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If you have sold or transferred all your securities in Top Form International Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

**Independent financial adviser to  
the Independent Board Committee and the Independent Shareholders**

**VEDA | CAPITAL**  
**智 略 資 本**

A letter from the Board is set out on pages 4 to 10 of this circular. A letter from the Independent Board Committee is set out on pages 11 and 12 of this circular. A letter from Veda Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 24 of this circular.

The notice convening the SGM is set out on pages 31 and 32 of this circular. The SGM is to be held at 7/F, Port 33, 33 Tseuk Luk Street, San Po Kong, Kowloon, Hong Kong on Friday, 22 May 2020 at 10:00 a.m. to approve the matters referred to in this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event, not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

In light of the outbreak of novel coronavirus (COVID-19), the Company will implement the following precautionary measures at the SGM in order to protect the health and safety of the attendees at the SGM, including:

- (1) all attendees will subject to compulsory body temperature checks the entrance of the meeting venue;
- (2) all attendees will be required to wear surgical face masks throughout the SGM;
- (3) any person who does not comply with the above measures may be denied entry to the meeting venue; and
- (4) no beverage or refreshments will be served at the SGM, and there will be no corporate gifts.

**The Company strongly recommends the Shareholders to exercise their voting rights by appointing the chairman of the SGM as their proxy to vote on the relevant resolution at the SGM as an alternative to attending the SGM in person.**

\* for identification purpose only

# CONTENTS

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Continuing Connected Transactions .....	4
Circular .....	9
Special General Meeting .....	9
Recommendation .....	10
Additional Information .....	10
<b>Letter from the Independent Board Committee</b> .....	11
<b>Letter from Veda Capital</b> .....	13
<b>Appendix — General Information</b> .....	25
<b>Notice of Special General Meeting</b> .....	31

## DEFINITIONS

*In this circular, the following expressions have the following meanings unless the context otherwise requires:*

“1st Renewal Agreement”	the renewal agreement dated 12 June 2008 entered into between the Company and VDV to renew the terms of the Master Agreement for a period from 1 July 2008 to 30 June 2011
“2nd Renewal Agreement”	the renewal agreement dated 1 April 2011 entered into between the Company and VDV to renew the terms of the Master Agreement for a period from 1 July 2011 to 30 June 2014
“3rd Renewal Agreement”	the renewal agreement dated 9 April 2014 entered into between the Company and VDV to renew the terms of the Master Agreement for a period from 1 July 2014 to 30 June 2017
“4th Renewal Agreement”	the renewal agreement dated 10 April 2017 entered into between the Company and VDV to renew the terms of the Master Agreement from 1 July 2017 to 30 June 2020
“5th Renewal Agreement”	the renewal agreement dated 7 April 2020 entered into between the Company and VDV to renew the terms of the Master Agreement from 1 July 2020 to 30 June 2023
“associates”	has the meaning as defined under the Listing Rules
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“Company”	Top Form International Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“continuing connected transactions”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited

## DEFINITIONS

“Independent Board Committee”	an independent board committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the terms of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated under the 5th Renewal Agreement
“Independent Shareholders”	Shareholders other than Mr. Lucas A.M. Laureys, Mr. Herman Van de Velde, VDV and their respective associates
“Latest Practicable Date”	28 April 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement dated 18 September 2005 entered into between the Company and VDV with regard to the sale of ladies’ intimate apparel by the Group to VDV
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be held on Friday, 22 May 2020 at 10:00 a.m. to consider and approve the 5th Renewal Agreement and the annual caps of the underlying transactions contemplated under the 5th Renewal Agreement
“Shareholders”	holders of the Shares
“Shares”	the ordinary shares of HK\$0.50 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

## DEFINITIONS

“VDV”	Van de Velde N. V., a company incorporated in Belgium and the securities of which are listed on the Euronext Brussels stock exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

## LETTER FROM THE BOARD



### TOP FORM INTERNATIONAL LIMITED

黛麗斯國際有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 333)

*Executive Directors:*

Mr. Wong Chung Chong (*Chairman*)  
Mr. Wong Kai Chung, Kevin (*Chief Executive Officer*)  
Mr. Wong Kai Chi, Kenneth (*Managing Director*)

*Non-executive Directors:*

Mr. Fung Wai Yiu  
Mr. Lucas A.M. Laureys  
Mr. Herman Van de Velde

*Independent non-executive Directors:*

Ms. Leung Churk Yin, Jeanny  
Mr. Leung Ying Wah, Lambert  
Mr. Lin Sun Mo, Willy

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton, HM 11  
Bermuda

*Principal Place of Business*

*In Hong Kong:*  
7/F, Port 33  
33 Tseuk Luk Street  
San Po Kong, Kowloon  
Hong Kong

5 May 2020

*To the Shareholders*

Dear Sir or Madam,

### RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

#### CONTINUING CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 18 September 2005, 18 June 2008, 1 April 2011, 9 April 2014, 30 April 2014, 10 April 2017 and 7 April 2020 in respect of the continuing connected transactions between the Group and VDV.

The Company entered into the Master Agreement, the 1st Renewal Agreement, the 2nd Renewal Agreement, the 3rd Renewal Agreement and the 4th Renewal Agreement with VDV with regard to the sale of ladies' intimate apparel by the Group to VDV. Given that the 4th Renewal Agreement will expire on 30 June 2020 and the Group expects that the continuing connected transactions will continue on a recurring basis, the Company entered into the 5th Renewal Agreement with VDV to renew the terms of the Master Agreement for a further three years commencing from 1 July 2020 and ending on 30 June 2023 to continue the sale of ladies' intimate apparel by the Group to VDV.

\* for identification purpose only

## LETTER FROM THE BOARD

### Details of the 5th renewal agreement

- Date of the agreement: 7 April 2020
- The subject: Sale of ladies' intimate apparel by the Group to VDV
- Parties involved: (a) the Group, as the seller; and  
(b) VDV, as the purchaser
- Duration of the agreement: Three years from 1 July 2020 to 30 June 2023. Thereafter, subject to compliance with the applicable Listing Rules, the 5th Renewal Agreement may be renewed for each and every three-year interval in the future.
- Pricing policy: The 5th Renewal Agreement sets out the framework of the pricing policy. The actual pricing and the terms and conditions of payment shall be determined between the parties on each purchase order basis. The ladies' intimate apparel manufactured by the Group varies in design, features, complexity and manufacturing time. The selling price of each product is determined by reference to the total costs per product, plus a certain range of markup rate of no less than 5%. The markup rate is determined by reference to different product category and will be varied from different value added procedures and manufacturing time of each product in different product category. Such sales will be satisfied in cash within a period of 7 days or 30 days (applicable as the case may be).
- All the price quotations to VDV would be prepared by the sales teams of the Group and subject to the review and pre-approval of an executive Director (who does not have any material interests in the transactions). The executive Director will compare the gross profit margin of sales to VDV to those of sales to other independent third party customers of the same product category with similar features, complexity and manufacturing time. If the terms of the orders offered by VDV after the price negotiations are below the lower limit of the markup rate, the Group may choose not to accept the orders placed by VDV. By doing so, the Directors consider that the sales transactions are conducted on normal commercial terms and on terms no more favourable than those charged by the Group to other independent third party customers and not prejudicial to the interests of the Company and its Shareholders as a whole.

## LETTER FROM THE BOARD

The following table sets out more detailed information about the sales of ladies' intimate apparel by the Group to VDV for the two financial years ended 30 June 2019 and for the period from 1 July 2019 to 31 December 2019:

For the year/ period ended	Actual sales of ladies' intimate apparel by the Group to VDV <i>(HK\$ million)</i>	Percentage of the actual sales representing the Group's audited consolidated turnover <i>(%)</i>	Annual caps <i>(HK\$ million)</i>	Respective annual/period percentage change in sales <i>(%)</i>
30 June 2018	103.9	8.1	130	–
30 June 2019	102.8	8.4	145	(1.1)
From 1 July 2019 to 31 December 2019	36.3 <i>(unaudited)</i>	5.6 <i>(unaudited)</i>	160 <i>(for the financial year ending 30 June 2020)</i>	(33.5) <i>(Note 1)</i>

*Note 1:* Comparing with the sale of ladies' intimate apparel to VDV of HK\$54.6 million for the six months ended 31 December 2018.

### **Basis for determination of the annual caps**

The proposed annual caps for the sale of ladies' intimate apparel by the Group to VDV for the three financial years ending 30 June 2023 will be HK\$160 million for the year ending 30 June 2021, HK\$170 million for the year ending 30 June 2022 and HK\$180 million for the year ending 30 June 2023, respectively. As shown above, the sales of ladies' intimate apparel to VDV amounted to approximately HK\$36.3 million for the six months ended 31 December 2019, representing a decrease of 33.5% as compared to the transaction amounts for the six months ended 31 December 2018. Based on the discussion between the management of the Company and VDV, the decrease in sales to VDV was due to VDV's temporary plan to clean up inventory and VDV expected to resume its purchase amount of ladies' intimate apparel from the Group starting from the financial year ending 30 June 2021. In view of the above, the proposed annual cap for the year ending 30 June 2021 is HK\$160 million, which is the same as the annual cap for the year ending 30 June 2020.

Concerning on the continuous spreading of COVID-19, particularly in the Europe area, VDV may have an urgent need to create more flexibility in its supply chain. The Group considered to assist VDV in a possible increased capacity and/or supply chain diversification process given the Group's strong network in Asia. Therefore, the Group expected to have a possible increase in purchase orders from VDV and/or change in production model under the 5th Renewal Agreement, which will lead to increase in the transaction amounts with VDV. The Directors considered that the aforesaid factors shall be taken into consideration when determining the proposed annual caps for the three financial years ending 30 June 2023.



## LETTER FROM THE BOARD

Having considered (i) the historical sales figures and as mentioned above, the decrease in sales to VDV for the six months ended 31 December 2019 as compared to last corresponding period was temporary as VDV is expected to resume its purchase amount starting from the financial year ending 30 June 2021; (ii) the aforesaid possible increase in purchase orders and the potential change of production model with VDV that will lead to increase in transaction amounts for the continuing connected transactions between the Group and VDV; (iii) provision of more value added production procedures and technology; (iv) the discussions between the management of the Company and VDV in arriving at the annual caps and the projections of annual growth rate of sales for the three financial years ending 30 June 2023; and (v) the prevailing and the expected market conditions, the Directors are of the view that the proposed annual caps are fair and reasonable, on normal commercial terms and in the interest of the Company and Shareholders as a whole.

For the avoidance of doubt, these annual caps represent the maximum value of sales by the Group to VDV in each year. There is no minimum or implied value of sales in each of these years.

### **Internal Control Measures**

In order to ensure that the transactions contemplated under the 5th Renewal Agreement will be conducted in accordance with the terms of the 5th Renewal Agreement and the pricing policy, the Company has adopted the following internal control procedures:

- The senior management of the Company will monitor the total transaction amounts and projected sales amount with VDV that may possibly be incurred in the coming months on a monthly basis to ensure the amount of transactions contemplated under the 5th Renewal Agreement will not exceed the proposed annual caps;
- The finance department of the Company will conduct regular checks on the sales transactions with VDV to monitor the transaction amounts and will review and assess the fairness of the transaction terms and pricing terms;
- The Company's external auditors will conduct annual review on the pricing policy and the proposed annual caps of transactions contemplated under the 5th Renewal Agreement; and
- The independent non-executive Directors will conduct annual review on the transactions contemplated under the 5th Renewal Agreement and make annual confirmation in the Company's annual report.

### **Reasons for entering into the 5th Renewal Agreement and the transactions contemplated thereunder**

The Company is an investment holding company. The principal business activities of the Group are the design, manufacture and distribution of ladies' intimate apparel, principally brassieres.

VDV is a manufacturer and marketer of luxury lingerie.

## LETTER FROM THE BOARD

For the past 38 years, the Group has been supplying ladies' intimate apparel to VDV. It is anticipated that the Group will continue to carry out such transactions on a recurring basis. In order to continue the sale of ladies' intimate apparel by the Group to VDV, the Company entered into the 5th Renewal Agreement to renew the terms of the Master Agreement for a period of three years ending 30 June 2023.

The transactions contemplated under the 5th Renewal Agreement are expected to continue on a recurring basis in the ordinary and usual course of business, on normal commercial terms agreed after arm's length negotiations between the Group and VDV. The Directors are not aware of any disadvantage of the transactions contemplated under the 5th Renewal Agreement to the Group. The Directors are of the view that the terms of the 5th Renewal Agreement and the annual caps of the underlying transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Listing Rules implications**

Given that (i) Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde, the non-executive director and the chairman of VDV respectively, are non-executive Directors of the Company; (ii) Mr. Herman Van de Velde and the two daughters of Mr. Lucas A.M. Laureys (associates of Mr. Lucas A.M. Laureys under Chapter 14A of the Listing Rules) hold an indirect equity interest of 56.26% in VDV via a jointly controlled corporation; and (iii) VDV, a substantial shareholder of the Company, is beneficially and directly interested in approximately 25.66% of the entire issued share capital of the Company, the transactions between the Group and VDV contemplated under the 5th Renewal Agreement therefore constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual cap for each of the three financial years ending 30 June 2021, 2022 and 2023 exceeds 5%, the continuing connected transactions under the 5th Renewal Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements, and annual review by the independent non-executive Directors and the auditors of the Company under Chapter 14A of the Listing Rules. As the continuing connected transactions are of a revenue nature and in the ordinary and usual course of business of the Company, pursuant to Rule 14.04(1)(g) of the Listing Rules, the continuing connected transactions are exempted from the requirements under Chapter 14 of the Listing Rules.

### **Formation of an independent board committee and appointment of independent financial adviser**

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Veda Capital, an Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated therein are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

## LETTER FROM THE BOARD

### **Directors' interests in the 5th Renewal Agreement**

As at the Latest Practicable Date, Mr. Herman Van de Velde and the two daughters of Mr. Lucas A.M. Laureys (associates of Mr. Lucas A.M. Laureys under Chapter 14A of the Listing Rules) were deemed to be interested in 55,184,708 Shares, representing approximately 25.66% of the entire issued share capital of the Company by virtue of their indirect holding of 100% equity interest of Van de Velde Holding N.V., which in turn, directly held 56.26% of the equity interest of VDV. VDV is a substantial shareholder of the Company holding approximately 25.66% of the issued share capital of the Company.

Mr. Herman Van de Velde and Mr. Lucas A.M. Laureys, who have material interests in the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder, have abstained from voting on the relevant board resolutions. As at the Latest Practicable Date, each of Mr. Herman Van de Velde, Mr. Lucas A.M. Laureys, VDV and their respective associates who is deemed to be interested in 55,184,708 Shares, representing approximately 25.66% of the entire issued share capital of the Company, will abstain from voting on the resolution in relation to the 5th Renewal Agreement and the relevant annual caps of the underlying transactions to be passed at the SGM.

Save as aforesaid mentioned, none of the Directors has material interests in the 5th Renewal Agreement and are required to abstain from voting on the relevant resolution at the SGM.

### **CIRCULAR**

The purposes of this circular are:

- (i) to provide the Independent Shareholders with details of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated under the 5th Renewal Agreement;
- (ii) to set out the view of and the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated under the 5th Renewal Agreement;
- (iii) to set out the opinion and recommendation of Veda Capital in respect of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated under the 5th Renewal Agreement to the Independent Board Committee and Independent Shareholders; and
- (iv) to give notice of the SGM to consider and, if thought fit, to approve the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated under the 5th Renewal Agreement.

### **SPECIAL GENERAL MEETING**

A notice convening the SGM to be held at 7/F, Port 33, 33 Tseuk Luk Street, San Po Kong, Kowloon, Hong Kong on Friday, 22 May 2020 at 10:00 a.m. to approve the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder is set out on pages 31 and 32 of this circular.

## LETTER FROM THE BOARD

Each of Mr. Herman Van de Velde, Mr. Lucas A.M. Laureys, VDV and their respective associates will abstain from voting on the relevant resolution in relation to the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder at the SGM.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders on the resolutions set out in the notice of the SGM must be taken by poll. The chairman of the SGM will therefore demand a poll for every resolution put forward at the SGM.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event, not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

After the conclusion of the SGM, the results of the poll will be released on the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.topformbras.com](http://www.topformbras.com).

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 11 and 12 of this circular which contains its recommendation to the Independent Shareholders on the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder.

Your attention is also drawn to the letter of advice received from Veda Capital which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated under the 5th Renewal Agreement. The letter from Veda Capital is set out on pages 13 to 24 of this circular.

The Directors are of the opinion that the approval of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend you to vote in favour of the ordinary resolutions to be proposed at the SGM.

### ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of  
**Top Form International Limited**  
**Wong Chung Chong**  
*Chairman*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Shareholders:*



### **TOP FORM INTERNATIONAL LIMITED**

**黛麗斯國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 333)**

5 May 2020

*To the Independent Shareholders*

Dear Sir or Madam,

#### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 5 May 2020 of the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and to advise the Independent Shareholders whether the terms of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder the 5th Renewal Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned. Veda Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in the abovementioned context.

We wish to draw your attention to the “Letter from the Board” set out on pages 4 to 10 of the Circular, and the “Letter from Veda Capital” set out on pages 13 to 24 of the Circular which contains its advice in respect of the terms of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated under the 5th Renewal Agreement.

\* *for identification purpose only*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, amongst other matters, the factors and reasons considered by, and the opinion of, Veda Capital as stated in its aforementioned letter of advice, we are of the opinion that the terms of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated under the 5th Renewal Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated under the 5th Renewal Agreement.

Yours faithfully,  
The Independent Board Committee  
**Leung Churk Yin, Jeanny**  
**Leung Ying Wah, Lambert**  
**Lin Sun Mo, Willy**  
*Independent non-executive Directors*

## LETTER FROM VEDA CAPITAL

*The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder, which has been prepared for the purpose of inclusion in the Circular.*

**VEDA | CAPITAL**  
**智 略 資 本**

Suites 1001-1002, 10/F, 299 QRC  
299 Queen's Road Central  
Hong Kong

5 May 2020

*To: Independent Board Committee and the Independent Shareholders of  
Top Form International Limited*

Dear Sirs/Madams,

### RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular to the Shareholders dated 5 May 2020 (the “**Circular**”), of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

As set out in the Board Letter, given that the 4th Renewal Agreement will expire on 30 June 2020 and that the Group expects that the continuing connected transactions will continue on a recurring basis, the Company entered into the 5th Renewal Agreement with VDV to renew the terms of the Master Agreement for a further three years commencing from 1 July 2020 and ending on 30 June 2023 to continue the sale of ladies’ intimate apparel by the Group to VDV.

Given that (i) Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde, the non-executive director and the chairman of VDV respectively, are non-executive Directors; (ii) Mr. Herman Van de Velde and the two daughters of Mr. Lucas A.M. Laureys (associates of Mr. Lucas A.M. Laureys under Chapter 14A of the Listing Rules) hold an indirect equity interest of approximately 56.26% in VDV via a jointly controlled corporation; and (iii) VDV, a substantial Shareholder within the meaning of the Listing Rules, is beneficially and directly interested in approximately 25.66% of the entire issued share capital of the Company, the transactions between the Group and VDV contemplated under the 5th Renewal Agreement therefore constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules.

## LETTER FROM VEDA CAPITAL

As one or more of the applicable percentage ratios in respect of the annual cap for each of the three financial years ending 30 June 2021, 2022 and 2023 exceeds 5%, the continuing connected transactions under the 5th Renewal Agreement are subject to the reporting, announcement, and Independent Shareholders' approval requirements, and annual review by the independent non-executive Directors and the auditors of the Company under Chapter 14A of the Listing Rules. As the continuing connected transactions are of a revenue nature in the ordinary and usual course of business of the Company, pursuant to Rule 14.04(1)(g) of the Listing Rules, the continuing connected transactions are exempted from the requirements under Chapter 14 of the Listing Rules.

Each of Mr. Herman Van de Velde, Mr. Lucas A.M. Laureys, VDV and their respective associates will abstain from voting on the relevant resolution in relation to the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder at the SGM.

Save as aforesaid mentioned, none of the Directors has material interests in the 5th Renewal Agreement and are required to abstain from voting on the relevant resolution at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Leung Churk Yin, Jeanny, Mr. Leung Ying Wah, Lambert and Mr. Lin Sun Mo, Willy, has been established to advise the Independent Shareholders in respect of whether the terms of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned; and (ii) whether the underlying transactions of the 5th Renewal Agreement will be carried out on normal commercial terms and in the ordinary and usual course of the business of the Group and in the interests of the Company and the Shareholders as a whole.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in respect of the 5th Renewal Agreement and the underlying transaction contemplated thereunder, there were no other engagements between us and the Group in the past two years. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules.



## LETTER FROM VEDA CAPITAL

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

This letter is issued to Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In assessing the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder and in giving our recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration of the following principal factors and reasons:

## LETTER FROM VEDA CAPITAL

### 1. Information on the Group

The Company is an investment holding company and its principal subsidiaries are mainly engaged in the design, manufacture and distribution of ladies' intimate apparel, principally brassieres.

Set out below is a summary of the Group's unaudited consolidated financial information for the six months ended 31 December 2018 and 2019 as extracted from the Company's interim report for the six months ended 31 December 2019.

	<b>For the six months ended</b>		<b>Changes</b>
	<b>31 December</b>	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>	
	<i>HK\$ (in million)</i>	<i>HK\$ (in million)</i>	<i>%</i>
Revenue	644.6	606.7	6.2
Gross profit	107.3	99.8	7.5
Loss for the period attributable to Shareholders	14.5	11.8	22.9

For the six months ended 31 December 2019, the Group recorded a revenue in the amount of approximately HK\$644.6 million, representing an increase of approximately 6.2% as compared to that of the six months ended 31 December 2018 in the amount of approximately HK\$606.7 million. As advised by the Company, the increase in revenue was mainly due to (i) a favorable shift in customers preference increases the sales of the Group's fully fused and seamless products; and (ii) the addition of several new customers during the period.

For the six months ended 31 December 2019, the Group recorded a loss attributable to Shareholders in the amount of approximately HK\$14.5 million, representing an increase in loss of approximately 22.9% as compared to the loss attributable to Shareholders for the six months ended 31 December 2018 in the amount of approximately HK\$11.8 million. As advised by the Company, the loss was mainly due to (i) unexpected expenses incurred by the Group as a result of the trade disputes between the United States ("US") and the PRC (the "**Trade Dispute**") that caused a significant disruption to the supply chain of the Group and acceleration of increasing the manufacturing capacity outside of the PRC; (ii) increase in operation costs caused by strong Asian currencies against the US dollars as the Group mainly manufactures within Asia; and (iii) continued investment in products development in order to cope with the market preferences on ladies intimate products.

Set out below is a summary of the Group's audited consolidated financial information for the financial years ended 30 June 2018 and 2019 as extracted from the Company's annual report for the financial year ended 30 June 2019 (the "**AR2019**").

## LETTER FROM VEDA CAPITAL

	<b>For the financial years ended</b>		<b>Changes</b>
	<b>30 June</b>	<b>30 June</b>	
	<b>2019</b>	<b>2018</b>	
	<i>HK\$ (in million)</i>	<i>HK\$ (in million)</i>	
			%
Revenue	1,225.4	1,281.0	(4.3)
Gross profit	198.1	229.9	(13.8)
Profit/(loss) for the year attributable to Shareholders	(61.2)	12.9	N/A

For the financial year ended 30 June 2019, the Group recorded a revenue of approximately HK\$1,225.4 million, representing a decrease of approximately 4.3% as compared to that of the financial year ended 30 June 2018 of approximately HK\$1,281.0 million.

As advised by the Company, the decrease in revenue was mainly due to (i) lower average selling price as affected by the change in the product mix of the Company; and (ii) the decision made by the Company to discontinue sales to several customers which offered lower profit margins to the Group or with higher credit risks.

The Group recorded a loss attributable to Shareholders for the financial year ended 30 June 2019 in the amount of approximately HK\$61.2 million from a profit attributable to Shareholders for the financial year ended 30 June 2018 in the amount of approximately HK\$12.9 million. As advised by the Company, the change from profit to loss was mainly due to (i) the unexpected expenses incurred by the Group as a result of the Trade Dispute, the increase in operation costs due to strong Asian currencies and product investment as described previously in the paragraph discussing the reasons for the increase in loss for the six months ended 31 December 2019; and (ii) the Group incurred relevant expenses in the purchase of property, plant and equipment in Thailand to diverse production lines of the Group during the financial year.

## 2. Information on VDV

VDV, together with its subsidiaries, are principally engaged in the design and sale of luxurious women's lingerie under its own brand names. We noted from its annual report for the financial year ended 31 December 2018 that, VDV operates in both wholesale and retail segments. The wholesale segment refers to businesses with independent specialty retailers (customers external to the VDV group), and the retail segment refers to businesses through its own retail network (stores and franchisees).

Set out below is a summary of VDV's consolidated financial information extracted from VDV's annual report for the financial year ended 31 December 2019.

	<b>For the financial years ended</b>		<b>Changes</b>
	<b>31 December</b>	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>	
	<i>EUR (in million)</i>	<i>EUR (in million)</i>	
			%
Revenue	195.5	205.2	(4.7)
Gross profit	152.7	163.6	(6.7)
Profit for the year attributable to shareholders of VDV	21.2	25.5	(16.9)

## LETTER FROM VEDA CAPITAL

As illustrated above, the revenue, gross profit and profit for the year attributable to shareholders of VDV for the financial year ended 31 December 2019 have dropped moderately for the reasons that, inter alia, sales of lingerie in the wholesale segment and revenue generated from VDV's retail stores have decreased as traditional independent lingerie boutiques continued to operate in challenging conditions (such as, among other things, the number of shoppers was visibly decreasing and retailers were closing down) during its financial year.

Despite of the challenging environment, VDV recorded profits for each of the financial years ended 31 December 2018 and 2019. Furthermore, VDV intends to, inter alia, strengthen its core business and accelerate growth and will continue to offer a wide range of styles and sizes of fashionable and high-quality brand lingerie to its consumers to drive growth in 2020.

### 3. **Reasons for and benefits of the entering into of the 5th Renewal Agreement**

As set out in the Board Letter, the Group has been supplying ladies' intimate apparel to VDV for the past 38 years. To facilitate these transactions, the Company entered into the Master Agreement, the 1st Renewal Agreement, the 2nd Renewal Agreement, the 3rd Renewal Agreement and the 4th Renewal Agreement with VDV with regard to the sale of ladies' intimate apparel by the Group to VDV.

In view of the expiration of the 4th Renewal Agreement entered into between the Company and VDV with regard to the sale of ladies intimate apparel by the Group to VDV on 30 June 2020 and the anticipation that the continuing connected transactions will continue on a recurring basis, the Company entered into the 5th Renewal Agreement with VDV to renew the terms of the Master Agreement for a further three years ending on 30 June 2023 to continue the sales of ladies' intimate apparel to VDV (the "**Continuing Connected Transactions**").

With reference to the AR2019, we noted that the Company remains confident in its business development and will continue to improve its operating efficiency across the organisation despite challenging operation conditions caused by, among other matters, the Trade Dispute that put notably strains over the global suppliers like the Group. The Company intends to continue executing on important strategic initiatives including, but not limited to, developing and producing innovative fused product and focusing on delivering the best services for its customers to grow its business sustainably. VDV, being one of the leading sellers in luxury and fashionable women's lingerie sector in Europe, has established itself as a long-term reliable customer of the Group over the past 38 years. Further business collaborations between the Group and VDV may promote positive synergistic effects on their business development respectively.

Having considered that (i) the Group's principal activities are manufacturing and distributing of ladies' intimate apparel, principally brassieres; (ii) VDV has established as a reliable customer of the Group and been contributing to the Group's revenue over the years; and (iii) further business collaborations with VDV will bring positive synergistic effects to the business development of the Group, we concur with the view of the Directors that the entering into the 5th Renewal Agreement is in the ordinary course of business and in the interests of the Company and the Independent Shareholders as a whole.

## LETTER FROM VEDA CAPITAL

### 4. Principal terms of the 5th Renewal Agreement

The principal terms of the 5th Renewal Agreement are as follows:

- Date : 7 April 2020
- Subject : sale of ladies' intimate apparel by the Group to VDV
- Parties : (1) the Group, as the seller; and  
(2) VDV, as the purchaser
- Duration : three years from 1 July 2020 to 30 June 2023. Thereafter, subject to compliance with the applicable Listing Rules, the 5th Renewal Agreement may be renewed for each and every three-year interval in the future.

Pursuant to the 5th Renewal Agreement, the selling price of each product is determined by reference to the total costs per product, plus a certain range of mark-up rate with minimum mark-up rate of no less than 5%. The actual pricing and the terms and conditions of payment shall be determined between the parties on each purchase order basis. The ladies' intimate apparel manufactured by the Group varies in design, features, complexity and manufacturing time. The mark-up rate is determined by reference to different product category and will vary from different value added procedures and manufacturing time of each product in different product category.

We have reviewed and compared the terms between the 4th Renewal Agreement and the 5th Renewal Agreement and noted that there are no material differences, except for the proposed annual caps.

The Company as a ladies' intimate apparel supplier, when manufacturing its products to its customers, would provide turnkey service, i.e. the Company will be responsible for sourcing raw materials at its own costs and charge the customers a price which covers the raw material costs and also the manufacturing costs as contribution margins based on the required value added procedures and the total manufacturing time of the given products.

## LETTER FROM VEDA CAPITAL

In comparing the fairness of the respective mark-up rates that were charged on VDV and on other independent customers directly, we were given to understand that those mark-up rates charged by the Company were mainly determined by different value-added procedures and manufacturing time performed by the Company and will vary subject to the different materials involved in the product types. Nevertheless, we have requested the Company to provide and we have obtained (i) 10 sales samples to VDV and to independent customers; and (ii) a list of its customers that contain information in respect of the contribution margins received by the Group on a per unit basis (after assessed the design, features, complexity and manufacturing time) from all of its major customers for the two financial years ended 30 June 2019 (the “**Margins Comparison**”). We noted from the sale samples and the Margins Comparison that, the margins (on a per unit basis) received by the Group from VDV were not less favorable than the average of those received from other independent customers for each of the two financial years ended 30 June 2018 and 2019.

In addition, based on the previous financial annual reports of the Group, the Group’s historical average credit period offered to independent third parties was 45 days. As advised by the Company, the Company has recently been receiving requests from its customers for longer payment terms due to the prevailing undesirable market conditions including but not limited to, the Trade Dispute. As a result, the latest average credit period offered to independent third parties were increased to more than 45 days. Accordingly, we consider that the credit period offered to VDV, as stipulated in the 5th Renewal Agreement, being 7 days or 30 days (applicable as the case may be), is also not less favorable than that those offered to the independent third parties.

We also noted from the Board Letter that all the price quotations to VDV were to be prepared by the sales teams of the Group and were subject to the review and pre-approval of an executive Director (who does not have any material interests in the transactions). The executive Director will compare the gross profit margin of sales to VDV to those of sales to other independent third party customers of the same product category with similar features, complexity and manufacturing time. If the terms of the orders offered by VDV after the price negotiations are below the lower limit of the mark-up rate, the Group may choose not to accept the orders placed by VDV. We have discussed with the management of the Company and obtained quotations to VDV prepared by the sales team of the Group and noted that the sample transactions were approved by an executive Director.

Having considered that (i) there is no material differences between the 4th Renewal Agreement and the 5th Renewal Agreement, except for the proposed annual caps; (ii) the margins received by the Group from VDV were not less favorable than the average of those received from other independent customers for each of the two financial years ended 30 June 2018 and 2019; (iii) the credit period offered to VDV is not less favorable than those offered to independent third parties; and (iv) pursuant to the 5th Renewal Agreement, having reviewed the price quotations to VDV and assessed that the terms are unfavorable than those offered by independent third parties, the Company may refuse to accept the orders placed by VDV, we concur with the view of the Directors that the sale transactions under the 5th Renewal Agreement are conducted on normal commercial terms and on terms no less favorable than those charged by the Group to other independent customers and is fair and reasonable so far as the Independent Shareholders are concerned.

<b>LETTER FROM VEDA CAPITAL</b>
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**5. Basis for determining the annual caps**

*The historical actual sales of ladies' intimate apparel by the Group to VDV*

Set out below are the aggregate values of actual sales of ladies' intimate apparel to VDV for each of the two financial years ended 30 June 2018 and 2019 and for the six months ended 31 December 2019, together with the annual caps for the three financial years ending 30 June 2020 under the 4th Renewal Agreement:

	<b>Actual sales of ladies' intimate apparel by the Group to VDV</b> <i>(HK\$ million)</i>	<b>Sales to overall revenue for the respective year/period</b> <i>(%)</i>	<b>Annual caps</b> <i>(HK\$ million)</i>	<b>Respective annual/period cap utilisation rate</b> <i>(%)</i>
<b>For the financial years ended:</b>				
30 June 2018	103.9	8.1	130.0	79.9
30 June 2019	102.8	8.4	145.0	70.9
<b>For the six-months ended:</b>				
31 December 2019 (unaudited)	36.3	5.6	160.0	22.7

As illustrated above, for each of the financial years ended 30 June 2018 and 2019, the aggregate value of sales of ladies' intimate apparel to VDV amounted to approximately HK\$103.9 million and HK\$102.8 million, respectively, representing approximately 8.1% and approximately 8.4% of the Group's audited consolidated revenue for the respective financial years.

For the six months ended 31 December 2019, the sales of ladies' intimate apparel to VDV amounted to approximately HK\$36.3 million, representing approximately 5.6% of the Group's unaudited consolidated revenue of that period.

The respective utilisation rates for the annual caps for the two financial years ended 30 June 2018 and 2019 and for the six months ended 31 December 2019 were approximately 79.9%, approximately 70.9% and approximately 22.7%, respectively. Based on the understanding of the Company from the management of VDV, the low utilisation rate for the six months ended 31 December 2019 was due to VDV's temporary plan to clean up its inventory in the sales channel (the "**Inventory Cleanup**") which resulted in a significant decrease in its purchase from the Group.

*The annual cap for the three financial years ending 30 June 2021, 2022 and 2023*

The proposed annual caps for the Continuing Connected Transactions for the three financial years ending 30 June 2021, 2022 and 2023 are HK\$160.0 million, HK\$170.0 million and HK\$180.0 million respectively.

## LETTER FROM VEDA CAPITAL

### *The basis for annual cap amounts for the financial years ending 30 June 2021, 2022 and 2023*

As mentioned in the Board Letter, the proposed annual caps for the Continuing Connected Transactions for the financial years ending 30 June 2021, 2022 and 2023 are arrived at having considered (i) the historical sales figures and the decrease in sales to VDV for the six months ended 31 December 2019 as compared to last corresponding period was temporary as VDV is expected to resume its purchase amount starting from the financial year ending 30 June 2021; (ii) possible increase in purchase orders and the potential change of production model with VDV that will lead to increase in transaction amounts for the Continuing Connected Transactions; (iii) provision of more value added production procedures and technology; (iv) the discussions between the management of the Company and VDV in arriving at the annual caps and the projections of annual growth rate of sales for the three financial years ending 30 June 2023; and (v) the prevailing and the expected market conditions.

We have discussed with the management of the Company regarding the underlying assumptions and basis that have been taken into account by the Company in determining the proposed annual caps under the 5th Renewal Agreement. The Inventory Cleanup had led to a lower than anticipated sales from VDV in the first half of the financial year 30 June 2020 and thus resulted in a lower utilisation rate for the annual cap for the financial year ending 30 June 2020 of HK\$160.0 million. The management of the Company was given to understand that the Inventory Cleanup was temporary and uncommon for VDV and that VDV is expected to resume its purchase amount of the ladies' intimate apparel products from the Group starting from the financial year ending 30 June 2021. Given (i) the utilisation rates for the two financial years ending 30 June 2019; (ii) that the Inventory Cleanup is expected to be temporary; and (iii) VDV's intention to resumes its purchase amount from the Group, we concur with the view of the Directors that the proposed annual cap for the Continuing Connected Transactions for the financial year ending 30 June 2021 of HK\$160.0 million, being the same as that of for the year ending 30 June 2020 is justifiable and reasonable.

The proposed annual caps for the Continuing Connected Transactions for the two financial years ending 30 June 2022 and 2023 are HK\$170.0 million and HK\$180.0 million respectively, representing year-on-year growth rates of approximately 6.3% and approximately 5.9% respectively.

We were given to understand that the recent outbreak of the novel coronavirus (COVID-19) have had affected, in particular, the supply chain, wholesale and retail businesses of apparel companies in the Europe area in general. Concerning on the continuous spreading of COVID-19, particularly in the Europe area, VDV has contemplated to create more flexibility in its supply chain and that, the Group may offer to assist VDV in a possible increased capacity and/or supply chain diversification process given the Group's strong network in Asia. In light of the above reasons, under the 5th Renewal Agreement, the Group expected that VDV may increase its orders and/or change its existing production model with the Group, which will then result in the increase of the values for the transactions with the Group. The Company advises that such process, if and when materialised, will take place gradually as the decisions will be highly influenced by the impact of COVID-19 on the market conditions of the then apparel retailers in Europe and that a buffer of HK\$10 million (the "**Buffer**") (approximately 6% year-on-year increase) was included in each of the proposed annual caps for the financial years ended 30 June 2022 and 2023 having made references with the historical sales from the Group to VDV.



## LETTER FROM VEDA CAPITAL

The European Commission, an executive of the European Union, published the “Coordinated economic response to the COVID-19 outbreak” on 13 March 2020 ([https://ec.europa.eu/info/sites/info/files/communication-coordinated-economic-response-covid19-march-2020\\_en.pdf](https://ec.europa.eu/info/sites/info/files/communication-coordinated-economic-response-covid19-march-2020_en.pdf)) which stated that, among other matters, COVID-19 crisis is estimated to have a very large detrimental economic impact, including but not limited to, the supply shock to the European and global economy resulted from the disruption of supply chains and absences from the workplace. COVID-19’s impact, through all channels, is estimated to reduce real gross domestic product’s growth in 2020 by 2.5 percentage points compared to a situation where there would be no pandemic.

While the estimated impact by COVID-19 to the ladies’ intimate apparel industry (including both the retailers and suppliers) in Europe remained uncertain at this moment, having considered that (i) VDV expects to resume its purchase amount of intimate ladies products from the Group; (ii) the Group may provide VDV the flexibility in its supply chain of which a Buffer was included to cater the anticipated increase in the corresponding sales values in supplying products to VDV; and (iii) during 30 June 2012 and 30 June 2019 (which covered the terms of the 2nd Renewal Agreement, the 3th Renewal Agreement and the two full financial years of the 4th Renewal Agreement), the actual sales of ladies’ intimate apparel from the Group to VDV increased by a compound annual growth rate of approximately 7.2%, we concur with the view of the Directors that the proposed annual caps for the Continuing Connected Transactions for the two financial years ending 30 June 2022 and 2023 of HK\$170.0 million and HK\$180.0 million respectively, are justifiable and reasonable.

Furthermore, in ensuring the amount of the Continuing Connected Transaction will not exceed the proposed annual caps under the 5th Renewal Agreement, different departments and level of management of the Group will be responsible in the review and approval of individual purchase orders by VDV under the 5th Renewal Agreement. In addition, the Company’s auditor will provide a letter to the Board confirming, among other things, that the Continuing Connected Transactions are conducted in accordance with the relevant agreement governing the Continuing Connected Transactions (i.e. the 5th Renewal Agreement upon it becoming effective) and that the annual caps have not been exceeded. The Company has confirmed that the Directors (including the independent non-executive Directors) will continue the practice to review and confirm the same and the auditors of the Company will perform the same review and confirmation in respect of the Continuing Connected Transactions for each of the three years ending 30 June 2023.

Having considered the aforesaid factors, in particular (i) the historical utilisation rates of the annual caps for the two financial years ended 30 June 2019; (ii) that VDV is expected to resume its purchase amount of the ladies’ intimate apparel products of the Group starting from the financial year ending 30 June 2021; (iii) that the Buffer allows the Group to increase its sales values when supplying products to VDV; and (iv) the implementation of the above internal control measures by the Group, we are of the view that the proposed annual caps for the Continuing Connected Transactions for the financial years ending 30 June 2021, 2022 and 2023 of HK\$160.0 million, HK\$170.0 million and HK\$180.0 million respectively, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company as a whole.

## LETTER FROM VEDA CAPITAL

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the underlying transactions contemplated under the 5th Renewal Agreement are conducted in the ordinary and usual course of business of the Group; (ii) the terms of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the entering into of the 5th Renewal Agreement is in the interests of Company and the Independent Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend Independent Shareholders to vote in favor of the relevant resolution for approving the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder.

Yours Faithfully,  
For and on behalf of  
**Veda Capital Limited**  
**Julisa Fong**  
*Managing Director*

*Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital which is licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has over 23 years of experience in corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of Directors or chief executives of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them is taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### Long positions:

*Ordinary shares of HK\$0.50 each of the Company*

Name of Director	Capacity	Number of issued ordinary Shares held	Number of underlying Shares held (note 1)	Total interests	Percentage of the issued share capital of the Company
Mr. Wong Chung Chong	Beneficial owner and interests held by spouse and a controlled corporation and persons acting in concert (note 2)	61,162,823	–	61,162,823	28.44%
Mr. Wong Kai Chung, Kevin	Interests held by a controlled corporation and persons acting in concert (note 3)	60,626,823	–	60,826,823	28.29%
Mr. Wong Kai Chi, Kenneth	Beneficial owner		200,000		
	Persons acting in concert (note 4)	60,626,823	–	60,826,823	28.29%
	Beneficial owner		200,000		

Name of Director	Capacity	Number of issued ordinary Shares held	Number of underlying Shares held (note 1)	Total interests	Percentage of the issued share capital of the Company
Mr. Herman Van de Velde	Interests held by a controlled corporation (note 5)	55,184,708	–	55,184,708	25.66%
Mr. Fung Wai Yiu	Beneficial owner and interests held by spouse (note 6)	8,705,704	–	8,705,704	4.05%
Mr. Leung Ying Wah, Lambert	Beneficial owner	80,000	–	80,000	0.04%
Ms. Leung Churk Yin, Jeanny	Beneficial owner	14,104	–	14,104	0.01%

## Notes:

- These underlying Shares held by Directors are the share options granted to the Directors on 30 September 2019 under the share option scheme of the Company adopted on 3 November 2011. Details of the said grant are set out in the announcement of the Company on 30 September 2019.
- 4,624,504 shares were beneficially owned by Mr. Wong Chung Chong (“**Mr. Wong**”) whereas 220,000 shares were held by the spouse of Mr. Wong and 52,318,319 shares were registered in the name of High Union Holdings Inc., the shares of which were held by Mr. Wong. 4,000,000 shares were registered in the name of Triple Gains Ventures Limited (“**TGV**”), 41.36% equity interest of which was held by Mr. Wong Kai Chung, Kevin (“**Mr. Kevin Wong**”), and deemed to be interested by Mr. Wong who was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.
- 4,000,000 shares were held by TGV, 41.36% equity interest of which was held by Mr. Kevin Wong, and 56,626,823 shares were deemed to be interested by Mr. Kevin Wong who was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.
- 60,626,823 shares were deemed to be interested by Mr. Wong Kai Chi, Kenneth who was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.
- 55,184,708 shares were held by VDV. Mr. Herman Van de Velde held an indirect equity interest in Van de Velde Holding N.V. which in turn directly held 56.26% of the equity interest of VdV.
- 4,618,504 shares were beneficially owned by Mr. Fung Wai Yiu (“**Mr. Fung**”) whereas 4,087,200 shares were held by the spouse of Mr. Fung.

Save as disclosed above, as at the Latest Practicable Date, and other than certain nominee shares in the Company’s subsidiaries were held by Mr. Wong in trust for the Company’s subsidiaries, none of the Directors or chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them is taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

**(b) Substantial shareholders of the Company**

As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO and so far as was known to the Directors of the Company, persons (other than Directors) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

**Long positions:**

*Ordinary shares of HK\$0.50 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>
High Union Holdings Inc.	Beneficial owner and persons acting in concert <i>(note 1)</i>	60,626,823	28.19%
TGV	Beneficial owner and persons acting in concert <i>(note 2)</i>	60,626,823	28.19%
VDV	Beneficial owner	55,184,708	25.66%
David Michael Webb	Beneficial owner and interests held by a controlled corporation <i>(note 3)</i>	10,772,000	5%

*Notes:*

- 52,318,319 shares were beneficially owned by High Union Holdings Inc. whereas 8,308,504 shares were deemed to be interested by High Union Holdings Inc. which was a party to certain agreements to which section 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.
- 4,000,000 shares were beneficially owned by TGV whereas 56,626,823 shares were deemed to be interested by TGV which was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.
- 3,562,200 shares were beneficially owned by Mr. David Michael Webb and 7,209,800 shares were held by Preferable Situation Assets Limited, the shares of which were held by Mr. David Michael Webb.

Save as disclosed above, as at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO and so far as was known to the Directors, there was no other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Lucas A.M. Laureys is the non-executive director of VDV whose principal business activity is the manufacture and marketing of luxury lingerie. The Board considers that the business of VDV may indirectly compete with the business of the Group.

Mr. Herman Van de Velde, the chairman of the board of VDV and non-executive director of VDV, has an indirect interest in Van de Velde Holding N. V. which held a direct interest of 56.26% in VDV whose principal business activity is the manufacture and marketing of luxury lingerie. The Board considers the business of VDV may indirectly compete with the business of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has any interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or proposed to enter into any service contracts with the Company or any member of the Group, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

### 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 30 June 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

### 6. QUALIFICATION OF EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Veda Capital	Veda Capital, a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activities under the SFO

Veda Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and opinion in the form and context in which they respectively appear in this circular.

**7. EXPERT'S INTERESTS IN ASSETS**

Veda Capital has confirmed that as at the Latest Practicable Date, it did not have any holding, directly or indirectly, of any securities in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities of any member of the Group nor did it have any direct or indirect interests in any assets which have since 30 June 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**8. MISCELLANEOUS**

- (a) The secretary of the Company is Mr. Pun Chi Wa, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.
- (c) The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The principal office of the Company in Hong Kong is at 7/F, Port 33, 33 Tseuk Luk Street, San Po Kong, Kowloon, Hong Kong.
- (e) As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since 30 June 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.
- (f) There is no contract or arrangement entered into by any member of the Group, subsisting as at the date hereof in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.
- (g) In the event of inconsistency, the English text of this circular will prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal office of the Company at 7/F, Port 33, 33 Tseuk Luk Street, San Po Kong, Kowloon, Hong Kong during normal business hours for a period of up to 14 days and including the fourteenth date, after the date of this circular:

- (a) the Master Agreement;
- (b) the 1st Renewal Agreement;
- (c) the 2nd Renewal Agreement;
- (d) the 3rd Renewal Agreement;
- (e) the 4th Renewal Agreement;
- (f) the 5th Renewal Agreement;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 11 and 12 of this circular;
- (h) the letter from Veda Capital, the text of which is set out on pages 13 to 24 of this circular;
- (i) the written consent from Veda Capital referred to in the section headed “6. Qualification of expert and consent” in this appendix; and
- (j) this circular.



## NOTICE OF SPECIAL GENERAL MEETING



### TOP FORM INTERNATIONAL LIMITED

黛麗斯國際有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 333)

### NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of Top Form International Limited (the “**Company**”) will be held at 7/F, Port 33, 33 Tseuk Luk Street, San Po Kong, Kowloon, Hong Kong on Friday, 22 May 2020 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution(s) as ordinary resolution(s):

“**THAT:**

- (a) the 5th Renewal Agreement, as defined and described in the circular of the Company dated 5 May 2020 (the “**Circular**”), a copy of this agreement is tabled before the meeting and initialled by the chairman of the meeting for identification purpose, and the terms of the transactions contemplated under the 5th Renewal Agreement and the implementation thereof be and are hereby accepted and approved; and
- (b) the proposed annual caps in relation to the sales to Van de Velde N.V. as described in the 5th Renewal Agreement and the Circular for each of the three financial years ending 30 June 2023 be and are hereby approved.”

By Order of the Board  
**Top Form International Limited**  
**Wong Chung Chong**  
*Chairman*

Hong Kong, 5 May 2020

*Notes:*

1. In order to determine the qualification of Shareholders who are entitled to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 19 May 2020, to Friday, 22 May 2020 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of members of the Company on Friday, 22 May 2020 will be entitled to attend and vote at the SGM. In order to attend the SGM, any Shareholder whose transfer has not been registered shall lodge the transfer documents together with the relevant share certificates with Tricor Secretaries Limited, the Company’s Hong Kong branch share registrar, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by no later than 4:30 p.m. on Monday, 18 May 2020.

\* for identification purpose only

## NOTICE OF SPECIAL GENERAL MEETING

2. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him in accordance with the Company's Bye-laws. A proxy need not be a member of the Company but must be present in person to represent the member.
3. 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 notarially certified copy of such power of attorney or authority must be lodged with Tricor Secretaries Limited, the Company's Hong Kong branch share registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).
4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should they so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
6. In light of the outbreak of novel coronavirus (COVID-19), the Company will implement the following precautionary measures at the SGM in order to protect the health and safety of the attendees at the SGM, including:
  - (1) all attendees will subject to compulsory body temperature checks the entrance of the meeting venue;
  - (2) all attendees will be required to wear surgical face masks throughout the SGM;
  - (3) any person who does not comply with the above measures may be denied entry to the meeting venue; and
  - (4) no beverage or refreshments will be served at the SGM, and there will be no corporate gifts.

**The Company strongly recommends the Shareholders to exercise their voting rights by appointing the chairman of the SGM as their proxy to vote on the relevant resolution at the SGM as an alternative to attending the SGM in person.**

7. The Directors as at the date of this notice are Mr. Wong Chung Chong, Mr. Wong Kai Chung, Kevin and Mr. Wong Kai Chi, Kenneth as executive Directors, Mr. Fung Wai Yiu, Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde as non-executive Directors, Ms. Leung Churk Yin, Jeanny, Mr. Leung Ying Wah, Lambert and Mr. Lin Sun Mo, Willy as independent non-executive Directors.