TOP FORM
INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 333

Interim Report 2020

ABOUT TOP FORM

Top Form International Limited (the "Company") is a leading international intimate apparel manufacturer listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock Code: 333). The Company and its principal subsidiaries (collectively "Top Form" or the "Group") employs over 8,000 employees across China, Thailand, Cambodia and Myanmar, with our headquarters in Hong Kong. We provide end-to-end service, from material sourcing to finished garments, and our product category ranges from panties to functional sports bras.

OUR VISION

To be the leading international apparel partner, from ideation to delivery, driven by insights and built on sustainable operations.

OUR MISSION

We strive to make a lasting positive impact through our actions, our relationships and the quality work we do.

OUR VALUES

Integrity
"Can Do" Attitude
Accountability
Courage
Curious & Creative
Care & Respect
Collaborative

CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 31 December 2019 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 31 December 2019 $'000	2018 $'000
Revenue		**644,620**	606,696
Cost of sales		**(537,271)**	(506,938)
Gross profit		**107,349**	99,758
Other net income		**7,938**	6,285
Selling and distribution expenses		**(19,545)**	(19,566)
General and administrative expenses		**(108,661)**	(101,646)
Finance costs	*4(a)*	**(1,606)**	(98)
Share of profit of a joint venture		**1,553**	2,135
Loss before tax	*4*	**(12,972)**	(13,132)
Income tax expense	*5*	**(220)**	(803)
Loss for the period		**(13,192)**	(13,935)
Attributable to:			
Owners of the Company		**(14,539)**	(11,808)
Non-controlling interests		**1,347**	(2,127)
Loss for the period		**(13,192)**	(13,935)
Loss per share (HK cents)	*7*		
Basic		**(6.76)**	(5.49)

The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

The notes on pages 10 to 27 form part of this interim financial report. Details of dividends payable to owners of the Company are set out in note 6.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2019 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2019	2018
	$'000	$'000
Loss for the period	**(13,192)**	(13,935)
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of operations outside Hong Kong		
– subsidiaries	**(412)**	(3,097)
– a joint venture	**(340)**	(483)
Other comprehensive income for the period, net of income tax	**(752)**	(3,580)
Total comprehensive income for the period	**(13,944)**	(17,515)
Attributable to:		
Owners of the Company	**(15,332)**	(15,201)
Non-controlling interests	**1,388**	(2,314)
Total comprehensive income for the period	**(13,944)**	(17,515)

The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

The notes on pages 10 to 27 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019 – unaudited

(Expressed in Hong Kong dollars)

	Note	At 31 December 2019 $'000	At 30 June 2019 $'000
Non-current assets			
Property, plant and equipment	*8*	**182,741**	137,642
Right-of-use assets	*2(b)*	**41,395**	–
Prepaid land lease payments		**–**	1,384
Investment properties	*8*	**140,292**	143,017
Derivative financial instrument		**2,015**	2,015
Interest in a joint venture		**22,279**	21,066
Prepayments and deposits		**4,567**	1,773
Other financial assets		**4,004**	–
		397,293	306,897
Current assets			
Inventories		**202,166**	174,099
Trade and other receivables	*9*	**229,571**	243,073
Prepaid land lease payments		**–**	48
Current tax recoverable		**128**	82
Bank balances and cash		**72,331**	95,269
		504,196	512,571
Current liabilities			
Trade payables and accrued charges	*10*	**221,387**	216,236
Unsecured bank loans		**56,334**	40,375
Lease liabilities		**14,396**	66
Current tax payable		**1,420**	490
		293,537	257,167
Net current assets		**210,659**	255,404
Total assets less current liabilities		**607,952**	562,301

	Note	At 31 December 2019 $'000	At 30 June 2019 $'000
Non-current liabilities			
Retirement benefit obligations		**2,884**	1,954
Deferred tax liabilities		**35,777**	37,165
Lease liabilities		**25,414**	–
Other payables		**18,719**	–
		82,794	39,119
Net assets		**525,158**	523,182
CAPITAL AND RESERVES			
Share capital	11	**107,519**	107,519
Reserves		**393,061**	408,013
Equity attributable to owners of the Company		**500,580**	515,532
Non-controlling interests		**24,578**	7,650
Total Equity		**525,158**	523,182

The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

The notes on pages 10 to 27 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2019 – unaudited

(Expressed in Hong Kong dollars)

	Note	Attributable to owners of the Company									Non-controlling interests	Total
		Share capital	Share premium	Capital redemption reserve	Special reserve *(note (i))*	Asset revaluation reserve	Share option reserve	Translation reserve	Retained profits	Total		
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2019		107,519	1,499	233	7,139	102,890	-	9,806	286,446	515,532	7,650	523,182
Exchange differences arising on translation of operations outside Hong Kong		-	-	-	-	-	-	(793)	-	(793)	41	(752)
(Loss)/profit for the period		-	-	-	-	-	-	-	(14,539)	(14,539)	1,347	(13,192)
Total comprehensive income		-	-	-	-	-	-	(793)	(14,539)	(15,332)	1,388	(13,944)
Capital contribution from a non-controlling shareholder		-	-	-	-	-	-	-	-	-	15,540	15,540
Equity-settled share-based transactions		-	-	-	-	-	380	-	-	380	-	380
At 31 December 2019		107,519	1,499	233	7,139	102,890	380	9,013	271,907	500,580	24,578	525,158

		Attributable to owners of the Company										
		Share capital	Share premium	Capital redemption reserve	Special reserve *(note (i))*	Asset revaluation reserve	Share option reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total
	Note	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2018		107,519	1,499	233	7,139	59,675	–	8,440	358,422	543,017	9,445	552,462
Exchange differences arising on translation of operations outside Hong Kong		–	–	–	–	–	–	(3,393)	–	(3,393)	(187)	(3,580)
Loss for the period		–	–	–	–	–	–	–	(11,808)	(11,808)	(2,127)	(13,935)
Total comprehensive income		–	–	–	–	–	–	(3,393)	(11,808)	(15,201)	(2,314)	(17,515)
Final dividends paid in respect of the previous year	6(ii)	–	–	–	–	–	–	–	(10,752)	(10,752)	–	(10,752)
At 31 December 2018		107,519	1,499	233	7,139	59,675	–	5,047	335,862	517,064	7,131	524,195

The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

Note (i): Special reserve represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of share capital of the companies forming the Group, pursuant to the group reorganisation in 1991.

The notes on pages 10 to 27 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 31 December 2019 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 December 2019 $'000	2018 $'000
Net cash used in operating activities		**(15,438)**	(10,620)
Investing activities			
Purchase of property, plant and equipment		**(30,151)**	(12,004)
Proceeds from disposal of property, plant and equipment		**463**	–
Interest income		**311**	588
Purchase of other financial assets		**(4,004)**	–
Net cash used in investing activities		**(33,381)**	(11,416)
Financing activities			
Capital element of lease payments		**(5,486)**	(60)
Interest element of lease payments		**(233)**	(9)
Interest paid		**(986)**	(98)
Other bank charges		**(387)**	–
Proceed from new bank loans		**15,959**	–
Proceed from capital contribution from a non-controlling shareholder		**15,540**	–
Dividends paid	*6(ii)*	**–**	(10,752)
Net cash generated from/(used in) financing activities		**24,407**	(10,919)
Net decrease in cash and cash equivalents		**(24,412)**	(32,955)
Cash and cash equivalents at 1 July		**95,269**	102,616
Effect of foreign exchange rate changes		**1,474**	(1,376)
Cash and cash equivalents at 31 December, represented by bank balances and cash		**72,331**	68,285

The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

The notes on pages 10 to 27 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 21 February 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. The 2019 annual financial statements represent the consolidated financial statements for the year ended 30 June 2019, which was approved and authorised for issue by the board of directors on 27 August 2019. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Top Form International Limited (the "Company") and its subsidiaries (collectively the "Group") since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

1 BASIS OF PREPARATION (CONTINUED)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors is included on pages 28 and 29.

The financial information relating to the financial year ended 30 June 2019 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2019 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 August 2019.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 July 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 July 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policies (Continued)

(i) New definition of a lease (Continued)

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 July 2019. For contracts entered into before 1 July 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically office equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for right-of-use assets that meet the definition of investment property are carried at fair value.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 July 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 July 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 30 June 2020; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Transitional impact (Continued)

The following table reconciles the operating lease commitments as at 30 June 2019 to the opening balance for lease liabilities recognised as at 1 July 2019:

	1 July 2019 **$'000**
Operating lease commitments at 30 June 2019	**49,674**
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 30 June 2020	**(9,288)**
– leases of low-value assets	**(433)**
	39,953
Less: total future interest expenses	**(2,723)**
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019	**37,230**
Add: finance lease liabilities recognised as at 30 June 2019	**66**
Total lease liabilities recognised at 1 July 2019	**37,296**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 30 June 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Transitional impact (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 30 June 2019 $'000	Capitalisation of operating lease contracts $'000	**Carrying amount at 1 July 2019 $'000**
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	137,642	(226)	**137,416**
Right-of-use assets	–	38,888	**38,888**
Prepaid land lease payments (non-current)	1,384	(1,384)	**–**
Total non-current assets	306,897	37,278	**344,175**
Prepaid land lease payments (current)	48	(48)	**–**
Current assets	512,571	(48)	**512,523**
Lease liabilities (current)	66	10,814	**10,880**
Current liabilities	257,167	10,814	**267,981**
Net current assets	255,404	(10,862)	**244,542**
Total assets less current liabilities	562,301	26,416	**588,717**
Lease liabilities (non-current)	–	26,416	**26,416**
Total non-current liabilities	39,119	26,416	**65,535**
Net assets	523,182	–	**523,182**

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Transitional impact (Continued)

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 31 December 2019 $'000	At 1 July 2019 $'000
Ownership interests in leasehold land held for own use, carried at depreciated cost	**1,410**	1,432
Other properties leased for own use, carried at depreciated cost	**39,985**	37,230
Plant, machinery and equipment, carried at depreciated cost	**–**	226
	41,395	38,888

3 SEGMENT INFORMATION

Revenue represents the sale value of goods and is within the scope of HKFRS 15, *Revenue from contracts with customers*. 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 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 assets and liabilities are under the manufacturing business as at 31 December 2019 and 30 June 2019.

4 LOSS BEFORE TAX

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

		Six months ended 31 December 2019 $'000	2018 $'000
(a)	**Finance costs**		
	Interest expense on bank borrowings	**986**	89
	Interest on lease liabilities	**233**	9
	Other bank charges	**387**	–
		1,606	98
(b)	**Other items**		
	Depreciation charge		
	– property, plant and equipment	**15,248**	11,879
	– right-of-use assets	**5,267**	–
	Reversal of prior year provision	**(5,200)**	–
	Release of prepaid land lease payments	**–**	24
	Allowance for obsolete inventories (included in cost of sales)	**4,473**	7,643
	Exchange gain, net	**(3,673)**	(2,987)
	Loss on disposal of property, plant and equipment	**217**	347
	Interest income	**(311)**	(588)

The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

5 INCOME TAX EXPENSE

	Six months ended 31 December	
	2019	2018
	$'000	$'000
Current tax:		
Hong Kong Profits Tax	**1,260**	39
Other jurisdictions	**348**	455
	1,608	494
Deferred tax:		
Origination and reversal of temporary differences	**(1,388)**	309
	220	803

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

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

6 DIVIDENDS

(i) Dividends payable to owners of the Company attributable to the interim period

No interim dividend declared and paid after the interim period end (Six months ended 31 December 2018: $Nil).

(ii) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 31 December	
	2019	2018
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of $Nil per share (Six months ended 31 December 2018: $0.05 per share)	–	10,752

7 LOSS PER SHARE

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

	Six months ended 31 December	
	2019	2018
	$'000	$'000
Loss for the period attributable to the owners of the Company for the purpose of computing basic loss per share	**(14,539)**	(11,808)
	Number of shares	Number of shares
Number of weighted average of ordinary shares for the purpose of computing basic loss per share	**215,037,625**	215,037,625

No dilutive loss per share has been presented because there are no dilutive potential ordinary shares outstanding for both periods.

8 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period ended 31 December 2019, the Group acquired property, plant and equipment with a cost of $60,167,000 which was mainly spent on machineries and leasehold improvement for new factories in Thailand (six months ended 31 December 2018: $12,004,000).

The Group's investment properties were carried at fair value as at the end of the current interim period. These properties were revalued by the directors with reference to the market trend of the rental market and current rents of the properties being held under existing tenancies. There has been no change in fair value of the Group's investment properties for the six months ended 31 December 2019 (six months ended 31 December 2018: $Nil).

9 TRADE AND OTHER RECEIVABLES

Included in the balance are trade receivables of $184,670,000 (at 30 June 2019: $208,369,000). The Group allows an average credit period of 10 days to 120 days to its trade customers.

Ageing analysis

At the end of the reporting period, the ageing analysis of trade receivables based on the invoice date is as follows:

	At 31 December 2019 $'000	At 30 June 2019 $'000
1 – 90 days	**175,510**	192,189
91 – 180 days	**9,160**	16,180
	184,670	208,369

10 TRADE PAYABLES AND ACCRUED CHARGES

Included in the balance are trade payables of $123,005,000 (at 30 June 2019: $123,350,000). Other payables and accrued charges mainly represented accrued freight charges, salaries and other operating expenses.

10 TRADE PAYABLES AND ACCRUED CHARGES (CONTINUED)

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

	At 31 December 2019 $'000	At 30 June 2019 $'000
Current	**97,324**	105,355
1 – 30 days past due	**17,589**	13,796
31 – 60 days past due	**7,808**	1,863
Over 60 days past due	**284**	2,336
	123,005	123,350

As the average credit period on purchases of goods is ranged from 30 days to 60 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.

11 SHARE CAPITAL

	At 31 December 2019		At 30 June 2019	
	No. of shares	Amount $'000	No. of shares	Amount $'000
Ordinary shares of $0.50 each				
Authorised:				
At 1 July 2019/1 July 2018 and end of period/year	**300,000,000**	**150,000**	300,000,000	150,000
Issued and fully paid:				
At 1 July 2019/1 July 2018 and end of period/year	**215,037,625**	**107,519**	215,037,625	107,519

12 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 30 September 2019, 5,920,000 share options were granted for $1 consideration to directors and employees of the Company under the Company's share option scheme (no share options were granted during the six months ended 31 December 2018). Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options will vest on 30 September 2022, and then be exercisable until 2024. The exercise price is $1.172, being the average closing price for the five business days immediately preceding the date of grant.

No options were exercised during the six months ended 31 December 2019 (2018: Nil).

13 CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2019 not provided for in the interim financial report:

	At 31 December 2019 $'000	At 30 June 2019 $'000
Contracted for	**3,527**	151

14 MATERIAL RELATED PARTY TRANSACTIONS

(a) During the period, the Group processed supplied materials and delivered the finished products to a related company, Van de Velde N.V. ("VdV"), for revenue of approximately $36,279,000 (for the six months ended 31 December 2018: $54,645,000).

As at 31 December 2019, the balance of trade receivables from VdV amounting to approximately $1,302,000 (at 30 June 2019: $3,493,000) was included in trade and other receivables.

As at 31 December 2019 and 30 June 2019, 25.66% of the Company's ordinary shares were held by VdV.

(b) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 31 December	
	2019	2018
	$'000	$'000
Salaries and other benefits	**12,234**	8,295
Retirement benefit scheme contributions	**72**	57
	12,306	8,352

The remuneration of directors and key management is determined by the Group's compensation committee having regard to the performance of individuals and market trends.

REVIEW REPORT TO THE BOARD OF DIRECTORS OF TOP FORM INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 3 to 27 which comprises the consolidated statement of financial position of Top Form International Limited (the "Company") as of 31 December 2019 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31 December 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 February 2020

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "Board") of Top Form International Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively "Top Form" or the "Group") for the six months ended 31 December 2019.

BUSINESS REVIEW

Over the last 18 months, as the US China trade dispute escalated, Top Form increased the pace of shifting production of our US exports to our South East Asian plants. Our action has helped to reduce some of the impact from the additional 15% import tariffs levied on brassiere products from China into the US, which went into effect on 1 September 2019. Yet, during this period, the Group still had to absorb some portion of the US import tariffs with our customers for products that required specialized Chinese technology and the support of the Chinese supply chain which we had to ship out of our China factories.

On 20 August 2019, a wholly-owned subsidiary of the Company entered into a joint venture agreement to set up a seamless manufacturing facility in Thailand. As of 31 December 2019, the seamless manufacturing facility has more than 100 units of circular knitting machines installed and has started trial run in December.

During the period, in monetary terms, 74% of sales were to the US market, 17% to the EU and 9% to the rest of the world. From the supply side, the overseas manufacturing facilities in Southeast Asia accounted for 74% of the global production output whilst China accounted for the remaining 26% during the period.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 6% from HK$606.7 million to HK$644.6 million for the six months ended 31 December 2019. This increase in revenue was mainly driven by the robust demand of the fully fused and seamless products, the addition of several new customers during the period, and offset by lower sales to European customers.

Gross Profit

Gross Profit increased from HK$99.8 million to HK$107.3 million during the six months period. Gross profit margin improved slightly from 16% to 17%.

Selling and Distribution Expenses

Selling and distribution expenses primarily comprised of freight and transportation costs, employee benefits of sales and sales support personnel, and customer sample costs. The Group's selling & distribution expenses amounted to HK$19.5 million for the six months ended 31 December 2019, against HK$19.6 million for the six months ended 31 December 2018.

General and Administrative Expenses

The Group's general and administrative expenses amounted to HK$108.7 million for the six months ended 31 December 2019, against HK$101.6 million for the six months ended 31 December 2018. The increase in general and administrative expenses was mainly attributable to the increase in product development costs.

Loss for the period

The Group recorded a net loss of HK$13.2 million for the six months ended 31 December 2019, as compared to HK$13.9 million in the corresponding period last year.

FINANCIAL POSITION

The financial position of the Group remains healthy with shareholders' funds standing at HK$501 million as at 31 December 2019 compared with HK$516 million as at 30 June 2019.

Bank balances and cash stood at HK$72.3 million with short term bank borrowings of HK$56.3 million. Total credit facilities available to the Group amounted to HK$110 million and gearing ratio was 19.2%. As at 31 December 2019 and 30 June 2019, the Group did not have assets pledged for bank borrowings.

The Group strives to improve the working capital management and focus on the overall cash conversion cycle days which are calculated by adding the inventory turnover days and receivables turnover days and subtracting the payables turnover days. For the six months ended 31 December 2019, the cash conversion cycle days were 54 days as compared to 57 days for the year ended 30 June 2019.

	For the six months/year ended	
	31 December 2019 (Days)	30 June 2019 (Days)
Inventory turnover days	**64**	57
Receivables turnover days	**56**	60
Payables turnover days	**66**	60
Cash conversion cycle days	**54**	57

Capital expenditure during the period amounted to HK$60 million of which the majority was for the establishment of seamless manufacturing facility and also the expansion of overseas factory capacity.

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.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

OUTLOOK AND FUTURE DEVELOPMENT

On 15 January 2020, a truce to the 18-month trade conflict emerged as the USA and China signed the "Phase 1" deal as both sides seeks to de-escalate the trade tension that has affected global trade for a better part of two years. While the immediate effect for Top Form was the lowering of the additional import tariffs of 15% on our brassiere products to 7.5%, we expect this additional tariff will remain in force for the foreseeable future.

As the threat of increased trade tension between US and China subsides the world is now reckoning with another global crisis arising from coronavirus originating from China. While the Group has taken proactive steps to work with customers and suppliers to minimize the impact to our overall business the unprecedented measures being put in place by the Chinese government to contain the virus are expected to cause significant disruption to global supply chain and we foresee our operations will be negatively affected during the second half of this financial year.

Against the backdrop of major disruptive events around the world, the Group expects these turbulences will certainly have an adverse impact to our near term financial results. Yet, in spite of that, we continue to see positive signs emerging from our major strategic initiatives including, expanding our manufacturing footprints and technology in South East Asia, investing in people, product innovation and design, and information technology, and broadening our markets by on boarding major global brands and retailers. During the immediate term, the Group remains focused on driving operational efficiency across all of our operations, and continuing to ramp up our overseas manufacturing capacity, including our newly developed Myanmar factory and seamless manufacturing facility.

OTHER INFORMATION

DIRECTORS' OR CHIEF EXECUTIVES' INTERESTS

As at 31 December 2019, the interests and short positions of the Directors or the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (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 share options 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%
	Beneficial owner	–	200,000		
Mr. Wong Kai Chi, Kenneth	Persons acting in concert *(note 4)*	60,626,823	–	60,826,823	28.29%
	Beneficial owner	–	200,000		
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:

1. Details of the share options granted to the Directors by the Company are set out in the section headed "Share Option Scheme" of this report.

2. 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.

3. 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.

4. 60,626,823 shares were deemed to be interested by Mr. Kenneth Wong who was a party to certain agreements to which sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.

5. 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.

6. 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.

Certain nominee shares in the Company's subsidiaries were held by Mr. Wong in trust for the Company's subsidiaries as at 31 December 2019.

Save as disclosed above, none of the Directors nor his/her associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2019, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO and as far as was known to the Directors of the Company, persons (other than the 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

Name of Shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
High Union Holdings Inc.	Beneficial owner and persons acting in concert *(note 1)*	60,626,823	28.19%
TGV	Beneficial owner and persons acting in concert *(note 2)*	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 *(note 3)*	10,772,000	5%

Notes:

1. 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 sections 317(1)(a) and/or (b) of the SFO (Cap. 571) apply.

2. 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. 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.

SHARE OPTION SCHEME

Pursuant to a resolution passed on 3 November 2011 (the "Adoption Date"), a new share option scheme (the "Scheme") of the Company was adopted for the primary purpose of providing incentives or rewards to the Directors, employees or any other persons at the discretion of the Board, and the Scheme will end on 2 November 2021. Under the Scheme, the Board may grant options to eligible employees, including directors, executives or officers of the Company and its subsidiaries and any other persons at the discretion of the Board to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on the Adoption Date, being 107,518,812 shares. Following the share consolidation (on the basis of every five issued and unissued shares of HK$0.10 each consolidated into one share of HK$0.50 each in the capital of the Company) which became effective on 23 May 2014, the total number of shares which may be issued on exercise of the options which may be granted under the Scheme shall not exceed 21,503,762 shares. The number of shares in respect of which options may be granted to any individual in any 12 month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any 12 month period in excess of 0.1% of the Company's issued share capital and with a value in excess of HK$5 million on the date of offer must be approved in advance by the Company's independent shareholders.

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

During the six months ended 31 December 2019, a total of 5,920,000 share options were granted under the Scheme, and no share options were exercised, cancelled or lapsed under the Scheme.

Details of movements of the share options granted under the Scheme to the Directors and employees during the six months ended 31 December 2019 were as follows:

				Number of share options				
Grantee	Date of grant	Exercise price per share (HK$)	Exercise period	Outstanding as at 1 July 2019	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 31 December 2019
Directors								
Mr. Wong Kai Chung, Kevin	30 September 2019	1.172	30 September 2022 to 29 September 2024	–	200,000	–	–	200,000
Mr. Wong Kai Chi, Kenneth	30 September 2019	1.172	30 September 2022 to 29 September 2024	–	200,000	–	–	200,000
Employees								
In aggregate	30 September 2019	1.172	30 September 2022 to 29 September 2024	–	5,520,000	–	–	5,520,000
Total				**-**	**5,920,000**	**-**	**-**	**5,920,000**

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 six months ended 31 December 2019.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

AUDIT COMMITTEE

The Audit Committee comprises 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 has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters, internal controls and risk management systems.

The Company's unaudited interim financial report for the six months ended 31 December 2019 has been reviewed by the Audit Committee and KPMG, auditors of the Company.

CORPORATE GOVERNANCE

The Company has, during the six months ended 31 December 2019, 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 and A.4.2

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

UPDATES ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the directors of the Company since the publication of the 2019 annual report of the Company are set out below:

- With effect from the conclusion of the annual general meeting held on 31 October 2019, Mr. Chow Yu Chun, Alexander retired as an independent non-executive director of the Company and ceased to be the chairman of the Nomination Committee and a member of the Audit Committee of the Company.

- With effect from the conclusion of the annual general meeting held on 31 October 2019, Mr. Fung Wai Yiu, a non-executive director of the Company, resigned as a member of Nomination Committee of the Company. Mr. Fung also retired from his position as a director of Hongkong Sales (International) Limited on 31 October 2019.

- With effect from the conclusion of the annual general meeting held on 31 October 2019, Mr. Leung Ying Wah, Lambert, an independent non-executive director of the Company, was appointed as the chairman of Nomination Committee of the Company.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 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 period 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.

EMPLOYEES

As at 31 December 2019, the Group had employed approximately 8,589 employees (30 June 2019: approximately 8,853 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.

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

21 February 2020