Net exchange loss	8,053	5,582
Staff costs, including directors' emoluments	405,397	405,999
Interest income	(1,589)	(2,473)
Fair value gain of derivative financial instrument	(3,639)	–

#### 5. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax:		
Hong Kong	5,954	4,265
Other jurisdictions	478	1,227
	<u>6,432</u>	<u>5,492</u>
Over-provision in prior years:		
Hong Kong	(234)	(348)
Other jurisdictions	–	(3)
	<u>(234)</u>	<u>(351)</u>
Deferred taxation		
Current year	(538)	1,078
	<u>(538)</u>	<u>1,078</u>
	<u>5,660</u>	<u>6,219</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.



## 6. DIVIDENDS

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2015 final dividend of HK\$0.05 per share (2015: 2014 final dividend of HK\$0.05 per share and 2014 special dividend of HK\$0.05 per share)	<b>10,752</b>	21,504
2016 interim dividend of HK\$0.05 per share (2015: 2015 interim dividend of HK\$0.05 per share)	<b>10,752</b>	10,752
	<b><u>21,504</u></b>	<u>32,256</u>

Dividends proposed after the end of the reporting period:

2016 final dividend of HK\$0.05 per share (2015: 2015 final dividend of HK\$0.05 per share)	<b><u>10,752</u></b>	<u>10,752</u>
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Final dividend proposed by the directors are subject to approval by the shareholders at the annual general meeting.

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit attributable to the owners of the Company for the purpose of computing basic earnings per share	<b><u>32,298</u></b>	<u>34,178</u>
	<b>Number of shares</b>	
	<b>2016</b>	2015
Number of ordinary shares for the purpose of computing basic earnings per share	<b><u>215,037,625</u></b>	<u>215,037,625</u>

No diluted earnings per share has been presented because there are no dilutive potential ordinary shares outstanding for both years.

## 8 INTEREST IN A JOINT VENTURE

The Group entered into a shareholders' agreement (the "Shareholders' Agreement") with New Horizon International Investments Limited ("New Horizon"), an independent third party, immediately after completion of the acquisition of 40% of the issued ordinary shares of Charming Elastic Fabric Company Limited ("Charming"), a then 60% held subsidiary of the Group, by New Horizon from Charming's then 40% held minority shareholder on 4 November 2015.

Under the Shareholders' Agreement, the substantive operating and financing decisions related to Charming are under the joint control by the Group and New Horizon. As a result, although the Group's shareholding in Charming remains unchanged at 60%, the Group has lost control over Charming. The Group has ceased consolidating Charming and has then accounted for its interest in Charming as a joint venture, which is initially recognised at fair value. A gain of HK\$4,260,000 was recognised, being the reclassification of related translation reserve.

According to the Shareholders' Agreement, should Charming together with its subsidiary be able to achieve certain pre-agreed performance targets up to 31 December 2018, New Horizon shall have the right to subscribe for new ordinary shares in Charming such that New Horizon may eventually hold up to 51% of the then entire issued ordinary shares of Charming. Further, should New Horizon eventually hold 51% of the then entire issued ordinary shares of Charming, the Group shall have the right to dispose of part or all of its interest in Charming to New Horizon up to 30 June 2022.

Charming, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available. Details of net assets deemed to be disposed of due to the loss of control in Charming are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	11,565
Inventories	5,998
Debtors and other receivables	2,906
Amount due from immediate holding company	1,954
Bank balances and cash	7,609
Creditors and accrued charges	(8,408)
Amounts due to fellow subsidiaries	(31)
Retirement benefit obligations	(1)
	<hr/>
	21,592
Less: Non-controlling interests	(8,637)
	<hr/>
Net assets deemed to be disposed of	12,955
Less: Interest in a joint venture recognised	(12,955)
	<hr/>
Gain on loss of control in subsidiaries before reclassification of translation reserve	–
Reclassification of translation reserve	4,260
	<hr/>
Gain on loss of control in subsidiaries	<u>4,260</u>

## 9. DEBTORS AND OTHER RECEIVABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade debtors	<b>171,272</b>	152,617
Other receivables	<b>20,973</b>	22,054
	<b>192,245</b>	174,671

### (a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in debtors and other receivables), based on the invoice date is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
1–90 days	<b>162,298</b>	140,387
91–180 days	<b>8,974</b>	12,230
	<b>171,272</b>	152,617

### (b) Trade debtors that are not impaired

The Group allows an average credit period of 45 days (2015: 30 days) to its trade customers. Before accepting any new customers, the Group will assess the potential customer's credit quality. The management of the Company assesses the credit quality of the trade debtors based on payment due date. An ageing analysis of trade debtors based on the payment due date, at the end of the reporting period is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired	<b>158,401</b>	122,828
1–30 days past due	<b>6,929</b>	24,435
31–60 days past due	<b>5,014</b>	4,443
Over 60 days past due	<b>928</b>	911
	<b>12,871</b>	29,789
	<b>171,272</b>	152,617

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 10. BILLS RECEIVABLE

As at 30 June 2015, all bills receivable are aged within 30 days. The Group did not hold any collateral over these balances.

## 11. CREDITORS AND ACCRUED CHARGES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade creditors	<b>65,527</b>	93,703
Other creditors and accrued charges	<b>51,933</b>	56,984
	<b>117,460</b>	150,687

An ageing analysis of trade creditors based on the payment due date at the end of the reporting period is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current	<b>52,282</b>	77,758
1–30 days past due	<b>11,576</b>	10,798
31–60 days past due	<b>1,492</b>	4,064
Over 60 days past due	<b>177</b>	1,083
	<b>65,527</b>	93,703

As the average credit period on purchases of goods is 30 days, a majority of the balances which as disclosed above are within 90 days from the invoice date. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Other creditors and accrued charges mainly represented accrued freight charges, salaries and other operating expenses.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's operational focus is in its core Manufacturing activity, together with a Corporate cost centre.

	Revenue		Profit (loss/expenses)	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Manufacturing	<b>1,179,025</b>	1,170,468	<b>55,712</b>	57,188
Corporate	–	–	<b>(15,768)</b>	(15,061)
	<b><u>1,179,025</u></b>	<u>1,170,468</u>	<b><u>39,944</u></b>	<u>42,127</u>

For the year ended 30 June 2016, the sales revenue of the Group increased slightly by 1% to HK\$1,179 million from HK\$1,170 million of sales revenue in fiscal 2015 whilst profit after taxation declined by 5% to HK\$34.2 million from HK\$35.9 million in previous year.

### MANUFACTURING

Our first half recorded HK\$618 million of sales as compared to HK\$561 million of sales in the second half of the fiscal year. The drop in sales and orders in the second half reflect the softness of demand in our markets and the cautious inventory management in the supply chain. Though the full year sales revenue showed a modest increase as compared with last year, the decline in gross margin from 19% last year to 18% for the year has reduced both the gross profit and after tax earnings of the Group for the current year.

In monetary terms, 59% of our sales were to the US market whilst the sales to the EU represented 27% and the rest of the world accounted for 14%. The average selling price continues to decline resulting from the price driven demand in the business.

The business environment continues to be challenging. In a climate of volatile demands and evolving market structure, price competition has inevitably become one of the major factors in supply chain decisions. To continue to be competitive in the market place, we are delivering value via providing strategic manufacturing and supply chain capabilities, managing our operations with continued productivity improvements and providing various aspects of service to cater for our customers' needs. To that end, we have continued to invest in projects and systems to improve our manufacturing methods, supply chain processes and product capabilities. These include the implementations of new production planning system and a Product Lifecycle Management ("PLM") system for optimizing our product development, and production planning processes to ensure efficiency in our entire supply chain.

During the fiscal year, China accounted for 41% (2015: 47%) of our global capacity, Thailand 49% (2015: 47%) and Cambodia 10% (2015: 6%). The proportion of overseas capacity further increased and it represented 59% of the global capacity during the year.

Gross margin declined to 18% in current year as compared to 19% in previous year. Nevertheless, the gross margin remained flat at 18% as compared to the second half of last fiscal 2015. The operating environment is no less difficult mainly from rising labor costs impacting on our manufacturing operation. The statutory minimum wage in Jiangxi Province, China has increased by 11% starting from 1 October 2015 and the statutory minimum wage in Cambodia has increased by 9% from 1 January 2016. This cost pressure has been alleviated by the weakening of Thai Baht and RMB against US dollars during the year. Raw material prices remained stable.

Adhering to our plan of expanding our overseas capacity, by end of this fiscal year, the proportion of production from the overseas plants has increased to 60% of our global capacity whilst China accounted for the remaining 40%. Towards the end of the fiscal year, the labor unions at our Cambodian plant orchestrated a short labor strike demanding further flexibility in their working hour which ended after three days upon satisfactory legal and administrative actions. At the time of writing, we are in the process of further rationalizing our Cambodian operations by natural attrition while putting further effort on an expedition to Yangon, Myanmar. We note that Myanmar offers an opportunity for realizing lower labor cost while serving as an option for our EU customers to enjoy duty saving imports from Myanmar. Given the softness of business in the coming months, we will maintain the current production capacity before further expansion and continue to assess the strategic and cost effectiveness of our current manufacturing footprint.

The general and administrative expenses show modest increase by 4%. Such increase is mainly due to the professional fee incurred for installing the PLM and order planning & management system and engagement of additional managers for our operations.

## **CORPORATE**

The costs attributable to our corporate cost centre for the year amounted to HK\$15.8 million as compared to HK\$15.1 million in the previous year.

## **FINANCIAL POSITION**

The financial position of the group remains healthy with shareholders' funds standing at HK\$558 million as at 30 June 2016 compared with HK\$559 million at the previous year end. Bank balances and cash stood at HK\$167 million whilst credit facilities available to the Group amounted to HK\$149 million and gearing remained at an insignificant level.

Inventory turnover period reduced to 61 days as compared to 70 days in previous year which is mainly due to the improvement in inventory control management.

Capital expenditure during the year amounted to HK\$13.95 million which was mainly spent on machineries and software for production planning.

## **FOREIGN EXCHANGE RISK**

The Group is mainly exposed to fluctuations in exchange rates of Euro, HK dollars, RMB, US dollars and Thai Baht. Majority of the sales revenue are denominated in US dollars, the foreign exchange exposure in respect of US dollars against HK dollars is considered minimal as HK dollars pegged with US dollars. The Group manages its foreign exchange exposure by performing regular review and by taking prudent measures to minimize the currency translation risk.

## **OUTLOOK & FUTURE DEVELOPMENT**

The general outlook for the next twelve months is challenging. The decision of Brexit and the potential economic impact to EU, slowdown of China's economic growth as well as volatility of the currency markets are causes for concern in the global economy. We will continue to monitor closely our exposures to various financial risks posed by the challenges presented in the consumer market. Consumer behavior remains cautious and we do not expect an upturn in business demand and financial performance in the near future.

Whilst the business environment continues to be challenging, we will focus on improving the effectiveness and efficiency of our business by investing in various improvements projects, as well as tools such as PLM system and new production planning system which will optimize our overall business processes and add to our product capabilities. These actions will serve us well to meet the short term challenges ahead and sustain the growth of the business in the long run.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 30 June 2016.

## **CORPORATE GOVERNANCE**

The Group continues to commit itself to maintaining high standards of corporate governance principles and practices with an emphasis on enhancing transparency and accountability. The Group is also committed to ensuring the application of these principles and practices within the Group and thereby, enhancing shareholder value and benefiting our stakeholders at large.

The Company has, throughout the year under review, complied with the code provisions as set out in the Corporate Governance Code, Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following deviations:

### **Code Provisions A.4.1, A.4.2 and A.5.1**

Code Provision A.4.1 provides, inter alia, that Non-executive Directors should be appointed for a specific term and subject to re-election.

Non-executive Directors of the Company are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years in accordance with the Company's Bye-laws.

Code Provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Chairman shall not, while holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire each year. In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in the role of Chairman and, in consequence, the Board is of the view that the Chairman should not be subject to retirement by rotation or hold office for a limited term at the present time.

Code Provision A.5.1 provides that the Company should establish a Nomination Committee which is chaired by the Chairman of the Board or an Independent Non-executive Director and comprises a majority of Independent Non-executive Directors.

The Nomination Committee is chaired by Mr. Fung Wai Yiu, a Non-executive Director of the Company, instead of Chairman of the Board or an Independent Non-executive Director during the period from 31 October 2014 to 26 August 2015. Mr. Fung retired as Chairman and Executive Director of the Company and was re-designated as a Non-executive Director on 31 October 2014. The Board considers that Mr. Fung's assumption as of the role as the Chairman of the Nomination Committee will ensure the stability and smooth transition of the Committee during the interim period. At the board meeting held on 27 August 2015, the Board has appointed Mr. Chow Yu Chun, Alexander, an Independent Non-executive Director of the Company, as the Chairman of the Nomination Committee with effect from 27 August 2015.

In view of the amendments to the Corporate Governance Code effective for the accounting period beginning on 1 January 2016, the Board has adopted a revised Terms of Reference of Audit Committee on 19 February 2016 in order to comply with certain changes related to the risk management and internal control section of the Corporate Governance Code.

### **CONFIRMATION OF INDEPENDENCE ON INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules of the Stock Exchange. The Company has assessed their independence and concluded that all the Independent Non-executive Directors are independent.



## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules of the Stock Exchange as its own code for dealing in the securities of the Company by the Directors. Based on specific enquiry made with all Directors, the Company considers that the Directors complied with the required standard as set out in the Model Code throughout the year under review.

Employees who are likely to be in possession of inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.

## **AUDIT COMMITTEE**

The Audit Committee comprises Mr. Marvin Bienenfeld, Mr. Chow Yu Chun, Alexander, Ms. Leung Churk Yin, Jeanny, Mr. Leung Ying Wah, Lambert and Mr. Lin Sun Mo, Willy, all of whom are Independent Non-executive Directors of the Company.

The Audit Committee, together with the management and the Company’s external auditors, KPMG, have reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, and reviewed the financial results for the year ended 30 June 2016.

## **DIVIDEND**

The Board has recommended the declaration of a final dividend of HK\$0.05 per share for the year ended 30 June 2016 (for the year ended 30 June 2015: a final dividend of HK\$0.05 per share) subject to the approval of shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting (“AGM”). The proposed final dividend will be paid to the Shareholders on 30 November 2016 whose names appear on the registers of members of the Company on 15 November 2016.

An interim dividend of HK\$0.05 per share for the six months ended 31 December 2015 has been paid to the Shareholders during the year ended 30 June 2016 (for the six months ended 31 December 2014: HK\$0.05 per share).

## **CLOSURE OF REGISTERS OF MEMBERS**

### **(a) Entitlement to attend and vote at the 2016 AGM**

The main and branch registers of members of the Company will be closed from 7 November 2016 to 8 November 2016 for the purpose of determining the shareholders’ entitlement to attend and vote at the AGM. During that period, no transfer of shares will be registered. In order to qualify for the shareholders’ entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 4 November 2016.

**(b) Entitlement to the proposed final dividend**

The main and branch registers of members of the Company will be closed from 14 November 2016 to 15 November 2016 for the purpose of determining the shareholders' entitlement to the proposed final dividend. During that period, no transfer of shares will be registered. In order to qualify for the proposed final dividend for the year ended 30 June 2016, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 11 November 2016.

**EMPLOYEES**

As at 30 June 2016, the Group had employed approximately 7,825 employees (30 June 2015: approximately 8,090 employees). The remuneration policy and package of the Group's employees are structured by reference to the prevailing market conditions and statutory requirements as appropriate. The Group also provides other staff benefits such as medical insurance, mandatory provident fund contributions and a share option scheme to its employees.

On behalf of the Board  
**Top Form International Limited**  
**Wong Chung Chong**  
*Chairman*

Hong Kong, 26 August 2016

*As at the date of this announcement, the Board comprises Mr. Wong Chung Chong, Mr. Wong Kai Chi, Kenneth and Mr. Wong Kai Chung, Kevin as executive directors; Mr. Fung Wai Yiu, Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde as non-executive directors; and Mr. Marvin Bienenfeld, Mr. Chow Yu Chun, Alexander, Ms. Leung Churk Yin, Jeanny, Mr. Leung Ying Wah, Lambert and Mr. Lin Sun Mo, Willy as independent non-executive directors.*